

Research Agenda For The Task Force On Modernizing Income Security For Working Age Adults

The purpose of the draft research agenda is:

- **To identify areas of importance for data collection and evidence-based qualitative and quantitative research for key topic areas relating to income security for low income working age adults; and**
- **To confirm areas of research interest on the part of members of the Working Group; either to contribute existing work or to do additional research to fill knowledge gaps.**

Note: The 'Potential Responsibilities' section of each topic area contains the names in bold of those who expressed interest in the topic in first Working Group meeting on August 31, 2004. Names not in bold are Working Group members with expertise in the topic that have yet to confirm their areas of interest. Areas of interest and roles will be finalized shortly now that the September 22nd Task Force meeting has taken place.

Contact Information:

John Stapleton – (416) 298-0963 jsbb@compuserve.com

Jill Black – (416) 922-7682 jill@jblackco.ca

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Introductory Remarks

The Toronto City Summit Alliance in partnership with St. Christopher House has convened a multi-sector Task Force to generate ideas and drive to practical solutions to the key problems plaguing Canada's social security system. Our goal is to improve the economic security of low income working age adults. We will focus on Ontario in a national context because we recognize that income security reform can't happen without action by all levels of government.

The project emerges from the work of the Toronto City Summit Alliance (TCSA), which recognized in its April 2003 report, *Enough Talk*, that "income security reform is essential to addressing the problems of urban poverty, income inequality, and labour market change."

St. Christopher House brings the results of its recent efforts to develop 'modern strategies' for income security for working age adults in Ontario, including an in-depth understanding of the issues, and ideas for potential solutions that have been tested with front-line agencies and people directly affected by problems with the system.

The TCSA and St. Christopher House believe that the timing is good for a non-governmental review of income security directed by public-spirited leaders from civil society.

Below we briefly summarize the problem, project objectives, and the purpose of the research agenda.

The Problem

The single most important income security problem in Canada today concerns the economic security of low income, working age adults. Although not ideal, income security for children and the elderly has made great strides in the last two decades and contains sustainable benefits that have largely been kept up to date.

For low income, working age adults, the opposite is true. They face three fundamental issues:

- Minimum wage no longer pays enough to live and work at levels that allow people to realistically meet their costs, especially in urban Canada.
- Existing programs make it difficult to escape the poverty trap. Many welfare recipients have to realize other income to survive but the penalties for earning other income are such that it is often better to choose welfare over working.
- There is little public or political pressure to change the situation. Since the early to mid 1990s, minimum wages, employment insurance, and social assistance benefits have all declined significantly while eligibility for benefits has been tightened.

It is time to look for modern solutions to restoring income security for working age adults.

Objectives of the Initiative

We have four key objectives in undertaking this initiative:

- To provide a clear and soundly supported assessment of Ontario's and Canada's income security systems and programs, including what is working well and gaps and flaws. The assessment will be grounded in the experience of affected individuals, communities and businesses.
- To develop proposals for policy and program changes for the federal, provincial and municipal governments to improve the economic security of low income, working age adults- focusing on Ontario in a national context.
- To identify promising community initiatives that could compliment the recommended policy changes, e.g. by marshalling communities to lower the costs of working or remove barriers to working.
- To design a pan-Canadian campaign to help ensure that the proposals for governments are put into motion, ideally over a two year time.

Purpose Of The Research Agenda

The following draft research agenda is intended to cover the key topic areas that must be considered in assessing and redesigning the income security system for low income working age adults. Once finalized, it will form the basis of the work plan for the group of leading experts in income security. This group will be developing the fact base and proposals for consideration by the Task Force.

The current draft contains additions and revisions suggested by Working Group members at their first meeting on August 31, 2004 and by the Task Force in their first meeting on September 22, 2004. Those who expressed interest in particular topics are listed in bold the 'Potential Responsibilities' sections under each topic area.¹ Jill Black and John Stapleton will be following up with Working Group members shortly to confirm responsibilities and agree on who will take the lead on each topic and what the deliverables will be.

¹ Individuals and organizations not in bold have yet to be consulted regarding their potential roles

1. Environment and Best Practices

1.1 What does our history tell us?

Potential Responsibilities: Tom Klassen- York University and John Stapleton

Context

- The history of income security in Canada is one of incremental improvements characterized by gains in economic security for particular target populations.²
- Historically when Canada's economy improved, the rising tide tended to raise all ships. Conversely, when the economy and people in general fared less well, low income Canadians usually lost ground.
- The problem this time round is that when the economy began to improve in 1994-96, working age low income Canadian fared even worse.
- Hours worked by Canadians have shown a century long decline. This trend has continued for low income earners but reversed in the mid-1990s for higher income earners with grade 12+ education.

