

OAB 2009

ONTARIO ALTERNATIVE BUDGET May 2009

The ‘Ball’ or the ‘Bridge’

THE STARK CHOICE FOR SOCIAL ASSISTANCE REFORM IN ONTARIO

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The Ball

Think about a small ball of string that you keep at home. Every time you have a loose piece of string, you wrap it around the ball and poke each end into the ball. You keep up the practice for years until you have an unkempt ball of string that is as big as a basketball.

In your mind’s eye, think of taking that large ball of string and immersing in a large vat of crazy glue. Take it out and let it dry until it is hard. Then think of handing it to a friend and saying “Your job is now to unravel the ball”.

The Bridge

Now think of a rickety old bridge that is still open to traffic. Again, in your mind’s eye, think of building a whole new bridge that will take even more traffic for years to come. At the moment the bridge is finished, you divert all the traffic from the

old bridge. The new bridge is working and the old bridge can now be dismantled.

The social assistance system can either be the ball of string in crazy glue or the old bridge that needs to be replaced. When the Ontario social assistance review begins, the immediate choice confronting the reviewers will be to decide between the ball or the bridge. They can choose to attempt to unravel a set of 800 rules, most of which are cast in the negative (i.e. no one is eligible unless...) or envisage a new and better system independent from resolving the current one. Alternatively, they can choose to do some unravelling that is consistent with the construction of a new system.¹

Unravelling the ball will be a long and involved process. Each time a rule is changed, another set of rules will emerge that will call for further change for internal consistency and fairness. Unintended consequences will require redress while new costs and savings will be noted. Unravelling the ball will require the dedication of an unprecedented level of expert resources and large amounts of concentrated blocks of time from decision makers.

Imagining and building the architecture for a new bridge will not take as long as unravelling the ball and will be far less complicated a task. The goal would be to replace the outmoded social assistance system with a new system of income transfers to individuals and families that largely abandons the traditional tenets of a welfare-based approach to meeting need.

What does the ball look like?

The current social assistance system in Ontario was rebuilt during the 1990s with the introduction of the Social Assistance Reform Act in 1997 and the subsequent introduction of the Ontario Works Act and the Ontario Disability Support Program Act in 1998 (two sets of rules).

The purpose was to provide a basic welfare program in Ontario Works (OW) whose success was predicated on the principle that only the neediest of the needy would receive assistance. Success was defined in terms of leaving the program. Reliance on the program was considered dependency.

The Ontario Disability Support Program (ODSP) was made separate from OW to draw a distinction between more 'deserving' people whose need for support was based on their disability. Reliance on the program is considered to be largely a matter of entitlement and people receiving benefits are not considered to be in a state of dependency.

The system as a whole starts by excluding people who are automatically ineligible (14 rules e.g. non-residents) and defines categories of persons (at least 8 sets of rules) who may receive benefits. Each program defines the benefit unit and each contains restrictive category-based rules that define who is and who is not dependent upon the person receiving benefits (at least 12 separate rules). There are complicated rules surrounding who is and who is not a spouse, along with who is and who is not a dependent child or a dependent adult.

After the category of recipient and benefit unit is defined, the needs test is then applied. The first aspect of the needs test is the liquid asset test that applies standard amounts by family size above which applicants and recipients alike may not qualify for social assistance. These limits vary by program (OW/ODSP), family size, and family structure (lone parent vs. two parent family). There are many inclusions and exclusions in the liquid asset rules (at least 42 separate rules applying differently in 3 separate situations).

Once an applicant or recipient's level of liquid assets are below the prescribed limits, the income test is applied. Some

income forms are exempted in their entirety (e.g. tax credits) while some are exempted in part (e.g. earnings). Still others reduce assistance on a dollar for dollar basis (e.g. child support). There are numerous full exemptions, partial exemptions and full inclusions (at least 66 separate rules).

