



# Resetting Social Assistance Reform

By  
**Noah Zon**  
**Thomas Granofsky**

Commissioning Editor  
**Sean Speer**

**munk school**  
OF GLOBAL AFFAIRS & PUBLIC POLICY



UNIVERSITY OF  
**TORONTO**



The Ontario 360 is a project of University of Toronto's Munk School of Global Affairs and Public Policy. Its purpose is to scan Ontario's challenges and opportunities and develop evidence-based public policy ideas to inform and shape the Ontario government's own policy planning and development. Ontario 360 is independent, non-partisan, and fact-based. It provides a neutral platform for policy experts to put forward clear, actionable policy recommendations to promote a growth and opportunity agenda for Ontario.

The Ontario 360 project is grateful for financial support from the W. Garfield Weston Foundation and The Donner Canadian Foundation. We also recognize the support of the University of Toronto and the Munk School of Global Affairs and Public Policy as the Ontario 360 project's intellectual and administrative home. The support of these partners enables us to commission evidence-based research and facilitate dialogue between policy experts and policymakers in the Province of Ontario. Our advisory council, authors, and Munk School faculty, students, alumni, and supporters do not necessarily endorse or affirm the policy recommendations advanced by the different contributors.

# Summary Of Recommendations

1. Reduce unnecessary reporting and monitoring – complicated definitions, red tape, and other reporting and monitoring burdens produce inefficiencies for individuals and the government and do not contribute to the overall goal of helping people transition into work
2. Improve the adequacy of benefits – enhancing benefits could come in different forms including increasing base benefits, adding additional cash benefits tailored to specific needs and circumstances or providing other assistance with costs or services in the broader social safety net
3. Reduce the cost of working while on social assistance – smoothing out clawback thresholds and rates is critical to incentivizing participation in the workforce
4. Expand transitional health benefits beyond the social assistance system – pilot extended, auto-enrolled programs for clients exiting Ontario Works to continue receiving access to health benefits in order to see how it affects attachment to the workforce
5. Respond to housing cost differences in different parts of the province – use the new Canada-Ontario Housing Benefit to provide place-based housing supports that recognize costs difference in different parts of the province
6. Use digital and streamlined services to make it easier to access support – digital options for accessing client information and delivering benefits can reduce red tape for individuals and produce efficiencies for government
7. Outcomes-based funding that focuses on people's success – the social assistance system must focus resources on outcome-based metrics including for employment supports and broader support programming

# Table of Contents

<b>Overview</b>	<b>5</b>
<b>Social assistance in context</b>	<b>7</b>
System overview	7
The broader social safety net	9
Spotlight: Single adults fall through the cracks	11
Income security in the federation – who does what?	12
<b>Gaps and challenges: The case for reform</b>	<b>13</b>
Social assistance has become a less reliable safety net	13
Rates are inadequate and haven't tracked inflation	14
The design of social assistance creates barriers to work	15
Employment and skills training supports are not delivering consistent outcomes	16
People with disabilities face greater barriers to work	17
Residents and caseworkers are caught in red tape	18
The system of social policies and programs is disconnected	19
<b>Recommendations for reform</b>	<b>20</b>
Reduce unnecessary reporting and monitoring	20
Improve the adequacy of benefits	21
Reduce the cost of working while on social assistance	21
Expand transitional health benefits beyond the social assistance system	22
Respond to housing cost differences in different parts of the province	23
Use digital and streamlined services to make it easier to access support	24
Outcomes-based funding that focuses on people's success	25
<b>Implementation</b>	<b>26</b>

# Overview

Ontario's social assistance program is intended to ensure that everyone has access to the necessities of life and to provide Ontarians in need with support to improve their lives. At a cost of \$9.4 billion in 2018-19, it represents nearly 6 percent of the provincial budget and, behind health and education, it is the province's third-largest social investment.<sup>1</sup>

But as it stands, this investment isn't producing the results that it should. Its shortcomings carry major costs for Ontario's economy, the government's budget, and for people's well-being. The program was designed for financial emergencies, as a tool to keep people out of poverty, or lift them out of it. But instead it is the primary source of income for 6.7 percent of Ontarians. The average length of time a recipient relies on Ontario Works has doubled from 1.5 to 3 years over the past decade.<sup>2</sup>

Low benefit rates leave people in deep poverty, and program rules create barriers to their participating in the labour force and improving their lives. Child poverty has particularly scarring long-term effects and is associated with poorer developmental, health, food security, and education outcomes;<sup>3</sup> and children raised in poverty are more likely to drop out of high school and exhibit behavioural issues.<sup>4</sup> In addition to this human cost, there is an economic cost in reduced economic activity and forgone tax revenue.

Reviews of Ontario's social assistance system have consistently called for transformative changes.<sup>5</sup> Despite modest but important changes by successive governments, the design of social assistance has remained largely unchanged since the Harris government transformation of the system in the mid-1990s.

<sup>1</sup> Public Accounts of Ontario, 2018-19.

<sup>2</sup> Office of the Auditor General of Ontario, "2018 Annual Report," accessed October 19, 2019, <http://www.auditor.on.ca/en/content/annualreports/arbyyear/ar2018.html>.

<sup>3</sup> Ajay Chaudry and Christopher Wimer, "Poverty Is Not Just an Indicator: The Relationship Between Income, Poverty, and Child Well-Being," *Academic Pediatrics* 16, no. 3 Suppl (April 2016): S23-29, <https://doi.org/10.1016/j.acap.2015.12.010>.

<sup>4</sup> Greg J. Duncan and Jeanne Brooks-Gunn, "Family Poverty, Welfare Reform, and Child Development," *Child Development* 71, no. 1 (2000): 188-96, <https://doi.org/10.1111/1467-8624.00133>.

<sup>5</sup> See Social Assistance Review Advisory Council, Lankin-Sheikh Commission for the Review of Social Assistance in Ontario, Income Security Reform Working Group.

In fall 2018, the Government of Ontario announced a commitment to reform social assistance, alongside a significant overhaul of provincial employment support services.<sup>6</sup> Then Minister of Children, Community and Social Services Lisa MacLeod outlined priorities to guide reforms, which included improving support that moves people into employment, increased responsiveness to local context, simplifying benefits, and reducing red tape.<sup>7</sup> The first steps of this reform included calling a halt to changes announced by the previous government, making some initial changes to program design focused on earnings exemptions and tax-back rates, and eliminating the Transitional Child Benefit. In addition to program design, this reform had a clear fiscal focus – the 2019-20 Ontario budget estimated anticipated savings from social assistance reform of over \$1 billion at maturity representing an 11 percent reduction in spending.

In early October 2019, however, the government pressed pause on these changes, and its new direction hasn't yet been announced.<sup>8</sup> This pause is heartening. It provides an opportunity to take stock and reset the government's approach. While reform was overdue, it is important to get it right. Many of the initial reforms put forward by the government would have been counterproductive to the goal of investing effectively in Ontarians trying to leave poverty.

The goal of this paper for Ontario360 is to provide advice on how the Government of Ontario can undertake reform that both improves outcomes for Ontarians with low incomes and is consistent with the government's priorities. This report provides six key recommendations for social assistance reform.

<sup>6</sup> "Reforming Social Assistance," news.ontario.ca, accessed July 5, 2019, <https://news.ontario.ca/mcys/en/2018/11/reforming-social-assistance.html>.

<sup>7</sup> "Reforming Social Assistance."

<sup>8</sup> "Ford Government Cancels Planned Cuts to Social Assistance Payments | The Star," accessed October 5, 2019, <https://www.thestar.com/politics/provincial/2019/10/03/ford-government-cancels-planned-cuts-to-social-assistance-payments.html>.

