

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

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## Summary of Recommendations

Budget 2014 should include further steps toward positive social assistance reform as a down-payment on poverty reduction, such as those we recommend below. Positive reform requires additional investment and cannot be achieved by simply reallocating benefits within the programs.

1. Make a commitment to adequacy through:
  - providing an additional \$100 to all recipients now, with additional support for OW singles;
  - determining what income adequacy means and committing to getting there in short order;
  - ending the practice of “red-circling” or freezing rate increases for some;
2. Make rule changes in OW and ODSP that would treat child support payments like earned income and make the pursuit of child support voluntary;
3. Make rule changes that would align the OW/ODSP definition of spouse with the *Income Tax Act*;
4. Commit to increasing an indexed OCB by \$100 / year for the next five years with no further restructuring of OW/ODSP rates for people with children;
5. Commit to creating a new extended medical benefit for all low-income Ontarians;
6. Maintain the program purpose of CSUMB and the HRB by restoring the programs; make transitional funding for CHPI permanent;
7. Ensure that the OW/ODSP Special Diet Allowance is not used to fund other reforms;
8. Provide funds to support tax return filing for low-income Ontarians to allow them to access tax-delivered income benefits and credits.

## **The Income Security Advocacy Centre (ISAC)**

ISAC 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, 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 such advocacy groups and organizations 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.

### **Further Steps on Positive Social Assistance Reform: a Down-Payment on Poverty Reduction**

All Ontario political parties have supported poverty reduction as a public policy goal, as evidenced by the Ontario Legislature's unanimous support for the 2009 *Poverty Reduction Act*. As Ontario's first five-year Poverty Reduction Strategy ends, we want to remind the parties that targeted action and investments had a positive impact on child poverty rates, even in an economic recession<sup>i</sup>. The next five-year Strategy is expected very soon.

The 2014 provincial Budget will be the first opportunity for all parties in the Ontario Legislature to signal their continuing commitment to poverty reduction. We urge the members of the Standing Committee to do so by ensuring that significant investments in positive social assistance reform are made in this budget, as a down-payment on the next five-year Poverty Reduction Strategy.

Reviewing social assistance was part of Ontario's first Strategy, and government has already committed to making social assistance reform the "cornerstone" of the next Strategy. Ontario's 2013 budget began to take positive steps toward reform, making important changes that the low-income community and advocates have long proposed. With Opposition support, Budget 2013 increased employment income exemptions for people on both Ontario Works (OW) and the Ontario Disability Support Program (ODSP) and increased asset exemptions and allowable gift amounts for people receiving OW. The budget also included a modest additional rate increase for single people receiving OW benefits, to begin to address the depth of their poverty.

These changes are important first steps on the road to positive reform. They are also important aspects of assisting people to pursue paid employment, which can contribute to positive income and social inclusion outcomes. We note, however, that these changes are not transformative and primarily help to mitigate the deep poverty that has been a prerequisite to accessing and remaining eligible for OW.

While government is currently conducting additional consultation with stakeholders towards larger-scale reforms, it is critically important that the momentum for positive reform started in last year's budget be continued through additional concrete, immediate improvements to social assistance as well as to other programs that support all low-income Ontarians.

### **Positive Reform Requires Additional Investment**

Positive reform of Ontario's social assistance system – reform that reduces the poverty of people receiving benefits and promotes their dignity and health – requires additional investment. Meaningful, positive change requires investing more resources up front in the right set of reforms to improve the lives of people on assistance now, which will realize program savings later. Reform cannot be undertaken with the expectation that program savings will be achieved in the short-term.

And similarly, reform is not an undertaking that can be achieved by reallocating benefits from one group of recipients to another. Protecting existing programs and benefits is critical while reform is underway. It is neither good public policy nor good moral leadership to take a benefit away from one group of recipients who live in poverty in order to try to alleviate even greater poverty in another group.

