

October 14, 2005

To: Community Services Committee
From: General Manager, Social Services Division
Subject: The Continuing Erosion of Ontario Works Benefit Rates

Purpose:

This report provides an update on the status of social assistance benefit rates and makes recommendations for adjustments to the Ontario Works rate structure that recognizes the cost of living in a large city such as Toronto.

Financial Implications and Impact Statement:

There are no financial implications resulting from the adoption of this report.

Recommendations:

“It is recommended that:

- (1) in response to the continuing erosion of social assistance rates, particularly in an expensive city such as Toronto, City Council request that the Province adjust the Ontario Works benefit rates structure in accordance with the following:
 - (a) the shelter component maximum for Ontario Works clients equal 85 percent of the median market rent for each local housing market, based on annual surveys conducted by the Canadian Mortgage and Housing Corporation;
 - (b) the basic needs component maximum for Ontario Works clients be increased by 21.6 percent and thereafter adjusted annually to reflect the findings of yearly nutritious food basket surveys conducted by local Boards of Health based on protocols established by the Ontario Ministry of Health and Long-Term Care;
- (2) recognizing municipal property taxes as an unsustainable funding mechanism for income security programs, City Council strongly urge the Province to assume responsibility for funding all social assistance benefits, including the Ontario Works benefits and related increases discussed in this report;

- (3) this report be forwarded to the Minister of Community and Social Services; and
- (4) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.”

Background:

Ontario Works (OW) benefit rates are established through mandatory provincial legislation. All social assistance recipients and their dependents who are eligible for OW receive a monthly allowance to cover shelter costs and other basic needs. This amount is based on the number of people in the family and is subject to a maximum as determined by provincial OW legislation. A small number of additional supports may also be available through OW based on verifiable client circumstances (e.g. Community/Employment Start-Up, Vision Care, Special Diet, Back to School, Winter Clothing, among others). Eligibility for these supports is considered based on each person’s individual circumstances.

In 1995, the first in a series of sweeping reforms to the social assistance system introduced by the provincial government reduced monthly social assistance benefit rates by 21.6 percent. Since these unprecedented cuts took effect October 1, 1995, Toronto Social Services (TSS) has expressed great concern about the impacts that they have had on the ability of social assistance recipients to meet basic needs.

The further erosion of social assistance benefits since 1995 due to inflation (in particular, rapidly rising shelter costs) has resulted in repeated calls from a variety of sources for the Province to establish rates that reflect the cost of living in Toronto. In a March 6, 2003 report to the Community Services Committee titled “Ontario Works Benefit Rates: Loss of Purchasing Power Since 1995”, TSS described the deteriorating financial situation that many of Toronto’s low income families are facing as a result of inadequate OW benefit rates. The report, adopted by Council May 21, 22 and 23, 2003, recommended that City Council advocate to the Province for significant increases in OW benefit rates to compensate for increases in the costs of shelter, food, transportation and other basic needs. In adopting the report, Council also reaffirmed its position that the provincial government “restore the 21.6 percent cutbacks applied to social assistance benefits in 1995, and then increase social assistance payments and the minimum wage by the rate of inflation for each year since 1995”.

This report provides an update on the status of OW benefit rates since the 2003 report by TSS, and makes recommendations for adjustments to the rate structure that recognizes the cost of living in a large city such as Toronto. These recommendations are consistent with those contained in TSS’ action plan report “Systems of Survival, Systems of Support” that will be forthcoming to the Community Services Committee early in 2006.

Comments:

A. Overview of OW Benefit Rates

For ten years, TSS has been advocating to the Province that OW benefit rates are simply not enough for individuals and families to live on in an expensive city such as Toronto. The 21.6 percent rate reduction introduced by the Province in 1995, together with ten years of inflationary erosion, has reduced the purchasing power of social assistance benefits by nearly 40 percent. The poor state of social assistance rates not only in Ontario, but across the country, has become widely recognized as a primary contributor to the declining standard of living of low income persons in Canada. In 2004, the National Council on Welfare reported that social assistance benefits had reached “modern day lows”. In Toronto, TSS has estimated the 21.6 percent rate reduction has removed more than \$2.0 billion from the hands of the city’s most vulnerable residents over the last ten years.