The next test is the needs test that varies the cost of specified needs based on the cost of items to recipients. Basic needs excluding shelter are not individually needs tested while shelter is paid 100% up to very low maximums that vary by family size, by program, and by accommodation type.

Finally, a test of availability for work is applied in the Ontario Works program whereby recipients are required to participate in community and employment-related activities unless exempted (at least 25 separate rules).

Once all the tests are applied, an allowance structure based on basic, shelter and special needs that varies by program, family size, family structure, and accommodation type is used to determine the amounts of assistance that apply. From the basic and shelter amounts determined, available income is subtracted and the resulting amount is paid as assistance (for at least 25 separate rates of assistance). Special needs amounts are paid in addition to allowances.

Standards of administration, authorities and powers of program officials are part of the legislation, as is a regime of appeals.

Only 250 separate program rules defined in the regulations are identified here. The other approximately 550 rules are defined in other regulations, directives and, depending on definition, there are likely many more.

What does the new bridge look like?

The bridge that replaces the current social assistance system would be defined by a system that continues to make the important distinction between persons with disabilities and those without disabilities, in recognition of the additional needs of persons with disabilities.

In this system, children would be provided for through a separate income stream. Remaining social assistance benefits would be provided for adults only. Recipients' housing needs would be provided through a special housing benefit outside of the social assistance system, leaving the new bridge to provide basic benefits and special benefits only. There would only be two categories of benefits: for persons with disabilities and those without. The benefit unit definition would adopt the

current income tax definition so that new rules would not be separately required.

There would be no asset test and no needs test. Like the Canada Child Tax Benefit or the Ontario Child Benefit, income would be tested using tax definitions. Recipients with earnings would graduate directly to the Working Income Tax Benefit (WITB) program.

Opportunity planners would administer employment supports and employment testing with the principle of transition to the labour force paramount.

The benefit system would be made up of six components that add up to \$10,400 per year:

- a base refundable tax credit of approximately \$2,500 per adult
- the Working Income Tax Benefit (increased to) \$2,500 per adult
- a housing benefit averaging approximately \$1,250 per family
- a match to the tax free savings account of up to \$2,500 per year per adult
- emergency contingency funds of up to \$1,250 per year per adult; and
- GST credits of approximately \$400 per year²

There would be no claw backs in the new system.

For persons with disabilities, the ultimate goal is to provide a disability benefit that resembles Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) at the same rate as OAS/GIS. This is no pipe dream. Disability rates were exactly the same as the rates paid to seniors from 1973 to 1975 in Ontario through GAINS (Guaranteed Annual Income System for the Aged and Disabled).

For persons who do not have disabilities, the system would have elements that require participation. Therefore, the recommended \$10,400 would not be a guaranteed annual income but would represent a fundamental restructuring of basic income security for persons in need. It would essentially replace the welfare system. The emergency element of the current welfare system is important and this element should be retained.

How do we build the bridge?

There are several possible changes that lead from the current complex social assistance system to the simplified income system noted above. In other words, interim changes to the social assistance system can be accomplished in a way that smoothly leads to a new income transfer system for low-income working age adults. These are as follows:

- significant change to the current liquid asset limitation rules to exempt registered savings instruments like the TFSA and RRSPs while providing higher overall limits³
- implementation of a new housing benefit that would eventually replace the shelter component of social assistance⁴
- completion of the child benefit system in Ontario so the four elements of child benefits (the Child Tax Benefit, the National Child Benefit Supplement, the Universal Child Care Benefit, and the Ontario Child Benefit) are able to completely remove all children from the social assistance benefit structure⁵; and
- a suite of changes to rules that currently prevent transition to self-reliance.

These changes would move social assistance in the direction of the new system that would act as a bridge to a better life for low-income adults.

