

# **First Steps to “Clearing the Path Out of Poverty” ...**

**The City of London’s Child and Youth Network  
Position Paper  
Recommending Immediate Policy Changes  
to the  
Ontario Works Program**

**Submission to Minister Laurel Broten,  
The Cabinet Committee on Poverty Reduction**

**December, 2009**



## **Preface**

In September 2008, London's Child and Youth Network released *The Best for Our Children, Youth and Families*: a plan for the first three years of our Child and Youth Agenda to 2015. That document set out four priorities:

1. **End Poverty:** Reduce the proportion of London families who are living in poverty by 25% in five years and 50% in 10 years
2. **Make Literacy a Way of Life:** Lead the province in child, youth and family literacy
3. **Lead the Nation in Increasing Healthy Eating and Healthy Physical Activity:** Create environments, neighbourhoods and opportunities that promote and support daily physical activity and healthy eating
4. **Create a Family Centred Service System:** Make it easier for London's children, youth and families to participate fully in their neighbourhoods and communities and to find and receive the services they need.

*First Steps to "Clearing the Path Out of Poverty"...* is part of our strategy to end poverty, which includes:

- increasing awareness and engaging the community
- reducing the impact of poverty and making day-to-day life better
- breaking the cycle and stopping the next generation from living in poverty.

This paper is just the first step. Future papers will discuss other changes to income security programs that would help clear the path out of poverty.

## First Steps to “Clearing the Path Out of Poverty”...

To achieve London’s vision of “happy, healthy children and youth today; caring, creative, responsible adults tomorrow”, we must act now to provide the assistance and supports that families need to succeed in life.

**Ontario Works** is a valuable social program that provides much needed support to the London community. It is one of many aimed at providing a safety net in times of crisis.

“The intent of the **Ontario Works** program is to help people in temporary financial need find sustainable employment and achieve self-reliance through the provision of effective, integrated employment services and financial assistance.”

(Government of Ontario, 2009. Dir. 1.1-1) Within the **Ontario Works** program there are some rules that have unintended impacts: they can drive people who need financial assistance further into poverty, keep them in poverty longer or – in some cases -- prevent them from qualifying for assistance altogether. For many people and families in need, these rules are blocking the path out of poverty.

London’s Child and Youth Network has identified a number of ways to improve the **Ontario Works** program, making it more helpful for people who need financial assistance or help finding a job. This report recommends 12 changes to provincial legislation that would be important first steps in implementing the Province’s Poverty Plan to break the cycle of poverty and help more people and families become and stay self reliant.

The Network chose to focus on these changes because they:

- are relatively easy and can be made immediately
- do not involve other ministries
- are politically acceptable
- will have both an immediate and long-term impact on the health and well-being of London’s children and families, and

### Who Uses Ontario Works?

As of September 2009:

- 9,842 London households – 22,264 individuals (less than 7% of the population) – were participating in Ontario Works.
- About 1 in 3 Londoners in Ontario Works was caring for children – most (77%) were sole support parents. And most were women.
- Over 5,000 children – half under age seven – were living in families that depend on Ontario Works.
- The main reasons Londoners need Ontario Works are: problems finding a job, marriage breakdown and health problems that take people out of the workforce.
- Over half the people using Ontario Works have at least completed high school, and one-quarter have some post-secondary education.

- the long-term benefits in terms of child and family health and well-being will outweigh any up-front costs.

The recommended changes in this paper have been organized into three categories:

- Rethinking eligibility criteria
- Closing the gap between benefits and the cost of living
- Supporting people to gain and maintain employment.

## 1. Rethinking Eligibility Criteria

For many families in need, the cost to become eligible for **Ontario Works** is too high. Eligibility requirements force people, who are already struggling, to get even deeper into poverty, making it more difficult for them to take control of their lives.

For example, to be eligible for **Ontario Works**, single Londoners can have no more than \$585 in assets. Assets include savings accounts, registered retirement savings plans (RRSPs) and the cash values of life insurance policies. Couples with two children can have no more than \$2,194 -- although they can keep any registered education savings plans for their children.