Reforming the social assistance system will be inevitably disruptive to the people who rely on its programs. Even positive restructuring of programs and services has the possibility of creating hardship. Reallocating or reducing funding while reforms are proceeding will only ensure it. The unacceptable risk of undertaking reforms without additional investments is that people who already live in poverty and insecurity will be made worse off.

This year's budget presents a critical opportunity for both government and the Opposition parties to take and support action that will reduce poverty and provide a positive climate for social assistance reform. We offer the following specific eight recommendations to further that goal.

#### **1) Make a Commitment to Adequacy and End the “Red-Circling” of Rate Increases**

By any measure, the current levels of income that people receiving social assistance depend on are not adequate, despite small increases to basic rates and new tax-delivered benefits for all low-income people. Those receiving social assistance continue to experience compromised health, social exclusion, and restricted opportunities to participate in the labour market and the community. And government has not yet defined income adequacy, particularly for the number of people on both programs who receive income supports over the medium to long term.

A commitment can and must be made to achieving income adequacy. We recommend that government do the work necessary, in consultation with people receiving OW and ODSP and other stakeholders, to determine an adequate level of income that reflects actual costs of living, and commit to achieving that level of income, potentially from a combination of rates and other income sources, within a defined and short period. This is

one example of the kind of transformative reform to social assistance that Ontarians are looking for.

While that important work is being done, a significant increase in social assistance rates must also be made to begin to address income inadequacy. Many advocates have recommended increasing benefits by \$100 / month, which the Commission for the Review of Social Assistance in Ontario<sup>ii</sup> (the Commission) adopted as a recommendation for single people on OW. We support this scale of increase over the short-term for all people receiving OW and ODSP, but do so recognizing that even an additional \$1,200 / year will not achieve adequacy for the majority, and especially for OW singles.

While this year's budget must include a significant rate increase for all, it should also continue to pursue the policy, started in last year's budget, of providing additional rate increases for single people on OW to address the depth of their poverty.

However, additional progress for singles on OW cannot be pursued at the expense of benefit levels for other family types, as was also seen last year. Of deep concern in last year's budget was a differential application of the 1% rate increase to families receiving ODSP benefits. Unlike people on OW, people receiving ODSP had the 1% increase applied only to the portion of the benefit attributable to the person with a disability and not his/her spouse or children. In other words, people with disabilities received a rate increase but their dependent family members did not.

In a situation in which all people in all types of families live in poverty while relying on OW or ODSP, a policy that "red-circles" or freezes the benefits of one group so that others can have their benefits increased is unacceptable and runs directly counter to the public policy goal of reducing poverty. As outlined above, positive reform of social assistance requires additional investment, not simply the reallocation of benefits from one group of poor people to another.

The rationale for freezing the benefits of ODSP family members comes from the Commission's observation that benefits provided for the spouses and children of persons with disabilities should not be greater than those for the spouses and children of persons on OW. Embedded in this observation lies an assumption about the lack of additional costs borne by the family members of people with disabilities, which is highly contested and has not been supported by empirical research.

If the underlying issue is to try to reduce the overall differential between OW and ODSP rates, the condition of overall poverty among both OW and ODSP recipients must also be understood. It is critically important that public policy decision makers understand that benefit rate cuts made in the late 1990's reduced OW rates to punishingly low and unsafe amounts, and that the rate differential between OW and ODSP are a direct result of this reduction. It is not the case that across-the-board percentage rate increases since 2005 have raised ODSP rates beyond what is needed. Indeed, despite rate increases, ODSP rates have not kept pace with inflation.

Reducing the poverty of people receiving OW and ODSP is not a zero-sum game; reforming social assistance and ensuring adequacy of incomes requires new and significant investments to be made.

## **2) Treat Child Support Payments as Earned Income and Make Pursuit Voluntary**

Both OW and ODSP currently require single parents, who are overwhelmingly women, to pursue child support as a source of income, usually through the family justice system. Once obtained, child support is deducted dollar-for-dollar from the single parent's OW or ODSP benefits.