Questions

- Why have low income people fared so poorly since the mid-nineties?
- Why did they fare so much better in the 1980's?
- Is the change in hours worked relevant to continued losses in economic security for low income adults?

Why do we want to know this?

We need to understand the structural and attitudinal factors that cause unexpected results such as the worsening poverty in the 1990s despite an improved economic environment.

² See Dennis Guest, The Emergence of Social Security in Canada Dennis Guest, **The Emergence of Social Security in Canada**, University of British Columbia Press, 1997 and Ken Battle who has coined the phrase 'Relentless Incrementalism' in describing his progress of income security programs for children.
<http://www.caledoninst.org/>

1.2 What reforms have been recommended in the past?

Potential Responsibilities: Tom Klassen and John Stapleton

Context

- National income security reform recorded a number of early successes: Unemployment Insurance constitutional reform (1940), Baby Bonus through Federal spending power (1945), Old Age Pensions through constitutional amendment (1951), Canada Pension Plan (CPP) through constitutional amendment (1964), and Canada Assistance Plan (CAP), Old Age Security (OAS), and Guaranteed Income Supplement (GIS) for seniors combined with ending of old programs under Mike Pearson (1966-67).
- Since that time, efforts at further reform (e.g. Trudeau's Victoria Charter in 1970), Meech Lake in 1989-92) have failed or met with limited success primarily due to Federal/Provincial disagreements and imbalances that made constitutional reform impossible.
- Since the last income security review in 1993-94³, income security policies in Canada have changed by the division of Canada's population into two large groups:
 - Working age Canadians where programs and policies are unsustainable
 - All other groups in Canada (mainly seniors and children) where both policies and programs have been at the least, maintained.
- Federal implementation of the Canada Health and Social Transfer in 1996 accelerated both the deterioration and lack of sustainability of income security programs through the abandonment of standards and reduced funding to provinces.

Questions

- Why do we have an income security system in Canada?
- What did previous attempts at income security reform recommend in the 1980s and 1990s? Were recommendations implemented? If not, why not?
- How have the roles of Federal, Provincial, and Municipal governments changed over that period in terms of funding and delivering income security programs?

Why do we want to know this?

We need to understand federal and provincial dynamics and changes in policy direction that have contributed to today's situation to help build the case for reform.

1.3 What have other nations done?

Potential Responsibilities: Tom Klassen and Alain Noel with support of Pamela Loprest of the Urban Institute and OECD

Context

- We know that that the term 'working poor' is considered somewhat oxymoronic in western and northern European countries. With low fertility rates, high retirement rates and populations that are considerably 'older' than Canada's, these countries are making interventions to 'make work pay' and therefore to more highly value their labour force.
 - For example, Denmark appears to 'talk tough' to employable adults on social assistance but may also provide more opportunity through a combination of benefits and pay that provides a sustainable living.
- We are also told that Europe has real problems in that it is facing labour shortages but is shunning increased immigration while trying to lure the retired back into work and seeking to reopen retirement plans. Labour force shrinkage is growing as a major problem throughout Europe
- In contrast, Canada may be gaining a real advantage by embracing diversity in its immigration and settlement policies to a greater extent than in many European countries.
- US welfare reform in the 1990s has been directed to encourage and often require working. It has reportedly had some success in increasing labour market participation but not at reducing poverty.

Questions

- How have a number of European countries managed to maintain high GDP per capita combined with a strong social safety net?
- Are there ways to capitalize on Canada's unique settlement capacities while embracing European approaches that place a higher value on lower end labour force activity?
- Did US welfare reform really have an impact or were positive results due to labour market conditions? If it did why did increased employment not translate into poverty reduction?

Why do we want to know this?

Experiences of other countries that value low wage workers may provide valuable lessons for Canada and Ontario. US experience may provide additional lessons regarding what works and what doesn't in a more analogous policy environment.

1.4 What are the trends in media coverage and public opinion?

Potential Responsibilities: Jill Black and Rachel Doll for secondary research on media coverage and public opinion; Michael Oliphant-Daily Bread for public opinion of food bank users and contributors

Context

- In 1968, newspapers relentlessly and sympathetically covered the stories of teenagers who were not able to access welfare as a right.
- In the early 1980's, a year skipped in terms of a rate hike for welfare would result in stern editorials calling for more money for people not in the labour force through no fault of their own. Two years without a minimum wage increase resulted in similar media scrutiny.
- However, after ten years with no increases at all, media coverage of income security programs for working age adults has been almost negligible.
- At the same time, much greater coverage is evident with respect to child poverty even though benefits under the National Child Benefit initiative have increased at levels that significantly exceed inflation.
- The fact that the EI fund has a nominal surplus of \$44 billion (enough to end poverty of any sort in Canada for two years) was not a significant issue for the media in the recent election campaign even though fiscal surpluses and debt reduction continue to depend on this crucial funding source.
- In the US messages around links between race and poverty and the need to support low income working people who "play by the rules" but aren't gaining ground are reportedly more compelling to government and the public.