To qualify for the program, people must first “cash in” or spend almost all their short-term and long-term savings, and be virtually destitute. With the loss of these assets, families have little or no ability to deal with any unexpected or emergency expenses they may face while participating in

**Ontario Works**, such as a major car repair, a death in the family or the cost of a school field trip. They will also have no financial resources available as a cushion once they leave the **Ontario Works** program, so they are more likely to remain in poverty longer.

Cashing in long-term savings such as an RRSP has both a short-term and a long-term cost. In the short-term, individuals have to pay tax on the income and, in the long-term, they lose an investment that had the potential to grow and help them during retirement when they no longer have employment income.

The Ontario Works asset limits are out of line with other programs.

- The Ontario Disability Support Program (ODSP) allows individuals to have \$5,000 in savings – almost 10 times as much as Ontario Works -- and couples to have \$7,500 plus \$500 for each dependent child. ODSP also exempts one vehicle as an asset.
- Six provinces have asset limits higher than in Ontario, and several exempt more assets. For example, Alberta allows people to keep \$5,000 in a tax-free savings account or RRSPs in addition to other savings.

A person participating in **Ontario Works** can have one vehicle worth up to \$10,000. The value of a car is calculated based on the Red Book value less \$500 and less any amount still owing on any existing car loan. People who have a car worth more than \$10,000 must sell it within the first six months on the program. They can use the money from selling the car to buy another one that is worth less. Any money left over is considered income and deducted from the amount of financial support they can receive from **Ontario Works**. In some cases, the amount people receive from selling their car makes them ineligible for **Ontario Works** until they have used that income.

Forcing someone to sell a car to be eligible for assistance is another obstacle on the path out of poverty. It can create extra stress for people who are already dealing with job loss, illness, or a marriage breakdown. It is also counter-productive, given that **Ontario Works** requires people participating in the program to look for work, be in school or training, or be employed (unless they have a medical restriction). In London, having a car can be very important to do these things. For a family, having a car also helps parents and their children get to the places they need to be.

The current policy does not recognize the cost to the family of selling a reliable car or the benefit of keeping it. A cheaper car is likely to be older and require more maintenance, and the family will continue to carry the costs of owning an older car even after leaving **Ontario Works**.

The current policy is not equitable: it does not treat all people the same way. For example, both the Smith and Jones families own cars valued at \$15,000. The Smith family has a car loan of over \$5,000 so they are able to keep their car, while the Jones family – who do not have a car loan – have to sell their car.

The **Ontario Works** policy on cars also creates a significant amount of administrative work for **Ontario Works** staff who have to calculate the value of the car and monitor its selling.

”The imperative to ensure a basic living standard suggests that households should not be expected to deplete all of their income support to gain access to income support and services that make up welfare programs.”  
(SEDI. 2008)

### **Recommendation #1: Encourage Financial Stability**

Families who have more savings or assets are more stable because they have the resources to help them cope with emergencies. This stability is key to sustaining people once they leave **Ontario Works**. Right now, the restrictions on assets makes families more vulnerable to financial crises and blocks the path out of poverty. To clear these obstacles out of the way, the **Ontario Works** program should:

- 1.1 Increase the amount of savings or assets that people can have to \$5,000 for a single person and \$10,000 for a family.
- 1.2 Allow people to save for retirement and plan for the future by exempting registered retirement savings plans and life insurance policies from the asset limits. It's particularly important to protect registered retirement savings for people who are close to retirement (i.e., age 55 or older) and who will not have time to rebuild their savings.
- 1.3 Allow participants to have one vehicle, regardless of the value of the vehicle.

The risks of allowing people to keep more of their savings are low; increasing asset limits does not draw more people to the program or increase caseloads. (Stapleton, 2009; SEDI, 2008) The potential benefit is great; when people leave Ontario Works, they are better equipped to cope with the financial challenges that could otherwise force them back onto **Ontario Works**. Their longer-term savings will also be protected, making them less vulnerable to poverty in their later years.

If **Ontario Works** increases its asset limits to \$5,000 and \$10,000, the province will have the highest limits in the country. Given Ontario's commitment to help people build assets as part of its Poverty Reduction Strategy, it makes sense for the province to lead the way.

## **2. Close the Gap Between Benefits and the Cost of Living**

The amount of financial support that people can receive from **Ontario Works** is based on family size and is currently limited to a maximum of:

- \$585 for a single person - \$221 for basic needs and \$364 for shelter
- \$913 for a single person with one child - \$341 for basic needs and \$572 for shelter
- \$1,112 for a couple with two children - \$438 for basic needs and \$674 for shelter.