In response to widespread criticism that the previous Ontario government had abandoned low income citizens, the newly-elected provincial government announced in 2004 that social assistance rates would be increased by three percent – the first increase since the 1995 rate cut. The Province also allowed families on OW receiving the National Child Benefit Supplement (NCBS), at the time deducted dollar for dollar from OW benefit payments, to keep the 2004 increase introduced by the federal government (worth an estimated \$4.00 per child per month). Unfortunately, it took nearly one year to implement the three percent rate increase which, in effect, compensates for a single year’s worth of inflation. While the Province did extend its clawback exemption for families to the 2005 NCBS increase (amounting to approximately \$17.00 per child per month) and has committed to a 16 percent raise in the minimum wage (from \$6.85 per hour in 2003 to \$8.00 per hour by 2007), no further OW rate increase has been announced.

In Table 1, the relative value of OW rates (including the three percent increase implemented by the Province in 2005) is compared to 1995 rates prior to the 21.6 percent deduction. The table, which converts 2005 monthly benefits to constant 1995 dollars in accordance with the Bank of Canada’s annual rate of inflation, illustrates that, following the 21.6 percent cut, social assistance rates experienced a further 17 percent decline in value over the past ten years. In fact, the purchasing power of existing OW rates is at its lowest level in two decades, roughly equivalent to social assistance benefits paid in 1985.

Family Type	1995 Rates (pre 21.6 % rate cut)	Current Rates (including 3% increase effective August 1, 2005)	Current Rates in constant 1995 \$
Single person	\$660	\$536	\$443
Single parent with 1 child (aged 0 – 12)	\$1,221	\$987	\$815
Single parent with 2 children (aged 13+)	\$1,483	\$1,198	\$989
Couple with 2 children (aged 13+)	\$1,596	\$1,289	\$1,072

As a result of this notable decline in the value of social assistance benefits, low income persons are experiencing a decreased standard of living relative to the general population. Table 2 shows the percentage of Statistics Canada’s Low Income Cut-Offs (LICO) that social assistance benefits have met over the past ten years, including the period prior to the rate cut in 1995, immediately following the rate cut, and again in 2005. Most evident is that the situation for families has deteriorated substantially. Annual incomes for single parents on social assistance have fallen more than 20 percentage points from nearly 70 percent of the LICO prior to the 1995 rate cut, to less than 50 percent today. Two parent families have faced similar hardship, with yearly benefits dropping to 41 percent of the LICO from 60 percent. While the introduction of the National Child Benefit by the federal government has provided some relief, its impact has been muted by the provincial claw back of the NCBS portion from monthly OW benefit payments. And no such support is available for single persons on social assistance whose annual benefits have fallen to one third of the LICO line.

Family Type	1995		2005
	Pre Rate Cut	Post Rate Cut	
Single person	47%	37%	33%
Single person with 1 child	69%	54%	47%
Single person with 2 children	68%	53%	46%
Couple with 2 children	60%	47%	41%

B. Impacts of Inadequate Benefit Rates

Low income residents of Toronto, facing the Province’s highest cost of living, have been particularly hard hit by the ongoing erosion of OW benefit rates. Examples of the impacts to which inadequate OW rates are contributing include:

- (1) increased destitution for vulnerable residents as they struggle to stretch their limited budgets to cover basic needs such as food, shelter, clothing and transportation for themselves and their children;
- (2) greater difficulty in making successful transitions to employment, as many OW clients are unable to focus on job search, training or educational activities when hungry, facing eviction or dealing with a crisis situation;
- (3) increased concentration of poverty in disadvantaged communities characterized by lower quality housing, lack of community and social services and deteriorating physical infrastructure (this phenomenon was described in the 2004 report “Poverty by Postal Code” prepared by the United Way of Greater Toronto and the Canadian Council on Social Development);
- (4) decreasing ability of low income persons to access City services relying on user fees such as recreational programs and public transit;
- (5) increased demand for City services relating to homelessness, emergency shelters, subsidized housing and public health;

- (6) added pressure on food banks and community organizations to meet the needs of vulnerable residents unable to survive on OW benefits (the Daily Bread Food Bank's 2005 report "Who's Hungry" reports that food bank usage has been increasing steadily since 2000, with OW clients representing the single largest population group at 52 percent of the approximately 100,000 households that visit the food bank each month); and
- (7) growing risk of social exclusion among low income residents and disengagement from city life, as described in TSS' 2003 survey of single parents on OW titled "Social Assistance & Social Exclusion".

Recognizing the failure of OW to provide the necessary foundation for improving the lives of vulnerable residents, the Toronto City Summit Alliance initiated the Modernizing Income Security for Working Age Adults Task Force. The Task Force is a multi-sectoral coalition of social policy experts, economists, community advocates and academics that is supported by the City of Toronto. Its objective is to identify policy and program changes for the federal, provincial and municipal governments to improve the economic security of low income, working age adults in Ontario. Recommendations of the Task Force are expected in the Fall of 2005.

