

# Why is it so tough to get ahead?

How our tangled social programs pathologize the transition to self-reliance

*We cannot claim to have people-centred government policies. Not when an 18 year old, lone parent refugee is considered to be an adult under four policies, a child under two, a student under a third policy, a dependent adult under two others, a non-resident under two, and a legal resident of Canada under four more. And as far as government is concerned, it is her job to sort all this out.*

John Stapleton

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## Recent Publications

“Don't It Always Seem to Go ...,” (Book review of *Child Poverty and the Canadian Welfare State*), *Literary Review of Canada*, April 2007, pp. 11-12.

“The Campbell Report: The Origins of Modern Public Assistance in Ontario” (with Catherine Laframboise), unpublished paper prepared for the Ontario Ministry of Community and Social Services (MCSS), May 2005.

“Connecting Public Policy with Frontline Experience,” *Ideas That Matter*, vol. 3, no. 2, 2004, pp. 39-42.

“From Pleasure to Terror: Asset policies in social assistance,” St. Christopher House, <<http://www.stchrishouse.org>> (January 8, 2004).

“Like Falling off a Cliff” (David Hulchanski and Michael Shapcott ed.), *Finding Room, Policy Options for a Canadian Rental Housing Strategy*, Centre for Urban and Community Studies Press, University of Toronto, Toronto, 2004, p. 115.

“Transitions Revisited: Implementing the Vision,” *Caledon Institute of Social Policy*, Toronto, September 2004.

# Contents

Foreword .....	4
Summary .....	6
Summary of Short-term Recommendations .....	12
Summary of Longer-term Recommendations .....	15
1. Project Aims and Approach .....	19
2. How We View Welfare .....	21
2.1 The gap between welfare and income security .....	21
2.2 The decline in support for poor working-age adults .....	22
2.3 The rising workforce demand for working-age adults .....	23
2.4 The language of dependence and the language of entitlement .....	24
2.5 The “abject poverty” approach to welfare benefits .....	25
2.6 The “snitch line”: How we view attempts to become more self-reliant .....	25
2.7 Why we can’t sustain our current welfare system .....	27
3. The Barriers to Transition .....	28
3.1 The welfare wall: “Hustling backwards” .....	28
3.2 Declaring children to be adults .....	30
3.3 Isolated programs with poorly integrated goals .....	31
4. Recommendations for Short-term Solutions .....	34
4.1 Reduce Marginal Effective Tax Rates .....	34
4.2 Stabilize households in transition to greater self-reliance .....	35
4.3 Support children in their transition to adulthood .....	35
5. Strategies for Transforming Welfare .....	37
5.1 The four pillars of income security .....	37
5.2 Building the new programs and replacing the old .....	39
6. Working Together: Convening Governments to Shape the Solutions .....	41
6.1 The role of the Premier and Cabinet Secretary .....	41
6.2 The role of ministers, parliamentary assistants and deputy ministers .....	41
6.3 The role of senior staff .....	42
6.4 The role of the Service Canada and the Ontario Ministry of Government Services .....	42
6.5 The role of finance ministries .....	43
6.6 The role of municipalities .....	44
6.7 The role of agencies, boards and commissions .....	45
6.8 The role of government watchdogs .....	46
7. Recommendations for Longer Term Solutions .....	47
7.1 Create a new government responsibility centre .....	47
7.2 Question the “business model” of governance .....	47
7.3 Re-orient Ontario Works to support transition .....	48
7.4 Publicly champion the road to self-reliance .....	49
7.5 Taking the next steps .....	49
8. Talking with Community Members .....	50
8.1 A budgeting exercise with Somali women .....	50
8.2 A Roundtable with the Chinese Vietnamese Community .....	54
8.3 A Roundtable with the St. Christopher House Community Reference Group .....	56

## Foreword

In 2005 I was working with the task force on Modernizing Income Security for Working Age Adults (MISWAA).<sup>1</sup> A small group of us from the Toronto City Summit Alliance and St. Christopher House secured a meeting with Mayor David Miller.

Miller entered the room in what appeared to be a single-minded rage. He had been working with some large companies that were prepared to invest time and effort in helping disadvantaged youth get experience, mentoring, and training. To his alarm, he had discovered that parents were telling their sons and daughters to turn down these opportunities. Why? Because the families' benefits would be cut off or reduced.

Most of the youth Mayor Miller was talking about lived with their families in public housing, paying rent-geared-to-income rents. In many cases, their parents received their basic income from Ontario's principal welfare program, Ontario Works. These kids were caught in a tangle of social policies that made it worse for both themselves and their parents if they took advantage of opportunities such as Miller's initiative.

Any new type of student aid, such as a corporate bursary, might reduce the amount of other student aid to which they were entitled. Worse, the rent would go up for the whole family unit based on the new income. That would also happen if the child got a job to help finance further education. And when the child turned 18, welfare for the family would go down, because the child would now be considered an adult. Under the public housing rules, they might even get an eviction notice if the child moves out to protect the family.

These interconnected social policy rules punish disadvantaged children during the perilous transition from adolescence to adulthood. They make life tough and discouraging as well for any poor adult who tries to move toward independence. I call it "pathologizing transition" because it makes getting ahead so hard. It happens when the rules of social programs, taken as a whole, accomplish the opposite of their stated intent.

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<sup>1</sup> Task force on Modernizing Income Security for Working Age Adults (MISWAA), "Time for a Fair Deal," Toronto, May 15, 2006.

After that meeting with Mayor Miller, I continued as a policy fellow with St. Christopher House and in partnership with the Somali Community Centre of Etobicoke. With a Metcalf Innovation Fellowship, I worked with members of these communities who helped articulate the problems and come up with practical ways to remove the barriers to achieving self-sufficiency for people receiving multiple social programs or subsidies.

In this project, our main focus was adults who receive Ontario Works, ODSP (Ontario Disability Supports), and other subsidies, while living in public housing. We were also especially interested in adult children who apply for and receive OSAP, Millennium scholarships and school-based bursaries.

David Miller said he wanted answers. This paper is meant to explain these complicated problems and propose a co-ordinated approach to policy solutions among different levels and departments of government.

John Stapleton, November, 2007

## Summary

Life is tough for poor people - we know that. Why do we develop public policies that make it even tougher?

Working-age social assistance recipients in Ontario, especially those who are public housing residents, live with disincentives. The more they earn, the more they lose in benefits; when they tell the truth, they are penalized.

The programs within the social assistance and housing systems work in isolation from each other. When people start to earn, the various benefit systems, as well as public housing, often take back more than they leave behind, giving people little or no incentive to work or to become more self-reliant.

The problems get worse when children in the family turn 18. They are then judged by social benefit systems to be adults, although they still have no post-secondary education. If they move out, they must work rather than get a higher education. If they stay home, the family's benefits go down anyway. At the same time, rent goes up because there is another earning "adult" in the family unit.

Canadian newcomers often spend long periods receiving social assistance and programs such as public housing. In Canada's cities, living costs are high and the pay is not enough to maintain a decent living. Access to work at a living wage is also a problem for disadvantaged youth, for foster children aging out of state care, and other poor, non-immigrant Canadians.

This paper aims to show how our social programs discourage these groups of disadvantaged Canadians from achieving self-reliance. We make recommendations for changing social policies, so that the transition to self-reliance is a healthy, supported process - not something that poor people get blamed and punished for.

## How our society views welfare

Welfare programs are extremely unpopular with the public at large.<sup>2</sup> They are equally unpopular with welfare recipients.<sup>3</sup> People who receive welfare generally agree with the rest of the public that self-reliance is better than welfare.<sup>4</sup>

The cost of welfare in Ontario makes up just 5% of the costs of all the income security payments paid to people in Ontario. It seems odd that we reserve our most negative attitudes for such a small portion of our income security budget. Nevertheless, the public has largely made its decision about welfare. That decision is that it will not sustain the program. No matter how great the human need, welfare will continue to erode to inflation, because the system rejects many of our most fundamental values about getting ahead.<sup>5</sup>

In 1966, the Canada Assistance Plan understood persons with disabilities and lone parents to be effectively outside the labour market. But these days, most working-age adults who receive welfare are considered to have, and consider *themselves* to have, the potential to enter the labour market. This change in attitudes is a compelling reason for restructuring the social assistance system. One of its fundamental goals should be to truly support the transition to self-reliance at a realistic, client-centred pace.

## How we make it tough for adults to do better

All of our social benefits programs have understandable rules when looked at in isolation. It is through their interaction that they reduce or eliminate incentives to becoming more self-reliant.

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<sup>2</sup> See: < <http://www.ucalgary.ca/~dabrent/cbc/poll.html>> and similar results.

<sup>3</sup> See Part 8 of this report: Talking with Community Members.

<sup>4</sup> See Mary Pat MacKinnon et al., “Citizens’ Dialogue on Canada’s Future: A 21<sup>st</sup> Century Social Contract,” Canadian Policy Research Networks, *Viewpoint Learning Inc.*, April 2003, pp. 22 – 24.

<sup>5</sup> See page 27.



For example, when a person receiving social assistance starts to work, each of the programs from which they receive benefits begins to take some money back.

One program might take 50 cents, and the next one 30 cents, and the next one 25 cents on the dollar earned. Before long, the programs combined can take more than 100 cents on the dollar.

Then, payroll deductions come into play. People must pay tax, EI, and CPP premiums on the earned dollar. When these payroll deductions combine with the welfare and subsidy reductions, the total “tax” on a working poor person can add up to more than 100% of the earned dollar.

Economists call these reductions, taxes, and premiums on the earned dollar the “Marginal Effective Tax Rate,” or METR. They often note that this rate is highest among poor people who benefit from more than one social service or income-tested program and who are also trying to better themselves through modest earnings. What it means, in effect, is that poor working people return relatively more money to the state than more affluent workers do, because they give up so many benefits in order to work.<sup>6</sup>

**In a budgeting exercise we conducted with a group of women from the Somali community living in public housing, we discovered that single parents receiving social assistance had as much disposable income as a woman who had secured a counselling job paying \$36,400 a year. The counsellor’s rent soared to the market rate of \$1,200 per month while those women remaining on social assistance had rents in the \$300 range.**

The people on social assistance in our round table discussions talked about how they must live from “day to day.” They said that they cannot save money and plan for a future because of the social assistance assets test and the immediate increase in rent that accompanies any increase in income. To make sure they reported income, workers went through each entry in their bank books in great detail. Any change in their financial circumstances would reverberate through all of the benefits that they receive.

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<sup>6</sup> For a full discussion of these dynamics, see Gillian Manning and Don Drummond: “The Road Still Less Traveled,” Toronto Dominion Bank, *TD Economics*, September 2005.

## How we make it tough for children to grow out of poverty

In our wider society, children often stay in the family household past the age of 18. Many do so while they pursue further education and training. Others stay at home while they get their first full-time work experience, pay off student loans, and save for their own place. In middle class society, adulthood is measured by a person's readiness to be independent of the family, usually after formal education has ended and working income is stable.

This is very different from what happens to children in families receiving social assistance. When they reach 18, they are no longer considered children. They stop receiving social assistance as part of the family.

They can only apply for assistance in their own right if they are no longer dependent on the family. In most cases, that means they must move out of the family home.

Public housing is provided to families on the basis of a similar definition of adulthood. Once a child turns 18 and moves out, the "rental unit" (their home) can be deemed too large. The public housing landlord may evict a family if the size of the rental unit does not conform to the "benefit unit" (the family).