# Social assistance in context

## System overview

Ontario's social assistance program is delivered through two main programs: Ontario Works (OW) is aimed at adults in serious financial need, and the Ontario Disability Support Program (ODSP) is aimed at people with serious financial need and a disability. The programs are both provincially funded and are similar in design, but ODSP has a higher benefit rate and offers more extensive health benefits and supports.

Residents of Ontario with very low income and assets may qualify for either OW or ODSP (see rates in Figure 1 below).

Eligibility for OW requires agreement to participate in employment assistance, and ODSP requires proof of disability.

## Social assistance benefit rates

Family Type	Asset Limits	Monthly Rates as of October 2018		
OW		Basic Needs	Shelter amount (max)	Total
Single	\$10,000	\$343	\$390	\$733
Single Parent – 1 child	\$10,500	\$360	\$642	\$1,002
Single Parent – 2 children	\$11,000	\$360	\$697	\$1,057
Couple	\$15,000	\$494	\$642	\$1,136
Couple – 1 child	\$15,500	\$494	\$697	\$1,191
Couple – 2 children	\$16,000	\$494	\$756	\$1,250
ODSP				
Single	\$40,000	\$672	\$497	\$1,169
Single Parent – 1 child	\$40,500	\$815	\$781	\$1,596
Single Parent – 2 children	\$41,000	\$815	\$846	\$1,661
Couple	\$50,000	\$969	\$781	\$1,750
Couple – 1 child	\$50,500	\$969	\$846	\$1,815
Couple – 2 children	\$51,000	\$969	\$918	\$1,887

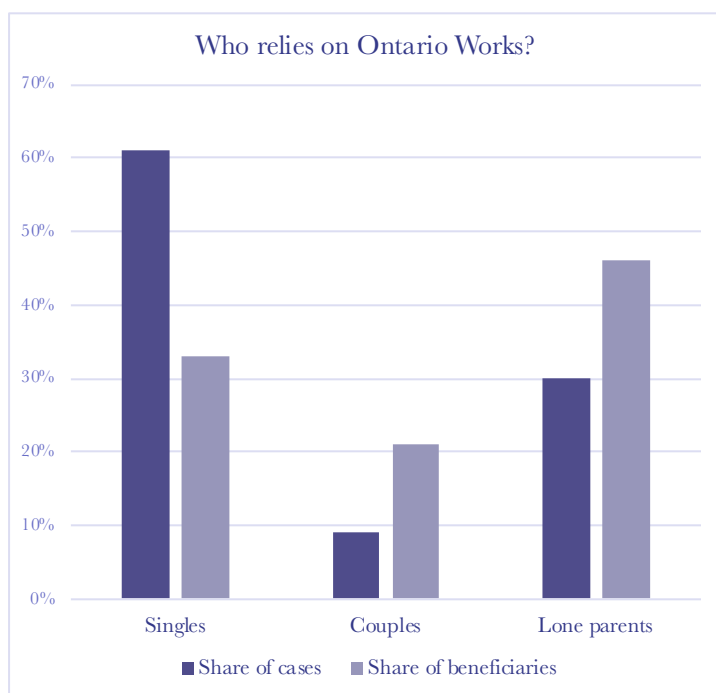
Source: Income Security Advocacy Centre, Ontario Laws and Regulations

The majority of cases in Ontario Works (61%) are those serving single adults without children.<sup>9</sup> Single adults also comprise the group that rely most heavily on social assistance, as they are not served by child and family supports. The picture looks different when we account for dependents – lone parents and their families are the largest group of recipients (at 44%). While the OW caseload overall skews female, single adults without children are much more likely to be male, while the lone-parent caseload is 93 percent female. Nearly half the recipients of OW are under the age of 34, and the majority of beneficiaries are children and young adults.<sup>10</sup>

For ODSP, single adults without children are both the vast majority of cases (79%) and the majority of beneficiaries (57%). Unlike OW, the majority of ODSP cases are men, and ODSP skews older, with one-third of cases over the age of 55.<sup>11</sup> This is consistent with the rise of disability as the population ages – fewer than 5 percent of Canadians at age 20 report having a disability and, as people reach their late 50s, this figure rises to about 20 percent.<sup>12</sup> The average length of time that an ODSP case is active is ten years, compared to three years for OW.

Areas that have been heavily affected by economic downturns and manufacturing

declines, such as areas of Southwestern Ontario, have proportionately higher numbers of people who depend on social assistance to get by. For example, in London, where labour force participation has declined to well below the national average,<sup>13</sup> 1 in 12 people relied on social assistance in 2014.<sup>14</sup> However, the age group most likely to be on social assistance are young children (aged 0-4 years) – 1 in 8 preschoolers in London have parents who receive social assistance.<sup>15</sup>



<sup>9</sup> Ontario Ministry of Children, Community and Social Services, “Monthly Statistical Reports, August 2019.”

<sup>10</sup> Ontario Ministry of Children, Community and Social Services, “Social Assistance in Ontario: Trends Report – Ontario Works” [https://www.mcscs.gov.on.ca/en/mcscs/open/sa/trends/ow\\_trends.aspx](https://www.mcscs.gov.on.ca/en/mcscs/open/sa/trends/ow_trends.aspx).

<sup>11</sup> Ontario Ministry of Children, Community and Social Services, “Social Assistance in Ontario: Trends Report – Ontario Disability Support Program,” [https://www.mcscs.gov.on.ca/en/mcscs/open/sa/trends/odsp\\_trends.aspx](https://www.mcscs.gov.on.ca/en/mcscs/open/sa/trends/odsp_trends.aspx).

<sup>12</sup> Statistics Canada, 2016. Annual Income Estimates (T1 Family File). User’s Guide. Income Statistics Division. Catalogue No. 13C0016.

<sup>13</sup> City of London, August 2019, “About London – Thematic Report 2: Employment and Labour Force Participation,” <http://www.london.ca/About-London/community-statistics/CDRG/Documents/NEET-Thematic-Report-Aug%2021.pdf>.

<sup>14</sup> Don Kerr et al., “An Overview of Recent Demographic and Economic Trends Impacting Low Income and Social Assistance Use in London and Neighboring CMAs in Southwest Ontario,” 2017.

<sup>15</sup> Kerr et al.



## The broader social safety net

OW and ODSP are part of a broader system of programs and services that are designed to support people in need. It's useful to establish some basic definitions and an understanding of that broader system of income security and the social safety net, which involves several levels of government and various types of programs and services.

**Income security** describes a broad system of government support through cash payments to recipients, of which social assistance (including OW and ODSP) is only a part. Social assistance is about one-eighth of the combined federal and provincial income security system, which provided about \$66 billion annually to Ontarians in 2016.<sup>16</sup> However, many of these programs are available only to people of a certain age or personal situation. The majority of these programs (Employment Insurance, Canada Pension Plan, Old Age Security, Workplace Safety, and Insurance Board) provide insurance against poverty but are not focused on people with low incomes.

For those who cannot access other programs, social assistance makes up a large share of their income.

The overall **social safety net** includes income security programs, but also includes services and supports. Some of the most important parts of the social safety net are not monetary. Rent-geared-to-income housing, and childcare subsidies, for example, meet critical needs and have greater financial value than income benefits from social assistance. They are also essential complements to income support and employment assistance – you can't improve labour force participation among parents of young children without also improving childcare access and affordability.



<sup>16</sup> "Income Security: A Roadmap for Change | Ontario.Ca," accessed July 22, 2019, <https://www.ontario.ca/page/income-security-roadmap-change>.