C. A More Livable Benefit Rate Structure

As evidenced above, the OW benefit rate structure must be adjusted immediately and significantly to ensure low income individuals and families maintain a basic standard of living that all residents of Ontario expect. This includes the ability to live in safe and stable housing, the ability to purchase healthy food in an appropriate amount, and the ability to actively participate in everyday community life and to pursue employment goals. To this end, a revised rate structure is proposed that recognizes the higher cost of living in a large city such as Toronto, and that provides for regular adjustments based on increases or decreases in the cost of living.

Implementation of this proposed rate structure by the Province must also address the inadequacy of existing provincial/municipal cost sharing arrangements. It is widely acknowledged by municipal finance and governance experts that municipal property taxes are not a sustainable source of funding for income security programs. In particular, the Province should assume responsibility for the full cost of OW benefits and end City funding of the provincially delivered Ontario Disability Support Program (ODSP). A more detailed discussion of funding-related issues will be provided in TSS' "Systems of Survival, Systems of Support" action plan report.

I. Shelter Allowance

Housing expenses remain the largest cost incurred by persons on OW. Attachment 1 shows that Toronto continues to possess the country's most expensive rental housing market. According to the Canada Mortgage and Housing Corporation (CMHC), the average monthly rent for a two-bedroom apartment in Toronto in 2004 was \$1,052.00, 84 percent higher than the maximum monthly shelter allowance of \$571.00 for which a family of three is eligible and equivalent to 94 percent of the family's total monthly OW allowance.

While vacancy rates have risen over the past two years, there is ongoing concern with respect to affordability among the least expensive rental units. An analysis by CMHC of the rental housing market in the Greater Toronto Area revealed that rents for apartments in the lowest quintile (the bottom 20 percent of rental units in terms of cost) increased an average of 1.9 percent in 2003 despite vacancy rates that rose from 2.3 percent in 2002 to 4.7 percent in 2003. In comparison, rental rates for units in the highest quintile (the top 20 percent in terms of cost) decreased by 1.9 percent. These findings suggest that Toronto's most vulnerable residents are not benefiting from the increasing rental affordability that rising vacancy rates typically generate, as units at the lower end of the rental market continue to be in great demand in the city.

At present, more than 80 percent of OW clients continue to reside in private rental units fully exposed to rental market pressures. Overall, 71 percent of persons on OW living in private rental units in Toronto are paying an average of \$158.00 more than their maximum shelter allowance. As evident in Table 3, larger families are particularly vulnerable, given their need for larger accommodations, with 88 percent of two-parent families paying \$270.00 per month on average above their shelter allowance.

Family Type	No. of Cases	Average Rent Paid	No. in Excess	Percent in Excess	Average in Excess
Single	37,590	\$382.35	25,972	69%	\$95.00
Single with children	18,813	\$664.78	12,832	68%	\$236.00
Couple	2,014	\$672.11	1,581	79%	\$208.00
Couple with children	5,731	\$839.88	5,082	88%	\$270.00
Total	64,148	\$515.15	45,410	71%	\$158.00

Recognizing the increasing precariousness of the shelter situation for many low income residents of Toronto, as illustrated by the widening gap between rental costs and monthly OW shelter allowances over the past ten years, the City has repeatedly called on the Province to increase shelter rates. In particular, the Mayor's Homelessness Task Force Action Plan recommended in 1999 that the maximum OW shelter allowance be increased to 85 percent of the median market rent for each local housing market based on annual surveys conducted by CMHC. This was reiterated in the Toronto Report Card on Homelessness the following year.

This approach to the shelter component of the OW allowance is appropriate for two reasons:

- (1) it recognizes the higher costs of housing in specific jurisdictions in the Province, such as Toronto, that many persons on OW are facing; and
- (2) it adjusts shelter rates annually based on rent increases (or decreases) in the local housing market, ensuring that persons on OW in Toronto receive adequate assistance with shelter costs.

Increases in the shelter allowance consistent with this recommendation would amount to an annual increase of approximately \$156.5 million gross.

II. Basic Needs Allowance

The basic needs component of the OW allowance is intended to provide persons on OW with funds to cover the cost of food, clothing, transportation and other essential supplies such as cleaning products and personal grooming items. However, the inability of shelter rates to meet rental costs for the majority of persons on OW means that many must use significant portions of their basic needs allowance to cover housing-related expenses. Further, rising food, transportation and other everyday costs over the past decade means that the purchasing power of the basic needs allowance has significantly eroded. As a result, nutritious eating is simply not affordable for many people on social assistance in Toronto, making it difficult, particularly for children, to meet the energy and nutrient needs that are basic requirements of health. Too many people in Toronto must make impossible decisions on whether to pay the rent or feed their families.