Income that a child receives from student loans and grants and Millennium scholarships can also reduce social assistance payments and have an impact on rental charges.

These misdirected social policies perpetuate poverty and dependence into the next generation. Forcing undereducated 18 year olds into the working world and out of the family home puts them at risk for homelessness. It also limits their choices in a way that can make dishonest behaviour more attractive.

## How can we support a healthy transition to self-reliance?

There is really no such thing as “making the leap” to self-sufficiency in our current welfare paradigm. People who make the leap over the welfare wall are the stuff of movies, storytelling and a guest spot on Oprah. In fact, our system forces a long, arduous climb up the welfare wall, with no foreseeable economic improvement during the climb.

In this report, we recommend several things we can do right away to eliminate some of the barriers thrown up by multiple subsidies and program policies. But we cannot get to the heart of the multiple subsidies/multiple barriers problem as long as programs act in isolation from one another. The notion that social programs should “do business” in separate “silos” does not achieve any social goal that our society could value. Instead, these tangled programs encourage non-reporting, discourage work, and perpetuate abject poverty.

In our longer-term recommendations, our strategic goal is to mirror the income security policy framework for seniors and children with programs and measures for working-age adults. This approach stresses transition to self-sufficiency as a more important goal than ensuring that only those in real need are supported. By doing so, we begin a journey to new types of programs that could replace welfare entirely. This is a journey that government departments will have to take together, not in isolation from one another.

## How can we untangle social programs and write coherent policy?

Having different program rules and differing benefits can create problems, as we have seen. The problems become monumental when even basic definitions, such as who is and who is not a child, an adult, or a resident, vary from program to program. If there is no congruity among the basic building blocks of a program, it is a waste of time to try to develop common program rules. Such rules would be opaque to both administrators and the public.

The key is to constantly have basic definitions on the table for policy discussions. People-centred government policies cannot prevail where an 18-year-old lone parent refugee is an adult under four policies, a child under two, a student under a third policy, a dependent adult under two others, a non-resident under two policies, and a legal resident of Canada under four more - all with governments' understanding that it is her job to sort this out.

If she is age 18 and a refugee claimant, she is viewed largely as an adult under Family Law, an adult under the age of majority act, a child under OSAP (if she lives at home) and alcohol consumption laws, a dependent adult under Ontario Works and Legal Aid, but an adult under ODSP and public housing rules, a student under OSAP during the school year if attending full time, a resident under school attendance laws as well as social assistance, OHIP, and housing regulations, but a non-resident from the point of view of Citizen and Immigration Canada and HRSDC for purposes of the Canada Child Tax Benefit and the new Ontario Child Benefit (OCB).

Another barrier to coherent policy development is the traditional cloak of secrecy under which finance departments operate. The tradition is largely based on the need for budget secrecy to prevent insiders from taking unfair market advantages. But secrecy has never been justified for budget decisions affecting social policy. Finance departments need to descend into the fray of the line ministries and departments, roll up their sleeves alongside these colleagues, and begin to solve the problems they have inadvertently created.

The argument is often made that municipalities should not have to bear the burden of funding. An important part of that argument is the nature of the municipal governance structure. It allows municipal councils and committees to make fundamental policy decisions (such as whether scholarship funds should result in higher rents in public housing) on the basis of municipal fiscal priorities.

This is a flawed process. In the case of scholarship funds and rent increases, it means that some of the most important work of the provinces and federal government to lower marginal effective tax rates (METRs) can be nullified with a pen stroke.

The outcomes of these decisions are far more important than the very small levels of fiscal savings that a municipality may realize when facing a fiscal rough patch. Policy decisions about how to support low-income adults and their children on the road to self-reliance should be uploaded at least to the provincial level.

## Why have Government Watchdogs been Ineffective?

Government watchdogs, such as ombudsmen and auditors, are charged with making governments and government-funded agencies accountable for their actions. Unfortunately, auditors and watchdog agencies of various sorts operate within the constraints of the prevailing government “business model.” This model sees departments, ministries and agencies as “silos”, responsible for their own particular piece of the “business.”

Auditors and watchdogs don’t necessarily look at the overall negative effects that government businesses are having on their clients. This explains why no auditor or watchdog has ever reached a conclusion about the negative effects of multiple tax-back rates on the same individual. It is simply not within their mandate to do so.

Our ultimate goal for this project is to call attention to the need for a new governance model - one that enables governments and their agencies to forge policies and procedures in a co-ordinated way. This is the key to reducing the disincentives, and rewarding, rather than pathologizing, the transition to greater self-reliance.

## Summary of Short-term Recommendations

### 1 Reduce Marginal Effective Tax Rates for adults with low incomes

Marginal Effective Tax Rates (METRs) are the combined impact of imposing payroll taxes, reducing benefits, and taking back social security income, based on the money people make from outside sources such as a job.

The problem of high METRs for low-income people is caused by the accumulated effect of reducing social program benefits and subsidies while at the same time imposing payroll deductions on their earned income.

Reducing these rates requires that the authorities responsible for a range of social programs and payroll deductions, such as Ontario Works, public housing, and child care develop a comprehensive strategy for lowering the Marginal Effective Tax Rate when people who receive social benefits start to work.

#### Detail

We recommend that:

- 1.1 Authorities work together to ensure that combined Marginal Effective Tax Rates do not exceed 75% of net earned income in the medium term, with a long-term goal of 50%.
- 1.2 Ontario Works ensure that the new Working Income Tax Benefit (WITB) will be passed through to all eligible Ontario Works recipients without penalty.
- 1.3 Public housing authorities assess no additional rental payments as a result of receiving the WITB.
- 1.4 Ontario Works allow the Ontario Child Benefit (OCB) to be passed through to all eligible Ontario Works recipients without penalty.
- 1.5 Public housing authorities assess no additional rental payments as a result of the receipt of OCB.

## 2 Stabilize households in transition to greater self-reliance

Working together, authorities responsible for public housing, Ontario Works, child care, and student aid should set new standards for adults wishing to achieve greater self-reliance. These standards should be based on an approved plan for the individual or family in transition through work or further education. Eligible families would have a stable, predictable income during the transition period.

#### Detail

We recommend that:

- 2.1 Authorities responsible for social programs work together to establish a transition planning system for adults with an approval process, standards and benchmarks.

2.2 Based on approved plans for adults wishing to achieve greater self-sufficiency, authorities responsible for social programs grant a one-year (renewable) moratorium on rent increases, Ontario Works reductions, losses in child care subsidies, and student assistance.

2.3 Recipients have the option to renew their moratorium on a yearly basis, based on satisfactory progress toward pre-set benchmarks.

2.4 Where a person is not successful in achieving self-sufficiency, there be no assessment of retroactive charges when there has been a genuine attempt to achieve greater self-reliance.

2.5 Authorities allow raised assets limits for all social assistance recipients with an approved employment plan in order to accumulate savings and minor windfalls for the purpose of financing sustained employment start-up activities.

### 3 Support children in their transition to adulthood

Working together, authorities responsible for public housing, Ontario Works, child care, student aid, and other student supports would develop a system to enable eligible young adults (under age 20 and up to age 24), working to an approved plan, to stabilize their own income and that of their families through a four-year moratorium on all charges and subsidy or rent increases that would have otherwise resulted from the receipt of income by the student.

#### Detail

We recommend that:

3.1 Authorities responsible for social programs work together to establish a transition planning system for eligible young adults with an approval process, standards, and benchmarks.

3.2 Public Housing and Ontario Works programs redefine adulthood. Under the new definition, children would not take on adult responsibilities and adult status while they continue to achieve satisfactory progress in a full program of post-secondary education, up to age 24.

3.3 Authorities responsible for social programs establish a four-year moratorium on rent increases, Ontario Works reductions, and losses in child care subsidies to families, as well as loss of student assistance, while a student in the family is completing a full program of post-secondary education.

3.4 Public housing authorities suspend rental income increases based on student income included in the rent-gear-to-income calculation. This would include:

- any non-government-funded scholarship, award, or grant from a recognized educational institution received by a student in the household, and
- any award, scholarship or grant received from a non-government group (such as a children's aid society, charitable organization, or company).

3.5 Public housing authorities stop collecting information on student assistance from government sources such as OSAP received by students living with their parents.<sup>7</sup>

## Summary of Longer-term Recommendations

### 1 Create a new government responsibility centre

A new government responsibility centre should be tasked with resolving the multiple barriers that now result from the unintended consequences related to program overlap and duplication.

#### Detail

We recommend that:

1.1 The Secretary of Cabinet for Ontario ask the Deputy Ministers of Housing, Community and Social Services, Children and Youth Services, and Training and Colleges & Universities to report on ways and means of resolving duplication and removing barriers under Ontario Works, ODSP, childcare needs testing, public housing, and student assistance at the post-secondary level to ensure that there are positive incentives at all times for multiply-subsidized people to accept work and pursue post-secondary education.

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<sup>7</sup> Although OSAP is not included in the RGI calculation, households are asked to provide this information. As a result, public housing tenants widely believe that receiving OSAP will result in rent penalties. This results in high anxiety and in some cases lost opportunities for students.



1.2 All governments and agencies work together to ensure that combined marginal effective tax rates do not exceed 75% in the medium term, with a long-term goal of 50%.

## 2 Question the “business model” of governance

The new government responsibility centre should consult with civil society, agencies, and activists to question the “business model” of governance that champions running programs like separate businesses in isolation one from the other.

The goal of this exercise is to create a new set of governance principles that has the power to change intersecting program rules that result in perverse incentives to discontinue post-secondary education or achieve person self-sufficiency.

### Detail

We recommend that:

2.1 The new (provincial) government responsibility centre ask major funders in Ontario to fund a number of think tanks at the provincial and national level to explore client-centred governance models that cross traditional ministry lines and ministry-based “businesses.”

2.2 Service Canada and HRSD (at the federal level) support positive individual and family accounts that contain credits for income, housing, tax credits, and training for low-income Canadian adults.

2.3 Through this new provincial Government responsibility centre, reduce information requirements at all levels by sharing and pooling data.

## 3 Re-orient Ontario Works to support transition

Ontario Works should change its orientation from a welfare program designed to help the poorest of the poor to a program that supports transition to self-reliance. Moving social assistance recipients to programs that do not suffer from welfare-based rules would likely have a positive effect on public opinion, which favours anti-poverty solutions.

### Detail

We recommend that:

3.1 Governments work together to develop a new Ontario supplement program in conjunction with the Working Income Tax Benefit (WITB) that would transfer all social assistance recipients to the new combined program. This would occur when their social assistance entitlement falls below the combined Ontario program and WITB maximum due to earnings or the combination of earnings and other income.

3.2 Governments co-ordinate the new Ontario Child Benefit (OCB) with the federal Working Income Tax Benefit.

3.3 Authorities raise asset levels for social assistance recipients to \$5,500 single and \$9,000 for families as recommended in Time for a Fair Deal (Report of the Task Force on Modernizing Income Security for Working Age Adults).

3.4 Authorities monitor the new federal Registered Disability Savings Plan (RDSP) with a view to broadening the program to cover savings and windfalls realized by all low income adults.

## 4 Publicly champion the road to self-reliance

There is a need for a public education program that champions continuous improvement and counters the unrealistic expectation of making sudden leaps into self-sufficiency.

The campaign should focus on solutions and values that mirror what members of the general public judge as reasonable for themselves, and are based on coherent social policy.