Taken together, this overall social safety net makes a significant contribution to reducing poverty for Ontarians. In 2017 Canada's income poverty rate was more than halved by the net effects of taxes and transfers, from 25 percent to 12 percent.<sup>17</sup> Evidence shows that households use cash benefits for increased spending on health, education, transportation, childcare, and food.<sup>18</sup>

However, those overall numbers can mask the fact that the safety net works very unevenly. When it comes to income security in particular:

- **Location matters:** Where someone lives in the province will shape their economic opportunity, cost of housing, and access to transportation and services, as well as local job markets and the kind of support people need. While some local tailoring takes place at the delivery stage, provincial funding and requirements are “one size fits all,” with no consideration for the differences between the cost of living in Windsor, Toronto, or Thunder Bay, for instance.
- **Starting position and context matter:** The safety net does a poor job of accounting for systemic barriers and discrimination. While a study by Marie Connolly, Miles Corak, and Catherine Haeck found that intergenerational mobility is better in Ontario than in the Unit-

ed States and most other parts of Canada,<sup>19</sup> we have far more to do to live up to our values of equal opportunity and respect for the dignity and talents of all Ontarians. Intergenerational poverty is more likely to persist in Indigenous and racialized communities – a clear failure of our society and our policies.

- **Employment status matters:** Ontarians without steady, traditional employment are served by a much more limited safety net than their employed counterparts. Employment Insurance, the Canada Pension Plan, and private and public disability insurance are designed for people with traditional full-time employment. People who are self-employed or who have casual or intermittent contract work generally can't rely on these programs at all, exacerbating their financial insecurity.

<sup>17</sup> Marie Connolly, Miles Corak, and Catherine Haeck, “Intergenerational Mobility between and within Canada and the United States,” Working Paper (National Bureau of Economic Research, April 2019), <https://doi.org/10.3386/w25735>.

<sup>18</sup> Marie Connolly, Miles Corak, and Catherine Haeck, “Intergenerational Mobility between and within Canada and the United States,” Working Paper (National Bureau of Economic Research, April 2019), <https://doi.org/10.3386/w25735>.

<sup>19</sup> Marie Connolly, Miles Corak, and Catherine Haeck, “Intergenerational Mobility between and within Canada and the United States,” Working Paper (National Bureau of Economic Research, April 2019), <https://doi.org/10.3386/w25735>.

## Spotlight: Single adults fall through the cracks

Depending on age, family size, and employment situation, Ontarians have very different financial security safety nets. Some are able to access other benefits in addition to or instead of social assistance. But single adults without stable full-time employment can rely only on the barest buffer – and the support for single adults has only gotten weaker over time due to a long-standing freeze of rates.<sup>20</sup>

The level of income security available to working-age adults depends on their employment history. Someone who loses their job may qualify for Employment Insurance, which can provide up to \$20–21,000 in most of Ontario over eight to nine months (depending on where they live).<sup>21</sup> But adults on the margins of the workforce or who are self-employed don't qualify for EI because they don't have enough insurable hours to qualify. Single adults without children are 61 percent of the Ontario Works case load and they are eligible for less than a third of what is available on EI — and then, only after using up nearly all their savings.<sup>22</sup>

A similar divide based on employment history exists for people with disabilities. If a person is injured on the job, WSIB can provide up to nearly \$80,000 annually in income replacement with no requirement for the recipient to use up savings before qualifying.<sup>23</sup> But for someone who experiences the same injury on their way home from work, their main source of income support, after using up savings, would be ODSP, with a maximum of just over \$14,000 per year.

Seniors and families with children can count on other income security measures beyond social assistance. For seniors, the combined set of government retirement income and tax credits provides an income floor of about \$21,700 for those who are single and over \$30,000 for couples.<sup>24</sup> For parents, the contribution of the Canada Child Benefit and the Ontario Child Benefit, as well as other tax credits, makes for a larger package of supports than for single adults. Analysis by the Maytree Foundation shows that a sample two-parent, two-child family would receive approximately \$30,500, or approximately 70 percent of the poverty line (depending on the poverty measure) – with just under half that amount coming from social assistance and another 45 percent coming from federal and provincial child benefits.<sup>25</sup> This is not sufficient, but because it combines benefits from across the income security system, it is better than what's available for single adults.

The Working Income Tax Benefit (now called the Canada Workers Benefit) provides a modest boost for those who work but have very low incomes; however, it only partially counteracts the very high effective tax rates faced by people on social assistance. Single adults face the highest rates of poverty of any demographic group.<sup>26</sup>

<sup>20</sup> Kaylie Tiessen, "Ontario's Social Assistance Poverty Gap," Canadian Centre for Policy Alternatives, May 9 2016, <https://www.policyalternatives.ca/publications/reports/ontarios-social-assistance-poverty-gap>.

<sup>21</sup> "Employment Insurance (EI) Program Characteristics - Canada.Ca," accessed October 20, 2019, [https://srv129.services.gc.ca/eiregions/eng/rates\\_cur.aspx](https://srv129.services.gc.ca/eiregions/eng/rates_cur.aspx).

<sup>22</sup> As of August 2019. Caseload Data from Ontario Ministry of Children, Community and Social Services

<sup>23</sup> "2019 Premium Rates | WSIB," accessed October 20, 2019, <https://www.wsib.ca/en/businesses/premiums-and-payment/2019-premium-rates>.

<sup>24</sup> "Ontario Guaranteed Annual Income System Benefit Rates | Ontario.Ca," accessed October 20, 2019, <https://www.ontario.ca/data/guaranteed-annual-income-system-benefit-rates>.

<sup>25</sup> Anne Tweddle and Hannah Aldridge, "Welfare in Canada 2017," Maytree, November 2018, [https://maytree.com/wp-content/uploads/Welfare\\_in\\_Canada\\_2017.pdf](https://maytree.com/wp-content/uploads/Welfare_in_Canada_2017.pdf).

<sup>26</sup> Statistics Canada Government of Canada, "Low Income Statistics by Age, Sex and Economic Family Type," February 26, 2019, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110013501>.

## Income security in the federation – who does what?

**The federal government** is responsible for roughly 80 percent of the income security system. Its responsibilities provide for policies and programs designed to benefit a range of demographic groups: families with children (Canada Child Benefit), working-age adults (Employment Insurance, Canada Workers Benefit), people with disabilities (Canada Pension Plan Disability, Disability Tax Credit), and seniors (Canada Pension Plan, Old Age Security, and the Guaranteed Income Supplement). The federal government also invests in other social safety net programs that help alleviate poverty, particularly social and affordable housing. Until 1996 the federal government was a co-funder of social assistance with provinces through the Canada Assistance Plan, an arrangement that ended when the federal government cut funding and moved to a block transfer for health and social programs.

The federal government also plays a role in administering provincial or shared benefits. Provincial income security programs like the Ontario Child Benefit are delivered through the tax system, meaning that the federal Canada Revenue Agency has a role in implementing provincial policy and sets important technical terms that shape the options available to the province.

In addition to funding social assistance, the **provincial government** offers other income supports, often designed to fill gaps created by federal programs. In some cases, these are top-ups for recipients (e.g., the provincial Guaranteed Annual Income System (GAINS) payment, which supplements the federal Guaranteed Income Supplement for low-income seniors). In other cases, provincial governments pick up slack created by federally funded programs. For example, with fewer than half of unemployed Ontarians qualifying for EI, many must rely on social assistance. The provincial government also funds and sets policy for much of the broader social safety net (e.g., housing, childcare, employment supports).

**Local governments** play a significant role in the delivery of Ontario Works. Through the 47 Consolidated Municipal Service Managers and District Social Services Administration Boards, local governments are the front-line operators of the Ontario Works system (ODSP remains administered by the provincial government). Local governments also have a role to play in delivering and sometimes partially funding other broader social safety net programs, such as social housing.