In a September 12, 2005 report to the Board of Health titled “The Cost of the Nutritious Food Basket in Toronto 2005”, the Medical Officer of Health outlined the results of the 2005 nutritious food basket survey. Key among the findings is that average weekly food costs for a family of four in Toronto rose to \$124.62 per week (\$539.60 per month), an increase of 3 percent over food costs in 2004 and more than 16 percent since 1999. Such cost increases illustrate the affordability crisis facing families on OW. In particular, larger families with two or more children often have insufficient funds left after rent is paid to cover the cost of nutritious food, let alone other fundamental items.

Aside from food, the cost of other basic necessities have all experienced varying degrees of inflation since 1995, requiring persons on OW to stretch their limited budgets further and further. Such costs include transportation (whether public transit or fuel costs for private vehicles), clothing, personal hygiene products, hydro and natural gas service, telephone service, and basic household supplies.

In response, it is recommended that the Province reinstate the 21.6 percent rate reduction implemented in 1995 to the basic needs portion of the OW allowance. Thereafter the basic needs allowance should be adjusted annually based on the results of yearly nutritious food basket surveys conducted by local Boards of Health based on protocols established by the Ontario Ministry of Health and Long-Term Care. This approach will ensure that the basic needs component keeps pace with inflation, and is consistent with the position on OW rate increases adopted by Council at its meeting of May 21, 22 and 23, 2005.

Increases in the basic needs allowance recommended in this approach would amount to approximately \$66.7 million gross annually.

III. Comparing the Current and Proposed Rate Structures

Attachment 2 compares the new OW rate structure proposed above to the current benefit rates paid. In the four scenarios presented, the new rate structure would raise benefit rates by at least 30 percent for families with children and 25 percent for a single person. Contrasting the rate structures with the 2004 LICO levels helps to put the proposed changes in perspective. At current rates, single persons in particular have been experiencing extreme financial hardship, receiving benefit rates

equivalent to 33 percent of the LICO. Under the proposed structure, the 25 percent increase in rates would raise the incomes of single persons to 41 percent of the LICO line. For single parent families with one and two children, the proportion of the LICO achieved would increase from less than 50 percent to more than 60 percent. And a couple with two children would move from 41 percent of the LICO to 53 percent. The situation for those with children is further bolstered by the National Child Benefit, which helps to raise income levels to approximately 70 percent of the LICO for the single parent families and 61 percent for the two parent family.

Relative to the LICO, the proposed benefit rate structure, together with the National Child Benefit, succeeds in returning the incomes of persons on social assistance to levels comparable to that achieved prior to the 21.6 percent rate cut in 1995 (the LICO levels pre-1995 are provided in Table 2 above). The total annual cost of implementing the new rate structure is estimated at \$223.2 million gross. This is a modest re-investment in the vulnerable residents of Toronto that will make a significant difference in their lives, particularly given the more than \$2.0 billion that has been taken out of the hands of low income persons in the city since 1995.

D. Other Supports

In addition to basic OW benefit rates, other key supports must both be available and at sufficient levels in order to effectively assist low income persons to remain connected to their communities and to make a successful transition from social assistance to financial independence. These include the provision of better transportation supports and adult dental benefits, enhanced Back to School and Winter Clothing allowances, and more appropriate allowable asset levels under OW. Further comment about these supports will be provided in TSS' action plan report "Systems of Survival, Systems of Support", which will come before the Community Services Committee early in 2006.

Conclusions:

OW benefit rates are far too low, threatening the health and safety of the City's most vulnerable residents and their children. Since 1995, the purchasing power of OW benefits has fallen by nearly 40 percent to a level not seen since 1985. In response, it is recommended that the Province introduce significant changes to the OW benefit rate structure that recognize the cost of living in a large city such as Toronto and that provides for regular adjustments for inflation. At a total cost of \$223.2 million gross per year, these changes are modest in relation to the more than \$2.0 billion that has been removed from the city's low income residents since the 1995 rate reduction.

At the same time, TSS recognizes that the OW benefit rate structure adjustments recommended in this report exceed the financial capacity of the City to fund. To this end, any benefit rate changes must be accompanied by a full review of provincial/municipal cost sharing arrangements with respect to all income security programs, including OW and the ODSP. Recommendations in this regard will be established in TSS' action plan report "Systems of Survival, Systems of Support", that will be coming to the Community Services Committee early in 2006.