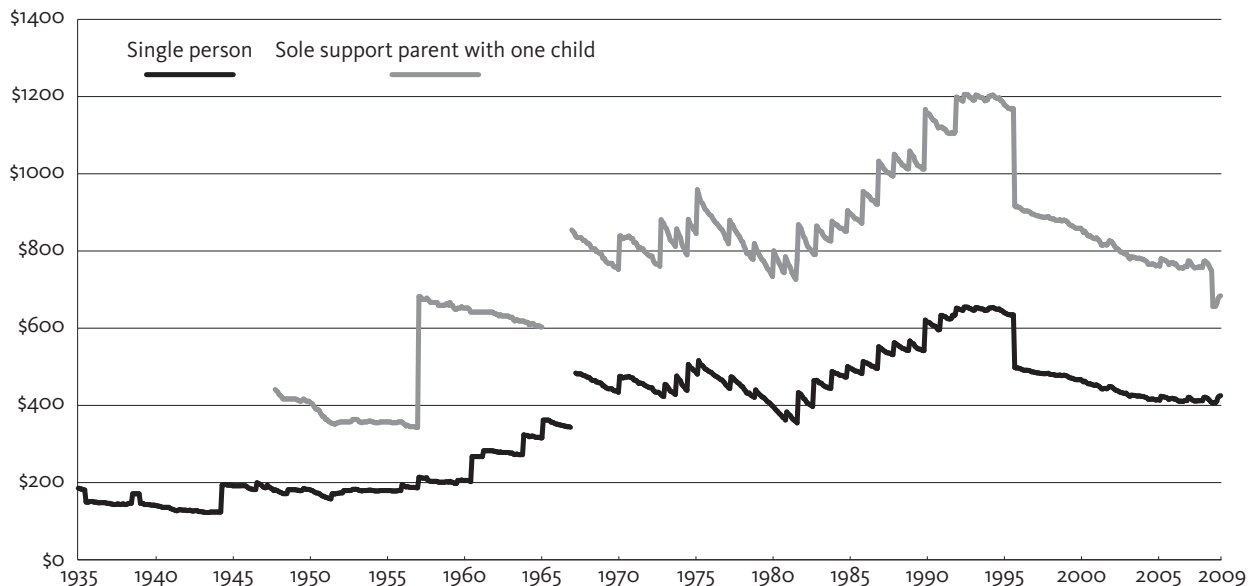
What will stop us from building the bridge?

As noted, between 1973–75 Ontario had a Guaranteed Annual Income System for the aged and persons with disabilities. However, the de-indexation of benefits for persons with disabilities implemented in 1975 opened up a yawning gap between the incomes of seniors and adults with disabilities over the last 34 years. The recession of the mid-1970s was responsible for de-indexation and the rates were never re-indexed.

Although rates were increased more than inflation before and during the last recession — 1990–92 — social assistance increases in 1993 slowed to a crawl and rates began to fall in real terms, helped by the 21.6% cuts in 1995.