### Detail

We recommend that:

4.1 In the course of establishing a just and coherent social policy, governments convene a group of public relations firms, communications specialists and pollsters to devise a public education initiative. This initiative would help to resolve the contradictions in public attitudes towards acceptance of public assistance by working-age adults.

## 5 Taking the next steps

The recommendations in this report are ambitious. They call for a broad, inclusive, integrated and coherent initiative involving all levels of government, many internal departments, and a number of social agencies. To move the recommendations forward, we have presented the findings in this paper to the participants of the reference and focus groups for their reactions. We have also:

- developed a list of key informants to review the recommendations in this paper in advance of a consultation process, and
- developed a consultation process with community groups and stakeholders to consider the recommendations and revise as necessary.

We will also:

- gather endorsements for the approaches noted in a (revised) paper and proceed with a media strategy and government consultation strategy,
- web-publish the paper and ask for responses from governments and civil society as appropriate, and
- congratulate governments for making changes in the spirit of this project.

# 1. Project Aims and Approach

*What I'm thinking is that we should be able to look into the cause of the problem ... and try to create solutions that will really tackle the root, as opposed to patch around. And one's patching just creates another problem. So it would be nice if the system could, I wouldn't say customize, but be able to look at each individual problem. And then create a solution.*

*– Louise, St. Christopher House Reference Group*

The purpose of this project is to document the disincentives to achieving greater self-reliance within Ontario's welfare, housing, and social support system. We seek to make understandable to policymakers and the public how removing subsidies from poor Ontarians in an uncoordinated way makes it impossible for recipients to achieve greater self-reliance.

This paper is the result of research with the surrounding communities of St. Christopher House and the Somali Community Centre of Etobicoke, and the Chinese-Vietnamese community in northwest Toronto. The policy analysis was sponsored by an Innovation Fellowship from the Metcalf Foundation.

Our aim is to act as agents of change, urging various levels of government to pay more attention to the way their overlapping policies create barriers and disincentives to independence. In our recommendations, we present a system of income security and governance that supports transition to paid employment that results in a decent living and dignity rather than cyclical need and dependence.

There are many ways to approach this issue. The lens we have chosen for this project is to view the problems of disincentives through the eyes of the first generation poor immigrant who receives benefits from multiple government sources. We also chose to focus on the concerns of youth who have grown up in public housing, in households whose primary income source is social assistance.

This paper builds on the work of MISWAA (Modernizing Income Security for Working Age Adults); the Toronto City Summit Alliance; Community Undertaking Social Policy at St. Christopher House; and Deb Matthew's 2004 report to Minister of Community and Social Services, Sandra Pupatello, titled Employment Support Programs in Ontario Works and Ontario Disability Support Programs.

Our approach was to convene focus groups of low-income people, including first generation immigrants, people with disabilities, parents, and students in low income families, from North Etobicoke and from the communities surrounding St. Christopher House in downtown Toronto.

Our objective for the focus groups was to discuss each participant's journey towards greater self-reliance and expose the barriers they encountered in this journey. We hoped to document disincentives such as:

- changes in their income security payments (for instance Ontario Works, Ontario Disability Support, National Child Benefit),
- ineligibility for programs as they moved forward (for instance, loss of prescription drugs and dental services),
- eviction notices and rent increases within the context of public housing,
- reduced eligibility for service programs (such as child care subsidy), and
- reduced eligibility for student assistance.

We also wanted to explore some disincentives that are harder to quantify, such as:

- the timing of changes in eligibility and reinstatement of benefits,
- the reporting requirements for these programs and the timing of the requirements,
- the real-world expenses involved in moving towards self-sufficiency, and
- the resources required to achieve self-sufficiency in the context of multiple subsidies.

Life is tough for poor people - we know that. Why do we develop public policies that make it even tougher?

Our ultimate goal for this project is to call attention to the need for a new governance model - one that enables governments and their agencies to forge policies and procedures in a co-ordinated way. This is the key to reducing the disincentives, and rewarding, rather than pathologizing, the transition to greater self-reliance.

## 2. How We View Welfare

### 2.1 The gap between welfare and income security

*Faduma Mohamed, director of the Somali Youth Association of Toronto, is an agricultural scientist with a master's degree from Germany. She is maddened by the inability of Somali professionals and university graduates to secure jobs in Canada. "How long will it be like this for us?" she asks. "Many people are frustrated. We have people who have graduated from Canadian universities - forget about the outside - and they are not getting the jobs ... We thought it was only us because of our accent, our English is no good and all that thing. But its happening to the kids that graduate from here - and that is unacceptable."*

There is a growing and well-documented gap in the resources our society allocates to income security programs for working-age adults, as opposed to income security programs for children and for the aged.<sup>8</sup> The usual argument to justify the gap is that Canadians who are not in the labour force require income security, while working age adults are expected to be responsible for their own income security, through paid work.

The problem with this assumption is that many Canadians of working age are not accessing paid work. Others are not paid enough to sustain a decent living. In Ontario, in 2005-6, this group amounted to 10% of all working age adults (862,000 of 8.6 million people age 18-64).<sup>9</sup>

Low-income rates have been rising steadily among immigrants during the past two decades while falling among the Canadian-born. At the same time, the percentage of newly-arrived immigrants with a university degree rose to 34.1% in 2000 from 7.6% in 1980. The trends are most pronounced in Canada's largest cities: Toronto, Vancouver, and Montreal.<sup>10</sup>

By almost any measure, newcomers are struggling. This often translates into long periods spent on social assistance and in other programs, such as public housing. In Canada's cities, living costs are high and the pay is often not enough to maintain a decent living. Access to work at a living wage is also a problem for disadvantaged youth, for children aging out of state care, and other poor, non-immigrant Canadians.

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<sup>8</sup> Task force on Modernizing Income Security for Working Age Adults (MISWAA), "Time for a Fair Deal," Toronto, May 15, 2006.

<sup>9</sup> Ontario Ministry of Finance.

<sup>10</sup> Andrew Duffy, "The Making of Canada's immigrant underclass," *The Ottawa Citizen*, October 25, 2004.

Social scientists in the United States and the UK have developed complex statistical models and definitions to identify *underclasses* - people who suffer on the margins of society, surrounded by others in similar circumstances, excluded from the job market and other “avenues of upward mobility.”<sup>11</sup> They tend to live, the social scientists say, in neighbourhoods of deep poverty with high unemployment rates, significant welfare requirements, and high dropout rates. A critical feature of an underclass is an inability among the second generation - those born into poverty - to make better lives than their parents.

## 2.2 The decline in support for poor working-age adults

There are two principal cash and employment support programs for working age adults: Employment Insurance (EI) and social assistance. Both continue to decline in the provision of benefits and coverage and have done so relentlessly since 1993.

In the labour market occupied by the working poor, minimum wages have lagged behind inflation. In any event, wage employment is giving way to increasingly precarious contract work (such as cleaning) on a fee for service basis, with no benefits or job security.

The usual call on the part of progressives is to deal with benefit erosion by restoring what was lost. In other words governments are admonished to:

- restore the eligibility cuts to social assistance and EI,
- restore the benefits of both programs to pre-1993 levels (when the erosion began in a pronounced way),
- index benefits with the cost of living,
- raise minimum wages significantly,
- enforce employment standards legislation, and
- extend the reach of the legislation to the self-employed and contract workers.

While each of these recommendations may have merit, they have little chance of implementation in the foreseeable social and political environment. Many Canadians continue to believe that poverty is an individual deficit, which people ought to overcome on their own. By and large, the public does not see large-scale benefit programs as a good answer.

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<sup>11</sup> See <http://www.hewett.norfolk.sch.uk/curric/soc/class/under.htm> for a summary of the development of this concept.

Pre-1993 rules for EI are regarded as generous by many Canadians. In any event, changes in the structure of the labour force would likely mean that restoring pre-1993 rules for EI would not have the desired effect of boosting eligibility to where it was. It is rare for social assistance programs to be indexed.<sup>12</sup>

Governments have always maintained a hold on minimum wage raises as a political prerogative. With regard to contract workers, governments have refrained from mounting widespread employment standards enforcement schemes or extending protections to private contractual arrangements.

### 2.3 The rising workforce demand for working-age adults

The continuing erosion of income security and welfare measures for working-age adults poses a dilemma. Canada faces growing labour shortages that can only be resolved through increased immigration in the short run. There is the spectre of mass retirements as baby boomers begin to turn 65 in 2011. There are continuous challenges to increase Canada's productivity.

For all these reasons, we must look to new ways to deliver the interventions needed so that low-income, working-age Canadians get and keep paid employment, at a standard of living that meets the costs they face.

Provincial governments have often defined welfare reform success in terms of removing people from receiving those basic benefits. They have assumed that each person or family removed is a success story.<sup>13</sup> They have then invested their political capital in ensuring that those who remain have no resources, that is, they are "in legitimate need" or abject poverty.

Yet new immigrants who come to Canada to help meet its workforce demands, are often faced with social assistance or welfare as their only alternative when they cannot make sufficient income to make ends meet. Although welfare may be the principal social benefit program for poor immigrants and other low income Canadians without alternative resources, it is not a part of the income security system as we normally conceive of it.

This has created a situation in which one of our country's most valued resources - immigrant adult labour - is stigmatized by our perceptions of the programs they must rely on, from time to time, for survival.

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<sup>12</sup> The Guaranteed Annual Income System for the Disabled and Aged – commonly referred to as GAINS-D or GAINS-A came into effect in 1973. The GAINS program in Ontario was indexed from 1973 to 1975 and the New Brunswick program was indexed briefly in the 1970s. Only recently, Quebec and Newfoundland have indexed social assistance rates. If the lessons of history are a guide, the indexation may be short-lived.

<sup>13</sup> See the 1999 Ontario Government householder on welfare reform and Levy Coughlin and Ekos studies for MCSS. These showed that 60% left welfare for work, training or other employment-centred activity. Some 40% did not.



## 2.4 The language of dependence and the language of entitlement

In “Lending a Helping Hand”, published by the Fraser Institute, authors Mike Harris and Preston Manning help Canadians understand welfare as a program that one can experience a “danger of falling into” and that compassion should be a guiding principle in welfare reform. Receiving money from the welfare system is conceived in terms of dependency. Once one receives a cheque, one is potentially “trapped” in the system.<sup>14</sup>

The language and the principles on which Manning and Harris base their thinking are alien to the mainstream income security system in Canada. Payments like Old Age Security, the Child Tax Benefit, or the new Universal Child Care Benefit, are not seen as payments that “trap” anyone nor are they seen as creating dependency. No one seriously talks about getting people “off” them once they have established eligibility.

This chart contrasts the way most members of the public view welfare with the way they view mainstream income security programs. It illustrates the negative “lens” through which Canadians view the receipt of welfare benefits and, by extension, the way they view the recipients themselves.

<b><i>When we talk about ...</i></b>	<b><i>And Welfare, we mean:</i></b>	<b><i>And Income Security Programs, we mean:</i></b>
<b>Receipt of benefits</b>	Dependency	Entitlement
<b>Failure</b>	Continued Receipt	Non-receipt
<b>Success</b>	Getting Off	Staying on
<b>Program Spending</b>	Waste; a drain	Entitlement and citizenship
<b>Cost</b>	Unaffordable, unsustainable unnecessary	Affordable - what makes Canada what it is
<b>Self-sufficiency</b>	Off welfare	Includes income security benefits
<b>Reform</b>	Open doors of opportunity or a push through the door - supports mandatory requirements	Redesign to reach more - extend benefits - support choice

<sup>14</sup> Mike Harris and Preston Manning, “Lending a Helping Hand,” Fraser Institute, 2005.

