

## ONTARIO 360 – POVERTY – TRANSITION BRIEFING

Reforming Ontario's income security programs to reduce poverty and expand opportunity

### Issue

Ontario's income security system is failing to meet the needs of many Ontarians with low incomes, contributing to increased poverty and lost opportunities. The incoming government faces decisions on the recommendations made by expert working groups in the Income Security Roadmap.<sup>1</sup>

### Overview: Income security in Ontario

The provincial government is responsible for a wide range of policies and programs aimed at boosting people's incomes to prevent and reduce poverty. Together with federal programs and contributory programs like CPP and EI, Ontarians receive about \$66 billion annually from income security programs. About one quarter of that comes in provincial programs and tax credits such as social assistance (\$8.5 billion), and the Ontario Child Benefit (\$1.7 billion).<sup>2</sup>

These programs represent a substantial portion of Ontario's budget and play a critical role in reducing and alleviating poverty for a large number of Ontario households. However, both active policy decisions and neglect have left Ontario's income security policy framework ineffective and inadequate. The current government appointed a trio of expert groups to provide advice to move forward, which produced a detailed ten-year roadmap for reform. While Budget 2018 included some initial measures in the form of modest short-term increases to rates, a commitment to a simplified flat-rate structure, and changes to earnings exemptions, it is largely up to the incoming government to act on the working groups' advice.

This briefing note outlines the core challenges with the current system that merit attention from the incoming government and highlights near-term and longer-term responses.

<sup>1</sup> "Income Security: A Roadmap for Change." Report submitted by the Income Security Reform Working Group, the First Nations Income Security Reform Working Group, and the Urban Indigenous Table on Income Security Reform. Available at: <https://www.ontario.ca/page/income-security-roadmap-change>.

<sup>2</sup> Ibid.

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## **The need for reform**

The challenges with the current income security system relate to both the design and the delivery of the programs, which combine to ensure that public policies and investments are failing to provide income security for lower-income Ontarians.

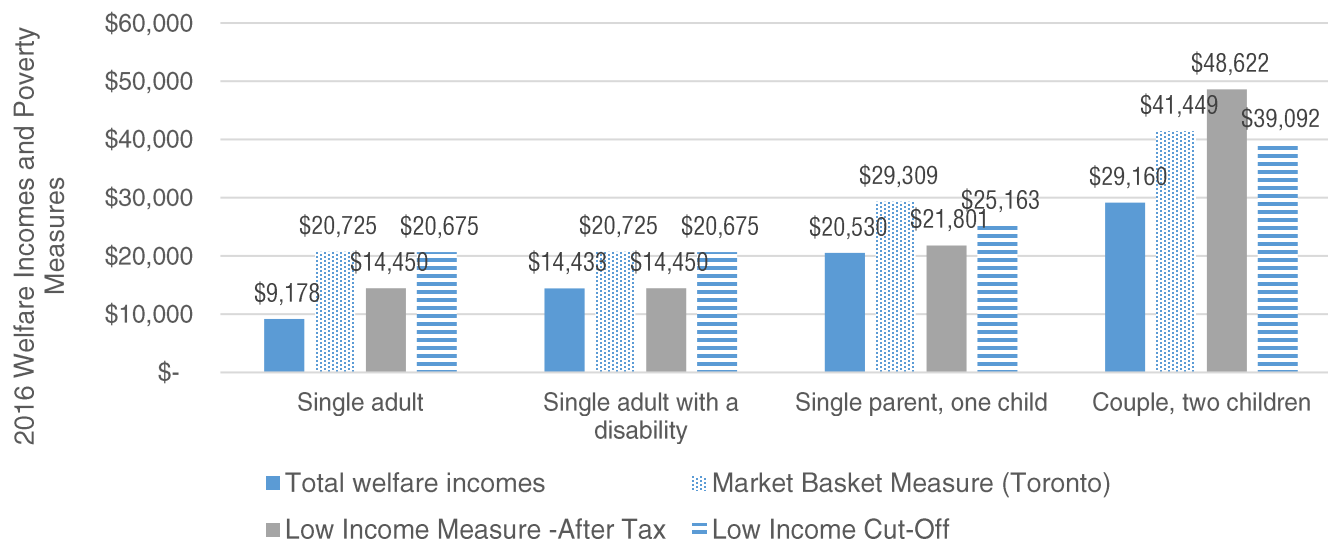
### ***The current system is designed around policing people's lives instead of improving them***

- To receive assistance, people applying for Ontario Works have to sign onerous “participation agreements” with detailed requirements about how they search for jobs, or face losing their assistance.
- These rules do not contribute to reducing poverty. They are time consuming for people living in poverty and front-line workers. They cause people who need assistance to lose their benefits for arbitrary reasons or to avoid applying in the first place.
- As people begin to earn more, the income security system acts as a counterweight rather than a boost to their progress. With every dollar earned, people lose 50 cents of social assistance at the same time that other benefits (for example, child benefits) might be clawed back. The loss of medical and drug coverage once people no longer qualify for social assistance is for many a significant risk of financial insecurity.