The Commission recommended that child support be treated the same as earned income. Under current rules, this would mean exempting the first \$200 of child support, with a 50% benefit reduction for amounts in excess. The Commission also recommended that the pursuit of child support should be made voluntary rather than mandatory.

Providing a partial exemption for child support payments would meet the public policy goal of reducing child poverty by providing an additional income source for the single parents of children living in poverty. And making the pursuit of child support voluntary would allow families to make their own choices about the course of action that is right for their children.

The current requirement to pursue can have negative impacts on families, destabilizing child custody and visitation arrangements and family relationships and putting women at heightened risk of violence. And the pursuit of child support through the courts means an inappropriate expenditure of public resources through the courts and legal aid system, which are essentially being used to recoup money for the Ministry of Community and Social Services (MCSS) and municipalities. The costs incurred by the Ministry of the Attorney General should be weighed against the actual financial benefit to MCSS.

We recommend that rule changes be included in Budget 2014 to treat child support payments the same as earned income and to make the pursuit of child support voluntary.

## **3) Align the Definition of “Spouse” with *Income Tax Act* Provisions**

People receiving OW and ODSP can currently be deemed to be in a spousal relationship with another person if they have lived together in the same residence for three months. As such, the eligibility of either person for continuing OW or ODSP benefits becomes dependent on the income of the other. This creates situations where people who believe they are not living as spouses but may be deemed to be spouses by social assistance have their benefits reduced or suspended. When applied retroactively, this requirement can and does create overpayments. In both instances, financial hardship is the result.

This rule also restricts the ability of many people on social assistance, and particularly those with disabilities receiving ODSP, to build intimate relationships. This is because the program can and does impose a financial obligation for support on a partner, despite the fact that three months is hardly a sufficient period of time to determine whether or not a relationship is stable and long-lasting.

The current rule is out of step with other areas of law. Under the *Family Law Act*, for example, support obligations do not come into force until two people live together for three years. Under the *Income Tax Act*, that obligation does not start until after one year of cohabitation.

While many advocates, including ISAC, have been advocating for aligning social assistance rules with family law, the Commission recommended an alignment with the *Income Tax Act*. The time for change is now, however, and thus aligning the current rules with the one-year obligation in the *Income Tax Act* would be an important step to take in Budget 2014.

#### **4) Increase the Ontario Child Benefit with No Further Social Assistance Restructuring**

A cornerstone of Ontario's first Poverty Reduction Strategy was the Ontario Child Benefit, first introduced in 2007. The doubling of the OCB in 2009 as a counter-recessionary measure was a strong contributor to the reduction in the rate of child poverty between 2008 and 2011. The increase to the OCB in July 2013 and the commitment to a further increase in July 2014 continue to demonstrate an understanding of the importance of income transfers in reducing child and family poverty in Ontario.

The OCB must continue to play a central role in reducing child poverty in Ontario. We join Ontario Campaign 2000 in recommending that the OCB be increased by \$100 / year, with inflationary indexing, in each year of the next five years, until the end of the next poverty reduction strategy in 2018<sup>iii</sup>.

The OCB must also, however, begin to play a larger role in addressing the inadequacy of incomes of families receiving OW and ODSP. When the OCB was implemented in 2007, advocates pushed for a commitment that people on social assistance would benefit as much from the OCB as other low-income Ontarians. Instead, social assistance rates have been and continue to be "restructured" each time an increase in the OCB occurs. This restructuring represents a significant decrease in the Basic Needs allowance and child-related benefits for people with children on OW and ODSP since 2007, in order to move support for children out of social assistance and into the OCB.

Restructuring OW and ODSP benefits has undermined the policy goal of reducing child poverty. The challenge of responding to the depth of poverty experienced by families on social assistance remains.

We recommend ending the rate restructuring practice, particularly now that the vast majority of child-related benefits have been moved out of social assistance and into the OCB. Any increases to the OCB should not be accompanied by a further restructuring of OW and ODSP Basic Needs rates. All children in low-income families in Ontario should benefit equally from the OCB.