The cost of welfare in Ontario makes up just 5% of the costs of the province's total income security system. It seems odd that we reserve our most negative attitudes for such a small portion of our overall system of income security benefits.

## 2.5 The “abject poverty” approach to welfare benefits

Our current welfare system for adults defines program integrity in terms of the demonstrable poverty of its recipients. The program is often defined as having “integrity” if those who receive benefits from it have no assets or income and have expenses that they could otherwise not meet.

This abject poverty approach to welfare is predicated on a 40-year-old welfare design that provides benefits for low-income persons with no personal wealth who are effectively outside the labour force. When the present benefit design was initiated in 1966 with the Canada Assistance Plan (CAP), the categories of persons (single parents, persons with disabilities, and unemployable persons for the most part) were all people who were thought to be outside of the labour force for the long-term.

That is no longer the case. Now, most working age adults receiving welfare are considered to be, and also consider *themselves* to be, labour market eligible (or at least not excluded). This change in attitudes toward employability is another important reason why the social assistance system needs to restructure, so that it supports transition as a more important goal.

## 2.6 The “snitch line”: How we view attempts to become more self-reliant

Welfare programs are extremely unpopular with the public at large.<sup>15</sup> They are equally unpopular with welfare recipients.<sup>16</sup> People who receive welfare are generally in agreement with the rest of the public that self-reliance is better than welfare.<sup>17</sup>

But faced with the real-life machinations of our current poverty model of welfare, the consensus breaks down. The very actions that welfare recipients view as attempts to become more self-reliant are often viewed by their fellow-citizens as “cheating.”

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<sup>15</sup> See: < <http://www.ucalgary.ca/~dabrent/cbc/poll.html>> and similar results.

<sup>16</sup> See Part 8 of this report: Talking with Community Members.

<sup>17</sup> See Mary Pat MacKinnon et al., “Citizens’ Dialogue on Canada’s Future: A 21<sup>st</sup> Century Social Contract,” Canadian Policy Research Networks, *Viewpoint Learning Inc.*, April 2003, pp. 22 – 24.

One of the best ways to illustrate this is to look at what callers to so-called welfare “snitch lines” see as potentially fraudulent behaviour.<sup>18</sup>

In the chart below, I have contrasted these perceptions with the ideas that our focus group participants came up with as good strategies for achieving greater self-sufficiency. It is as though each group is viewing the same behaviour through a dramatically different “lens.”

<b><i>Behaviour</i></b>	<b><i>“Welfare cheat” lens</i></b>	<b><i>Achieving self-sufficiency lens</i></b>
<b>Acquiring a spouse</b>	“She’s got a boyfriend”	Forming a viable economic and family unit to escape poverty
<b>Help from family</b>	“Getting illicit money”	Reinforces role of families helping their own members - helping build a base to escape poverty
<b>Having a bank account – being seen in a bank</b>	“Hiding money from the system”	Returning to normalcy - building assets - demonstrating money management skills - building a base to escape poverty
<b>Getting a job</b>	“Working and not reporting it - working under the table”	The first major building block in becoming self-sufficient and returning to normalcy and self-sufficiency
<b>Spending on non-necessities</b>	“How can they afford that if they are supposed to be poor?”	Returning to normalcy - taking responsibility for a household budget - making choices for better or worse - weighing risk and responsibility consistent with adult behaviour

<sup>18</sup> These activities are based on actual reports to Ontario snitch lines. For more information on welfare and social control, see Janet Mosher’s studies: “Welfare Fraud: The Constitution of Social Assistance as Crime,” March 2005, and “Walking on Eggshells: Abused Women’s Experiences of Ontario’s Welfare System,” 2004.

Most snitch-line callers accuse recipients of having resources they are not allowed to have (consistent with a poverty model) or mispending welfare money. For example, the snitch-line caller might accuse a single parent of having a boyfriend (a resource), to be working and not reporting the money (a resource), to be receiving family help (a resource) or having a pet dog or cat (mispending).

Interestingly, focus groups convened with the task of recommending approaches for the poor to become more self-reliant often recommend behaviour that snitch-line callers believe to be fraudulent. Participants frequently say that low-income people looking to become self-sufficient should form a spousal relationship, get a job, get help from their family and begin to aspire to normal family and household goals and objectives.

Viewed through the lens of welfare rules, transition to self-sufficiency is simply suspect behaviour, something one should do *after* one has left welfare. To engage in these same behaviours while *on* welfare is fraudulent, against the rules - a form of pathology.

## 2.7 Why we can't sustain our current welfare system

Given that our welfare system pathologizes transition, it is not hard to understand the erosion in welfare benefits over the last thirteen years and the public indifference to increasing or restoring them. Why should the public support programs that fundamentally violate its most deeply held values? No matter how great the human need, welfare will continue to erode to inflation, because the system we have rejects most of our most fundamental values about getting ahead.

One of the reasons that we tend to dislike welfare (as a public) is that the recipients who remain on it are assumed to be motivated differently than the rest of society.

Welfare is thought to be the repository of people with suspect values who don't want to work or take responsibility, don't want to build their assets, don't want to live a normal life and would rather get help from the state than from their families. These are the people who Mike Harris and Preston Manning somewhat inelegantly suggest be "pushed through the door."<sup>19</sup>

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<sup>19</sup> Harris and Manning, op. cit., page 27.

But whether or not welfare recipients adhere to any of these aberrant values, welfare rules enforce them. This leads many of us to think that people on welfare are bad people because they have accepted the value system that welfare rules impose. As Galbraith noted in *The New Industrial State*, we build rules that “hit people over the head and blame them for falling.”<sup>20</sup>

It is hard for most of us to live with this contradiction. To resolve it, both recipients and the rest of the public come to the conclusion that welfare is in itself illegitimate and contrary to our values as noted in the chart above. As such, one should make the leap to “get off of it.” We become comfortable with saying that welfare is a privilege and not a right, that it should be a “hand up and not a hand-out,” and that it’s not an entitlement.

This thinking does not resolve the contradiction, however. Clearly it is not helpful to retain a welfare paradigm based on values that the public does not accept and which forces recipients to behave in ways that do not support their own transition. We need a welfare system that supports our values related to self-reliance and encourages those who can to live with greater self-reliance and to make the transition.

### 3. The Barriers to Transition

#### 3.1 The welfare wall: “Hustling backwards”<sup>21</sup>

*[The welfare system] is designed for you not to go out or be ambitious in a way. Because if you try to go out, get a job, rent will go up, your money you get every month goes down. It just works against you. So a lot of people, who I know, they don't even bother.*

*- Liban, Somali community focus group*

The rules of social assistance in Ontario are intended to allow recipients to be better off as they earn more money. To this end, people can remain on welfare while earning some income. Ontario Works allows recipients to keep 50% of the net income they earn. In other words, OW is reduced by only 50% of net dollars earned.

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<sup>20</sup> John Kenneth Galbraith, *The New Industrial State*, Princeton University Press, 2007.

<sup>21</sup> Phrase borrowed from “Waging a Living,” PBS America film.

So, for each dollar earned, the recipient keeps 50 cents. The problem is that other programs then come in and take some of that 50 cents away.

Public housing, for example, is structured to provide incentives to leave. Once 30% of a tenant's earnings are equal to market rent, the public housing landlord raises the rent to the market level. In theory, once the tenant's earnings exceed market level, it makes sense to leave public housing and find cheaper or more attractive housing elsewhere.<sup>22</sup>

Subsidy programs, such as child care subsidy, gradually reduce their benefits so that the loss of subsidy always comprises a high percentage of new earnings into a household.

Each program, on its own, provides an incentive structure that allows recipients to benefit from the dollars they earn. However, the programs act in isolation. This means that they reduce their benefits or charge more rent based on the **same** dollar earned.

When earnings increase, payroll deductions come into play. People must pay tax, EI, and CPP premiums. The effect is additive. If one program takes 50 cents, and the next one 30 cents, and the next one 25 cents on the dollar earned, it is not long before the programs combined are taking more than 100 cents on the dollar. When combined with payroll and other deductions, the total can add up to more than 100% of the dollar earned.

These reductions, taxes, premiums, and charges result in what economists call the Marginal Effective Tax Rate, or METR. It has often been noted that this rate is highest among the poor, especially those who benefit from more than one social service or income-tested program and who try to better themselves through modest earnings. What it means, in effect, is that poor working people return relatively more money to the state than more affluent workers do, because they give up so many benefits in order to work.<sup>23</sup>

For example, for each dollar earned by a multiply-served new immigrant in Toronto:

- social assistance is reduced by 50 cents on the dollar,
- public Housing rents go up by 30 cents on the **same** dollar,
- work expenses (such as transportation and clothes) must be paid out of the remaining income,
- child care subsidy reduces once a recipient is earning \$20,000 a year (in spite of the fact that increased work increases the need for, and expense of, childcare),

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<sup>22</sup> In practice, almost no one who secures good, full-time work leaves public housing, even though they would prefer not to live there. The waiting list is so long that the units take on a psychological value. Focus group participants reasoned that if they left public housing to take on an insecure job, and lost it, they would never be able to regain affordable housing.

<sup>23</sup> For a full discussion of these dynamics, see Gillian Manning and Don Drummond: "The Road Still Less Traveled," Toronto Dominion Bank, *TD Economics*, September 2005.

- student loans are potentially jeopardized,
- national Child Benefit Supplements go down, and
- taxes, EI, and CPP payroll deductions begin.

The devastating effect of high Marginal Effective Tax Rates on the poor is not simply an economic theory. It is born out in the real-life budgeting exercises we undertook with members of the Somali community as part of this study. In Part 8 of this report we compare the relative economic well-being of people who attempt to work with those who do not. Those who try to work are the losers.

### 3.2 Declaring children to be adults

*When my daughter turned 18, I was living in Ontario housing, normal rent. They said she has to pay some rent. Otherwise they would take away some money from my cheque that comes from the social assistance. They say she has to pay ... She can't pay because she just finished high school and she doesn't have a job yet. They don't care. The day that she's finished high school and turned 18, she had to take responsibility.*

*- Amina, Somali community focus group*

In our wider society, children often stay in the family household long past the age of 18. They do so while they pursue further education and training, for example, or while they get their first full-time work experience, or pay off student loans, or save to move out. In middle-class society, adulthood is measured by a person's readiness to be independent of the family, usually after formal education has ended.

When children in families receiving social assistance reach 18, they are no longer considered children. They often stop receiving social assistance as part of the family. They can only apply for assistance in their own right if they are no longer dependent on the family. In most instances, that means they must move out of the family home.

Public housing provides housing to families based on a similar definition of adulthood. The public housing landlord may evict a family if the size and activity of the rental unit does not conform to the "benefit unit" (the family). In other words, once a child turns 18 and the child moves out, the rental unit can be deemed too large. This can result in an eviction notice for the whole family.

Student loans and grants through OSAP and Millennium scholarships can also reduce social assistance payments and have an impact on rental charges. No wonder parents were less than enthusiastic about Mayor Miller's vision of a corporate mentoring program for their children. The approach of an 18<sup>th</sup> birthday, and even the prospect of an honour such as a scholarship, can be the cause of high stress in a poor family.

