POVERTY AT THE CROSSROADS

John Stapleton
Open Policy
Policy Class 2015
Quotes to set the stage (and the frame)

- The Third Rail: Leech & McNish – The Golden Fish… p.135 – about racing to the bottom…wanting everyone to do as badly as me…..

- I Spend Therefore I Am: Philip Roscoe – The car vs. the bus…p.5 – why the car is cheaper than the bus
The Lessons

• Don’t build others up! – bring everyone else down even though it costs me more. The example DBPP vs DCPP. Disperse risk rather than share it so we all lose!

• Treat everything as externalities for the well-off but disallow any externalities for the poor:
  • The rich become our least expensive citizens
  • The poor become our most expensive
Topics

• The Big Picture in income security
• Social Assistance in Ontario
• Social Assistance and Minimum Wages in Ontario
• The Modern Labour Force
• Disability
• Food
• Retirement on a low income
... ALL I KNOW IS:
EACH TIME I LOOK,
I SEE LESS AND LESS
POOR PEOPLE...
THE BIG PICTURE

Topic One
Poverty at the Crossroads

CANADA: Estimated Income Transfers by Program 2013 ($153 Billion)

- CPP/QPP: 31%
- OAS: 28%
- EI & QUEBEC PARENTAL INSURANCE: 11%
- CCTB: 7%
- UCCB: 2%
- SOCIAL ASSISTANCE: 10%
- LOCAL: 3%
- WORKERS COMPENSATION: 3%
- GST CREDIT: 3%
- VETERANS (WW I, WW II, VETS ALLOW): 2%
CANADA: Estimated Income Transfers by Target Group
2013
($153 Billion)

- **SENIORS (OAS, C/QPP Retirement, WWI & WWII)**
  52%

- **CHILDREN (CCTB, UCCB, Q/CPP Children, CSA)**
  9%

- **DISABLED (WComp, C/QPP-D, Vets)**
  8%

- **EI & Quebec Parental Insurance**
  11%

- **GST Credit**
  3%

- **Social Assistance**
  10%

- **Other (local, residual CPP/QPP)**
  7%

SA includes benefits paid to persons with poverty.
CANADA: Estimated Income Transfers by Target Group
2010
($142.4 Billion)

- Seniors (OAS, C/QPP Retirement, WWI & WWII) 49%
- Children (CCTB, UCCB, Q/CPP Children, CSA) 10%
- EI & Quebec Parental Insurance 14%
- Disabled (WComp, C/QPP-D) 7%
- Social Assistance 10%
- Other (local, residual CPP/QPP) 7%
- GST Credit 3%

SA includes benefits paid to disabled

Estimates based on Statistics Canada's "Gov't Transfer"
CANADA: Estimated Income Transfers by Program
2010
($142.4 Billion)

- CPP/QPP: 29%
- EI & QUEBEC PARENTAL INSURANCE: 14%
- OAS: 26%
- SOCIAL ASSISTANCE: 10%
- WORKERS COMPENSATION: 4%
- LOCAL: 3%
- GST CREDIT: 3%
- VETERANS (WWI, WWII, VETS ALLOW): 2%
- UCCB: 2%
- CSA: <1%

Estimates based on Statistics Canada’s “Gov’t Transfer Payments to Persons”.

Poverty at the Crossroads

Page 11
Ontario Estimated Spending by Program
2013
($60 B)

- CPP 31%
- OAS/GIS/Allowance 26%
- Social Assistance 11%
- EI Benefits 9%
- CCTB 7%
- UCCB 2%
- GST Credit 3%

- Veterans benefits 1%
- Tax Credits 4%
- Workers Compensation 4%
- Provincial Child Benefits 2%
- GAINS-A < 1%

Worker's Compensation includes spending on health and vocational
Ontario: Estimated Program Spending by Source of Funds 2013-14 ($60 B)

- Federal payroll taxes (EI & CPP): 40%
- Federal government taxes: 39%
- Provincial taxes: 17%
- Provincial Employer contributions (WComp): 4%
- Municipal taxes: < 1%
Poverty Level in America Reaches 52-Year Peak!