#### **5) Maintain the Program Purpose of CSUMB and the HRB by Restoring the Programs; Make Transitional Funding for CHPI Permanent**

The Community Start-Up and Maintenance Benefit (CSUMB) and the Home Repairs Benefit (HRB) were removed from social assistance starting in January 2013. CSUMB was a program that people on social assistance – whose incomes are among the lowest in the province – could rely on to pay for large, lump-sum expenses like first and last month's rent deposits, buying or replacing furniture, deposits on utilities, and paying overdue rent or utility bills. CSUMB allowed people on social assistance – and those going onto social assistance from homeless shelters, hospitals, and jail – to establish a

place to live, maintain an existing residence, prevent eviction, and prevent heat or other utilities from being shut off. HRB helped people on assistance who own their own home – and who have no other source of funding – to keep their home in a decent state of repair. It helped people pay for things like plumbing repairs, patching a leaky roof, or repairing damage from fire or floods.

Funds that equaled only half of CSUMB spending were moved into the new Community Homelessness Prevention Initiative (CHPI) in the Ministry of Municipal Affairs and Housing. CHPI consolidated five housing- and homelessness-related programs into one funding block intended to provide flexibility to local municipal service managers to address the housing and homelessness needs of low-income people in their local communities. Not only was a significant amount of funding lost, but also lost was the responsiveness that the needs-based nature of CSUMB provided. In addition, the requirement for an appeal of negative decisions was eliminated. The reform of housing-related programs for low-income Ontarians was used inappropriately to cut social assistance funding and reduce access to justice for people on social assistance.

While the five-program consolidation was expected, municipal service managers were not prepared for the elimination of CSUMB and HRB and the additional burden that the loss of these programs and half of CSUMB spending would cause. The problem was exacerbated by the imposition of a new cap on the amount of funds the province would provide to municipalities for OW and ODSP discretionary benefits.

In response to public outcry, government provided transitional funding of \$42 million to assist municipalities to adapt to the new funding regime. This transitional funding has helped to ease the burden, but it runs out at the end of March 2014. The need, however, will not end in March.

The loss of CSUMB resulted in the creation of replacement programs by some of Ontario's 47 local municipal service managers. In those that do exist, the amount of benefits available, eligibility criteria, and administration varies widely. Across the province, people on social assistance have had difficulty accessing funds to pay for previously covered, urgent expenses. The new CHPI funding regime means that the access to homelessness prevention funds provided to people receiving provincially-mandated social assistance support depends on the local municipality in which they reside. Given the depth of their poverty, which inevitably results in urgent situations of housing insecurity, they are condemned to an even greater threat of homelessness. The housing security safety net that CSUMB and the HRB used to provide is now gone.

CSUMB and the HRB should never have been eliminated in Budget 2012. The programs should rightfully be restored within social assistance, and we urge all parties to push for their restoration. But given that municipal service managers have been given the responsibility to meet housing and homelessness needs, they should at least be given sufficient funds to do so. As such, the \$42 million in transitional funding should be made a permanent part of the CHPI envelope.

## **6) Don't Use the Special Diet Allowance to Fund Other Reforms**

In preparation for Budget 2014, we want to underline the importance of ensuring that the Special Diet Allowance (SDA) be retained and not looked to as a source of funding for reform initiatives. As noted above, reforming social assistance will require an infusion of investment from outside the system, and simply redistributing funds within the system will not lead to success.

The SDA continues to be raised as a source of funding for other reform initiatives. But it is an essential program that supports the health of many ill and vulnerable people across Ontario. The program purpose is to fund specific, therapeutic dietary interventions that cost more than a regular, healthy diet required by people who have certain medical conditions. As such, even if basic income adequacy were to be achieved, the need for a program that provides for the additional nutritional costs associated with particular medical conditions would continue. This program must be retained.