Questions

- How have issues relating to the economic security of working age adults been covered in the media in terms of frequency and content?
- Do the media in other countries pay more attention to recipients of social assistance vs. the media in Ontario and Canada? If there are differences, what accounts for the differences? What do we know about what stories work and which do not?

Why do we want to know this?

Public opinion, often linked to media coverage, will be key to implementing proposed changes to income security policies and programs. We need to fully understand how to have a thoughtful and balanced public discourse based on evidence and best practice.

Key Reading Material:

- Martin Gilens: Why Americans Hate Welfare
<http://web.syr.edu/~emorlins/review2.html>
<http://www.yale.edu/opa/v27.n32/story7.html>
- Media Research Centre
<http://www.mediaresearch.org/oped/2002/noyes0802.asp>
- Media Alliance:
<http://www.media-alliance.org/article.php?story=20040514022357977>

2. Labour Market

2.1 What are the demographics and what do they tell us?

**Potential Responsibilities- Stuart Sykes- PRI on labour shortage;
Alan Meisner- City of TO for labour market demand study**

Context

- David Foot, in Boom Bust and Echo tells us about dependency ratios, an aging workforce and a new workforce
- Very few people (comparatively speaking) were born between 1930 and 1946. In ten years time, the baby boom will start to reach the normal age of retirement (i.e. 65) placing extraordinary strains on a large-scale old age income security system.
- We are told that we have a labour force where new job growth will result in labour shortages without increased immigration.

Questions

- Can we profile the demographics and demonstrate where and when we will be facing labour shortages?
- Can we quantify how much of the gap could be filled if we had a welfare system that provided incentives for people to work and what the resulting benefits would be (e.g.: reduced welfare costs; larger population paying taxes and contributing to CPP, etc.)?
- Taking employability into account (i.e. skills required versus skills possessed)

- Can we quantify the growth in income security costs as the baby boom generation retires with resulting impact on the smaller working population?
- Are there examples of better-designed programs from the European or US experience (see 1.2)?

Why do we want to know this?

We need to anticipate where we are going to be as the baby boom generation retires and what the impact of better designed income security programs could have in alleviating issues of labour shortages and growing costs.

Key Reading Material:

- OECD Country profiles
http://www.oecd.org/searchResult/0,2665,en_2649_34459_1_1_1_1_37419,00.htm
- David Foot, Boom Bust and Echo
<http://www.footwork.com/book.html#21c>
- Julie Ann MCMullin and Martin Cooke of the Department of Sociology and Workforce Ageing in the New Economy Project at the University of Western Ontario: Labour Force Ageing and Skills Shortages in Canada and Ontario
<http://www.cprn.org/en/doc.cfm?doc=1088>

2.2 Who are the working poor and what does it really cost them to live and work in major urban environments?

Potential Responsibilities: Andrew Jackson- Canadian Labour Congress; Katherine Scott-CCSD for work on urban poverty; **City of TO for data; General concepts- CPRN and Stats Can; Composites- Michael Oliphant; John Stapleton**

Context

- Low income and self sufficiency tend to be mutually exclusive in urban Canada as real income security and real wages don't generate enough earnings to pay for the necessities of life, particularly in large Canadian urban environments. The equation does not work even when we think of extremely resourceful low income people.
- Our benchmark is net income of \$1,000 per month for a single person, an amount that approximates earnings of the average minimum wage worker. (Note: this benchmark requires debate as OHP premiums were recently reduced for families with net earnings of \$36K to \$38K).

- We need to sketch the world of the rewards of work at low income levels working off the ISSWAA⁴ profiles of low wage workers and their stories over a fixed time period, and creating new profiles **with the involvement of low income working age adults in our communities.**
- We need to look at this in a dynamic way as people cycle on and off welfare and in and out of low income.
- In order to assure success in portraying the real lives of low income adults, **it will be important for members of this community to be providing ongoing validation of the research undertaken.**

Questions

- What are real wage rates by hours and family composition by percentile ranking?
- What are the expenditure patterns based on SLID – how do working people spend for example at the 15th percentile (the benchmark poverty threshold)?
- What defines a sustainable living in a large urban environment?
- Are there special groups of people (e.g. youth in care exiting the foster care system) who have greater difficulties than others in achieving self-sufficiency in urban environments?
- Can we profile numerous **composites** of singles, sole support families, poor couples etc. trying to get along on low wages and available benefits to help us answer the following questions:
 - What are their real expenses – i.e. what does it cost to work and live in a large urban environment?
 - What do people really take home? This includes not only pay but how much of the income security system people have real access to (e.g. filing tax returns, taking advantage of all that is offered).
 - Why do some people move in and out of welfare or why do some 'make it' and others do not? Is it special situation housing? Is it community or family supports?
 - What are the impediments? E.g.: Poor health; selling income tax returns; the high cost of payday loans?

