

Proposed Changes to Ontario Social Assistance– Missed Opportunity for Families in Poverty

Income from social assistance should play an important role in poverty reduction among families in Ontario. Unfortunately, in the past two decades, social assistance rates in Ontario have steadily declined and are completely insufficient today. Families receiving social assistance face undue hardship in being able to afford childcare, housing, transportation, and food – all of which are necessities to live a life free of poverty. On November 22, 2018 the Ontario government announced significant changes to the social assistance program. Ontario Campaign 2000 is concerned about the direction of these changes and their effect on low income children and their families. Proposed changes to the definition of disability, increase in clawback rates, and ambiguous health spending and discretionary fund accounts raise questions about the efficacy of the social assistance program. In the latter part of our analysis, we offer recommendations giving the government an opportunity to create meaningful reform to lift families out of poverty. As we approach the provincial budget, we feel it is an appropriate time to reflect on these proposed changes and to highlight where government can fulfill its promise to provide a caring and compassionate system for those who need it most.

Past and Current Trends

Historical trends in Ontario show that social assistance rates have remained stagnant since the 1990s. In 1997, Ontario Works (OW) rates were cut by 21.6% and the Ontario Disability Support (ODSP) rates were frozen.¹ By 2005, social assistance rates began to rise but did not keep up with inflation over the next decade. In 2007, thanks to the introduction of the Ontario Child Benefit (OCB), welfare income for families with children rose. Families received another bump in 2015 because of the Canada Child Benefit (CCB). However, overall social assistance income remained at the same level for nearly twenty years.

According to the 2014 Canadian Community Health Survey, 64% of Ontario households reliant on social assistance were food insecure – this means nearly two-thirds had inadequate access to food because of financial constraints.² The latest data from the Ontario Association of Food Banks shows that

Fig 1: Depth of Poverty for Families in Ontario on OW, 2018



Notes:
(1) Total income includes OW Basic Needs and Maximum Shelter amounts, the Ontario Child Benefit (OCB), Canada Child Benefit (CCB), the Ontario Trillium Benefit, and the GST credit. In order to receive child benefits and tax credits, families must have filed their prior years' tax returns. Amounts are best estimates.
(2) 2018 CFLIM-AT figures are calculated based on 2018 CFLIM-AT from Statistics Canada, (2018), Table 11.10-0017-01. After-tax low income status of census families based on Census Family Low Income Measure (CFLIM-AT), by family type and family composition, 2016, with inflation added using Bank of Canada Inflation Calculator. Please refer to pg. 45 in Campaign 2000's national report card, *Bold Ambitions for Child and Family Poverty Eradication*, for more information about Statistics Canada's methodology change and the CFLIM-AT.
(3) Laidley, J. (2018 November). Families in Ontario on OW, 2018 rates - custom tabulation. Income Security Advocacy Centre.

¹ Income Security Advocacy Centre. (n.d.). 10 Myths and 10 Realities of Social Assistance in Ontario. Retrieved from: <http://incomesecurity.org/policy-advocacy/100-days-take-action-before-november-8/>.

² PROOF. (<https://proof.utoronto.ca/wp-content/uploads/2017/05/social-assistance-factsheet.pdf>)

1 in 3 food bank clients are children.³ Food insecurity has severe negative repercussions on the mental and physical health of children leading to a greater risk of developing behavioural problems and a greater likelihood of developing chronic health issues such as depression and mood disorders.⁴

The inadequacy of social assistance is further highlighted by figure 1, which shows how staggering the depth of poverty is for families on OW. A couple with two children receiving OW is \$11,269 below the Census Family Low Income Measure After Tax (CFLIM-AT). Ontario's social assistance program does not adequately support Ontario families who fall into poverty – people turn to social assistance as a last resort as they deal with trauma, health issues, or the death of a loved one. It is deplorable that those who have exhausted all other avenues of income and support live in poverty. Living in poverty takes a toll on physical and mental health and leads to early death – the province can and must do better for the one million Ontarians in receipt of social assistance.

What's New?

1. Definition of Disability

The current definition of disability in Ontario is supported by many ODSP recipients and advocates alike.⁵ Disability is defined as lasting up to one year or more where a person is restricted in their day to day living (whether at work, in their community, or in personal care) with both physical and mental impairment included.⁶ The province proposes to align with federal definitions of disability which are more restrictive.

The definition of disability that the Canadian Pension Plan uses has two criteria: the disability must be 1) severe; and 2) prolonged. Those who may have episodic disabilities or whose disabilities are not severe but still cause barriers in gaining employment would be excluded. For example, people with chronic pain, HIV/AIDS, or rheumatoid arthritis will not have access to ODSP. People who are currently on ODSP will be 'grandparented' but future social assistance recipients who live with a disability would be excluded from accessing the program if they do not meet the definition of disability, potentially leading to marginalization and isolation.⁷

2. Income Exemption and Clawbacks

The province calculates social assistance rates by adding together provincially-set and regulated budgetary requirements before subtracting income. This subtracted income is commonly referred to as a clawback. To encourage people to work, the government provides

³ Quan, A., King, A., & Fotheringham, E. (2017). *Hunger Report 2017: The Rising Cost of Housing and its Impact on Hunger in Ontario*. Ontario Association of Food Banks.

⁴ Ibid, 6.

