

A Housing Benefit for Ontario

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This presentation

- Focuses on one part of the income security architecture: provincial social assistance
- Offers one possible solution to the future evolution of provincial social assistance programs
- Should be viewed as a piece of a puzzle that includes broader reforms to other income security programs, particularly Employment Insurance



Why focus on a Housing Benefit?

“I only eat one meal a day. Food costs being what they are, I don’t have enough for a proper diet. No fresh fruit, vegetables, nuts. After rent, I have to live on \$116 per month.”

-Daily Bread Food Bank Survey respondent with a disability and receiving welfare

“Poverty means deciding whether to pay rent or buy food for your kids.”

-Survey respondent with 3 children

“I have never lived like this before. Worked all my life. Lost job one year ago. Living on \$40 a week – welfare cut me off.”

-Respondent who has been visiting food bank for 6 months



Context

- Social assistance was originally intended as a program of last resort – its purpose was to provide income when a household had few, if any earnings
- It has since evolved far past its original intent, often becoming the first program people access when they fall on hard times – some say “first program of last resort”
- This is particularly true as a result of EI “reforms” in the 80s and 90s and has become apparent through the current recession
 - EI cases increasing, but many unable to access program
- Social assistance caseloads are increasing, however many are unable to access it as well
 - Many people are having hours cut back, asset rules
 - Anecdotal evidence that people not qualifying for EI are refusing to go on welfare, and are living only off child benefits instead



Social assistance rates across the country are inadequate and in decline

- Virtually all across Canada, welfare rates are set at levels well below measures of low-income
 - According to the National Council of Welfare, of 53 family configurations examined in different provinces in 2007, 24 had welfare incomes less than 2/3 of after-tax LICO
- The NCW found that welfare incomes in many provinces peaked in the early 1990s and have declined in real (and sometimes absolute) terms since
- Across Canada, single adults receiving welfare are the worst off



Why fix an ailing system?

- Welfare is stigmatizing for recipients
- Welfare is not a popular program with the public
- Welfare's relationship to the labour market is problematic
 - "Welfare wall"
 - Working poor do not receive benefits, but are also in need
- Asset rules ensure that recipients are destitute before they are able to access benefits
 - May cause a welfare overhang in which people continue to stay on the system long after the economy and employment improve
- Welfare will not be the program that provides adequate incomes for low-income Canadians in the long term



Solutions should be aimed at replacing welfare

- Provincial income security reforms should be aimed at replacing welfare, not “improving” it
- Component parts of welfare should be broken up and paid outside of the system to all low-income people (preferably through the tax system)
- Result would be to make welfare the residual system it was intended to be



Provinces have begun transforming welfare

- Since the Canada Child Tax Benefit initiative began in 1998, provinces across Canada have removed children from the welfare system
- Currently, 6 provinces pay benefits for children outside of welfare through a combination of provincial and federal child benefits (Newfoundland and Labrador, Nova Scotia, Quebec, Ontario, Saskatchewan and British Columbia)



In Ontario income support for housing is embedded in social assistance

- In Ontario, welfare is divided into a basic needs allowance and shelter allowance
- The welfare shelter allowance is the province's largest housing program (about half of the approximately \$6 billion paid for social assistance)
- Only paid to people receiving assistance
- Shelter allowance is low – most people pay more in rent than is provided by the shelter allowance
- Ontario has no permanent income program for housing outside of welfare



What is a Housing Benefit?

- The Housing Benefit is a proposed new monthly housing allowance paid to all low-income Ontarians based on their rent and income
- Pays an average of \$119 per month for families with children, \$96 per month for singles and childless couples
- Includes all low-income families, both those on social assistance and those not
- Paid as a monthly cheque and applied for through the income tax form like child benefits or GST credit
- Is one possible way of continuing to break down the component parts of welfare



The housing benefit addresses two key issues: social assistance reform & housing affordability

Social Assistance:

- Current shelter component in Ontario is not well-targeted, one size fits all — does not account for housing cost variations in communities
- Increases in the shelter allowance component have been low, and haven't really helped the people who need it
- Only those receiving social assistance receive housing benefits (working poor, homeless often can't access benefits) – creates barriers in the transition to employment



The housing benefit addresses two key issues: social assistance reform & housing affordability

Housing Affordability

- Growing gap between incomes and rents especially in high cost markets continues and could worsen with changing economy
 - One in 5 Ontario tenant households spend more than 50% of their income on housing
- Currently 129,000 households on social housing waiting lists in Ontario
- Need to address both housing supply and demand - existing stock and new supply of social housing are one set of tools - a housing benefit would add to the toolbox



An innovative benefit design

- NO clawbacks for social assistance recipients
- Will not lead to inflation of rents as benefit is paid directly to the tenant so landlords will not know what the tenant is receiving
- Short term: Benefit tops up social assistance shelter component
- Long Term: replaces social assistance shelter component – social assistance could move to a single rate with no distinction between shelter and basic needs



Calculating the housing benefit

- Based on rent and income
- For those on social assistance and for lower income earners the Housing Benefit is the (actual rent minus the shelter component of social assistance) X .75
- Once 30% of income exceeds the shelter component of social assistance, the housing benefit is the (actual rent to the ceiling minus 30% of income) X .75



Example One – Single Person Receiving Ontario Works

Steve is single and receiving Ontario Works. He has no current earnings. His total income (including GST credit) is \$575 per month including a shelter allowance of \$349. All he can afford to rent on that amount is a room in a rooming house with 20 other people. He has no privacy, and only gets to use the kitchen stove at random hours. Steve will receive an additional \$113 per month for his housing benefit, on top of his social assistance income.

Total income: \$575
OW Shelter Allowance: \$349

Rent:	\$500
OW Shelter:	<u>-\$349</u>
Gap:	=\$151
X .75	<u>x 0.75</u>
Housing Benefit	= \$113



Example Two – Lone Working Parent

Monica is working full time at the local grocery store and is earning minimum wage. With a total monthly income of \$2,062, she is finding it difficult to pay her \$800/month rent and afford food for her two children on a regular basis. Since she missed the deadline to apply for the ROOF program, she currently receives no housing help. With the new housing benefit, she would see an increase in income of \$136 per month.

Total income: \$2,062

Rent:	\$800
30% of Income:	<u>-\$619</u>
Gap:	=\$181
X .75	<u>x 0.75</u>
Housing Benefit	= \$136



A Housing Benefit could be an important tool during the recession

- Improves housing affordability for many households at a time when people are losing jobs, being moved to part time, or are retraining
- Can support people who cannot qualify for EI, or cannot live on 55% income replacement
- May prevent some people from having to spend assets to qualify for welfare
- Extends assistance to the working poor, who currently are not eligible for such assistance on an on-going basis
- Puts money in the pockets of people on social assistance, which is spent in the local economy



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