Why do we want to know this?

We need to know the real costs of living and working in large urban environments for various family compositions and living arrangements because there is little good data on real lives and what defines and drives success vs. failure.

⁴ See <http://www.stchrishouse.org/incomeseq.htm>

Key Reading Material:

- The Market Basket Measure:
<http://www.sdc.gc.ca/en/cs/comm/news/2003/030527.shtml>
- Statistics Canada: SLID Panel results
<http://www.statcan.ca/english/survey/household/dynamic/slid.htm>
- Marc Lee, Snakes and Ladders, Canadian Centre for Policy Alternatives
<http://www.policyalternatives.ca/publications/pub3.html>
- Judith Maxwell: Smart Social Policy, CPRN.
<http://www.cprn.org/en/doc.cfm?doc=199>
- Teresa Janz of Statistics Canada: Low-paid Employment and Moving Up; A Closer Look At Full-time Full Year Workers, August 2004
<http://www.statscan.ca:8096/bsolc/english/bsolc?catno=75F0002M2004009>
- Miriam Fortin and Dominique Fleury of Social Development Canada: A Profile of the Working Poor In Canada
In draft form- CPRN has contacted them to obtain it.
- Babies and Bosses series: Willem Adema, OECD
- US working poverty genre writings (Barbara Ehrenreich at al.)
- The Betrayal of Work: Beth Shulman
- SLID panel results.
- Russell Sage papers

2.3 Will increasing the minimum wage help ensure a sustainable living for low income workers without resulting in job losses? Or are there better alternatives?

Potential Responsibilities: Aaron Good- Bain for synthesis; **John Greenwood- SRDC on income supplementation and wage progression as alternatives to minimum wage increase; Ron Saunders- CPRN for synthesis on minimum wage learning; Ernie Lightman and SANE group on methodology, and SANE and Richard Shillington on impact of loss of drug, dental, etc when move off social assistance; Richard Shillington on provinces with universal programs(e.g. PQ for drugs); Daily Bread for data**

Context

- Minimum wages in Ontario were recently increased from \$6.85 to \$7.15 and will go to \$8.00 an hour by February 2007.
- However, minimum wages have not kept up with inflation – had they done so, they would have reached \$8.50 an hour by early in 2003.
- Advocates are calling for an increase in minimum wage to \$10.00 an hour.
- Many low income workers are reportedly working for less than minimum wage reportedly due to employment standards not being enforced.

Questions

- What is the profile of the population earning minimum wage, and below \$10.00 an hour?
 - Number living in poverty?
 - How many are under age 25?
 - How long do they stay at low wages?
 - What are the indices of wage progression?
 - What types of jobs performed by people earning low wages who are in poverty?
 - How do low wage earners who are poor compare to all low wage earners?
- What is the profile of the population working **below** minimum wage in Toronto; who are they, how many are there and how long do they work at illegal minimums? Would better enforcement of employment standards change their situation?
- How pervasive is the failure to adhere to employment standards? Are low wage earners more vulnerable to this than higher wage earners?
- Is there a real reward if there is no wage progression? Who gets into wage progression? Who does not? Where are the rewards if not economic? – What works when work doesn't?
- Are there better alternatives to ensure adequate earnings for low income adults than increasing the minimum wage? What do we really know about impact of direct wage subsidy programs (e.g. in other areas such as people with disabilities or in other jurisdictions)? Would direct income supplementation of the working poor be the answer to meeting the cost of living and working in a large city?
- What do we know about the costs and benefits of maintaining services for low wage earners (e.g. drug and dental)? Are there any studies?

Why do we want to know this?

Higher minimum wages may be a viable way to create incentives, reduce subsidies to individuals, and provide a sustainable income to low income adults. We need to know if there are other, potentially better ways to achieve the desired result.

Key Reading Material:

- Ken Battle, Caledon Institute, Minimum Wage papers.
- Russell Sage Foundation series
- SRDC experiments (BC and NB) results

2.4 What are the implications of changes in minimum wage or in the income security system for employers?

Context

- Many employers are also 'on the edge' as they try to remain competitive in the face of 'the Wal-Marts'. Their attempts to keep costs down directly affect workers.
- At the same time, most low wage jobs are in service sector in 'non-traded' industries potentially indicating that modest increases would have little impact on competitiveness.
- Bringing unskilled workers into the workforce has cost. EI includes labour force adjustment programs while social assistance does not.