**First Nations** in Ontario have their own delivery approach for social assistance. There are 111 First Nations that act as local delivery partners for Ontario Works, in an arrangement under the 1965 Canada-Ontario Indian Welfare Services Agreement. According to this agreement, the federal government reimburses the Ontario government for 93 percent of First Nations social assistance costs. Ontario First Nations have highlighted the lack of First Nations control and consent in the 55-year-old federal-provincial agreement, which also governs the child welfare policies that have been the subject of several recent Canadian Human Rights Tribunal Rulings.<sup>27</sup> Because the agreement covers only OW and not ODSP, it can be challenging for First Nations to access ODSP, given the absence of ODSP staff on reserves (along with the challenge of access to medical professionals to prove eligibility).<sup>28</sup>

<sup>27</sup> “1965 Welfare Agreement : Chiefs Of Ontario,” accessed October 20, 2019, <http://www.chiefs-of-ontario.org/priorities/social/1965-welfare-agreement/>; “50-Year-Old Ontario First Nation Child Welfare Agreement Blamed for Sixties Scoop under Review | CBC News,” accessed October 20, 2019, <https://www.cbc.ca/news/indigenous/child-welfare-agreement-ontario-first-nations-under-review-1.4515321>.

<sup>28</sup> Commission for the Review of Social Assistance in Ontario, Discussion Paper 2, 2012, pg. 56.

## Gaps and challenges: The case for reform

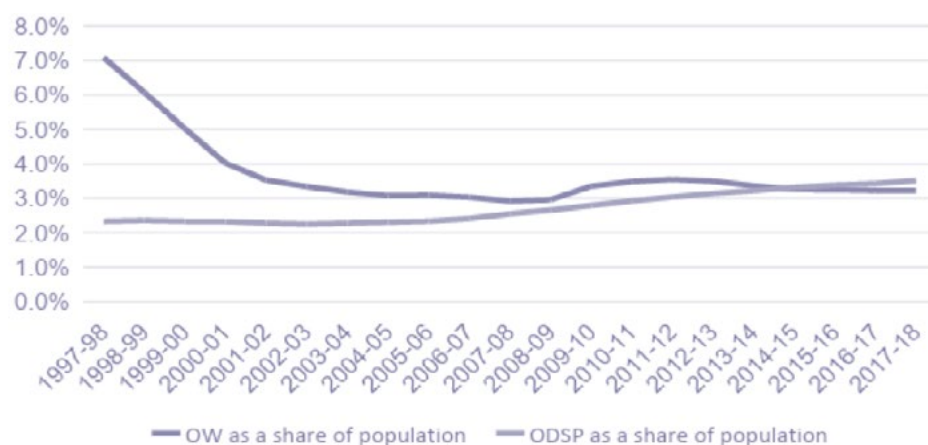
### Social assistance has become a less reliable safety net

Between Ontario Works and the Ontario Disability Support Program, social assistance provides support to 610,000 Ontario families, or approximately 950,000 individuals. This represents a significant decline in the share of Ontarians receiving support from social assistance (from 9.4% in 1997 to 6.7% in 2017). This decline is a result of policy changes rather than a reduction in need.

Some of these changes were successful initiatives that provided better support outside of social assistance. For example, federal and provincial child benefits and increased women's labour force participation helped move many lone-parent families out of social assistance. Other changes were about pushing people out of the program. The share of the population receiving Ontario Works saw a sharp decline in the late 1990s that trend has

continued through to today as a result of changes that made it more difficult to qualify (rather than because fewer Ontarians needed support). These changes included expanded work requirements, changes in the definition of "spouse" to include three-month relationships, and the exclusion of post-secondary students.<sup>29</sup> The 1990s reforms also cut rates to Ontario Works by 21.6 percent, and subsequently froze rates for both OW and ODSP.

Social Assistance beneficiaries as a share of Ontario's population

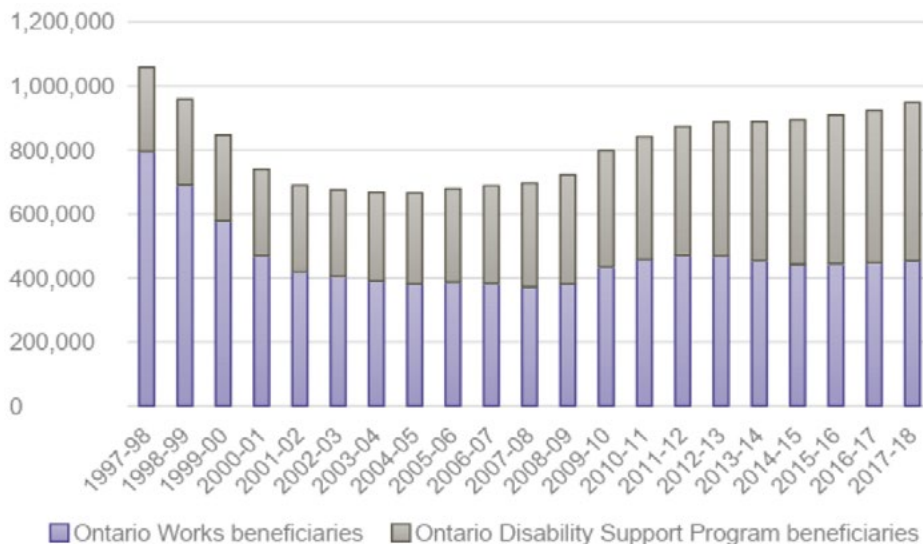


<sup>29</sup> Ian Morrison, "Ontario Works: A Preliminary Assessment," n.d., 47.

The composition of social assistance has also changed significantly. ODSP has gone from one-quarter of beneficiaries

in the late 1990s to over half today, an increase that can be explained by both policy change and demographics.

#### Social Assistance Beneficiaries



### Rates are inadequate and haven't tracked inflation

The level of financial support of Ontario's social assistance programs leaves people far below the poverty line. Following the cut in 1997, rates were frozen until 2005 and have not kept up with rising costs. A single person on OW is currently eligible for a maximum of \$733 per month.<sup>30</sup> Together with federal and provincial tax credits worth approximately \$80 per month, this amount brings an individual to 40-45 percent of the way to crossing the poverty line.<sup>31</sup> Had rates risen with the rate of inflation since 1996, that maximum would be (a still meagre) \$1,000 per month (or \$1,434 per month, compared to \$1,169 for ODSP).<sup>32</sup>

Because of the inadequacy of social assistance, many Ontarians rely on food banks, overcrowded housing, and other stop-gap measures to help them survive. Daily Bread and North York Harvest Food Bank found that 68 percent of their clients rely on social assistance as their main source of income and yet still regularly go hungry, even after using food banks.<sup>33</sup> The inadequacy of benefits makes it harder to exit the program, as people are forced to spend time on survival activities, such as traveling to food banks, rather than on activities that could help them re-enter the workforce and improve their financial security.

<sup>30</sup> This is the maximum of base rates and does not include additional ancillary rates like the Special Diet Allowance

<sup>31</sup> (Depending on which poverty measure you use). Maytree, Welfare in Canada 2017.

<sup>32</sup> "Report: Social Assistance Changes in Ontario, 2019," Feed Ontario, accessed September 11, 2019, <https://feedontario.ca/report-social-assistance-changes-in-ontario-2019/>.

<sup>33</sup> Daily Bread Food Bank and North York Harvest Food Bank, "Who's Hungry 2017: A Profile of Hunger in Toronto, 2018", November 2018 <https://www.dailybread.ca/wp-content/uploads/2018/10/Whos-Hungry-2018-full-3.pdf>



## The design of social assistance creates barriers to work

The social assistance system, and OW in particular, sets an explicit policy objective of moving people to employment. Stable employment is the best pathway to long-term financial security, and it is a priority both for the current government and for beneficiaries.

However, in practice, social assistance does not achieve the goal of connecting people to employment. The system has consistently prioritized punitive rules and mechanisms in the name of accountability and limiting beneficiaries, rather than lowering the barriers to employment.