In a high cost environment like an Ontario city, it is hard for any young person with only a high-school education to earn enough money to make ends meet. It is just as hard to get a post-secondary education without family support. Yet our social policies for welfare recipients force independence on 18-year-olds, discourage them from further schooling, and threaten to take away their shelter.

It is reasonable to assert that these misdirected social policies serve to perpetuate poverty and welfare dependence in the next generation. And it is not unreasonable to suggest that forcing undereducated 18-year-olds into the working world and out of the family home puts them at risk for homelessness. It also limits their choices in a way that can make dishonest behaviour more attractive.

### 3.3 Isolated programs with poorly integrated goals

*Like that lady who was sitting over there, she told me a bit of her information before. She just came about... a year and a half ago. And she just started a little job maybe doing very simple things like ... maid-type stuff. And her husband was working. But his income wasn't high. So now she came in and she wants to get a job. She got a job and she worked just part-time and went to school part-time. So their income just went up by a bit. But their rent went way up.*

*- Khatra, Somali community focus group*

Government departments are responsible for programs and policies within their own confines. Program recipients are responsible for negotiating the full array of rules, roles, and relationships across all of these departments and government levels.

Those who attempt to become self-reliant face the maximum “exposure” to the highest number of government departments and policies. There is one set of government ministries and departments involved in income maintenance and security, a second set involved in higher education, a third involved in housing and settlement, and a fourth in providing and billing for services.



This chart illustrates the array of government program exposures a poor adult in Ontario attempting greater self-reliance would typically face:

<b>Chart of Government Program Exposure</b>			
<b>Department, Ministry, or Agency</b>	<b>Policy Role</b>	<b>Delivery</b>	<b>Outcome of self-reliance efforts</b>
<b>Federal Departments</b>			
Service Canada	Identification and coordination based on eligibility	Documentation Capacity to qualify: cards and ID	N/A
HRSDC	EI, RESP policies, Child Benefits rules	EI, RESP, CCTB Benefits	EI limited, RESP's available through available income, NCBS reduced at \$21,500
<b>Provincial (Ontario)</b>			
MCSS	Ontario Works (OW) Needs test	Needs tested OW benefits Basic Income	50% reduction on each dollar earned
Housing	Housing rent scale	Rationed Public Housing	RGI housing - rent increase @ 30% on dollar
MCYS	Child Care Policy	See Municipal	See Municipal
MAG (Legal Aid)	Needs test	Clinic assistance or certificate	Fee based above income waivers
MTCU	OSAP Income	Loans and Grants	Repay loan
<b>Agencies</b>			
Canada Revenue Agency	N/A	Agent for payments and recoveries	CRA bases benefits on previous year
<b>Municipal</b>			
Child Care Subsidy	N/A	Child Care Subsidy	Fee at \$20,000/year
Municipal Housing Authority	N/A	Rationed Public Housing	RGI housing - rent increase @ 30% on dollar
Discretionary Social Services	Set Availability	Based on Local Policy	Only available to OW recipients

Low-income adults can spend more than a third of a work week - Monday to Friday - fulfilling requirements set by these programs. Most of these requirements relate to meeting information requests as opposed to regaining self-sufficiency.

The emergence of “citizen-based” models at Service Canada and “account-based” models at Human Resources and Skills Development Canada have helped us to begin the conversation on viewing program interaction from the point of view of the citizen who is affected by them. However, governments continue to have ministries with oversight from central agencies that reinforce individual accountability while having no program expertise or governance mandate to ensure that programs interact rationally or in the best interest of the citizen.

There is really no such thing as “making the leap” to self-sufficiency in our current welfare paradigm. People who make the leap over the welfare wall are the stuff of movies, storytelling and a guest spot on Oprah. In fact, our system forces a long, arduous climb up the welfare wall, with no foreseeable economic improvement during the climb.

Telling people to work and then stripping the assets they need to get and retain work makes no sense. The disincentives occur because the hallmark of our welfare system’s integrity is the demonstration of abject poverty. What if we replaced it with a system that had as its primary goal to help people achieve more self-sufficiency?

If that were the goal, it would not matter if recipients built resources while on welfare, as long as they were taking steps to achieve eventual self-reliance. We could begin a journey to new types of programs to replace welfare for work-eligible adults. We could design programs that placed those who cannot participate in work on pension-style income security. And we could support disadvantaged youth in their transition to adulthood, education, and independence.

We cannot get to the heart of the multiple subsidies/multiple barrier issue as long as individual programs act in isolation from one another. The notion that social programs should “do business” separately does not achieve any social goal that our society could value. Instead, these tangled programs as a whole encourage non-reporting, discourage work, and perpetuate abject poverty.

In Part 4 of this report, we recommend some short-term steps that social programs could take to eliminating a few of the most egregious barriers to transition. But there is also a serious issue of governance here. In Parts 5, 6, and 7 we describe steps governments should take toward a true solution, with an overarching structure that would set integrated program policies and parameters in advance. Such a structure would have true potential for achieving rational goals for the sum of the social programs and their interactions.

## 4. Recommendations for Short-term Solutions

*If you're earning more working than you would on ODSP, that would be a good incentive to work.*

*- Randy, St. Christopher House reference group*

*Give the child some time. So that you can either go to university or find a job.*

*- Abdul, Somali community focus group*

### 4.1 Reduce Marginal Effective Tax Rates for adults with low incomes

Marginal Effective Tax Rates (METRs) are the combined impact of imposing payroll taxes, reducing benefits, and taking back social security income, based on the money people make from outside sources such as a job.

The problem of high METRs for low-income people is caused by the accumulated effect of reducing social program benefits and subsidies while at the same time imposing payroll deductions on their earned income.

Reducing these rates requires that the authorities responsible for a range of social programs and payroll deductions, such as Ontario Works, public housing, and child care develop a comprehensive strategy for lowering the Marginal Effective Tax Rate when people who receive social benefits start to work.

#### Detail

We recommend that:

4.1.1 Authorities work together to ensure that combined Marginal Effective Tax Rates do not exceed 75% of net earned income in the medium term, with a long-term goal of 50%.

4.1.2 Ontario Works ensure that the new Working Income Tax Benefit (WITB) will be passed through to all eligible Ontario Works recipients without penalty.

4.1.3 Public housing authorities assess no additional rental payments as a result of receiving the WITB.

4.1.4 Ontario Works allow the Ontario Child Benefit (OCB) to be passed through to all eligible Ontario Works recipients without penalty.

4.1.5 Public housing authorities assess no additional rental payments as a result of the receipt of OCB.

## 4.2 Stabilize households in transition to greater self-reliance

Working together, authorities responsible for public housing, Ontario Works, child care, and student aid should set new standards for adults wishing to achieve greater self-reliance. These standards should be based on an approved plan for the individual or family in transition through work or further education. Eligible families would have a stable, predictable income during the transition period.

### Detail

We recommend that:

4.2.1 Authorities responsible for social programs work together to establish a transition planning system for adults with an approval process, standards and benchmarks.

4.2.2 Based on approved plans for adults wishing to achieve greater self-sufficiency, authorities responsible for social programs grant a one year (renewable) moratorium on rent increases, Ontario Works reductions, losses in child care subsidies, and student assistance.

4.2.3 Recipients have the option to renew their moratorium on a yearly basis, based on satisfactory progress toward pre-set benchmarks.

4.2.4 Where a person is not successful in achieving self-sufficiency, there be no assessment of retroactive charges when there has been a genuine attempt to achieve greater self-reliance.

4.2.5 Authorities allow raised assets limits for all social assistance recipients with an approved employment plan in order to accumulate savings and minor windfalls for the purpose of financing sustained employment start-up activities.

## 4.3 Support children in their transition to adulthood

Working together, authorities responsible for public housing, Ontario Works, child care, student aid, and other student supports would develop a system to enable eligible young adults (under age 20, and up to age 24), working to an approved plan, to stabilize their own income and that of their families through a four-year moratorium on all charges and subsidy or rent increases that would have otherwise resulted from the receipt of income by the student.

## Detail

We recommend that:

4.3.1 Authorities responsible for social programs work together to establish a transition planning system for eligible young adults with an approval process, standards, and benchmarks.

4.3.2 Public Housing and Ontario Works programs redefine adulthood. Under the new definition, children would not take on adult responsibilities and adult status while they continue to achieve satisfactory progress in a full program of post-secondary education, up to age 24.

4.3.3 Authorities responsible for social programs establish a four-year moratorium on rent increases, Ontario Works reductions, and losses in child care subsidies to families, as well as loss of student assistance, while a student in the family is completing a full program of post-secondary education.

4.3.4 Public housing authorities suspend rental income increases based on student income included in the rent-geared-to-income calculation. This would include:

- any non-government-funded scholarship, award, or grant from a recognized educational institution received by a student in the household, and
- any award, scholarship or grant received from a non-government group (such as a children's aid society, charitable organization, or company).

4.3.5 Public housing authorities stop collecting information on student assistance from government sources such as OSAP received by students living with their parents.<sup>24</sup>

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<sup>24</sup> Although OSAP is not included in the RGI calculation, households are asked to provide this information. As a result, public housing tenants widely believe that receiving OSAP will result in rent penalties. This results in high anxiety and in some cases lost opportunities for students.

## 5. Strategies for Transforming Welfare

### 5.1 The four pillars of income security

In spite of the efforts of social advocates to restore welfare benefits for working-age adults to previous levels, Canadians do not appear disposed to do so. Over the years, however, and almost imperceptibly, there have been changes to the framework of benefits for seniors and children. These changes require scrutiny, because Canadians do indeed seem satisfied with these income security measures.

Before attempting to invent a new and supportable income security system for working-age adults, we should look at what seems right and acceptable to Canadians in the structure of income security benefits for seniors and children.

#### The four pillars of income security for seniors and children

In Canada, benefits for seniors and children have four common elements:

1. Meaningful *federal accounts* that contains real benefits
  - Old Age Security and CPP for Seniors
  - Child Tax Benefits for Children
2. Registered *tax instruments* that provide benefits for children, youth and older people
  - RRSP's for seniors
  - RESPs for children and youth
3. *Real benefits* from the Income Security System for low-income seniors and children
  - The Guaranteed Income Supplement (GIS) for seniors, plus a variety of provincial supplements and add-ons
  - The National Child Benefit Supplement for low income families with children
4. *Matching or separate contributions* from governments to reward individual savings
  - The tax exemption on RRSP's contributions
  - The Canada Learning Bond, Canada Education Savings Grants, Millennium Scholarships, Canada Student Loans, and an array of provincial programs such as OSAP

### How does this compare to income security for working-age adults?

In comparison to children and seniors, working-age Canadians have (or do not have) the following programs, benefits, or policies under the same four pillars:

1. A federal tax account and an EI account which are *not true accounts*<sup>25</sup>
  - For most working age Canadians, the EI account is a lifelong account into which they pay and receive no benefits
  - The tax account is an account into which they pay tax but receive little or no direct benefits when their income falls to poverty level, such as the tax refunds more affluent people receive for RRSP contributions
2. Registered tax instrument
  - A registered instrument to save money, tax-exempted or deferred, for objectives during an adult's working lifetime *does not exist*
3. Income security benefits
  - EI benefits are available to fewer than 40% of the unemployed (the figure is as low as 22% in Toronto).
  - Welfare
  - GST credits provide modest refunds to low-income people
  - The federal WITB provides a modest tax credit
4. Contributions from governments to reward individual contributions
  - Matching contribution programs for working-age adults to achieve goals the government or civil society see as desirable *largely do not exist*

The following table looks again at the four pillars of income security for seniors and children and compares them with comparable benefits for both “average” working-age adults and low-income adults. The table suggests an “account-based” model for allowing working-age adults to achieve income security or alleviate poverty by:

- introducing a registered savings instrument for working adults to redeem within their working life,
- creating matching contributions to assist working-age adults to save for goals that enhance quality of life and civil society,

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<sup>25</sup> They are not true accounts in the sense that a contribution could result in a reasonable expectation of a benefit at some point during one's lifetime.

