



A Note from the Caledon Institute on Poverty Reduction in Ontario

While the provinces and territories can and should make an important contribution to reducing poverty, the federal government must also be engaged and do its part. It has at its disposal the most potent instruments to fight poverty and inequality.

The federal government is responsible for most income security payments and tax benefits. These measures include child benefits (the Canada Child Tax Benefit, Universal Child Care Benefit and Child Tax Credit), Employment Insurance, Veterans' benefits, the Working Income Tax Benefit and part of the disability benefits system (the Canada Pension Plan Disability benefit and the Disability Tax Credit as well as other tax measures). Ottawa is responsible for almost all of the retirement income system: Old Age Security, Guaranteed Income Supplement, age credit, pension income credit, the Canada Pension Plan, and tax deductions for contributions to RRSPs and private pension plans. The federal government is also responsible for most of the income tax system, which has become a major instrument for delivering income benefits. These many and varied federal programs help reduce poverty

and inequality in Ontario and Canada overall – but they could do more.

The Caledon Institute has pointed to two zero cost options that the federal government could implement immediately, which would have at least some small impact on reducing poverty. It could eliminate pension income-splitting, which is almost entirely of benefit only to the wealthiest seniors, and use the resulting one billion dollar savings to boost the Guaranteed Income Supplement for low-income seniors. Ottawa could also eliminate the flawed and inequitable Universal Child Care Benefit and nonrefundable Child Tax Credit and redirect the savings to the well-designed and equitable Canada Child Tax Benefit.

The federal government plays an important role in services as well. It shares the cost of health care, which is delivered by the provinces and territories. The Canada Social Transfer helps the provinces fund their social programs. Ottawa is responsible for on reserve services for First Nations, where the most intractable poverty and serious deprivation exist in Canada.

Although the federal government may not seem responsive – there is no formal federal poverty reduction strategy – the provinces and territories and Canadians, in general, must continually call upon Ottawa to wield its power in the struggle against poverty. It is important not to let the federal government off the hook, not only to share the burden but, most importantly, because even if provinces and territories make a great effort, realistically there is only so much they can accomplish themselves. Ontario is a case in point.

Ontario has already done a great deal to reduce poverty in the province. We note especially two measures. First is the Ontario Child Benefit, which provides a substantial income supplement to all low-income Ontario families with children and is making a real improvement in their living conditions, especially those whose parents are working for low wages. The second significant measure is the expansion of Early Childhood Education to ages 4 and 5, which is improving the life prospects for many Ontario children while also making their childhoods richer and more enjoyable.

However, poverty reduction is not only about government income redistribution. We cannot have a province with low levels of poverty so long as there are so many low-wage jobs creating low incomes. Strategies to increase wages at the lowest end of the scale are a crucial part of a robust poverty reduction strategy. Most of the low-wage jobs in Ontario are not found in sectors that are part of global trade, so we believe low wages can be increased without serious impact on Ontario's competitiveness. We advocate measures such as steady increases to the real value of the minimum wage, 'living wage' policies in the public sector, better enforcement of employment standards, higher rates of unionization,

and investment in training and education. The effort to raise low wages needs to be seen not as a once-only step, but as a long-term plan to be developed and sustained over decades.

Much of what we hear on poverty reduction focuses on social assistance. It is imperative that social assistance (commonly known as 'welfare') be seen as only one component in a poverty reduction strategy rather than the key means of reducing poverty: It is not a program that is well designed for the working poor or the young person starting a career or for long-term use by vulnerable families. Social assistance is and should remain a last-resort program that comes into play only after better measures are exhausted. Nevertheless, social assistance is one important part of a poverty reduction strategy.

The most pressing need in Ontario, as in most jurisdictions, is for further increases in the level of social assistance paid to adults with no children, where those persons are not classified as having a disability. We recognize that there was a recent modest increase in this social assistance rate, but we hope this is seen as a start rather than an end. The recent increase in the amount of assets that recipients are allowed to keep (such as bank savings or a car) is touted by the Ontario government as an aid to financial independence and security. Again, we hope that this is a start rather than an end-point.

It will be useful to track carefully caseloads in light of the asset limit increase to see if there is any measurable impact on caseload levels, as fears of a substantial increase in caseload has been one of the main factors inhibiting asset level increases in most provinces. Ontario can make a national contribution just through good information on the impact of its change in allowable asset levels.

The recent Social Assistance Review is an important contribution to the effort to reform welfare. We do not here intend to undertake a detailed analysis. However, like many others in Ontario, we are reluctant to endorse the integration of Ontario Disability Supports into the Ontario Works program. We are not convinced of the conceptual basis of integrating the disability program into general welfare assistance. Caledon has maintained that long-term income security for persons with severe and prolonged disabilities should be delivered on an income-tested basis, preferably by the federal government, with few of the rules and restrictions associated with welfare.

Finally, we are concerned about the disproportionately high rate of unemployment and under-employment among Ontario's youth. Caledon supports an active and robust, but time-limited, public employment process with 18- to 24-month jobs that pay decent wages and associated benefits. These short-term

employment arrangements will help young people acquire work-related skills and experience that they can bring to the broader labour market.

Michael Mendelson

Copyright © 2013 by
Caledon Institute of Social Policy

1354 Wellington Street West, 3rd Floor
Ottawa, ON K1Y 3C3
CANADA

Tel/Fax: (613) 729-3340

E-mail: caledon@caledoninst.org

Website: www.caledoninst.org

Twitter: @CaledonINST