Questions

- How much could min. wages increase before employers begin to eliminate jobs to remain competitive? Are there studies that have shown this?
- What would the impact be on 'employers on the edge' (e.g. small retailers trying to compete with Wal-mart)
- What are the real costs of bringing people into the workforce (e.g. training) and who should bear them?

Why do we want to know this?

We need to know how high minimum wages can go without destroying the very jobs that we are trying to grow and sustain.

3. Social Assistance & Employment Insurance

Potential Responsibilities: Dan Buchanan- Sigma-3; Ernie Lightman and SANE group; John Greenwood- SRDC on EI welfare link if can get recent Ontario data; Alan Meisner- City of TO for data; Pamela Loprest for US work on welfare leavers; Katherine Scott for CCSD work on disability assistance; Other data sources- SLID, National Council of Welfare, StatsCan, HRDC (work on poverty), SCIPI (report out next month),

Context

- Social Assistance caseloads have been going down for a decade. From post war highs in 1994 to the lowest comparative numbers in the last 25 years, social assistance (in Ontario) has only recently resumed normal seasonal patterns observed in the post war period.

- Numerous studies in the US and Canada confirm that welfare leavers conform to a 60-40 split between persons who engage in work or work related activity (e.g. education, training etc.) vs. those who do not. All of these studies are point in time – long term effects are not known.
- In Canada, we also know that caseloads of persons with disabilities have been increasing while traditional welfare caseloads have been, on balance, decreasing.⁵
- At the same time, EI coverage of contributors to the plan has decreased to the point that less than 30% are eligible in some urban locales. While eligibility has decreased, the national surplus in the EI fund exceeds \$44 billion.

Studies show that many people who were at one time eligible for EI must go straight to social assistance when they do not have alternative resources.

Questions

- EI claims and social assistance caseloads need to be studied from several different perspectives to ascertain the real trends including the following time series from 1994 to 2004:
 - Social assistance recipients by type:
 - Person with disabilities by disability type, family composition, and accommodation type and work status and location
 - Ontario Works recipients by family composition and accommodation type and work status and location
 - All Recipients (above breakdowns) by major income source
 - All recipients (above breakdowns) by length of time on assistance
 - All Recipients (above breakdowns) by recidivism rates (if possible).
 - All recipients coming from work who did not have an EI claim, those pending EI, and EI exhaustees.
 - EI claims –longitudinal data by type of claim.
- Who leaves welfare and never comes back? How do they differ from individuals that return periodically and from individuals that stay on welfare for extended time periods (e.g. age, asset levels, family or parental status, in poor health or not, disabled or not, geography, support received)?
 - Need detailed profiles, similar to profiles of working poor in previous section
 - In particular want to explore impact of affordable child care and of skills upgrading on supporting successful moves from welfare to work
 - What are the costs created by people cycling on and off welfare?
- Is there any evidence that benefits such as benefit supplements for children or affordable child care have paid off in terms of increased labour market participation?

⁵ References to ‘welfare’ in the US usually do not extend to persons with disabilities whereas Canadian statistics sometimes do not distinguish between needs tested income security by target population. Note also that as caseloads of employables decrease, the percent comprised of people with disabilities rises.

Why do we want to know this?

Social assistance recipients comprise 5.6% of the population where adult members are generally removed from the paid labour force. We need to discover ways of changing social assistance or other programs to increase labour force participation. We also need to know if a new type of underclass is being created and if true, whether there is a new class of persons with disabilities.

Key Reading Material:

- Klassen and Buchanan on Welfare in Ontario
<http://qed.econ.queensu.ca/pub/cpp/Sept97/Klassen.pdf>
- Urban Institute series on Exit Surveys
http://www.urban.org/content/PolicyCenters/Income_Benefits/Projects/Projects.htm
- MCSS caseload statistics
<http://www.cfcs.gov.on.ca/CFCS/en/programs/IES/OntarioWorks/Publications/OWCaseload.htm>
- HRSDC EI claim statistics
http://cansim2.statcan.ca/cgi-win/CNSMCGI.EXE?Lang=E&ArrayId=2760001..2760006&Array_Pick=1&Detail=1&ResultTemplate=CII/CII_&RootDir=CII/&TblDetail=1
- Pamela J. Loprest: Who returns to welfare?
<http://www.urban.org/Template.cfm?Section=ByAuthor&NavMenuID=63&template=/TaggedContent/ViewPublication.cfm&PublicationID=7849>
- Ann Golden Task Force on Homelessness
- Social Assistance in the New Economy (SANE project at U of T); Andy Mitchell, Prof. Ernie Lightman, and Dean Herd