- creating a meaningful federal account where contributions would result in some minimum level of credits, and
- creating meaningful low-income benefits to help alleviate working poverty (for example, by developing the WITB)

<b>Federal Accounts</b>	<b>Registered Instruments</b>
Average Canadians <ul style="list-style-type: none"> <li>• Tax Account</li> <li>• CPP/OAS</li> </ul>	Average Canadians <ul style="list-style-type: none"> <li>• RPP</li> <li>• RRSP</li> </ul>
Children <ul style="list-style-type: none"> <li>• Tax Account</li> </ul>	Children <ul style="list-style-type: none"> <li>• RESP</li> </ul>
Low Income or at risk Adults <ul style="list-style-type: none"> <li>• Tax Account</li> <li>• EI (not a true account)</li> </ul>	Low Income or at risk Adults <ul style="list-style-type: none"> <li>• No registered instrument</li> </ul>
<b>Benefits</b>	<b>P/T Exempted Contributions</b>
Average Canadians <ul style="list-style-type: none"> <li>• OAS/ CPP</li> </ul>	Average Canadians <ul style="list-style-type: none"> <li>• Non-refundable tax credits/exemptions</li> </ul>
Children <ul style="list-style-type: none"> <li>• CTB/NCBS/UCCB</li> </ul>	Children <ul style="list-style-type: none"> <li>• CLB/CESG</li> <li>• Millennium scholarships</li> <li>• Exempt part of NCBS</li> </ul>
Low Income or at risk adults <ul style="list-style-type: none"> <li>• EI/Welfare</li> <li>• GST refundable credit</li> <li>• Other refundable credits (low)</li> <li>• WITB to be explored</li> </ul>	Low Income or at risk adults <ul style="list-style-type: none"> <li>• No exempted contributions beyond GST credit</li> <li>• Development money could be deposited to EI account to pay for training, etc. based on EI contributions over time</li> </ul>

## 5.2 Building the new programs and replacing the old

The strategic goal of this approach is to mirror the income security policy nexus for seniors and children with programs and measures for working-age adults. This approach stresses transition to self-sufficiency as a more important goal than ensuring that only those in real need are supported. By doing so, we begin a journey to new types of programs that could replace welfare entirely.



Just as we gradually removed the welfare system for seniors during the period from the late 1920s to the mid 1960s, it is equally possible to restructure welfare for working adults. It would become a set of programs that recognize the reality of expanded workforce expectations and aspirations for most working-age adults.

Each of the new elements could be part of a new government account where credits could be earned and used over a lifetime. Special measures like these could help prevent the development of an underclass of second and subsequent generations living in poverty.

This would entail:

- looking at the EI Account as the base account for working-age Canadians so that paying into EI should result in some form of training credit;
- taking children out of welfare entirely by replacing former welfare supports with highly developed income security benefits for children in low-income families;
- transforming welfare for working-age adults into income supplements based on earnings;
- providing pension-type benefits for those who have no reasonable chance to join the competitive labour force;
- providing emergency benefits through a social fund created expressly for emergency situations;
- providing housing credits and shelter benefits directly through the housing system as opposed to through welfare payments for rent;
- providing childcare to all families who need it;
- permitting asset retention for the purpose of moving from social assistance to self-sufficiency, which means removing asset rules from all employable people with a workfare requirement;
- implementing Tax Prepaid Savings Plans (TPSPs) with special features to allow low-income people to save tax-free, as do higher income people who save for education or old age;<sup>26</sup>and
- implementing the recently announced federal Working Income Tax Benefit in a way that begins to support work through the refundable and non-refundable credit system, which would entail rationalizing boutique and single purpose credits (GST, energy credits) into a system that aligns with low-income objectives.

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<sup>26</sup> Finn Poschmann and William B.P. Robson, "Saving's Grace, A Framework to Promote Financial Independence for Low-Income Canadians," C.D. Howe Institute, Background No. 86, November 2004.

## 6. Working Together: Convening Governments to Shape the Solutions

*Why not have overall rules that say the tax back on all these programs together is not allowed to go higher than say 49% - why don't they do that?*  
- Professor Tom Courchene, Queens University School of Policy Studies

### 6.1 The role of the Premier and Cabinet Secretary

Large-scale welfare or social services reform seldom occurs without participation of the head of state. This has been true in the United States where Bill Clinton spearheaded welfare reform in the 1990s and Lyndon Johnson waged his War on Poverty in the 1960s.

At the state level, governors have been most successful in marshalling state resources whether that was workfare as in the case of Tommy Thompson's reforms in Wisconsin or Michael Dukakis' Employment and Training in the late 1980s.

In Canada, it may be the case that large-scale income security reform has not taken place because of the lack of a Prime Ministerial commitment since the days of Lester Pearson. The only exception may be the National Child Benefit spearheaded by the Prime Minister and all Premiers in 1996 and 1997.

Large-scale structural reform has only taken place when a Premier and Finance Minister have stepped in to take charge. This happened most recently in the Province of Ontario, with its new Ontario Child Benefit (OCB).

### 6.2 The role of ministers, parliamentary assistants and deputy ministers

Because the list of large-scale social reforms spearheaded by ministers or cabinet secretaries is almost non-existent, it is unlikely that the work needed to reduce incentives across programs could be undertaken successfully at that level alone. It will take a broader government initiative.

It is difficult for both provincial and federal ministers to convene meetings across ministries, departments, and agencies. In fact, it has proven easier for ministers to meet with their counterparts across the country than to convene within one government. As for cabinet meetings, they will always be taken up

with pressing issues that face governments, as opposed to longstanding program integration concerns.

Cabinet committees can be formed to address issues of state, but issues related to program detail may be best addressed by convening deputy ministers with involvement on the political side from parliamentary assistants reporting to a lead minister.

### 6.3 The role of senior staff

Senior staff with authority over programs that don't work well together could convene if the government gave priority to the task. Special recognition from the Secretary of Cabinet and a group of deputy ministers with available resources can work well.

What won't work is creating a special group within government, with few resources and a mandate with no special priority, competing for attention with everything else. This is a recipe for inaction, as everyone still has "their own work to do." What is needed is special priority, with timetables and a mandate across ministries and departments.

### 6.4 The role of the Service Canada and the Ontario Ministry of Government Services

Large central processing agencies within government have been working hard to map a citizen-centred approach to government services. This is a less expensive model than the current department and ministry-based "silo" models that duplicate information gathering requirements. It also results in greater customer satisfaction and has the look of a win-win for all stakeholders and recipients.

Less clear is the policy role that central agencies would take in their attempts to rationalize information collection and dissemination. For example, housing, social assistance, child care services, and the Canada Revenue Agency all have different root definitions of concepts such as adulthood, childhood, dependency, residency, tenancy, and so on.

It is one thing to have different program rules and differing benefits. It is quite another to have varying rules relating to who is and who is not a child, an adult, or a resident. If there is incongruity among the basic building blocks of a program, it is a waste of time to try to develop common program rules; such rules would be opaque to both administrators and the public.

A promising development on the program front was the unexpected announcement of the Ontario Child Benefit (OCB) as a truly integrated benefit with the federal Canada Child Tax Benefit.

This means that the definition of the child will not just be similar, it will be the same. Parents will be the same parents. Program rules and income-counting rules will be identical. Service delivery will be at the same time and the statements will not just be identical – the benefits will be listed on the same statement.

This approach not only reduces program and delivery expenditures, it is much more transparent to the public and recipients. If just two programs come together, then three is surely possible.

This approach is not without challenges. In the case of the OCB, the CRA definition of an eligible parent does not include refugee claimants. The welfare definition does. In this case, the welfare definition comprises the largest pool of eligible people. On the other hand, the tax system is the largest system, in terms of distribution and collection of money. If refugee claimants are excluded from the OCB definition, then refugee claimants will lose benefits. When that happens, we start to lose the benefits of common approaches to data definitions, as welfare begins to top up the claimants and the entanglement of program rules begins all over again.

The key is to constantly have basic definitions on the table for policy discussions. People-centred government policies cannot prevail where an 18-year-old lone parent refugee is an adult under four policies, a child under two, a student in a third policy, a dependent adult under two others, a non-resident under two policies, and a legal resident of Canada under four more – all with governments' understanding that it is her job to sort this out.<sup>27</sup>

## 6.5 The role of finance ministries

Finance ministries are very much like line ministries or departments, in that they undertake large-scale policy development on behalf of the government.

The real difference between the role of finance ministries and that of line ministries and departments is that finance can:

- decide for itself whether its own policy proposals are affordable, and
- make policy without consulting with other departments and ministries, even those affected by the result.

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<sup>27</sup> If she is age 18 and a refugee claimant, she is viewed largely as an adult under Family Law, an adult under the age of majority act, a child under OSAP (if she lives at home) and alcohol consumption laws, a dependent adult under Ontario Works and Legal Aid, but an adult under ODSP and public housing rules, a student under OSAP during the school year if attending full time, a resident under school attendance laws as well as social assistance, OHIP, and housing regulations, but a non-resident from the point of view of Citizen and Immigration Canada and HRSDC for purposes of the Canada Child Tax Benefit and the new OCB.

In fact, finance departments are becoming ever more powerful within governments as more and more programs are announced through government budgets and delivered through the tax system, in which finance departments and ministries have the policy lead.

This state of affairs has its pluses and minuses. If finance departments do good policy work while other ministries and departments are kept in the dark, then that's a plus. But in complex modern government, finance departments cannot possibly anticipate all the subtle impacts of a budget initiative on the meshing gears of all the social programs, operating in a dozen "silos", at varying levels of administration. The departments are often left to pick up the finance department's pieces once they are privy to budget detail. This is not conducive to program clarity or smooth interactions among departments.

Finance departments operate under a traditional cloak of secrecy. It is largely based on the belief that budget secrecy is required to prevent insiders from taking unfair market advantages. But budget secrecy has never been needed for social policy.

Finance departments need to descend into the fray of the line ministries and departments, roll up their sleeves alongside these colleagues, and begin to solve the problems they have inadvertently created.

## 6.6 The role of municipalities

Municipalities in Ontario have a limited policy role, except in the areas of rent-geared-to income (RGI) housing policy and child care financial testing. The province sets Ontario Works policy, although there are some areas of municipal discretion. OSAP policy is set by the province. Scholarship policies are set by the province and the federal government. This largely restricts the municipal role in policymaking to advocacy.

The governance model in municipalities differs from the Westminster model of provincial and federal governance. The largest single difference is that municipal governments hold their senior management meeting in public, while the province and the federal government are mandated to come to management decisions *in camera*. Municipalities make decisions under the direct scrutiny of stakeholders, who have the potential to influence the decision-making process.

In Ontario, there are 47 different Consolidated Municipal Service Managers or CMSMs. Municipalities fund 20% of Ontario Works costs, 50% of welfare administration, and 100% of subsidized housing costs.