You poor folks... looking at me like that almost makes me feel guilty. You should be ashamed of yourselves!
CANADA IN CONTEXT

OECD data
Look where Canada stands—singles
Much better for lone parents
SOCIAL ASSISTANCE IN ONTARIO

Topic Two
ONTARIO
Unemployment Rates and Percentage of Population on SA, OW and ODSP
June 2007 to September 2014
ONTARIO
Percentage of Population on Assistance and by Program (OW and ODSP)
June 2007 to September 2014
ONTARIO
Unemployment Rates and Percentage of Population on SA
1981 to 2012
ONTARIO
Unemployment Rates and Percentage of Population on SA
1981 to 2008, Monthly from January 2009

Poverty at the Crossroads
Change in % of Population on Social Assistance in Ontario: Before Major Downturns to Peak Caseloads in the Great Depression and Three Major Recessions
Social Assistance Rates
Duration of Unemployment

Average duration of unemployment
Ontario age 25+, 1976-2010
‘THE BUCKS STOP HERE’
MINIMUM WAGES AND SOCIAL ASSISTANCE

Topic Three
LAWBER LEGISLATION
IS LAID BEFORE HOUSE

Mother's Pensions and Minimum Wage Measures Introduced in Ontario Legislature.

SCOPE OF THE BILLS

Conservative Members Comment on Bills' Being Seconded by Private Members.
MAY FIX WOMEN’S MINIMUM
SAME AS MEN ON SOME JOBS

Labor Official Predicts Step
to Avoid Firing of Men

DETAILS TO BOARD

According to present plans, it is probable that minimum wages for men and women under the new Hopkins government legislation may be the same for a number of occupations.

"Generally speaking, it seems to be felt that where men and women do the same work they ought to be paid the same," one labor department official stated, discussing plans under the new

OFFICERS FIND BODY
OF MISSING WOMAN

Mrs. Ruth Swan Discovered on Silverthorne Tracks

The body of Mrs. Ruth Swan, 28 of Lauder Ave., Fairbank, was found early to-day by York town ship police on the railway tracks 100 feet south of the Eglinton Avenue bridge, Silverthorne. The woman was reported missing an hour previously and Constables Lawrence and Skimmings were searching for her when they discovered the body. Coroner Dr. C W. Dales has ordered an inquest. The woman is survived by her husband and two children.
KEEP WORKING, IT'S THE ONLY WAY OUT!

POVERTY

THE MINIMUM WAGE JOB
ONTARIO: SINGLE EMPLOYABLE PERSON
Annual Income from Social Assistance versus Full-Time Employment at Minimum Wage
1967 to 2014

Poverty at the Crossroads 33
ONTARIO
Annual Social Assistance Income as Percentage of
Annual Income from Minimum Wage Employment
Single Employable Person
1967 to 2014

SA as % of Minimum Wage (37.5 hour week)
THE MODERN LABOUR FORCE

Topic Four
Change in Share of Employment, Canada

(Richard Florida)
Labour Market in Toronto over past 25 years
"Your test results indicate that you have a severe case of NEP."

"Not Enough Pay."
Nine Disability income systems in Canada

- Social (income) assistance is one of nine disability income systems:
  - CPP-D
  - EI Sickness
  - Veterans
  - Private Plans
  - WSIB
  - RDSP
  - Disability Tax Credits
  - Social (income) assistance
  - WITB-D
ESTIMATED BENEFIT EXPENDITURES FOR PERSONS WITH DISABILITIES
CANADA, 2005
$23.2 B

- Disability Tax Measures: $1.7 B
- CPP-D & QPP-D: $3.8 B
- EI Sickness: $0.9 B
- Veterans' Disability Pensions: $1.6 B
- Social Assistance Benefits for Persons with Disabilities: $6.0 B
- Worker's Compensation: $4.8 B
- Private Disability Insurance: $4.5 B
ESTIMATED BENEFIT EXPENDITURES FOR PERSONS WITH DISABILITIES
CANADA 2013
$31.7 B

- Disability Tax Measures, $2.5 B
- CPP-D & QPP-D $4.8 B
- EI Sickness $1.3 B
- Veterans' Disability Pensions & Awards $2 B
- Social Assistance Benefits for Persons with Disabilities $9.0 B
- Workers' Compensation $5.4 B
- Private Disability Insurance $6.7 B
INCOME SUPPORT FOR PERSONS WITH DISABILITIES:
PERCENTAGE CHANGE FROM 2005 TO 2013
CANADA