4. Asset Poverty

Potential Responsibilities: John Greenwood- SRDC on provincial asset rules, Learn\$ave evaluation, and StatsCan asset survey; Gilles Seguin for material; Daily Bread for profiles showing stupidity of rules; Rachel Doll for research support if needed; Finn Poschmann- C.D. Howe Institute

Context

- Traditional thinking in the area of income security tends to emphasize income poverty as the most important poverty problem. However, there is an emerging body of evidence that demonstrates that asset poverty may just as important as income poverty.

- Initiatives to build or protect assets are being tried in other jurisdictions (e.g.: Individual Development Accounts in the United States and Children's trusts in the US, UK) and in a large-scale Canadian experiment (Learn\$ave). The hypothesis is that creating incentives or removing disincentives to savings will provide lower income people with greater resilience to relatively small financial set-backs and enable them to take the necessary steps (e.g. training or education) to secure better employment.
- The dilemma faced by these emerging initiatives is the stringent assets limits in programs designed to meet the requirements of low income people. From welfare to child care, to rent geared to income, to basic services such as drugs and transportation, recipients are forced to liquidate extremely low sums of savings in order to maintain eligibility.
 - As a result, two countervailing principles of social policy (promotion of savings vs. ensuring only those in greatest need get help) are neutralizing each other's efforts.
- Asset depletion rules present particular issues for some groups, e.g.:
 - New immigrants can be forced to deplete limited assets if unable to secure work that provides a sustainable living fast enough.
 - Parents can be forced to cash in RESPs if need to go on social assistance putting education of their children at risk.

Questions

- At what point do assets tests in needs tested program become too stringent and work against the achievement of self-sufficiency?
- Do stringent assets test result in short term savings while sacrificing long term savings?
- What does the data show? The following profiles will help us answer these questions and promote the best policy mix?
 - Profile of assets base of Canadians: Stats can database 1984-99:
 - Net worth and net wealth of particular groups and change over time
 - Profile Learn\$ave (SRDC) database
 - Profile low income savers – Statistics Canada RRSP statistics
 - Profile Savings of SLID Panel if and where available
 - Profile those programs at all levels containing assets tests and assets penalties including
 - Social assistance
 - Child care, home care, rent geared to income subsidies
 - Profile their interaction with assets and non assets based programs
- What are other jurisdictions doing to promote savings among low income adults and to discover if asset accumulation helps people leave welfare?
- Can we show that asset accumulation helps people leave welfare or that depleted assets makes it hard to do so?

- How many of the one million low income adults in Ontario don't have bank accounts and therefore can't save?
- Can we make the case that raising asset limits would be cost effective in terms of helping people back to work?
- Can we demonstrate that asset limits are particularly onerous for some groups resulting in significant social costs?

Why do we want to know this?

If assets poverty and wealth are part of the policy mix to ensure urban self-sufficiency, it will be important to know what works and what does not.

Key Reading Material:

- SRDC Learn\$ave evaluation
http://www.srdc.org/english/publications/learnsave_early_look.htm
- Key tracts by Michael Sherraden
<http://www.nhi.org/online/issues/110/sherraden.html>
- Andrew Jackson piece for Caledon Institute
- Rene Morrisette in Perspectives; Fall 2002
- OECD
<http://oecdpublications.gfi-nb.com/cgi-bin/OECDBookShop.storefront/EN/product/842003051E1>

5. Costs of Income Security Programs and Policies

Potential Responsibilities: Katherine Scott- CCSD; **Gillian Manning- TD on marginal tax rate issues Richard Shillington for paper on "potholes in the road to being served"; Dan Buchanan for Sigma-3's database and modeling;** Need federal and provincial support to provide data- suggested Michael Hatfield (StatsCan) and Marilyn Willis (Provincial Director of Social Assistance Working Group)

Context

- Low income working age adults face a number of possible income support programs, such as welfare, Employment Insurance, disability support programs, or in-kind benefits such as drug coverage.
- No one program enables self-sufficiency, which requires a complex amalgam of income support programs, wages (within designated limits), tax deductions and tax breaks, refundable credits, child benefits, and exemption from various fees. It is also met through various forms of public and private insurance, pensions and various universal social programs like health care.

- In order to truly understand the situation faced by low income working age Canadians on income security, we need to know all the sources of income that they may obtain from all sources. We also need to know how much they are taxed and how the various aspects of our social safety net work or do not work for them.
 - In particular we want to understand what contributes to often high marginal tax rates faced by low income people and what might be done to mitigate them.
- Programs for working age adults are part of a larger income security system that includes children and seniors.

