



Income Security Advocacy Centre Centre d'action pour la sécurité du revenu

Submission to the Standing Committee on Finance and Economic Affairs - Pre-budget consultation, February 2004

prepared by the Income Security Advocacy Centre

Introduction

The Income Security Advocacy Centre (ISAC) is a provincial test case and law reform clinic that is part of Legal Aid Ontario, which includes 79 community legal clinics.

Inevitably, in discussions about budgets, we focus a lot of our attention on numbers. As a result, it's easy to lose sight of the people whose lives are going to be affected by the decisions about which numbers to use – especially low-income people.

The previous government did a lot to perpetuate myths about low-income people in order to justify turning a blind eye to the consequences for low-income people of decisions to cut social assistance rates. We hope, however, that the Committee will keep in mind that low-income people are not disposable and just because their needs are not deemed to be a high priority by public opinion, those who hold political office have a responsibility to exercise leadership, to do the right thing, to make difficult public arguments and to make hard political choices.

Recasting the debate

We offer our submission in the hope that we are participating in a truly open and full debate about the future of public services in Ontario. That debate cannot happen without looking at both revenue and expenditure. To date, the debate has been restricted by the government's insistence that it would not raise taxes.

Public services in Ontario are in desperate need of rebuilding. More cuts are simply not possible. The people of Ontario understand this. The people of Ontario know they may have to pay higher taxes, taxes that will support better public services.

Social assistance rates

Social assistance is one of the key components of income security in Ontario. However, Ontario Works and Ontario Disability Support Programme benefits are failing to provide adequate income security, largely because the rates are so low.

People on social assistance, as you well know, are living far below the poverty line. Recall that in 1995, the previous government slashed social assistance rates by 21.6%. That cut, today is worth approximately 37%.

Every day in legal clinics across Ontario, we hear from people who are struggling, who are facing decisions about whether they should pay their rent or buy groceries. People are having to make choices that no one in this province should have to make. A mother should not have to pick road kill off the road in order to feed her children – as a woman in Durham region reported she had to do. Nor should a woman with three young children and a husband on disability find herself in a position where her part-time wages are so low, the disability benefits her husband receives so inadequate and her ability to take on more paid work outside the home so limited that she is forced to act as a surrogate mother in order to provide for her family – as a woman in London is.

The stories of the dire consequences of the inadequate rates are many.

And to put it in numbers, consider for instance that a single mother with one child receives a shelter allowance of \$511 while the average cost, in Ontario, of a 1-bedroom apartment is \$767. The average cost of a 2-bedroom apartment is \$866. (Below please find a chart that compares income provided by social assistance to the Low Income Cut-Off and the Market Basket Measure, as well as a chart that compares the shelter allowances provided by social assistance to average rents calculated by the Canada Mortgage and Housing Corporation.)

Contrary to representations made by the previous government, people on social assistance are not lazy cheats. The reality is that the vast majority of people on social assistance are there for one of three reasons: i) they've lost a job, ii) they've lost a spouse or iii) they're ill. We need a social assistance rates that enable people to have an adequate standard of living while they are dealing with a rough patch in their lives.

Comparison of yearly social assistance income to Market Basket Measure and Canada Low-Income Cut-Off

Family size	OW rate ¹	ODSP rate ²	Low Income Cut-Off ³	Market Basket Measure ⁴
One adult	\$6240	\$11 160	\$16 407	\$12 225.75
One adult+one child ⁵	\$10 812	\$17 088	\$20 651	\$17 116.05
One adult + two children	\$13 032	\$19 068	\$25 684	\$20 783.35
Two adults + one child	\$12 360	\$18 984	\$25 684	\$22 006.35
Two adults + two children	\$14 136	\$21 240	\$31 090	\$24 451.50

Comparison of monthly shelter allowances to average rent

Family size	OW shelter allowance ⁶	ODSP shelter allowance ⁷	Average rent
One adult	\$325	\$414	Bachelor \$651
One adult +one child ⁸	\$511	\$652	1-bedroom \$767
One adult + two children	\$554	\$707	2 bedroom \$866
Two adults + one child	\$554	\$707	2 bedroom \$866
Two adults + two children	\$554	\$768	3 bedroom + \$1084

¹ Ontario Works benefits are provided to people who are unable to find paid employment or are unable to work.

² Ontario Disability Support Programme benefits are provided to people with disabilities that prevent them from working for an income.