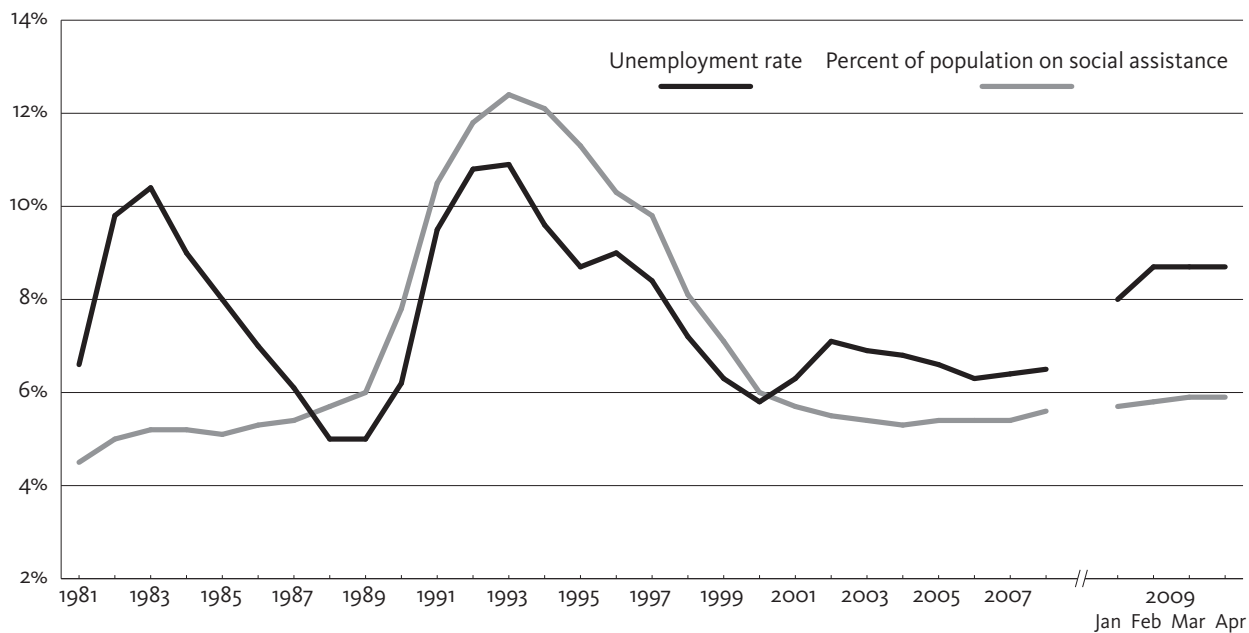
Chart 1 shows rates increased before and during recessionary times were allowed to fall against inflation following those recessions. Nevertheless the 'super trend' of generally rising rates has been followed by a second super trend of reducing

CHART 1 Monthly Social Assistance Benefits (1992 Dollars*)



* Deflated using Canada CPI

CHART 2 Unemployment Rates and Percentage of Population receiving Social Assistance in Ontario, 1981–2009



rates. From 1935 to 1993, rates generally rose in comparison to inflation and have fallen ever since.

The largest caseload increases in percentage terms occurred following each of these two recessions. Recessions that result in high caseload increases really do matter.

Chart 2 shows that Ontario, like other jurisdictions, is at a true crossroads. The government can choose to restructure the system for the future in light of expected participation of all working age adults in the labour force and the general shrinkage of the working age population. Or it can choose to tinker with a social assistance system that was shrink-wrapped in the 1990s but failed to resolve long-standing issues. One thing is for certain: we can no longer afford a social assistance system that traps Ontarians in destitution for long periods.⁶

The graph shows that social assistance caseloads remain (March 2009) at a low point, at 5.9% of population. It also shows caseloads historically have grown during times of high unemployment, a period in which Ontario is now entering once again as it registered almost half the share of Canada's new unemployment in January and February 2009.

If Ontario chooses to keep the 'ball' and loosen eligibility rules (as it has historically done during recessions), caseloads will climb and peak approximately three years following the end of the recession at tremendous cost to the province while

thwarting human potential in a significant portion of Ontario's adult population.

The choice is stark for social assistance reform in Ontario. We either can risk more than doubling Ontario's social assistance population as we did in the early 1990s or we can build the new bridge. The choice is ours to make.

Notes

- ¹ Transitions, Report of the Social Assistance Review, Queen's Printer, 1988 is one example of a report that unravelled the ball, attempted to build a new bridge and provided recommendations on how to do both. It took 22 months, had 274 recommendations and was almost 700 pages long.
- ² The typology presented here is not dissimilar from the architecture recommended in: Time for a fair deal, report of the Task Force on Modernizing Income Security for Working age Adults, Toronto City Summit Alliance and St Christopher House, May 2006.
- ³ See: <http://www.openpolicyontario.com/Publications/TD%20Bank%202008.pdf>
- ⁴ See: http://www.dailybread.ca/get_informed/upload/Housing_Benefit_for_Ontario_Final.pdf
- ⁵ See: <http://www.caledoninst.org/Publications/PDF/727ENG.pdf>
- ⁶ See: <http://theinn.sarnia.net/images/pdf/CostofPoverty.pdf>



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