Questions

- What are all the income security programs (by funding and expenditure, and cost sharing) for working age adults vs. others programs for other target groups
- What are all the spending and revenue sources on the following programs that benefit working age adults?
 - Tax based:
 - Property Tax Credit
 - Sales Tax Credit
 - GST Credits
 - Child Benefits
 - Ontario Child Care Supplement
 - Tax Forgiveness
 - Contribution/Insurance based:
 - Employment Insurance
 - CPP disability and survivors
 - Workers Safety and Insurance board payments
 - Entitlement Based:
 - Special Assistance
 - Prescription Drugs
 - Dental Services
 - Other Subsidies
 - Social Assistance
- Can we isolate expenditures for the portion going to low income adults?
- Can we quantify the cost of in kind benefits provided to social assistance recipients and the cost of extending them to the working poor?
- What are the expenditures going to persons with disabilities vs. those to employable persons?
- What are the expenditures on income security programs for seniors and children?
 - OAS/GIS/GAINS-A, seniors tax credits and grants, prescription drugs etc.

- CPP retirement
- CCTB going to non-low income
- What does the comparison of all programs show us for low income and non-low income, working age adults vs. seniors and children? How do the various program expenditures compare to GDP, average wage rates, and other indicators and bellwethers?
- How do we ensure that marginal effective tax rates for low income adults are no higher than those for higher income earners?

Why do we want to know this?

There is very little good analysis of what low income people actually get from government programs and what those programs cost. It will be helpful to demythologize and set out who gets what and how that compares to expenditures on other target groups.

Key Reading Material:

- Social Policy HRSDC, Statistics Canada, Ontario, and Municipal statistics.
- Public Accounts of Canada and Ottawa.

6. Income Security Funding

Potential Responsibilities: John Stapleton for fiscal capacity issues;
Michael Mendelson for up-date of related work for the Caledon Institute

Context

- Funding of income security showcases a national record of historical fiscal imbalances

Level of Government	Programs	Share	Fiscal Situation
Federal	100% OAS, GIS, CPP, EI, CHST, Tax benefits	80-85%	Surplus: borrows from contribution surpluses
Provincial	80% OW, ODSP, GAINS, WSIB, OCCS, Tax benefits	15 -18%%	Deficit: WSIB separate
Municipal e.g. Toronto	20% of OW, ODSP	2-4%	Critical – limited ability to pay any increase in \$\$\$

- Although funding requirements are scaled between the three levels of governments, the federal government has found it easiest to meet its funding commitments while it has been most difficult for municipalities to meet theirs. This funding tradition has

been historically the case in many areas but perhaps most acute in the area of income security programs especially due to program volatility.

- Funding arrangements for income security programs have changed markedly over the last ten years by default (i.e. through program demand). They will change again in profound ways over the next two decades even if left entirely alone.
- Downloading of partial responsibility for social security to Ontario municipalities has made them vulnerable to economic downturns, particularly major urban areas where majority of recipients live.

Questions

What these largely invisible funding changes have meant and for governments and what we are facing in terms of likely funding changes in the future?

What is a reasonable burden for different levels of government to bear given fiscal situations and capacities?

Why do we want to know this?

Funding recommendations can only be budgeted on the basis of program demand as all income security programs are rule based and can't be rationed in any traditional way based on funds available.

New arrangements for program eligibility or other changes will have long-term funding impacts that must be carefully costed in the context of the new Canadian Social Transfer and other revenue sources.

Key Reading Material:

- Transitions: (Chapter on Delivery and Funding) Report of the Social Assistance Review Committee: 1988
- Provincial Municipal Social Services Review (PMSSR) Ontario: 1990
- Local Services Realignment Documents at:
<http://www.gov.on.ca/FIN/english/communityreinvestment/lsr.htm#T1>
- Federal documents at:
<http://www11.sdc.gc.ca/en/cs/sp/edd/reports/2002-000458/page02.shtml>
<http://www11.sdc.gc.ca/en/cs/sp/socpol/publications/statistics/9999-000096/page04.shtml>
http://www.google.ca/search?q=cache:nLHgQvLfQAOJ:www.cpj.ca/pjrc/research/03_transfrs.pdf+income+security+program+costs&hl=en
- Caledon: Fiscal Imbalances and the Financing of National Programs
Joe Ruggeri, July 2002

7. Program Delivery

Potential Responsibilities: Ernie Lightman and SANE group for Social Assistance; Harry Beatty on the disability appeal system; Sarah Blackstock to check out ODSP Roundtable; Finn Poschmann on delivery through tax system