Due to fiscal pressures and diverse priorities in Ontario’s municipalities:

- discretionary programs under Ontario Works and ODSP are implemented in some jurisdictions and not others,
- help with emergencies differs in quality and quantity,
- information services vary, and
- income from various sources is counted differently for the purposes of RGI increases and decreases in public housing.

Because of these differences, the issues raised in this paper about how programs treat each other vary from municipality to municipality. The differences do not stem as much from policy considerations as they do from fiscal pressures and the particular approaches of municipal councils and committees.

The argument is often made that municipalities should not fund human services because these programs are, in large part, open-ended, rule-based programs that depend on close-ended funding through property taxes, government grants and user fees.

However, there is a second, equally important argument against municipal funding of human services. A governance structure that allows municipal councils and committees to make fundamental policy decisions (such as whether scholarship funds should result in higher rents in public housing) on the basis of municipal fiscal priorities is flawed.

In the case of scholarship funds and rent increases, some of the most important work of provinces and the federal government to lower marginal effective tax rates (METRs) can be nullified with a pen stroke.

The outcomes of these decisions are far more important than the very small levels of fiscal savings that a municipality may realize when facing a fiscal rough patch.

For this reason, decisions about the road to self-reliance for low-income adults and their adult children should be uploaded at least to the provincial level.

## 6.7 The role of agencies, boards and commissions

Agencies such as Legal Aid Ontario (LAO) and the Workers’ Safety and Insurance Board also make decisions that impinge on the incentives and disincentives faced by low-income adults. For example, Legal Aid Ontario’s clinic and certificate programs have a financial eligibility test based on the Ontario Works needs test, with a number of unique features.

Agencies that pay benefits to individuals do so at arms length from government. They are in what may be termed an “enforced isolation” from other

programs in line ministries and municipalities. Many are under-funded and take decisions based on the need to reduce the availability of their services.

Governments are often not in a position to tell agencies how to spend their allocations. They do, however, often use the blunt instrument of funding restrictions to rein in spending. When they do so, they have little control over how the agencies make decisions. Sometimes, these decisions create further disincentives for low-income adults to achieve self-reliance.

For these reasons, agencies should take part in the conversation about citizen-centred services and rules.

## 6.8 The role of government watchdogs

Government watchdogs, such as ombudsmen and auditors, are charged with making governments and government-funded agencies accountable for their actions. Unfortunately, auditors and watchdog agencies of various sorts operate within the constraints of the prevailing government “business model.” This model sees departments, ministries and agencies as “silos,” responsible for their own particular piece of the “business.”

This can cause them to be government and business-focused, as opposed to citizen focused. In other words, their first question tends to be: “Did this department as a business entity get good value for the money spent within a government business plan?” The first question is not: “Did the citizen get good service for the money that was spent on their requirements as individuals, families, or communities?”

Government running as businesses is obviously a good thing as it relates to efficiency, clarity, and getting the job done. But because business models call for “sticking to the knitting,” what often goes missing is the imperative to ensure congruity between what one business is doing in relation to another. Auditors and watchdogs don’t necessarily look at the overall negative effects that government businesses are having on their clients.

This explains why no auditor or watchdog has ever reached a conclusion about the negative effects of multiple tax-back rates on the same individual. It is simply not within their mandate to do so. The same problem applies to appeals boards and tribunals, which rule within the parameters of existing law. Since watchdogs do not have this mandate, there is no entity to appeal to for redress. There is no institutional recognition that the negative effects of siloed governance are a form of misbehaviour.

Having said that, there is no call in this paper to expand the role of auditors, appeal boards, tribunals, or ombudsman to examine matters of overall governance. That is because, at bottom, these are policy issues. They require policy solutions.

## 7. Recommendations for Longer Term Solutions

*Such services of the state as ... assistance to the impoverished and many other services are not of particular importance to the planning system ... In consequence, they do badly in competition for public funds.... The poor, by any applicable tests, are outside the planning system.*<sup>28</sup>

- John Kenneth Galbraith

### 7.1 Create a new government responsibility centre

A new government responsibility centre should be tasked with resolving the multiple barriers that now result from the unintended consequences related to program overlap and duplication.

#### Detail

We recommend that:

7.1.1 The Secretary of Cabinet for Ontario ask the Deputy Ministers of Housing, Community and Social Services, Children and Youth Services, and Training and Colleges & Universities to report on ways and means of resolving duplication and removing barriers under Ontario Works, ODSP, childcare needs testing, public housing, and student assistance at the post-secondary level to ensure that there are positive incentives at all times for multiply-subsidized people to accept work and pursue post-secondary education.

7.1.2 All governments and agencies work together to ensure that combined marginal effective tax rates do not exceed 75% in the medium term, with a long-term goal of 50%.

### 7.2 Question the “business model” of governance

The new government responsibility centre should call for civil society, agencies, and activists to question the “business model” of governance that champions running programs like separate businesses in isolation one from the other.

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<sup>28</sup> John Kenneth Galbraith, *The New Industrial State*, Princeton University Press, 2007, pages 390 and 422.



The goal of this exercise is to create a new set of governance principles that has the power to change intersecting program rules that result in perverse incentives to discontinue post-secondary education or achieve person self-sufficiency.

#### Detail

We recommend that:

7.2.1 The new government responsibility centre ask major funders in Ontario to fund a number of think tanks at the provincial and national level to explore client-centred governance models that cross traditional ministry lines and ministry-based “businesses.”

7.2.2 Service Canada and HRSD support positive individual and family accounts that contain credits for income, housing, tax credits, and training for low-income Canadian adults.

7.2.3 Through this new provincial Government responsibility centre, reduce information requirements at all levels by sharing and pooling data.

### 7.3 Re-orient Ontario Works to support transition

Ontario Works should change its orientation from a welfare program designed to help the poorest of the poor to a program that supports transition to self-reliance. Moving social assistance recipients to programs that do not suffer from welfare-based rules would likely have a positive effect on public opinion, which favours anti-poverty solutions.

#### Detail

We recommend that:

7.3.1 Governments work together to develop a new Ontario supplement program in conjunction with the Working Income Tax Benefit (WITB) that would transfer all social assistance recipients to the new combined program. This would occur when their social assistance entitlement falls below the combined Ontario program and WITB maximum due to earnings or the combination of earnings and other income.

7.3.2 Governments co-ordinate the new Ontario Child Benefit (OCB) with the federal Working Income Tax Benefit.

7.3.3 Authorities raise asset levels for social assistance recipients to \$5,500 single and \$9,000 for families as recommended in Time for a Fair Deal (Report of the Task Force on Modernizing Income Security for Working Age Adults).

7.3.4 Authorities monitor the new federal Registered Disability Savings Plan (RDSP) with a view to broadening the program to cover savings and windfalls realized by all low-income adults.

#### 7.4 Publicly champion the road to self-reliance

There is a need for a public education program that champions continuous improvement and counters the unrealistic expectation of making sudden leaps into self-sufficiency.

The campaign should focus on solutions and values that mirror what members of the general public judge as reasonable for themselves, and are based on coherent social policy.

##### Detail

We recommend that:

7.4.1 In the course of establishing a just and coherent social policy, governments convene a group of public relations firms, communications specialists and pollsters to devise a public education initiative. This initiative would help to resolve the contradictions in public attitudes towards acceptance of public assistance by working-age adults.

#### 7.5 Taking the next steps

The recommendations in this report are ambitious. They call for a broad, inclusive, integrated and coherent initiative involving all levels of government, many internal departments, and a number of social agencies. To move the recommendations forward, we have presented the findings in this paper to the participants of the reference and focus groups for their reactions. We have also:

- developed a list of key informants to review the recommendations in this paper in advance of a consultation process, and
- developed a consultation process with community groups and stakeholders to consider the recommendations and revise as necessary.

We will also:

- gather endorsements for the approaches noted in a (revised) paper and proceed with a media strategy and government consultation strategy,
- web-publish the paper and ask for responses from governments and civil society as appropriate, and
- congratulate governments for making changes in the spirit of this project.

## 8. Talking with Community Members

### 8.1 A budgeting exercise with Somali women

In a meeting with Somali women held in July 2006 in North Etobicoke, we conducted a budgeting exercise. Each of the five participants lives in public housing. The chart below describes the five participants and their situations.

Women 1, 2 and 3 are unemployed parents paying rent according to the social assistance rate scale. Woman 4 is a working parent with a marginal job as a hallway and lunch monitor, paid by the school board. She pays scale rent of 30%, but not market rent. Woman 5 has a good job as a counsellor with a community centre. She is paying market rent.

	<b><i>Current Occupation</i></b>	<b><i># of Children</i></b>	<b><i># of Adults at Home</i></b>	<b><i>Income Sources</i></b>
<b>1.</b>	Stay at home parent	4	1	Ontario Works Child support Child benefits
<b>2.</b>	Stay at home parent	3	1	Ontario Works Child support Child benefits
<b>3.</b>	Stay at home parent	3	1	Ontario Works Child support Child benefits
<b>4.</b>	Lunchroom and hall monitor at school	5	1	School board job Child support Child benefits
<b>5.</b>	Counsellor, Community Centre	8	2	Counselling job Child benefits

The chart below shows the household budgets and income of each of the five women.

In this exercise, we discovered that the single parents receiving social assistance had as much disposable income as the woman who had secured a counselling job paying \$36,400 a year. The counsellor's rent soared to the market rate of \$1,200 per month while those women remaining on social assistance had rents in the \$300 range.

In the lunchroom monitor's case, the move to work reduced her social assistance entitlement to zero, and made it very difficult for her to her return to Ontario Works in future. The move to part-time work also made her and her family ineligible for prescription drugs and dental coverage, and reduced her eligibility for the National Child Benefit Supplement.

There was no material benefit for any of the women in this group to taking work that would place them in the working poor category. Each would be clearly worse off.

Monthly Household Budget for Five Families with Children					
Woman #:	1.	2.	3.	4.	5.
<b>INCOME</b>					
Child Benefit	\$900	\$450	\$250	\$800	\$600
Job and/or child support Ontario Works	\$300	\$600	\$350	\$1,200	\$2,600
	\$1,000	\$900	\$600		
<b>Total Income</b>	<b>\$2,200</b>	<b>\$1,950</b>	<b>\$1,200</b>	<b>\$2,000</b>	<b>\$3,200</b>
<b>EXPENSES</b>					
Food	\$750	\$800	\$260	\$800	\$900
Rent	\$394	\$300	\$200	\$330	\$1,200
Internet	\$83	\$109	\$50	\$50	\$50
Insurance		\$310			\$360
Cable			\$48		\$24
Phone	\$40	\$55	\$55	\$40	\$55
Cell phone	\$43		\$60	\$40	
Public Transit	\$200		\$100	\$200	
Gas		\$120			\$140
OSAP loans					\$200
Miscellaneous	\$380	\$150	\$100	\$250	\$100
Child Care					\$172
<b>Total Expense</b>	<b>\$1,890</b>	<b>\$1,844</b>	<b>\$883</b>	<b>\$1,710</b>	<b>\$3,201</b>
<b>Net Gain/loss</b>	<b>+\$310</b>	<b>+\$106</b>	<b>+\$317</b>	<b>+\$290</b>	<b>-\$1.00</b>

#### Notes on income

#### Work (earnings)

Work is the only source of income that causes social assistance to reduce precipitously. In the counsellor's case, the move to work reduced her entitlement to social assistance to zero. At the same time, she incurred a precipitous increase in rent (about 300%) from \$400 to \$1,200, child care fees of \$172 a month, ineligibility for prescription drugs and dental coverage, and precipitous reduction of her eligibility for the National Child Benefit Supplement.