The cost of the average food basket in London increased over 9% between 2007 and 2008, while the benefit rate increased only 2%.

The average rent for a two-bedroom apartment in London is \$844 yet a single parent raising a child receives only a maximum of \$572 towards shelter costs.

These benefit amounts are not enough to pay for basic needs. In fact, there's a gap between what it costs a family to pay for food, shelter, clothing, basic personal needs and transportation (a basic needs budget) and the money that **Ontario Works** and other government transfers provide. The Middlesex London Health Unit estimates that, for certain families on **Ontario Works** in London, there's a gap of almost \$300 each month between their income and the cost of food, shelter, clothing, transportation and personal needs. (Middlesex London Health Unit, 2009)

The cost of rent, food, personal care items, and clothing for a two-parent family with 2 children living in London is \$2,197 a month. Ontario Works benefits plus government transfers provide a maximum of \$1,954. This family is \$243 short each month.

The gap threatens the health and well-being of many of London's children and youth. It forces families to choose between food and housing, or to live in unsafe or crowded housing. Ironically, when people share housing to help make ends meet, **Ontario Works** reduces the already inadequate shelter allowance. Families lose privacy and are no further ahead financially.

**Ontario Works** provides a nutritional allowance for women who are pregnant or breastfeeding. The allowance is available during pregnancy and up to 12 months after the child is born. When the child turns one year-old, the allowance is discontinued. Given that family income from **Ontario Works** and other government transfers is not enough to meet the basic costs of living, parents often buy less expensive juice and fruit drinks instead of milk. While children need milk throughout their lives to thrive, to get the best start they particularly need milk in the first two years of life.

Paying for transportation is also an issue for people participating in **Ontario Works**. Right now, people in the program who participate in employment activities: looking for work or working, or attending school, are eligible for help with transportation costs. But transportation is a basic need for all people. People also need transportation to go to the store to buy healthy food, attend medical appointments and participate in community activities.

When people receive other government assistance, such as the Canada Pension Plan (CPP) and the Workplace Safety and Insurance Board (WSIB), 100% of the gross income they receive from these programs is deducted from their **Ontario Works** benefit, regardless of any deductions made at source. When gross income from other government programs is deducted from the **Ontario Works** benefit, people are left with too little income to pay for food and housing. For example, a single person on **Ontario Works** is eligible for a maximum of \$585. If that person receives \$500 in CPP benefits each month and has \$200 of that garnished (taken at source), he or she will only receive \$300 from CPP but the entire \$500 is be deducted from their **Ontario Works** cheque. This would leave the individual with only \$385 to pay rent and purchase food for the month: \$85 from **Ontario Works** and \$300 from CPP.

## **Recommendation #2: Increase Benefits to Meet Needs**

Families will be healthier, more stable, and better able to succeed at school and work when they have enough money to pay for their basic needs. Everyone should have the right to safe and affordable housing, healthy food and transportation. To close the gap between benefits and the real costs of paying for basic needs in London and help clear the path out of poverty, the **Ontario Works** program should:

- 2.1 Establish an independent advisory body to review the cost of living and benefit rates in different parts of the province each year.
- 2.2 Give individuals and families the maximum shelter benefit, even when they are sharing accommodation; or consider providing a single benefit to cover both basic needs and shelter, allowing participants to make their own decisions about how best to use the money to meet their needs.
- 2.3 Provide a food supplement of \$50 to \$100 a month for every adult participating in the program.
- 2.4 Add a mandatory milk allowance for children up to two years of age and link with the Ontario Child Benefit to maintain the allowance for people who leave **Ontario Works**.
- 2.5 Give all adults receiving **Ontario Works** a transportation allowance.
- 2.6 Allow discretion to deduct only the net amount from other government cheques such as CPP or WSIB from the **Ontario Works** benefit for a limited time period.