### ***Current levels of assistance leave people in deep poverty***

- By a range of measures, current levels of assistance provided to people in poverty in Ontario fall well short of adequacy.
- When you look at the combination of social assistance with other basic building blocks of the income security system, people are left in deep poverty, in particular single adults.

### Ontario's Income Security System and Poverty<sup>3</sup>



- One cause of this gap is that rates are not set to adjust based on need or inflation by default but are dependent on political decision-making.

***The income security system does not account for differences in cost of living throughout the province***

- The design of the income security system is not sensitive to significant differences in the cost of living throughout the province.
- People living in poverty in expensive housing markets like Toronto or in remote areas with very high cost of living are not as well-served by the income security system as people in similar situations elsewhere in the province.

The federal-provincial child benefit system over the past 20 years shows how investment in income security can make a substantial positive difference. This transformation shifted income support for children in low-income families out of social assistance to a separate income-tested program. It simplified the system significantly for both families and governments and has been effective

<sup>3</sup> Source: Anne Tweddle, Ken Battle and Sherri Torjman. *Welfare in Canada 2016*.  
[https://maytree.com/wp-content/uploads/Welfare\\_in\\_Canada\\_2016.pdf](https://maytree.com/wp-content/uploads/Welfare_in_Canada_2016.pdf).

in reducing child poverty, in large part by ensuring that support was not contingent on complying with a complex set of rules.

But despite longstanding and broad consensus on the need for reform, very little change has followed calls for major transformations by a number of independent commissions in recent years, including the Task Force for Modernizing Income Security for Working Age Adults in 2006, the Drummond Commission on the Reform of Ontario's Public Services in 2012, and the Lankin-Sheikh Commission on the Review of Social Assistance in the same year. With a new detailed ten-year roadmap for reform at its disposal, the incoming government has the opportunity to repair the long-neglected income security system.

## How to move forward

To move forward in response to the advice and recommendations of the working groups, the incoming government should set both a near- and longer-term agenda for reform to address the shortcomings of the current system.

### Near-term actions

- **Move to a flat-rate benefit for social assistance that combines the current basic needs and shelter amounts** into a single rate adjusted for household size. This reform, recommended in the Roadmap (and proposed in Budget 2018), would help to improve the adequacy of the income security system for those not receiving maximum shelter benefits (such as people who are homeless) and would make it much simpler for low-income Ontarians, for front-line workers, and for government.
- Building on the federal commitment of funding to provinces for a Canada Housing Benefit, **create a new housing benefit that is not tied to social assistance eligibility**, that would be available to low-income renters facing housing affordability pressures.
  - This benefit would make the income security system more sensitive to differences in cost of living.
  - Moving assistance for housing costs outside of the bundle of social assistance would also improve the overall design of the income security system by reducing the “welfare wall” effect that makes qualifying for social assistance an “all or nothing” bargain.

- While the social housing system ensures housing affordability for approximately 200,000 Ontario households, there are nearly as many households on waitlists for units. A housing benefit that supports Ontarians in housing need directly could provide support to those on the waitlists and provide more choice to those families.
- As the government develops the third Ontario Poverty Reduction Strategy, expected in 2019, **include targets and measures that focus on adult poverty alongside continued commitments on child poverty.**

### *Longer-term decisions*

- **Expand health benefits for people with a low income so that they are no longer tied to social assistance.** Building on the Roadmap recommendations, shift access to extended health services currently provided to people receiving Ontario Works or the Ontario Disability Support program to a new low-income health benefit that is not tied to social assistance eligibility.
- **Reform how income security is delivered to people.** Building on lessons from the Basic Income Pilot, reform access to the income security system, moving away from a system where officials make decisions about people's lives and worthiness to a system that empowers the individuals themselves.
- **Set a new goal for adequacy, taking into account the system as a whole.** Develop a clear pathway to ensure that the income security system as a whole provides adequate support to those experiencing poverty in Ontario, taking into account the combined effects of federal and provincial income security programs.

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