Context

- Programs are delivered on many different bases:⁶
 - Through the tax system and transfer systems
 - Contributory vs. non-contributory
 - Monthly, quarterly, yearly based on vintage
 - Based on previous year income or present income
 - Very closely vs. loosely monitored
 - Cash vs. non cash benefit
 - Stigmatized vs. non-stigmatized
 - Indexed vs. non-indexed
- There are so many programs delivered on so many different bases (at least 12 programs for working age adults) that it is almost impossible to navigate them fully and successfully. Each program has different requirements and many of the programs are subject to mutual offset. The delivery mechanisms for these programs fall into at least seven separate administrations.
- Lack of articulation between governments has resulted in conflicting programs that don't serve all who need assistance (i.e. people fall through the cracks) and exacerbates issues resulting from clawbacks of benefits.
- Many programs require significant efforts to apply and sustain benefits that are justified, potentially unfairly, as being needed to prevent welfare fraud.
- The meagre benefits, the tight eligibility requirements and onerous reporting requirements all result in many applicants being turned down for benefits, existing clients being disentitled, and benefits for many varied downward. Each of these activities attracts appeals through the internal review system, the Social Benefits Tribunal and often to the Divisional Court

Questions

- How many appeals are being made, at what levels and for what reasons?
- Are there ways to deliver social benefits cost effectively that reduce administrative requirements and numbers of appeals? Do we have evidence that would enable us to quantify likely reduction in appeals?

⁶ See appended chart.

- If definitions and requirements were streamlined could overall program delivery could be streamlined and improved? Could funds be freed up that could be used to fund other programs?
- What are the compliance costs created by programs that are loosely integrated? For example, how hard do people have to work while on welfare to comply with system requirements, e.g. to find and train for higher paying work?
- What evidence is there that welfare fraud was or is an issue and that onerous requirements help prevent it?

Why do we want to know this?

If delivery streamlining is possible in the current array of income security programs for working age adults, great strides could be made in improving program transparency, public accountability, verification requirements and participant responsibility- potentially freeing up funds for new or improved programs.

Key Reading Material:

- See: <http://www.canadiansocialresearch.net/welref.htm>

Economic & Income Security and Related Programs & Policies for Low Income Non Aged Adults in Ontario

Program	Level of Government	Delivery Frequency	Funding	Benefits	Costs or Value	Relationships	Comment
Minimum Wage	Provincial	Per hour	N/A	\$7.15: 06/04 \$8.00: 02/07	\$1,066 by 2007	Cost of living, welfare	Insufficient to meet costs
Property Tax Credit	Provincial Tax system	Yearly	Refund of taxes paid	\$200-\$300 to low income		Other tax refundable cr.	Not integrated Welfare exempt
Sales Tax Credit	Provincial Tax system	Yearly	Refund of taxes paid	\$20-\$50.		Other tax refundable cr.	Not integrated Welfare exempt
GST Credits	Federal Tax system	Quarterly	Refund of taxes paid	\$200 per quarter		Other tax refundable cr.	Not integrated Welfare exempt
Employment Insurance	Federal	Weekly	Employers and Employees	Up to \$400 a week		Work and welfare, training	Over funded, declining
Special Assistance	Provincial rules – Mun.	As required	80-20 prov. - municipal	Clothing, MSN ESUB, CSUB,		Welfare and working poor	Only available to welfare & disabled
Prescription Drugs	Provincial rules – Mun.	Monthly Benefit Card	80-20 prov. - municipal	ODB welfare Trillium w.p.	\$460M \$100M+	Seniors – private plans	Working poor disadvantaged
Dental Services	Provincial rules – Mun.	Monthly Benefit Card	80-20 p/m CINOT	Basic welfare CINOT – gr. 8	\$50M ??	Other plans, levels of service	Working poor (w.p.) disadvantaged
Child Benefits CCTB +OCCS	Federal & Ontario Tax system	Monthly	Federal & provincial	\$226 a month first child \$100 OCCS		Other refundable credits, welfare	Entangled with welfare – not sufficient yet
Tax Forgiveness	Federal & Provincial Tax	Yearly	Fed and prov.	\$8,000 to \$10,000 a year		Tax credits, work welfare	Not integrated with other components
Other Subsidies	Provincial and Municipal	Monthly	80-20	Day care, RGI, legal aid, h&n		Other income programs	Creates stacking effects
Social Assistance	Provincial and Municipal	Monthly	80-20	Ont. Works ODSP	\$4.6Billion	Other programs, work	Injurious choice: work and welfare
CPP	Federal	Monthly	Employer/ee	Dis, survivor		ODSP reduces	Work disincentives