51.5%
SA FOR PERSONS WITH DISABILITIES
(Incl. First Nations SA, AISH and SAID)

36.5%
TOTAL INCOME SUPPORT FOR PERSONS WITH DISABILITIES
INCOME SUPPORT FOR PERSONS WITH DISABILITIES:
PERCENTAGE CHANGE FROM 2005 TO 2013
ONTARIO

70.4%

ODSP & FIRST NATIONS SA

39.0%

TOTAL INCOME SUPPORT FOR PERSONS WITH DISABILITIES
Key Features of the Nine systems

- Social (income) assistance one of nine disability income systems

<table>
<thead>
<tr>
<th>Nine Disability Income Systems in Ontario and Canada</th>
<th>Requires Employment for Eligibility?</th>
<th>Permanent Monthly Benefits provided to age 65?</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPP</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>EI Sickness</td>
<td>Yes</td>
<td>15 weeks</td>
</tr>
<tr>
<td>Veterans</td>
<td>Yes (military)</td>
<td>Yes until recently</td>
</tr>
<tr>
<td>WSIB</td>
<td>Yes</td>
<td>Yes until recently</td>
</tr>
<tr>
<td>Private Workplace Plans</td>
<td>Yes</td>
<td>Yes until recently</td>
</tr>
<tr>
<td>Working Income Tax Benefit</td>
<td>Yes</td>
<td>Yes if low wage work continues</td>
</tr>
<tr>
<td>RDSP</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Social (income) assistance</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>DTC</td>
<td>No</td>
<td>Reduces taxes only</td>
</tr>
</tbody>
</table>
The Story of social (income) assistance Growth

But there are at least 14 answers for an increasing social assistance share among disability income systems. In brief, they are:

• Workforce changes whereby persons with disabilities and others do not have tenured salary and wage jobs that would trigger disability benefits
• Reductions in some of the other 8 disability income systems leaving social assistance with more to do
• Embedded rules that do not support work in older disability income systems (like CPPD)
• Changes in medical treatment and especially advances in medicine and trauma treatment
• Aging of the population
• Inclusion of mood disorders and neuroses as disabilities
The Story of social (income) assistance Growth

- the supposed existence of a ‘disability culture’ where people choose disability benefits over employment
- existence of separate social assistance disability programs and large differences in benefit levels between them and general social assistance
- reductions in OAS and GIS for immigrant seniors
- post-economic crash unemployment among persons with disabilities and continuing economic stagnation
- lack of knowledge about disability income systems other than social assistance
- post-recession differences in employment patterns and benefits
- differing financial incentives among programs to bring people with disabilities back to work
- Barriers to work in general
The Story of social (income) assistance Growth

In addition, there appear to be six major reasons for the differences among provinces:

• Huge differences in EI coverage that reduces number of persons going on social assistance in eastern provinces. As regular social assistance is often a precursor to application for disability benefits, more robust regular EI appears to reduce social assistance overall.
• Social assistance disability programs that are smaller, less generous, and not separate in eastern provinces
• Smaller Social Assistance based Disability components for First Nations in Eastern Provinces
• A greater portion of persons with disabilities in the mainstream (wage and salary) work forces in eastern provinces
• A greater presence of interventions by other disability systems in eastern provinces; and
• Fewer persons with disabilities that are ineligible for (or eligible for reduced benefits for) Old Age Security at age 65 in eastern provinces.
FOOD, COMMODITIES AND SOCIAL ASSISTANCE RATES

Part 6
Food Consumption patterns and income

• The Poor eat calories
• The middle class eats nutrition
• The rich eat presentation
PERCENT CHANGE IN OW SINGLE RATE AND COST OF WELFARE DIET COMPARED TO INFLATION, ONTARIO
1995 TO 2015

- Inflation
- Social Assistance
PERCENT CHANGE IN COST OF WELFARE DIET, BY COMPONENT COMPARED TO INFLATION ONTARIO 1995 TO AUGUST 2015