³ Before-tax, after transfer 2002 LICOs for a city with a population of 100 000-499 999. Statistics Canada, *Low Income Cutoffs from 1992 to 2001 and Low Income Measures from 1991 to 2000*, Catalogue no. 75F0002MIE — No. 005

⁴ Calculated based on the average Ontario Market Basket Measure.

⁵ All calculations are based on child(ren) 12 years old or under.

⁶ Ontario Works benefits are provided to people who are unable to find paid employment or are unable to work. The benefits are broken into a shelter allowance and a basic needs allowance.

⁷ Ontario Disability Support Programme benefits are provided to people with disabilities that prevent them from working for an income. The benefits are broken into a shelter allowance and a basic needs allowance.

⁸ All calculations are based on child(ren) 12 years old or under.

In examining those charts, you will see that the promise made by the Premier McGuinty and Minister Papatello to raise the rates in line with cost of living – that’s about 2% - is far from adequate. A 2% increase for a single mother with one child means an additional \$23.26 a month – barely enough for a bag of diapers.

And even that promise of a cost of living adjustment is now being tempered with the warning that it may be delayed because of the deficit.

It is ISAC’s position that the social assistance rates should be raised to reflect the real cost of living – that means shelter allowances that are based on the average local rents as calculated by the Canada Mortgage and Housing Corporation and a basic needs allowance that is based on the Nutritional Food Baskets prepared by local health units as well as 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, of course, is not only ours. The Jury that examined the death of Kimberly Rogers also recommended that the rates be reviewed in order to ensure they reflect the real cost of living.

It is ISAC’s position that ending the clawback of the National Child Benefit (NCB) from social assistance cheques is a crucial and necessary step that the Government needs to take immediately and account for in the 2004 budget. Ending the clawback of the NCB would make a meaningful difference in the monthly income of social assistance recipients with children.

However, it is also ISAC’s position that simply ending the NCB clawback is insufficient on its own. The rates themselves also need to be raised to reflect the actual cost of living.

Increasing government revenue

We anticipate that even if members of the Committee were in agreement regarding the need to raise the rates, we would be advised that the deficit stands as an obstacle.

Indeed, Premier McGuinty has suggested that people in Ontario have to enter into a discussion with our new Government about what our priorities are, and now, in the wake of the \$5.6 billion deficit, what we are willing to sacrifice.

It seems, however, that the people of Ontario have already identified our priorities – they are the priorities that the Liberals campaigned on – good public services. People in Ontario are fed up with overcrowded classrooms, impossibly long waiting lists for MRIs and kids going hungry. We want change that will improve the quality and accessibility of public services. These are our priorities. And to be sure, they are reasonable expectations. It is reasonable to expect that in Ontario, one of the richest places in the world, we are able to ensure everyone has adequate food and shelter. Indeed, to have any other expectation would not only be unreasonable, but inhumane.

In setting these priorities, we sacrificed the previous government, their neglect of public services, their divide-and-conquer techniques and their tax cuts.

Our attention, therefore, does not need to be focussed on from where we think \$2 billion worth of public programs and services can be cut, but rather on what the Premier himself has referred to as the province's structural deficit. The question we need to be discussing is: How do we increase government revenue to pay for the public programs and services people in Ontario want?

Among his promises to rebuild public programs and services, Premier McGuinty has also promised not to raise taxes. Both of these promises cannot be kept – one of them is going to have to be broken.

We remind the Liberal and NDP members of the Committee that while the Tories were in power, you consistently voted against tax cuts presumably because there was an understanding that we simply couldn't afford them. Indeed, we couldn't afford them then and we can't afford them now.

Analysis by the federal Finance department indicates that as a result of the tax cuts implemented by the previous government, \$11.9 billion in government revenue was lost. It is forecasted that \$13.3 billion will be lost in 2003-04 and \$17.5 billion by 2005-06.

We join others in urging the Government to increase each personal income tax and corporate tax rate by 2% and eliminate exemptions from the Employer Health Tax.

Further, we urge the Government to use a portion of this recovered revenue to raise social assistance rates to reflect the real cost of living based on the calculations noted above.

Conclusion

In sum then, we strongly urge the Committee to recommend recovering much-needed Government revenue by rolling back Tory tax cuts. Specifically, we are calling for a 2% increase in each personal income tax and corporate tax rate, as well as the elimination of exemptions from the Employer Health Tax. Further, we urge the Committee to recommend ending the clawback of the National Child Benefit from people receiving social assistance and we urge the Committee to recommend increasing social assistance rates to reflect the actual cost of living.