

# Understanding Social Assistance Eligibility Testing in Ontario

*Eligibility testing in social assistance is widely misunderstood. 'Needs testing' and 'means testing' are terms that are often used interchangeably but they are very different. In this short brief, we try to set out how a social assistance system looks at an applicant for assistance in order to determine a person or family's eligibility for income and/or benefits.*

The following set of considerations forms a sequential model for decision points for eligibility testing. We follow the applicant through the benefit structure, looking first at how it establishes who the applicant is and how he or she is defined. Non-financial eligibility testing is as important as the financial eligibility test as the non-financial elements generally precede financial eligibility and have a major impact on the determination of who is eligible for Social assistance.

## **1.0 Non-Financial Eligibility Testing**

The first question is whether an applicant is eligible for social assistance in the first instance. If the applicant is eligible to apply for social assistance, a first look is undertaken respecting the category of social assistance for which the applicant is applying. These two assessments (right to apply and category) are distinct from and in many cases precede the consideration of the applicant's financial eligibility.

Next a determination of the family status of the applicant is made. For example, an applicant for social assistance could be a single person, a breadwinner in a family, a spouse, or a child. This determination rests upon a complex set of explicit and implicit rules that define the benefit unit on the basis of living arrangements, sex, age, and legal obligations. These considerations are considered more thoroughly below under the heading of Defining the Benefit Unit.

### **1.1. Automatic or Preemptive ineligibility:**

Certain people who seek social assistance are automatically presumed to be ineligible – for example, persons from other countries who make applications are presumptively ineligible.

Although not strictly a part of the financial eligibility determination, it is important to consider any presumptive ineligibility as part of the overall eligibility determination process.

### **1.2. Categories of Persons or Groups**

As an applicant is processed through the social assistance system, eligibility and the extent of benefits are influenced by the category in which he or she is placed. In the Social assistance system, categories of eligibility are determined by personal categories. Some examples of categories are:

- A person with a disability
- A lone parent with children under age 18
- A single person without disabilities

For example, it may be the case that other categories of persons such as persons with disabilities where their need is demonstrably greater than other categories should have special consideration in a financial test. However, categories exist in social assistance due to demonstrable difference in need between distinct populations.

In needs tested programs, it is often the case that persons with special needs such as persons with disabilities are treated as a separate category with a totally separate financial eligibility test of their own. ODSP rates now exceed Ontario Works rates by over 75%.

Recognition of special needs categories such as ‘person with disabilities’ can be achieved simply through higher income cutoffs for eligibility or more elaborately by imposing special consideration at every turn.

### **1.3 Definition of the Benefit Unit**

The next stage in the eligibility process defines ‘who’ the applicant is by determining his or her place within a family unit – that is, as a single person, family head, spouse, dependent adult or child.

In the past, authorities relied on the opposite sex nuclear family as the acceptable family structure to provide a set of well-defined rules for determining the benefit unit. For example, a household with two single mothers and their natural children would be divided into two households for the purposes of the application for social assistance even where they reside in the same residence. A man and woman with two elderly parents would be considered two benefit units. A married couple with two children would be defined as two benefit units and so on.

Problems surface when family based rules are imposed on people who live together but do not regard themselves as families. Alternatively, some people do see themselves as families but do not believe that existing family based rules are appropriate. Many people who enter relationships would prefer to be assessed as individuals but the assessment system ‘marries them’ for the purposes of the application for Social assistance.

The determination of the benefit unit has become more controversial for several reasons. First the traditional nuclear family is no longer the norm. Second, there has been a legitimate and growing emphasis on the rights of the individual and a concern for the vulnerability of some individuals within the family. Common preferences for a definition of the benefit unit include:

- A Household based on who lives in the same premises
- Family (self-defined)
- Family (legally-defined)
- Family (special definition for Social assistance?)
- Economic unit

The debate between these differing definitions only seems to arise in situations where an application is based on the size of a family and the income of persons other than the applicant are taken into account.

The current social assistance definition blends a special definition of the family as well as the economic unit. Although not strictly part of financial eligibility, this unique way of defining who can apply for social assistance impinges on the issue of financial eligibility as it defines the benefit unit on which the financial eligibility test is performed.

## **2.0 Financial Eligibility Testing**

Once the benefit unit is decided, it is clear ‘who’ the applicant is. The determination of financial eligibility largely rests on the treatment of assets and income that accrue to the applicant as well as upon the outcome of needs testing.

Social assistance is rationed to its recipients in a unique manner, in that all persons who apply are potentially eligible. Anyone who is eligible for social assistance under the financial eligibility rules set out must receive it whereas other needs tested programs like public housing can ration benefits through the unavailability of supply.

Historically, recipients of social assistance have been permitted to retain some assets and income in accordance with narrow restrictions.