⁵ Income Security: A Roadmap for Change. (2017). Retrieved from: <https://www.ontario.ca/page/income-security-roadmap-change>

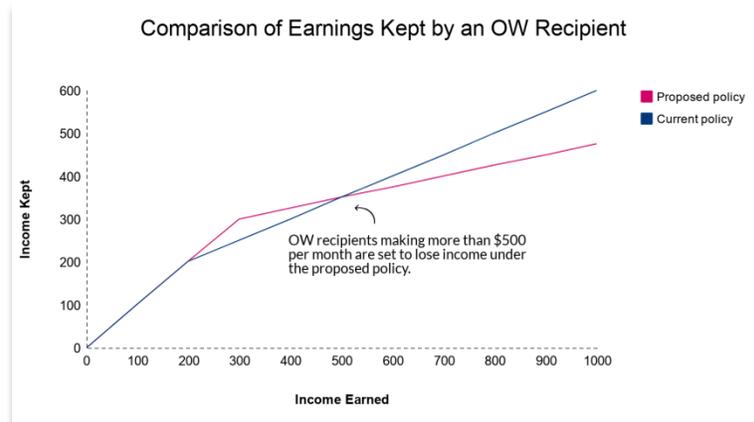
⁶ Ontario Disability Support Program Act, SO 1997, c. 25, Sched. B, s. 4(1)

⁷ Grandparenting could mean that those individuals who are currently on ODSP will remain under the current, more inclusive, definition of disability. However, grandparenting could be undermined by the regular medical reviews which determine whether or not an ODSP recipient still meets the program's definition of disability. If these reviews are conducted under a more restrictive definition, current ODSP recipients could also be at risk of losing their disability status.

income exemptions which let people keep some of their income each month up to a certain fixed amount before clawing back earnings after that amount at a regulated rate.

Currently, an income exemption of \$200 per month for an OW recipient means that the first \$200 earned is not subtracted from the amount of social assistance provided. After that initial \$200, a clawback rate of 50% means that the OW recipient will receive \$0.50 less assistance for every dollar earned. This translates to the OW recipient keeping all their income for the first \$200 earned, and half for all earnings made after that point.

The proposed policy increases the fixed amount of earning that recipients can keep each month to \$300, an improved incentive to enter the workforce where possible. However, this incentive is limited by an increased clawback rate of 75% on earnings beyond \$300, which provides a very limited range of monthly earnings where employment is more beneficial than under the current policy (see graph, below).



In 2017/2018, the average earnings of an OW recipient were \$815 per month. Under the current policy, someone making the average would keep \$507.50, while under the proposed policy this amount drops to \$428.75. In other words, an OW recipient making the average income can expect to lose \$78.75 per month under the new policy.

For ODSP recipients, the income exemption has been switched from a monthly to an annual basis, now set at \$6,000/year per recipient. The annual calculation provides greater flexibility for recipients and they can also keep more of their income, but this again is limited by the increased clawback rate (also 75%). Moreover, with a narrower definition of disability likely tied to one's ability to work, the advantages of this change may be of limited benefit if fewer ODSP recipients are able to work and earn an income.

As a result of the changes, work is disincentivized for both OW and ODSP recipients. While the earnings exemption continues to help as it has over the past fifteen years, many people working to build their savings or to prepare for further employment will be keeping less of their earned income under this new policy. The government can do more to support families as they work to lift themselves out of poverty. Higher income exemptions and greater flexibility are welcome, but a lower clawback rate is essential to help recipients ramp up their income as they

prepare to leave social assistance and to develop a foundation that will help prevent their return to social assistance.

3. Discretionary and mandatory spending cuts

The Ontario government's new plan for social assistance provides few details about different aspects of the program. The state of mandatory and discretionary benefits is one such example of this lack of detail. Currently, these benefits provide funding to social assistance recipients above the base rates for items like transportation, clothing, health supports, and housing, generally in cases of medical need, emergency, or employment support.



The government has said it will “consolidate complex supplements and benefits” for ODSP and create a “flexible local discretionary fund” for OW.⁸ At this time, we do not know what this means for the availability of benefits, what amount of funding will be accessible, or what the eligibility criteria will be.⁹ If existing benefits are collapsed into a single discretionary fund, social assistance recipients could be left with fewer opportunities to apply for supports and could have no chance of appeal. In short, there is a real risk that social assistance recipients could be worse off. We therefore urge the government to ensure that new funding mechanisms and wrap-around supports increase life stabilization and quality supports by consulting with recipients and community organizations during the planning and implementation processes.

If these changes are meant to meet the stated government goals of reducing the time workers spend on administration and stopping the policing of recipients, there are already clear ways to reach these goals. For example, in July the government halted an assets limit increase and a change to the definition of spouse that aligned with the *Family Law Act*. Reinstating these changes would free up time for caseworkers to support recipients in their individual action plans.

⁸ Government of Ontario. (2018). Backgrounder: Reforming Social Assistance. Retrieved from: <https://news.ontario.ca/mcys/en/2018/11/reforming-social-assistance.html>

⁹ See ISAC's “OW & ODSP: What is a Health Spending Account”? for a detailed analysis of what the proposed benefits means for Ontarians on social assistance: <http://incomesecurity.org/public-education/ow-odsp-what-is-a-health-spending-account-ot-posph-quest-ce-quun-compte-gestion-sante/>.

Conclusion

The negative effects of the proposed changes could be somewhat mitigated by reducing clawback rates and maintaining the definition of disability to ensure that current and future recipients can have access to ODSP. Furthermore, the potential change towards a “health spending account” should account for the range of disability-related health benefits which people rely on and ensure adequate spending money, accessibility, and inclusivity.

Some of Ontario Campaign 2000’s recommendations include increasing ODSP and OW base rates and increasing the Ontario Child Benefit by \$100 per child per year. Modest increases give families more economic purchasing power and the freedom to spend on necessities like food, clothing, and rent as opposed to living stressfully, trying to get by day-to-day. Positive social assistance reform should help people out of poverty with dignity and respect.

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