For example, people receiving social assistance face strong incentives not to work. Recipients have their benefits reduced by 50 percent for each dollar they earn from employment (with an exemption on the first \$200 earned each month). By contrast, the top one percent of tax filers in Canada pay an effective combined federal and provincial tax rate of 31 percent.<sup>34</sup>

The plan put forward by the provincial government a year ago would have increased the monthly exemption to \$300 a month while increasing the clawback rate to 75 cents of each dollar earned, which would leave those earning more than \$500 per month worse off than before.<sup>35</sup> These changes appear to be on hold.

Clawback rates and the loss of benefits become much riskier to someone's financial well-being if they are at the margin of no longer qualifying for social assistance. Rather than taking a smooth off-ramp where benefits are tapered off, individuals and families can face a major financial cliff; in addition to losing income assistance, they could lose their health benefits, as well as see a rent increase if they live in rent-geared-to-income social housing.

Predictability is the bedrock of being able to budget and plan household finances. But the volatility that comes from having to report monthly earnings and attendant benefit adjustments can wreak havoc on people's financial security. People's earnings shift month to month, especially for those in informal or part-time employment. Social assistance should provide some stability so that people know that rent can be paid, and can budget for necessities like food, hydro, transit, etc. Instead, people are removed and reinstated from the program several times in a year and have to worry about swings in social assistance payments. The fact that caseworkers have a high degree of discretion makes benefit rates all the more unpredictable for recipients.

<sup>34</sup> Statistics Canada Government of Canada, "The Daily – Effective Tax Rates and High Income Canadians, 2017," September 24, 2019, <https://www150.statcan.gc.ca/n1/daily-quotidien/190924/dq190924b-eng.htm>.

<sup>35</sup> Hannah Aldridge, "How Do Earnings Exemptions Affect Social Assistance Recipients in Ontario?" Maytree, <https://maytree.com/>, November 30, 2018, <https://maytree.com/publications/how-do-earnings-exemptions-affect-social-assistance-recipients-in-ontario/>.

Some federal and provincial policies are designed to reduce effective tax rates on low-income workers but they do not work very effectively for social assistance recipients.

- The federal Canada Workers' Benefit is a refundable tax credit that boosts incomes for very low-income workers up to a maximum of \$1,355 for individuals and \$2,335 for families. This credit offsets some of the clawback effects in social assistance and other benefits. It is modeled after the US Earned Income Tax Credit (EITC), which has been shown to increase employment and reduce poverty and reliance on social assistance.<sup>36</sup>
- The new Ontario Childcare Access and Relief from Expenses (CARE) tax credit gives additional financial supports to families, providing households earning less than \$60,000 with a 75% tax credit that is phased out gradually until families reach \$150,000 in income.<sup>37</sup> This has the dual benefit of lessening the sharp tax rates on low-income workers and helping to address one of the key barriers to labour force participation for low-income parents.
- The Low-Income Individuals and Families Tax Credit (LIFT) introduced by the Ford Government also reduces the effective tax rate on employment earnings for low-income Ontarians.

## Employment and skills training supports are not delivering consistent outcomes

In Ontario, many businesses are struggling to hire new workers and some sectors are experiencing labour shortages. Ontario employers face an aging workforce and a demand for skills aligned with automation.

The problem is not that too few people are seeking work. In 2018, 811,000 Ontario residents were unemployed, underemployed, searching for work, or discouraged from searching for work.<sup>38</sup> There are more long-term unemployed – those who have been unemployed for more than six months is much higher

(16.9% in 2018) – than before the beginning of the recession in 2008 (13%).<sup>39</sup>

The problem is that many people seeking work face barriers to employment. The employment rate for people with disabilities is low (49%) compared to Canadians without a disability (79%). According to OW service managers, 36 percent of OW recipients have barriers that affect their employability, such as homelessness and mental health concerns, which require additional supports.<sup>40</sup> In addition to social and structural barriers, a significant proportion of the labour market (15%

<sup>36</sup> “2019 Ontario Budget | Chapter 1C,” accessed October 20, 2019, <http://budget.ontario.ca/2019/chapter-1c.html?ga=2.138321075.223410878.1571595105-652823180.1552934581#s-0>.

<sup>37</sup> “2019 Ontario Budget | Chapter 1C,” accessed October 20, 2019, <http://budget.ontario.ca/2019/chapter-1c.html?ga=2.138321075.223410878.1571595105-652823180.1552934581#s-0>.

<sup>38</sup> Danielle Olsen and Raly Chakarova, “Help Wanted: Modernizing Employment and Skills Training Services in Ontario,” accessed July 5, 2019, <https://metcalfoundation.com/stories/publications/help-wanted-modernizing-employment-and-skills-training-services-in-ontario/>.

<sup>39</sup> Olsen and Chakarova, “Help Wanted,” 2019.

<sup>40</sup> Auditor General of Ontario, 2018 [http://www.auditor.on.ca/en/content/annualreports/arreports/en18/v1\\_311en18.pdf](http://www.auditor.on.ca/en/content/annualreports/arreports/en18/v1_311en18.pdf).



of Canadian-born residents and 22% of immigrants) lack the basic numeracy and literacy skills that many employers are looking for.<sup>41</sup>

Ontario spends \$1.2 billion per year on skills development and employment services through a system fragmented across three areas — Employment Ontario, OW, and ODSP. OW offers job search support, employment placement, and self-employment development in addition to social assistance. ODSP funds third-party service providers to place clients in employment. Reviews have consistently found these systems to be ineffective.<sup>42</sup> In the past five years, for example, OW Employment Assistance (OWEA) has helped only 10-13 percent of recipients find work and leave OW.<sup>43</sup>

The Ontario Government has announced plans to overhaul employment services, apprenticeships, and education in conjunction with changes to social assistance. This will include the integration of OWEA into Employment Ontario as well as the introduction of

pay-for-performance incentives for regional service managers.

This overhaul is an enormous opportunity to improve the outcomes and experience of social assistance recipients — provided people who face complex barriers to employment receive wrap-around intensive supports to help them both find and retain employment.

There is a trade-off between driving people into employment quickly and supporting long-term success. Many employment services that emphasize moving people out of social assistance as quickly as possible succeed in securing jobs for recipients in the short-term but fail to create long-lasting bonds to the labour market for clients.<sup>44</sup> This can be because the quality of these employment opportunities is poorer; there is a skills mismatch, or because the social and structural barriers an employee may face have not been overcome. Investments in human capital — such as training — tend to have better long-term outcomes than “work first” approaches.<sup>45</sup>

## People with disabilities face greater barriers to work

Nearly 10 percent of Canada’s working-age population report having a disability and approximately half of this group find themselves outside the labour market — the unemployment rate for persons with disabilities is nearly twice that of Canadians without disabilities.<sup>46</sup>

Because their disabilities have been a barrier to employment, many people with disabilities do not qualify for public or private insurance programs, which are tied to employment. As a result, many people with disabilities rely on ODSP, despite its limitations.

<sup>41</sup> Olsen and Chakarova, 2019.

<sup>42</sup> See Auditor General report for example: [http://www.auditor.on.ca/en/content/annualreports/arreports/en18/v2\\_104en18.pdf](http://www.auditor.on.ca/en/content/annualreports/arreports/en18/v2_104en18.pdf)

<sup>43</sup> Ministry of Training, Colleges and Universities, 2019, “Integration and Transformation of Ontario’s Employment Services” (Presentation to stakeholders) <https://pub-london.escrimetings.com/filestream.ashx?DocumentId=65328>

<sup>44</sup> Lionel Cottier et al., “Job Search Assistance Does Not Boost Employment: New Evidence,” VoxEU.Org (blog), October 27, 2018, <https://voxeu.org/article/job-search-assistance-does-not-boost-employment-new-evidence>.