There are four distinct forms of financial testing:

- Means testing
- Needs testing (usually a budget-deficit needs test)
- Asset testing and
- Income testing

Social assistance uses three of the four tests. Means testing has largely been abandoned in the determination of eligibility for all financially tested programs.

Many broader programs like the Canada Child Tax Credit use an income test alone to financially test applicants. This is also true of the Guaranteed Income Supplement (GIS) for seniors.

Social assistance has always departed from these larger programs of general applicability so that the true financial requirement for social assistance can be assessed. Only through a needs test that takes assets into account can the varying needs of families be properly assessed and met.

With a needs test, the needs of each social assistance applicant are calculated separately. Because needs vary with individual circumstances, needs testing produces different results from applicant to applicant. Like an income test, a needs test calculates available income which is then subtracted from an established level of need and if there is a positive balance, then the applicant may be financially eligible for social assistance. This is called the budget deficit method.

## **2.1 Means Testing vs. Needs Testing**

There is much confusion both in the literature and among the public as to the difference between a means test and a needs test. A needs test starts from a pre-set level of need for a particular family size and composition, which may then vary according to the family's situation. For example, fuel, shelter, or utility costs might be higher or lower for a particular family; in such a case, the pre-set levels for these items may also vary to a certain degree. The family's ability to meet these needs is not taken into consideration in a needs test.

A means test, on the other hand, looks very carefully at the circumstances or the 'means' of a family to provide for its needs. For example, in the past, the existence of a large vegetable garden might have reduced the food entitlement of a particular family. Similarly, the availability of wood may have reduced a fuel entitlement.

With both a needs test and a means test, available resources such as income are deducted in the determination of need to reach the final determination which will decide eligibility for social assistance. However, strictly speaking, except for the imposition of workfare and liens on homes, means tests have become antiquated.

## **2.2 Assets Testing**

A needs test normally assesses assets as well as income. An asset is a present stock of wealth from which a stream of future income may be expected to flow. Just as limits are placed on other available income to ensure that social assistance is only provided to those who need it, assets are tested for the purpose of ensuring that persons with available liquid resources are not eligible for assistance.

Imputing value to assets is administratively a tremendously complex and subjective task. Income is easily quantified but the task of identifying and then calculating assets is difficult and often arouses great conflict between recipients and staff while contributing to a sense of intrusiveness.

To treat two applicants, with identical incomes in the same way, when one has substantial fixed wealth and the other does not, can be seen as unfair. To give aid to an individual who has little income and large assets while denying aid to someone with greater income but no assets evokes a similar response.

That is why a needs test normally assesses assets as well as income. Accordingly, an asset limit must be set and defined in terms of ready convertibility to cash

### **2.3 Income Testing**

In income testing, a benefit amount is normally predetermined, without reference to the assets of individual applicants. Any income within the benefit unit is subtracted from the benefit amount and the remainder, if any, qualifies the applicant for social assistance. The purpose of income testing within the context of social assistance is to ensure that people with ongoing or periodic income have their entitlement to social assistance either cancelled or reduced as a result of the income they have.

Income received by social assistance applicants leads to a determination of eligibility or ineligibility.

Income is divided into three types of income that is:

- Exempted in total as it is generally available or is designated for purposes unrelated to social assistance
- Exempted in part largely because it is a form of income that social assistance is attempting to encourage; and
- Non-exempt as the income source is due and payable to the applicant regardless of circumstances related to a social assistance application.

The major policy issues related to income testing are not whether outside income should figure into the determination of eligibility for social assistance but rather what to count and how to count it.

The single most important issue in today's world revolves around the issue of earned income from work. On the one hand, it is important to encourage and sustain employment among applicants for social assistance.

### **2.3 The Budget Deficit Needs Test**

Under the Family Benefits program that was implemented in 1967 under the auspices of the Canada Assistance Plan, the needs test that was used was the Budget Deficit Needs Test. This test is used in the Ontario Works and ODSP program but is also the type of test used in financial eligibility testing in social assistance.

Once a test of assets is employed for purposes of exclusion or for the purposes of contribution toward the cost of social assistance, the needs test for Social assistance:

- Establishes a family budget or maximum level of need for the family configuration that varies according to:
  - family size
  - composition of the family (1 adult - 2 adult)
  - age of children differences
  
- Determines a pre-added amount for a family's basic needs and shelter that in turn varies by:
  - type of shelter (board vs. rent vs. own) and
  - special items recognized; and then

- Subtracts (countable or chargeable) income from the pre-determined level of need; and
- If the amount is positive, issues a positive decision of eligibility; and
- If the amount is negative (i.e. income that is chargeable exceeds the pre-determined need level), issues a negative decision regarding eligibility.