#### Child benefits

Canada Child Tax Benefits (CCTB) are reduced by all outside income, including social assistance income, at approximately \$21,500 regardless of family size. For the women with 4 to 8 children, social assistance alone can be high enough to reduce the child benefits. This is why the lunchroom monitor has fewer child benefits even though she has more children.

The counsellor did not experience the NCBS clawback, but her NCBS benefits were reduced by more than the amount clawed back from the women receiving assistance. Her child-care subsidy was reduced to zero.

## Notes on expenses

### Cable and Communication

Cable and communication devices and services such as telephones, cell phone, cable TV and the internet are all considered essentials in families with children.

### Transportation

It is possible to maintain a low-cost vehicle both on social assistance or while working, even with the high cost of insurance and gas, if the original cost of the vehicle is very low and the vehicle is used instead of public transportation.

### Miscellaneous

Miscellaneous includes clothing, personal expenses, and help to relatives. Women #1, #2, and #4 were sending help to relatives. While on social assistance, there is little pressure to send money to relatives back home. This is not the case if a job is secured.

### Prescription drugs, dental care, and back to school benefits

The women receiving social assistance received premium-free prescription drugs. They had no work expenses or child-care costs. They received back-to-school and winter clothing benefits, and free dental care for their children.

The counsellor working at \$36,400 paid for part of her prescription drugs, paid all of her children's dental bills, and received no back-to-school and winter clothing benefits.

She retained her public housing unit because her job is precarious.

### Observations about living on Ontario Works

The women who receive benefits from Ontario Works made these comments:

- They must live from 'day to day.' They cannot save money to plan for a future due to the social assistance assets test and the immediate increase in rent that accompanies any increase in income.
- They are required to report all changes in their household immediately and provide their bank book to a worker who goes through each entry in great detail.
- Any change to their financial circumstances reverberates through any of the benefits that they receive.
- Normal changes to their family situation, as their children grow older and move out, can result in immediate eviction and lower benefits from a wide variety of programs, such as social assistance, public housing, legal aid, and child-care subsidy.

### Prospects for moving out of poverty and public housing

Low-income Somali families living in public housing do not see moving out of poverty as a possibility that will be achieved by work. In reality, they see moving out of poverty through the raising of their children to young adults who then, in turn, will remove their parents from poverty through their earnings.

Prospects of moving out of public housing within the timeframe of raising their children are very low unless they obtain sufficient job security, a higher paying job (likely in the \$50,000 a year and up range), and drug and dental plans through the workplace. These prospects are remote for a lone parent in public housing. Even those who find a “good” job, such as the counsellor, are reluctant to give up the public housing they waited so long for. All work is precarious, and if she should lose her job, her rent will be adjusted downward. If she had moved her large family out, she would have been trapped in market rent housing with a very low income.

### 8.2 A Roundtable with the Chinese Vietnamese Community

This discussion group included members of the Chinese Vietnamese community. These are Vietnamese people who immigrated to Canada from other parts of southeast Asia. At a housing complex in west end Toronto, ten participants took part in a roundtable on making ends meet.

The group was a mix of demographics, including elderly and young adults, along with lone parents and single people.

Roundtable			
<b>1.</b> Vietnamese elderly person living with adult child - 12 years in Canada	<b>2.</b> Vietnamese single person - on EI - \$1,200 a month - welder by trade	<b>3.</b> Vietnamese Chinese man - works for cash - \$8.00 an hour 7 hours a day	<b>4.</b> Vietnamese Chinese woman - lives with son
<b>10.</b> Vietnamese single person full time OW - applied to MacDonald's and Tim Horton's and was turned down			<b>5.</b> Chinese woman working in ECE, husband receiving OSAP, EI eligible
<b>9.</b> Vietnamese woman on OAS - she has been in Canada since 1980 - supports her son on the OAS/GIS			<b>6.</b> Woman from Hong Kong with 3 children (lone parent)
<b>8.</b> Vietnamese single person working part time only			<b>7.</b> Chinese woman with 3 children under age 18
<b>Linh Ngo</b> <i>Vietnamese Chinese Community Worker Northwood</i>	<b>Ali Bashi Farah</b> <i>Project Coordinator</i>	<b>John Stapleton</b> <i>Project Leader</i>	

The dynamics of the Vietnamese Chinese community are entirely different from the Somali community and other racial-ethnic communities. Language issues are much more pronounced. As a result, there is no strong community voice, particularly in low-income areas. English proficiency is a 'threshold' needed to obtain even non-skilled entry jobs, such as those available in the service industry at fast food outlets such as Tim Horton's and McDonald's.

Many elderly immigrants are supporting their adult sons and daughters on their own Old Age Security, but feel they cannot do this in the long-term. They long for opportunities that will allow their sons and daughters to become self-reliant.

The most fortunate, who are working full or part time in jobs paying \$16.00 an hour, encounter the same problems as the women in the Somali focus group who had left social assistance to work. The change in disposable income between working and not working was negligible.



These participants were not comfortable conducting a “public” budgeting exercise. Nevertheless, the budget numbers they gave to me informally were similar to those in the Somali community.

### Prospects for moving out of poverty and public housing

Low-income Chinese Vietnamese families living in public housing do not hope to move out of poverty and public housing through getting and sustaining work. Like those in the Somali community, many in the Chinese Vietnamese community had hoped to move out of poverty by raising their children to become young adults who could support them. However, these young adults are not finding or sustaining work, a matter that is causing high anxiety for elderly immigrants with adult sons and daughters living at home.

Prospects of raising their standards of living remain very low because there is insufficient job security to move out of public housing when a job is obtained. Higher-paying jobs are hard to come by, and loss of benefits remains a persistent concern

The inability to obtain and sustain low-end, entry level jobs is another persistent concern for Vietnamese Chinese immigrants. The classic ingredients to create an underclass are present in this community.

### 8.3 A Roundtable with the St. Christopher House Community Reference Group

The Community Reference Group at St. Christopher House is a very rich community resource. Many of the members have convened before to discuss problems and solutions. Many know each other and understand the issues. They have talked through solutions and understand the political process that leads to change.

The group is racially and ethnically diverse and the discussion reflects this diversity. Discussions were directed to problems with the system of supports that have a profound affect on their lives.

<b>Roundtable</b>					
	Randy - ODSP	Mike - OW	Paul - Member	Phillip - ODSP	
Momoh - Newcomer	<b>Discussion Points</b>				Rick
John	<ul style="list-style-type: none"> <li>• Program Overlap Between ODSP, OW, and OSAP</li> <li>• The Stigma of Welfare</li> <li>• Dignity, stigma, and worker attitudes</li> <li>• Housing and Social Assistance</li> </ul>				Louise - Newcomer
Melissa	<ul style="list-style-type: none"> <li>• Prescription Drug Benefits</li> <li>• Banking and Money Marts</li> <li>• Adequacy</li> </ul>				Simon - ODSP
	Ari - OW	Stephanie - ODSP - Newcomer	Scott - ODSP		

Legend
Metcalf Project
St. Christopher House Staff
Community Reference Group

### Issues and solutions

#### Program Overlap between ODSP, OW, and OSAP

Randy described a system between OW, ODSP, and OSAP where one takes away money from the other when you receive money from each of them at the same time. He said that one has to carefully negotiate the system so that the least amount of overlap is involved, or the result will be loss of income.

#### The Stigma of Welfare

Ari described the difficulties sorting out his life and trying to improve himself while receiving social assistance. He found the program intrusive and demeaning. He came from a home where there were conflicts and issues. He recounted long stories of conflicts with his social worker. He wanted to be left alone to sort himself out while getting the help he needs. The Community Reference Group took on the role of group mentor to Ari.

#### Dignity, stigma, and worker attitudes

Louise, Momoh, and Ari talked of the stresses that they and others they know feel as OW recipients. They felt that the power relationship with social workers and the fact that they were constantly being asked to account for how they spent their time and their money was causing their spirits to break.

Social workers, they alleged, acted as if it was their own personal money that was being spent. It became clear that a very large part of their daily lives was spent meeting the requirements or stressing out about the requirements of the social assistance system. They also clearly felt the stigma that society puts on welfare and saw the social worker as the conduit of that stigma.

Scott and Randy talked about particular issues related to ODSP. They noted that the rules around OW are more stringent than those around ODSP, and that there is less of a social stigma surrounding ODSP than there is with OW.

One of the central points made by the participants was that they and the people they know feel the system is overly watchful of them. They want the system to be respectful of their aspirations and to understand the issues they face.

### Housing and Social Assistance

Mike, Ari, and Stephanie described how eligibility for one program results in the loss of benefits or increased charges in the others. Each talked about being encouraged to work but facing onerous rules when they actually did begin work. Their view of public housing rent was that it goes “sky high” when you start to make something of yourself. They talked about how much it costs to live in Toronto, and said that the amount of money they can make is not enough to live decently in the city.

### Prescription Drug Benefits

There was a discussion about prescription drug programs, and real confusion about what happens to it when someone leaves social assistance. Participants were aware of the Trillium Drug Program but had different understandings of how it works.

### Banking and Money Marts

There was a long discussion between Mike, Randy, Scott and Simon about the superiority of the approach that Money Marts and cheque cashing services have towards the poor to that of the banks. For people with no retail credit and urgent cash requirements for basics like food and rent, held cheques and delays are very different from what they are for middle-class people. Having proper identification is viewed as a very onerous and difficult requirement.

There is also the worry about judgments and liens that may be in place at banks. Money marts do not provide banking services so they are seen as much safer, more respectful and non-stigmatic. Discussion group members were aware of the high charges and make a conscious choice to incur these charges.

### Adequacy

There was a long discussion with Randy and Phillip about the relative adequacy of Ontario Works and ODSP for younger adults, as opposed to benefits for senior citizens. The central point of the discussion was that the amount paid under Ontario Works is far too low. The point was made that many low-income people receiving assistance may not be able to work but that they do volunteer, and help society in this way.

The discussion turned to the need for support for low-income adults to start their own businesses and the fact that a business needs a couple of years to get going. Randy, Mike and Ari noted that long-term supports to help people get going with a business over the long-term were not available.

### Solutions

The last part of the meeting focused on solutions to problems in the social services, housing, and education. Participants produced the following suggestions:

#### Training and Education

- provide higher benefits to facilitate education,
- put greater emphasis on education rather than warehousing people,
- provide training for real jobs where there is real work, and
- do not limit education to children - allow life-long learning.

#### Housing and Homelessness

- create more affordable housing,
- get rid of the shelter system,
- stop studying homelessness and do something about it,
- build subsidized housing and get rid of boarding houses,
- provide grace periods on rental increases when income from other sources rise (but keep in mind that a grace period would not solve the underlying problems),
- stop very large rent increases when people get jobs, and
- stop building ghettos and start building affordable housing that's spread out into various communities.

### Minimum Wages, Assets, Adequacy

- raise minimum wages and social assistance rates,
- reduce onerous reporting requirements where one has to “tell their life story over and over again” to get benefits
- reduce excessive paperwork - “They already have more information on us than we do,”
- raise asset limits to \$5,000 so that recipients can save money,
- create custom solutions that are tailored to the situation that low-income people actually face,
- deliver basic benefits through the tax system,
- increase basic income tax credits (such as refundable credits),
- provide better, more timely information to recipients so they don’t learn social services rules when their benefits are already being cut off.

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