<sup>45</sup> “What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations | Journal of the European Economic Association | Oxford Academic,” accessed October 20, 2019, <https://academic.oup.com/jeea/article/16/3/894/4430618>.

<sup>46</sup> “Sherri Torjman, “Dismantling the Welfare Wall for Persons with Disabilities,” May 2017, Caledon Institute of Social Policy, [https://www.crwdp.ca/sites/default/files/Research%20and%20Publications/torjman\\_crwdp\\_welfare\\_wall\\_may\\_11.pdf](https://www.crwdp.ca/sites/default/files/Research%20and%20Publications/torjman_crwdp_welfare_wall_may_11.pdf)

As with OW, people with disabilities who seek employment face meagre gains in real income as they are also subject to steep clawback rates. Some people with disabilities may also require additional

supports such as home modifications, transportation, and health services that require workplace accommodations and higher out-of-pocket expenses.

## Residents and caseworkers are caught in red tape

Social assistance recipients and their caseworkers spend a great deal of time filling out application forms and documenting their continued eligibility, rather than on activities that will help recipients move out of poverty. While accountability and program integrity are important, the current system understands accountability in terms of individuals completing paperwork, rather than in terms of accountability for producing results across the system.

Monitoring and reporting for social assistance far exceed the requirements of nearly any other source of support for individuals or businesses – including supports that are far more valuable financially (such as child benefits).

The government's fall 2018 agenda for social assistance reform made cutting red tape and restoring accountability high priorities. This reform includes digital

government modernization for social assistance and focusing on outcomes and risk-based approaches.

The punitive elements in the system can lead to shame and stigma for clients, an additional psychological barrier to leaving poverty. Studies in the United States have shown that families receiving social assistance in states with more lenient program designs are more likely to exit poverty.<sup>47</sup>

While caseworkers have plenty of paperwork, they also have a great deal of discretion to decide when residents have “satisfied” requirements and what benefits they receive. The regulations for the Ontario Works Act include 12 separate provisions where benefits depend on whether, “in the opinion of the administrator,” residents’ time or money are being put to reasonable uses.<sup>48</sup>

<sup>47</sup> Hamilton, L. (2016). “Incentives in the Temporary Assistance for Needy Families Program: A Review of the Literature.” *Poverty & Public Policy*. 8(2):141-49.

<sup>48</sup> O.Reg 134/98 General under Ontario Works Act, 1997 <https://www.ontario.ca/laws/regulation/980134>.

## The system of social policies and programs is disconnected

Social assistance is meant to be complemented by other programs that help people leave poverty, such as housing, child-care, and specialized health services. But a siloed approach to program delivery has an “every door is the wrong door” effect, in that recipients are unclear on what’s available to them. Limited help is available to navigate the disconnected systems, which have inconsistent rules for eligibility and even more inconsistent application of those rules.

When people are aware of and try to access complementary programs, supply often does not meet demand. For example, 80 percent of social assistance recipients find their housing on the private market<sup>49</sup> – with the result that rental rates consume an over-large and growing proportion of income for many individuals and families. Most of these recipients would qualify for social housing – if there were enough units and a system that was not plagued by waitlists.

Lone-parent households comprise approximately 35 percent of all people living below the poverty line in Ontario, and 44 percent of Ontario Works recipients.<sup>50</sup> The vast majority of these are female led (81% across Canada in 2014).<sup>51</sup> Childhood poverty has significant

negative downstream effects and, conversely, investments in early childhood have the best return on investment.<sup>52</sup> A significant barrier to employment for single parents is the lack of affordable childcare across Ontario. While social assistance recipients may qualify for subsidized childcare, many face long waitlists.

There is a strong link between mental health and poverty – for example, people living in the poorest neighbourhoods account for nearly twice as many visits to emergency departments for mental illness or addiction as those living in the wealthiest neighbourhoods.<sup>53</sup> Accessing and navigating mental health supports in Ontario can be incredibly challenging, given the significant limitations in available support. As the 2019 Ontario budget stated, “The mental health and addictions system in Ontario has been challenged for too long by extensive wait times, barriers to access, inconsistent quality, a lack of standardized data and widespread fragmentation.”

More than half of ODSP recipients report mental illness as their primary impairment.<sup>54</sup> They need stable access to mental health supports as well as access to affordable housing as a foundation for stability.

<sup>49</sup> Noah Zon, “Renewing Canada’s Social Architecture: Access to Affordable Housing,” May 2015, Mowat Centre, [https://munkschool.utoronto.ca/mowatcentre/wp-content/uploads/publications/RCSA\\_Access\\_to\\_Affordable\\_Housing.pdf](https://munkschool.utoronto.ca/mowatcentre/wp-content/uploads/publications/RCSA_Access_to_Affordable_Housing.pdf).

<sup>50</sup> Poverty data is Statistics Canada data for 2017, using the Low Income Measure. Social assistance data from March 2017 Ontario Ministry of Children, Community and Social Services, [https://www.mcscs.gov.on.ca/en/mcscs/open/sa/trends/ow\\_trends.aspx](https://www.mcscs.gov.on.ca/en/mcscs/open/sa/trends/ow_trends.aspx).

<sup>51</sup> <https://www150.statcan.gc.ca/n1/pub/75-006-x/2015001/article/14202/parent-eng.htm>

<sup>52</sup> Nathaniel Hendren and Ben Sprung-Keyser, 2019. “A Unified Welfare Analysis of Government Policies.” [https://opportunityinsights.org/wp-content/uploads/2019/07/Welfare\\_paper.pdf](https://opportunityinsights.org/wp-content/uploads/2019/07/Welfare_paper.pdf).

<sup>53</sup> <https://www.hqontario.ca/Portals/0/documents/system-performance/health-equity-report-en.pdf>.

<sup>54</sup> Tracy Smith-Carrier et al., “Vestiges of the Medical Model: A Critical Exploration of the Ontario Disability Support Program in Ontario, Canada,” *Disability & Society*, August 24, 2017, <https://www.tandfonline.com/doi/pdf/10.1080/09687599.2017.1359495?needAccess=true&>.

# Recommendations for reform

## Reduce unnecessary reporting and monitoring

Social assistance reform can improve the system and make it more efficient by eliminating administrative and reporting requirements that serve little purpose. This is not about being less concerned with how government dollars are spent. It's about rationalizing the system to measure outcomes rather than outputs, and tracking value for money at a program level rather than creating make-work projects at an individual level.

A huge piece of red tape for Ontario Works recipients is the Participation Agreement, which sets out activities that a person must complete in order to continue to receive basic financial assistance. Reviews of these participation agreements occur at least every three months, and recipients have to prove that they've done specific things, like participating in structured job search activities. Failure to prove compliance can trigger an immediate review of eligibility, even though there is little to no evidence that these activities lead to successful outcomes. In fact, some requirements, like the threat of withdrawal of assistance if people refuse any job offer, can lead to much higher likelihood of bouncing in and out of the system with poor long-term outcomes. It

can also make OW recipients vulnerable to abusive and unsafe employers.

These requirements have more in common with the corrections system than they do with the tax system or other social programs. Reporting requirements for income and other relevant changes in personal situation should be brought more in line with those for benefits delivered through the tax system (which call for annual rather than monthly reporting).

Going forward, only employment assistance activities backed by evidence of improving outcomes should be part of the Ontario Works program. Participants should be given greater discretion to determine what support will be useful to them in establishing financial security.

Another means of simplifying the social assistance system is to align definitions and requirements with other programs. But this must be done carefully. The government has raised the possibility of aligning the provincial definition of disability with the federal assessment used for the Disability Tax Credit (DTC). This type of alignment is not desirable, as the federal definition systematically excludes many Canadians with severe disabilities.