When people do not have enough money to live, they encounter many other problems and need other services. For example:

- Children go hungry.
- Families experience more domestic violence.
- Women are not able to leave abusive relationships.
- Families use other – often more expensive services – to fill the gap, such as shelters, food banks, heat and hydro assistance programs and emergency departments - In Ontario, 43% of food bank users relied on Ontario Works income. (Hunger Count, 2009)

Implementing these recommendations will have financial implications. We estimate, based on the July 2009 provincial caseload, that the food supplement will cost the province between \$13 million and \$26 million a month excluding any administrative and technological costs. Providing a milk allowance will cost the **Ontario Works** program \$6 per week per child or \$3.6 million a year, excluding administrative and technological costs (based on the June 2009 provincial caseload).

The transportation allowance could also be a significant expense. However, we believe that these investments will result in healthier families living in more stable housing and being more connected to their communities; healthier children and youth who do better in school; and lower health costs later in life.

### 3. Support People to Gain and Maintain Employment

One of the main goals of **Ontario Works** is to help people become part of the workforce: to find and keep jobs. Employment is key to health; it gives people income, contact outside their families and an identity and position in society. Parents who have stable jobs are better able to provide healthy homes for their children.

**Ontario Works** recognizes the importance of allowing people to earn some income while in the program. Its policy is to allow participants to keep 50% of any employment income they earn after three months in the program by deducting only 50% of their earnings from their benefits. This is a progressive policy and one of the most generous in Canada. However, not all people with employment receive this benefit. Specifically, **Ontario Works** deducts:

- 100% of any net employment income earned in the first three months on the program
- 100% of any net income earned from self-employment.

In addition, current policy penalizes people who obtain loans for any reason other than those specifically listed in the current rules. For example, **Ontario Works** deducts from the benefits it pays to a participant the amount of any loan obtained to pay for car repairs or for travel to visit a sick family member or attend a funeral.

In some ways, these rules seem logical; people who are earning money, or can borrow money shouldn't need public support. But, as we explained earlier, the amount that people receive from **Ontario Works** doesn't cover their basic needs, much less help them deal with emergencies.

Right now, the rules discourage people from trying to find work for the first three months they are in the program and from being innovative enough to start their own businesses. They help keep people trapped in a low-income world, and make it more difficult for them to move along the path out of poverty.

#### **Recommendation #3: Remove the Disincentives**

Individuals and families need a system that encourages and rewards them for working. To remove the disincentives and support people who are actively trying to gain and maintain employment, the **Ontario Works** program should:

- 3.1 Allow people who gain employment in the first three months on **Ontario Works** to keep 50% of what they earn.
- 3.2 Allow people to keep 50% of what they earn from self-employment.
- 3.3 Look at loans on a case-by-case basis, and allow people to obtain loans needed for health and well-being – such as car repairs or travelling for a family illness – without affecting their benefits.

Self-employment contributes to innovation and is an important economic driver particularly in recessionary times.

If people who gain employment in the first three months on assistance and those who are self-employed could keep 50% of their net earnings, they would be receiving the same benefits as others who are working while receiving **Ontario Works**.

These changes will have financial implications for **Ontario Works**, but we believe they will help more people become employed or create their own jobs, create stable homes, move out of the program, and become self-reliant.

## Conclusion

The recommendations in this paper support the Child and Youth Network's priority to End Poverty. They are designed to contribute to the social assistance review process that is part of Ontario's Poverty Reduction Strategy, and provide practical ways to start reducing poverty now. They have the potential to help London families move out – and stay out – of poverty, which is absolutely critical if we are to achieve our vision of “happy, healthy children and youth today; caring, creative, responsible adults tomorrow”.

The Child and Youth Network is committed to doing its part by: raising awareness, promoting public support for income security programs, developing practical programs that will help families living on low incomes manage their money, find affordable housing and improve their day-to-day lives, and identifying other ways to break the cycle of poverty.

We know that investments that lead to secure, adequate incomes for more families have a positive impact on health and quality of life. They help individuals, families and our community. Ontario and London cannot afford to leave obstacles on the path out of poverty. When our children and youth are being raised in poverty, that hurts us all.

### Poverty costs us:

- There is a 20% to 25% chance that children in Canada who grow up poor will be poor adults.
- Poverty costs each Ontario household \$2,300 to \$2,900 a year due to higher health care and crime related costs, as well as lower revenues.  
(Ontario Association of Food Banks, 2008)

London's goal of reducing the proportion of families living in poverty by 25% in five years and 50% in 10 years makes economic sense.