- Inflation
- Grains
- Dairy
- Meat & Alternatives
- Vegetables & Fruits

Poverty at the Crossroads
You’ve become a big burden for me. I’ll have to cut back on your government hand-outs and those frivolous entitlements. Too much wasteful spending.
Food spending and share of income spent on food across U.S. households, 2013

Average annual food spending, dollars

<table>
<thead>
<tr>
<th>Income quintile</th>
<th>Lowest</th>
<th>Second</th>
<th>Middle</th>
<th>Fourth</th>
<th>Highest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spending (left axis)</td>
<td>3,000</td>
<td>4,500</td>
<td>5,000</td>
<td>6,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Share (right axis)</td>
<td>8%</td>
<td>12%</td>
<td>15%</td>
<td>18%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Percent of income spent on food


- 2001: 16%, 23%, 26%
- 2009: 10%, 14%, 16%
- 2014 Proj.: 5%, 7%, 8%
What does commodity price inflation mean for food?

- Food inflation has already outstripped general price inflation over the years
- This trend likely to **accelerate** in future
- High calorie foods accelerating the most – available to the poor
- Low calorie food accelerating the least – less available to poor – ”Food deserts”
- New concern about affordability of food in 3rd World
RETIREMENT ON A LOW INCOME

Part 7
"I'm just saying, if our income is 'fixed', how come we're 'broke'?'"
What do you mean by ‘low income’?

What will your family picture be when you are age 65?
Will you get GIS?

<table>
<thead>
<tr>
<th>Your family picture when you are age 65:</th>
<th>As of October 2015, you are low income if your income is under:*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single person</td>
<td>$17,280</td>
</tr>
<tr>
<td>Couple, both getting Old Age Security (OAS pension)</td>
<td>$22,848</td>
</tr>
<tr>
<td>Couple, only one partner getting OAS, other partner is under 60</td>
<td>$41,424</td>
</tr>
<tr>
<td>Couple, one partner getting OAS pension, other partner is 60-64 and getting the Allowance</td>
<td>$31,968</td>
</tr>
</tbody>
</table>

Poverty at the Crossroads
Top 10 Countdown: Rogues Gallery of Bad Advice to Low Income people planning retirement

10. The government will send you application forms for benefits
9. Working after age 65 is a good way to bring in extra money
8. Don’t buy an RRSP after age 65
7. Don’t buy a TFSA until your RRSP room is used up
6. Don’t take Early CPP
5. Take early CPP
4. Don’t bother applying for OAS if you’re a sponsored immigrant
3. Wait until you have 10 years in Canada to apply for OAS
2. Don’t bother planning for retirement if you have very little $$$
1. Buy an RRSP (before age 65).
Why is mainstream financial advice wrong for low income retirees?

- Three fundamental assumptions about retirement planning and financial advice do not apply to low income retirees.
  - *That our post-retirement income will be less than our pre-retirement income; and*
  - *That our taxable income will be lower at 65.*
  - *That tax credits will help us realize higher income*

- For low income retirees, the opposite is true
Why is mainstream financial advice wrong for low income retirees?

• Most of us are told to buy RRSPs and wait to collect our CPP retirement benefits.
• The standard advice is to pay into an RRSP before registering for a TFSA.
• …..And almost no one advises registering for an RRSP after age 65.
Why is mainstream financial advice wrong for low income retirees?

• Many low income seniors receive higher incomes when they turn 65. Old Age Security, combined with CPP and the Guaranteed Income Supplement is often significantly higher than the social assistance, disability benefits, and the low earnings they realize in the years leading up to age 65.

• And Old Age Security and CPP are taxable while social assistance and some disability benefits are not. This situation results in higher taxation once they reach 65, not lower.
Why is mainstream financial advice wrong for low income retirees?

- It’s almost as if potential low income retirees live in a different world where their situation is the polar opposite to what is faced by most retirees.

- This means low income retirees need very different advice than they get from the mainstream.

- But is this advice available? The answer is largely “no”.

- One Reason: GIS is an entitlement, not a tax credit!
"I retire on Friday and I haven’t saved a dime. Here’s your chance to become a legend!"

PENSION PLANS OF THE OLD WEST
QUESTIONS

Thank You