Research by Stephanie Dunn and Jennifer Zwicker found that only about 40 per cent of individuals with severe disabilities were deemed eligible for the DTC by the Canada Revenue Agency.<sup>55</sup> In particular, the DTC does a poor job of recognizing the episodic nature of mental illness,<sup>56</sup> and recent changes have led to people with autism spectrum disorder, bipolar disorder, schizophrenia, and other mental health issues no longer qualifying for the tax credit.<sup>57</sup> Given that more than half

of all ODSP applications cited a “mental disorder” as their primary impairment,<sup>58</sup> following the federal model would risk reducing the cost of ODSP by discriminating against people with mental illness.

Instead of adopting the federal definition, the Ontario government should reduce the reporting requirements whereby people must re-prove their disabilities, especially for those who have long-term or permanent conditions that are unlikely to change.

## Improve the adequacy of benefits

No social assistance reform can be successful without addressing the fact that the social safety net fails to protect most recipients from deep poverty. This is particularly true for working-age adults on the margin of the labour force who benefit from many other income security programs.

The government can improve the adequacy of the system in a number of ways. These can include raising base benefits

and tying them to inflation, adding additional cash benefits (such as portable housing benefits) tailored to specific needs and circumstances, or providing other assistance with costs or services in the broader social safety net (e.g., child-care, health benefits). Failing to invest in adequate benefits is a false economy, as inadequate support increases the likelihood that a temporary financial crisis will become lasting poverty.

## Reduce the cost of working while on social assistance

While the goal of Ontario Works is explicitly to encourage people to work, social assistance recipients who work part-time can only keep a far lower share of their earnings than those higher up the income spectrum. While it is appropriate to withdraw income assistance from those who no longer need it thanks to income

from employment, the current design of the system makes it very difficult to build financial security in order to move off social assistance through work.

Currently, social assistance recipients have their first \$200 of earnings each month exempt from clawbacks, with earnings

<sup>55</sup> Stephanie Dunn and Jennifer Zwicker, “Policy Brief – Why Is Uptake of the Disability Tax Credit Low In Canada? Exploring Possible Barriers to Access,” January 2018. <https://www.policyschool.ca/wp-content/uploads/2018/01/Disability-Tax-Credit-Dunn-Zwicker.pdf>.

<sup>56</sup> Schizophrenia Society of Ontario, “Submission to the Disability Tax Credit Consultation,” December 15, 2014, <https://www.schizophrenia.on.ca/SSO/media/SOO/PolicyAndAdvocacy/Submissions/DTCconsultation-SSO-Dec-15-2c-2014.pdf>.

<sup>57</sup> “Ottawa Accused of New Tax Grab after Disability Tax Credit Clawback Hits Those with Mental Illness | Financial Post,” accessed October 20, 2019, <https://business.financialpost.com/news/purported-cra-clampdown-leaves-mentally-disabled-increasingly-restricted-from-key-government-tax-credit>.

<sup>58</sup> Smith-Carrier et al., “Vestiges of the Medical Model.”

beyond that amount taxed back at a 50 percent marginal rate.

In their fall 2018 announcement, the government announced a shift from the \$200 per month exemption to a \$6,000 annual exemption for ODSP recipients. This would be a welcome change that lets people keep more of what they earn and is more in line with the realities of the labour market for lower-wage workers who could see a spike in earnings for a few months and work fewer hours in other months. It is unclear in light of the pause whether this policy change will move forward, but we recommend that the government proceed with this change and

extend the higher flat earnings exemption to Ontario Works beneficiaries as well.

What was less welcome from the fall 2018 announcement was the proposal to increase the clawback rate for each dollar earned (from 50% to 75%). To support employment, the government should look to reduce the clawback rate. This could take a tapered approach with a lower rate on lower earnings, similar to the structure of the Canada Child Benefit. A reduction of the clawback rate would smooth the adjustment from social assistance to employment and allow beneficiaries to build financial security through work so that they can exit social assistance successfully.

## **Expand transitional health benefits beyond the social assistance system**

The potential loss of health benefits presents a significant barrier to moving from social assistance to work. The lower-paying jobs that are most available to people exiting social assistance are unlikely to come with employer health benefits. Without such benefits, low-income Ontarians exiting social assistance risk being worse off financially or missing out on the care that they or their families need. These risks increase the cost of the social assistance program, hurt residents' long-term economic outcomes, and undermine Ontario's prosperity more broadly.

Under the Transitional Health Benefit, people leaving ODSP may keep their health benefits provided they do not receive access to the same level of benefits

from their employer. Similarly, under OW people may be eligible for either the Extended Health Benefit or the Extended Employment Health Benefit. The Extended Health Benefit provides some continued coverage, but only if beneficiaries can show that their health costs exceed the difference between their employment income and what they previously received in OW income assistance. The Extended Employment Health Benefit provides potential continued coverage for people leaving social assistance because they have sufficient employment earnings. However, it is limited to six months and not available in all situations.<sup>59</sup> While these benefits provide some response to the importance of barriers created by

<sup>59</sup> Ontario Works Directives 7.3 – Extended Health Benefits [https://www.mcass.gov.on.ca/en/mcass/programs/social/directives/ow/7\\_3\\_OW\\_Directives.aspx](https://www.mcass.gov.on.ca/en/mcass/programs/social/directives/ow/7_3_OW_Directives.aspx).

access to health benefits, they provide very weak insurance. This shortfall can either keep people on social assistance or undermine their health.

To reduce the barriers to employment, the government should replace these benefits with a new program for low-income Ontarians that expands access. This would be a significant and transformative

investment but one that would enable other transformative reforms.

As a first step, Ontario could pilot an extended, auto-enrolled benefits program for clients exiting Ontario Works, rather than requiring clients to pursue this option within one month of leaving Ontario Works. Experiences from this pilot could inform the design of a broader program.

## Respond to housing cost differences in different parts of the province

To be an effective source of financial security, social assistance needs to be responsive to differing costs in different parts of the province. The most important differentiator of costs in different regions is the cost of housing.

Both Ontario Works and ODSP are structured to include separate amounts for “basic needs” and for “shelter.” However, given that the combined maximum still falls well short of the cost of shelter alone in almost all parts of the province, this is not a meaningful distinction. A simplified flat rate amount that combines the current shelter and basic needs benefits can be combined with a new portable housing benefit outside of social assistance that responds to the gap between income and rent. This adjustment has a precedent in the successful cooperation between federal and provincial governments to move financial support for low-income children out of social assistance into the federal-provincial child benefit system.

There is an opportunity to leverage an existing program to accomplish this. The Canada-Ontario Housing Benefit is slated to start in April 2020 as a joint federal-provincial investment flowing from the National Housing Strategy. Details on Ontario’s design of the program have not yet been released, but it has the potential to be a transformative approach both to address housing needs and to enable smart social assistance reform. The fact that the program is set to be modest in its initial years could offer an opportunity to pilot its implementation alongside social assistance reform.

In addition to addressing cost differences throughout the province, more flexible housing supports are also an important component of the wrap-around supports necessary for people with disabilities. Housing First approaches to supports for mental illness in Canada and internationally have shown strong results in improving outcomes for people with mental illness.<sup>60</sup>

<sup>60</sup> Tim Aubry, Geoffrey Nelson, and Sam Tsemberis, “Housing First for People with Severe Mental Illness Who Are Homeless: A Review of the Research and Findings from the At Home—Chez Soi Demonstration Project,” *Canadian Journal of Psychiatry* 60, no. 11 (November 1, 2015): 467–74, <https://doi.org/10.1177/070674371506001102>.



## Use digital and streamlined services to make it easier to access support

The variety of supports within the social assistance landscape makes it challenging for beneficiaries to access the benefits to which they're entitled, and which are meant to work in concert to help people. The November 2018 plan for social assistance reform included a commitment to modernize service delivery, including digital options for program delivery and access to information.