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List of Attachments:

Attachment 1: Average Rents for Major Canadian Cities
Attachment 2: Comparing the Current and Proposed Ontario Works Benefit Rate Structures

Attachment 1: Average Rents for Major Canadian Cities

Metropolitan Area	One-Bedroom (% of Toronto Average)	Two-Bedroom (% of Toronto Average)
Toronto, ON	\$887	\$1,052
Vancouver, BC	\$774 (87%)	\$984 (94%)
Ottawa, ON	\$772 (87%)	\$940 (89%)
Oshawa, ON	\$750 (85%)	\$852 (81%)
Calgary, AB	\$655 (74%)	\$806 (77%)
Victoria, BC	\$630 (71%)	\$799 (76%)
Hamilton, ON	\$641 (72%)	\$789 (75%)
Kingston, ON	\$646 (73%)	\$785 (75%)
Windsor, ON	\$648 (73%)	\$776 (74%)
Kitchener, ON	\$651 (73%)	\$765 (73%)
London, ON	\$603 (68%)	\$758 (72%)
Halifax, NS	\$612 (69%)	\$747 (71%)
Edmonton, AB	\$597 (67%)	\$730 (69%)
St. Catharines, ON	\$611 (69%)	\$722 (69%)
Abbotsford, BC	\$546 (62%)	\$684 (65%)
Thunder Bay, ON	\$550 (62%)	\$679 (65%)
Winnipeg, MB	\$516 (58%)	\$664 (63%)
Gatineau, QC	\$556 (63%)	\$663 (63%)
Sudbury, ON	\$529 (60%)	\$655 (62%)
St. John's, NF	\$521 (59%)	\$618 (59%)
Regina, SK	\$503 (57%)	\$602 (57%)
Quebec City, QC	\$516 (58%)	\$596 (57%)
Montreal, QC	\$536 (60%)	\$594 (56%)
Saskatoon, SK	\$472 (53%)	\$580 (55%)

Source: Canada Mortgage and Housing Corporation (October 2004)

Attachment 2: Comparing the Current and Proposed Ontario Works Benefit Rate Structures

Family Type	Current OW Benefit Rate				Proposed OW Benefit Rate				% Change	NCB less claw-back ⁴	% of LICO
	Basic Needs	Shelter	Total	% of LICO ¹	Basic Needs ²	Shelter ³	Total	% of LICO			
Single person	\$201.00	\$335.00	\$556.00	33%	\$244.42	\$450.00	\$694.42	41%	+25%	nil	41%
Single parent with 1 child (aged 0 – 12)	\$460.00	\$527.00	\$987.00	47%	\$559.36	\$743.75	\$1,303.11	62%	+32%	\$144.17	69%
Single parent with 2 children (aged 13+)	\$627.00	\$571.00	\$1,198.00	46%	\$762.43	\$875.50	\$1,637.93	63%	+37%	\$246.91	73%
Couple with 2 children (aged 13+)	\$668.00	\$621.00	\$1,289.00	41%	\$812.29	\$875.50	\$1,669.79	53%	+30%	\$246.91	61%

NOTES:

¹LICO refers to Statistics Canada's Low Income Cut-Offs. Persons and families living below these income levels are considered to be living in "straitened circumstances." There are 35 different LICOs, varying according to family size and size of community. The LICOs are generally regarded as Canada's poverty lines.

²The proposed basic needs component reflects a 21.6% increase over the current basic needs allowance. This amount is to be adjusted annually based on Toronto Public Health's yearly nutritious food basket survey.

³The proposed shelter component is based on 85% of CMHC's median market rent for Toronto, adjusted annually. The shelter benefit is determined based on the size of accommodation required by different family sizes: 1 person – bachelor unit, 2 persons – 1-bedroom unit, 3-4 persons – 2-bedroom unit. (Note: CMHC does not calculate a median market rent for bachelor units. In the case of the single person above, the proposed shelter allowance of \$450.00 was established based on 85% of the average rent paid by single persons on OW in private rental units during 2004.)

⁴The NCB refers to the National Child Benefit which consists of the Child Tax Benefit and the National Child Benefit Supplement (NCBS) for low income Canadians. The full NCBS was deducted from OW clients' monthly benefit payment until 2004, at which time the Province introduced changes allowing persons on OW to keep the increase in the NCBS implemented by the federal government in 2004 and 2005.