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The welfare asset trap

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It is well known that when the Conservatives came to power in 1995 Mike Harris gutted welfare rates – leaving needy Ontarians living far below the poverty line.

Less well known is that changes were also made to force Ontarians to divest themselves of almost every cent of savings, including cashable RRSPs, before they could qualify for a welfare cheque.

In a report to be released Oct. 21, Metcalf Foundation fellow John Stapleton presents a compelling case for allowing welfare recipients to keep some savings.

He recommends exempting welfare recipients from the requirement to strip their assets for the first six months that they are on social assistance. This would allow people who have lost a job, and run out of employment insurance a bit more time to get back on their feet without suffering long-term financial penalties.

After six months, he proposes asset limits of \$5,000 for singles and \$10,000 for families and people with disabilities. Currently, the permissible limit for a single is just \$572.

This makes good sense. Punitive asset-stripping rules do not serve anyone's interests. They do not keep people off welfare – the rolls are continuing to rise – but they do make it much harder for them to get off welfare once they are on it.

Stapleton notes that even conservative Alberta allows welfare recipients to keep \$5,000 in assets, so his recommendation can hardly be described as radical.

With the current requirement to reduce savings to near zero, welfare recipients can be forced into a corner over the smallest matter – such as buying a suit for a job interview or even paying the transit fare to get there. This serves as a barrier impeding the transition from welfare to work – and it means taxpayers will pay out more, not less, to welfare recipients in the long run.

Asset-stripping is just one of the failings of our outdated and mean-spirited social assistance system. The government's promised social assistance review – still waiting to be launched – will find many other hurdles in the path of those in need of a helping hand.