Better access to information, building on the province's MyBenefits pilot, can save time and empower some beneficiaries and caseworkers, although not all beneficiaries have the digital access or literacy to use this as a primary touchpoint.

A more transformative opportunity is to automatically assess people for supports for which they might be eligible. The federal government recently made a similar shift with the Canada Workers

Benefit, introducing an automatic initial assessment of eligibility based on a tax return. Automation needs to come with appropriate safeguards to ensure fairness – early implementation of algorithmic assessments has often been flawed and discriminatory.<sup>61</sup>

The provincial government has experience streamlining access to services that work together. The 5-in-1 newborn bundle works across the provincial and federal government to use a single application for a birth certificate, social insurance number, Canada Child Benefits and a referral to set up a Registered Education Savings Plan. Bringing this model of one-window digital service delivery to low-income Ontarians for services could reduce red tape, improve outcomes, and connect people with services and supports to help them succeed.

## Outcomes-based funding that focuses on people's success

The focus on paperwork and documenting outputs rather than achieving outcomes wastes the time of both recipients and caseworkers, and wastes government money because these aren't accurate indicators of success. By shifting the focus of accountability to service managers, caseworkers and clients can concentrate on overcoming barriers to well-being and employment.

The provincial government is looking at outcomes-based funding models as it moves toward integrating OWEA into Employment Ontario. The province has experience with this approach – WSIB, for example, has seen improved outcomes in worker reintegration through a pay-for-results and case management approach.<sup>62</sup> To get the balance right, indicators of success should focus on

<sup>61</sup> “How Big Data Is ‘Automating Inequality’ - The New York Times,” accessed October 20, 2019, <https://www.nytimes.com/2018/05/04/books/review/automating-inequality-virginia-cubanks.html>.

<sup>62</sup> International Disability Management Standards Council, “A Story of Return to Work Transformation at WSIB,” June 2014, <https://www.idmsc.org/wp-content/uploads/2014/12/IDMSC-Communique-Vol-8-No-23-RTW-Transformation-at-WSIB-June-2014.pdf>



long-term rather than short-term job retention, and should consider fit and quality of jobs obtained. Supports that extend into employment, such as ongoing mentorship and skills development, can help prevent a return to social assistance.<sup>63</sup>

In order for case management to succeed, action plans and resources need to be tailored to the individual. This requires the availability of access to resources across social services – for example, a client may need childcare and housing supports before they can reasonably succeed in a job. By establishing formal connections and empowering case managers to navigate between systems, clients can more easily surmount these obstacles. In order to work across the siloes, service managers and case managers should also have access to a pool of “flexible funding” that can be used to overcome any barrier in a client’s life – for example, for a mother fleeing intimate partner violence with her children.

<sup>63</sup> Olsen and Chakarova, “Help Wanted,”.

# Implementation

If social assistance reform were easy it would be implemented by now. Several expert advisory panels have come and gone, each offering carefully considered and extensive advice, with only minimal changes to the design of social assistance to show for their efforts. Social assistance transformation is both politically and operationally difficult.

There is no simple answer to the question of what would allow reform to move ahead where others have quickly lost steam. However, there are some steps that the province can take to improve chances of success:

- **Listen to people who know the system best.** Public policy ideas that sound good on a PowerPoint or think tank report do not always work when they meet the messy realities of human lives. Social assistance is designed to help people navigate complex problems at crisis points in their lives – the reform process should listen early and often to people in crisis to understand what they need, as well as to the front-line staff and agencies that work with them.
- **Build the evidence base so that we know what works.** We currently have very limited evidence about the outcomes of social assistance policy decisions. Beyond some basic information about client interactions with the system, we don't know enough about medium- or long-term outcomes like job retention, income, health, or other outcomes. The Auditor-General highlighted a number of data gaps where the Ministry and local service managers lack information to assess performance.<sup>64</sup> Whatever one thinks of the policy that was being tested, the cancelled Ontario Basic Income Pilot was a significant investment in an evidence base on the outcomes of public policy for the lives of low-income Ontarians. A similarly rigorous investment in evidence, working with outside researchers and evaluators, should be part of a social assistance reform agenda from the earliest stages in order to build a record of what works.
- **Communicate clearly with the public, early and often.** In the government's fall 2018 announcement, Minister Macleod committed to "regular communications to help people understand and prepare for changes."<sup>65</sup> This is a good principle. When decisions affect people's lives deeply, it is essential for government to communicate clearly and proactively to beneficiaries and system partners about changes.

<sup>64</sup> Auditor General of Ontario, 2018.

<sup>65</sup> Ministry of Children, Community, and Social Services, 2018.

- **Sequence reforms to achieve system transformation.** In developing an implementation plan for reform, the government should take a sequenced approach that balances consistent momentum with the ability to change course as needed. In Ontario we have seen repeated commitments to reform begin with modest changes as down payments on more challenging changes that never appear. However, as the shortcomings of the UK rollout of the ambitious Universal Credit demonstrates, moving too quickly carries considerable risks. Not only has the system been plagued by high costs and poor results, but the UK National Audit Office found that the government now has little choice but to proceed with the new system because they had passed a point of no return.<sup>66</sup>

As one researcher said of the rollout challenges, “While it might have been a good idea, the implementation of it was absolutely horrific.”<sup>67</sup>

Ontarians facing financial hardship deserve a better social safety net than the one they have today. The system strangles the energy of beneficiaries and caseworkers in red tape to prove eligibility for benefits that don’t meet their needs. Worse, system design flaws mean the government of Ontario is getting a poor return on investment. The system is not meeting its goals: social assistance too often traps people in poverty rather than supporting them to move out of poverty.

The current pause in social assistance reform offers an opportunity to reset the government’s approach and put it on an evidence-based and sustainable path to success.

<sup>66</sup> UK National Audit Office, “Rolling out Universal Credit,” June 15, 2018, <https://www.nao.org.uk/wp-content/uploads/2018/06/Rolling-out-Universal-Credit-Summary.pdf>.

<sup>67</sup> “How Universal Credit Helped Brexit Gain Support - Bloomberg,” accessed October 20, 2019, <https://www.bloomberg.com/news/articles/2019-09-17/how-universal-credit-helped-brexit-gain-support>.

# ONTARIO 360

**Noah Zon** is the co-founder of Springboard Policy, a public policy research and advisory firm based in Toronto. Before Springboard, Noah was the Director of Policy and Research at the Maytree Foundation in Toronto focused on policy change to reduce poverty in Canada. At the Mowat Centre, a public policy think tank at the University of Toronto, he led the Centre's largest research stream, developing policy agendas around technology, economic development, fiscal policy and the social safety net. As a public servant, Noah worked in the Cabinet Office for the Ontario government, where he worked on climate change policy and intergovernmental relations. Noah holds an MSc in Global Politics from the London School of Economics and a BA (Joint Hons.) in Political Science and International Development from McGill University.

**Thomas Granofsky** is an author and policy researcher. He spent the last several years working in the Ontario Government, most recently as Senior Policy Advisor to the Associate Deputy Minister in the Ministry of Health and Long-Term Care. Previous roles were at the Ministry of Children and Youth Services, the Treasury Board Secretariat and the Ministry of Community and Social Services. Prior to working in government, he was a Policy Associate at the Mowat Centre and authored papers on poverty reduction, childcare and renewing Canada's social architecture. He holds an MPhil in Comparative Social Policy from the University of Oxford and a Bachelor of Social Work from Ryerson University. He is currently writing a book on identity and social policy.

For more information about Ontario360 and its objectives contact:

**Sean Speer**

Project Director  
917-618-0612  
[sean.speer@utoronto.ca](mailto:sean.speer@utoronto.ca)  
[on360.ca](http://on360.ca)

**munk school**  
OF GLOBAL AFFAIRS & PUBLIC POLICY



UNIVERSITY OF  
**TORONTO**