Since 2011, the government has significantly changed SDA criteria and administrative procedures for the specific purpose of improving program integrity. Conditions covered by the SDA include those that have been identified by the Ministry of Health as a priority for preventive care – diabetes and hypertension are just two examples. And for these conditions, changing one's diet is the first line of medical treatment and much more cost-effective than medication and hospitalization.

Taking the SDA away from low-income Ontarians who are ill to redistribute the funds to other low-income people makes no sense from either a policy or a social justice perspective. Such a move would simply be a cut in benefits, which will have both short- and long-term negative consequences.

## **7) Extended Medical Benefits for All Low-Income Ontarians**

One of the most critical responses to the challenge of the growth of precarious work is the provision of extended medical benefits – vision, drug and dental – to all low-income Ontarians, both children and adults. The hardship that lack of extended medical coverage places on low-income workers and their families must be addressed, as both the income security and the health of Ontarians are being increasingly jeopardized.

In addition, the provision of extended medical benefits for all low-income Ontarians would respond to the challenge faced by people leaving the social assistance system for paid employment, who often lose the health-related benefits provided by the system when they move into the workforce. Particularly for people with disabilities and those with children, the fear of the loss of health-related benefits is a major barrier to entering or returning to the workforce. This issue was identified by the Commission, which recommended creating such an extended medical benefit system.

Current benefits available for people receiving social assistance and others who receive publicly-administered health-related supports would have to be maintained until such time as a fully operational system is put in place.

Extended medical benefit provision would represent a significant, transformational reform that would have positive ripple effects throughout a number of government programs and areas of the economy. Such a structural reform would leave a legacy for generations. We strongly recommend that such a program be pursued.

## **8) Support Tax Return Filing for Low-Income Ontarians**

Tax-delivered benefits and credits play an important role in boosting the incomes of low-income people in Ontario, including those receiving support from OW and ODSP. But these benefits, like the Ontario Child Benefit and the Ontario Trillium Benefit, are only available to those who are able to file their income tax returns.

With an increasing amount of direct income support benefits being provided through the tax system, 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. Only by supporting tax return filing will government make the most effective use of the potential of the tax-delivered benefits and credits that have been created to support low-income Ontarians, including people on social assistance.

Budget 2014 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.

Thank you for your consideration of this submission and our recommendations for Budget 2014. We would be happy to respond to any questions you may have.

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<sup>i</sup> Ontario's child poverty rate of was down from 15.2% in 2008 to 13.8% in 2011, the latest year for which Statistics Canada figures are available. This means 41,000 fewer children were living in poverty, a reduction of just over 9% in three years that include the height of the global recession and slow economic recovery. See DeGroot-Maggetti G. and S. Blackstock. 4 Dec 2013. *Poverty Reduction Key to Fairer, More Prosperous Ontario*. Opinion Editorial, Toronto Star: [http://www.thestar.com/opinion/commentary/2013/12/04/poverty\\_reduction\\_key\\_to\\_fairer\\_more\\_prosperous\\_ontario.html](http://www.thestar.com/opinion/commentary/2013/12/04/poverty_reduction_key_to_fairer_more_prosperous_ontario.html)

<sup>ii</sup> Lankin, F. and M.A. Sheikh. 2012. *Brighter Prospects: Transforming Social Assistance in Ontario*. A report to the Minister of Community and Social Services. Commission for the Review of Social Assistance in Ontario. Available at: [http://www.mcass.gov.on.ca/documents/en/mcass/social/publications/social\\_assistance\\_review\\_final\\_report.pdf](http://www.mcass.gov.on.ca/documents/en/mcass/social/publications/social_assistance_review_final_report.pdf)

<sup>iii</sup> Ontario Campaign 2000. 2013. *Beyond Austerity: Investing in Ontario's Future. The 2013 Report Card on Child and Family Poverty in Ontario*. Family Service Toronto. See Recommendations, p.12. Available at: <http://www.campaign2000.ca/Ontario/reportcards/2013Nov26OntC2000RepCard.pdf>