

Why is it so tough to get ahead?

**How our tangled social programs
pathologize the transition to self-reliance**

**METCALF
FOUNDATION**

Why is it so tough to get ahead?

“We cannot claim to have people-centred government policies. Not when an 18 year old, lone parent refugee is an adult under four policies, a child under two, a student under a third, a dependent adult under two others, a non-resident under two, and a legal resident of Canada under four more. And as far as government is concerned, it is her job to sort all this out.”

Introduction

- Part of a Poverty Reduction Strategy leading to a decent living for all
- Report comes out of MISWAA
- TD Paper: “Welfare to work-- Still the road less travelled”

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A Piece of the Puzzle

- Recommendations are part of what needs to be done in a poverty reduction strategy
- Government needs to change how it thinks to get the work done



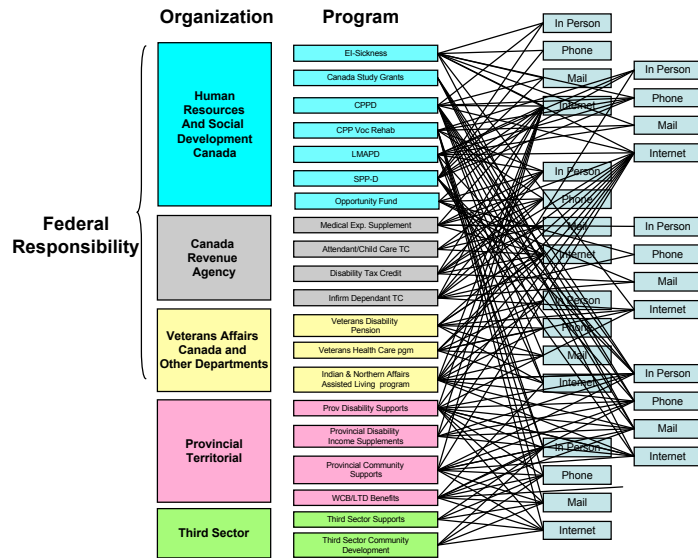
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Part 1
Problems and Issues

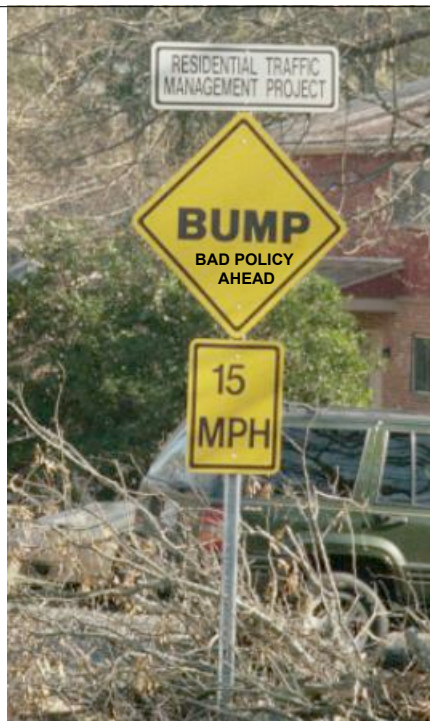
Meeting with Mayor David Miller



Example of a Maze from Service Canada



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The Speed Bump Mentality:

- Acknowledging a problem as the solution
- What about fixing the road?

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Living with Disincentives

Why do we develop public policies that make it tougher on people?

Working-age social assistance recipients in Ontario, especially those who are public housing residents, live with disincentives. The more they earn, the more they lose in benefits; when they tell the truth, they are punished.



How we make it tough for adults to do better

- Social benefits programs have understandable rules when looked at in isolation.
- Through their interaction, they reduce incentives to self-reliance.





Stacking Programs....

Scores of things threatening to fall!

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Young People

- Problems get worse when children turn 18: on the threshold of independence, in need of post-secondary education.
- **If they move out**, they must work. **If they stay home** as students, the family's benefits go down and rent goes up.
- Access to work at a living wage is a problem for disadvantaged youth.

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Newcomers

- Canadian newcomers often receive social assistance and public housing units.
- In cities, living costs are high and pay is not enough to maintain a decent living.
- Access to work at a living wage is also a problem for other poor, non-immigrant Canadians.

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Top Five Points- High METR's

1. High marginal effective tax rates (METRs) are caused by the way government departments are organized and by the METRs themselves.

We can't solve high METR's without solving how government does business in a way that creates them.

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High METR's

- The METR rate is highest among poor people who benefit from more than one social service or income-tested program and who are trying to better themselves through modest earnings.



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High METR's

- When payroll deductions combine with the welfare and subsidy reductions, the total "tax" on a working poor person can add up to more than 100% of the earned dollar.

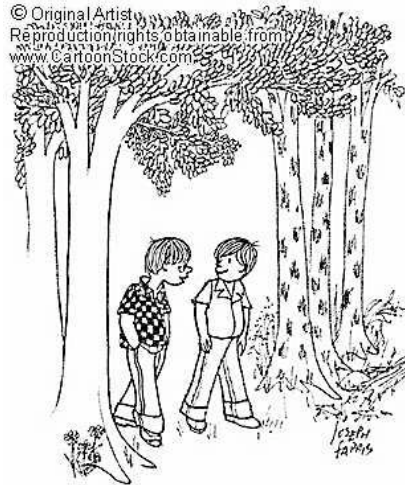


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High METR's

- Poor working people return relatively more money to the state than more affluent workers do, because they give up benefits when they work.



"My parents try so hard to do the right things for me, but, unfortunately, they're always wrong."



“Give the child some time.”

--Abdul: Somali Community Focus
Group

Top Five Points: A “Time Out”

2. We can't "solve" high METR's, but we can take a "time out" at crucial times to allow young people to break the cycle of poverty.



Top Five Points: A “Time Out”

2. There is no rule that says we have to claw back programs and charge fees and tax over the life course. Why not think about age based program recovery to give people a chance?



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Top Five Points: More than One Maze to Navigate

3. Incoherence in the way we define people for programs occurs with people who are most disenfranchised.

This makes programs harder to access for those who are least able to access them.



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Top Five Points: More than One Maze to Navigate

3. Creating transition-friendly programs means striving towards common definition.

Middle class programs insist on this.



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Top Five Points: Underclass and the Myth of Adulthood

4. An underclass is second generation poverty. Children become adults and programs produce upheaval, thwarting efforts to break the cycle.



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Top Five Points: Underclass and the Myth of Adulthood

4. At 18, children are independent.

This myth has been rejected by every reasonable parent living in Canada.

Why does government lag so far behind?



"I don't care what he says, child labor laws were never intended to protect the rights of children in their mid-30s."

Top Five Points: Policy and Welfare

5. People should only access the mainstream after they have left welfare - the logic of "making the leap".



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How society views welfare

- Welfare programs are unpopular.
- People who receive welfare agree that self-reliance is better.
- The cost of welfare in Ontario makes up less than 10% of the costs (3 of 40 billion) of the province's total income security system.



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How society views welfare

- The public will not sustain the program.
- Welfare will continue to erode to inflation, because the system rejects many fundamental values.



"Let's see if you qualify for a handout. How many nuts do you have currently, and where are they buried?"

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The Importance of a Different Lens

Behaviour	"Welfare cheat" lens	Achieving self-sufficiency lens
Acquiring a spouse	"She's got a boyfriend"	Forming a viable economic and family unit to escape poverty
Help from family	"Getting illicit money"	Reinforces role of families helping their own members – helping build a base to escape poverty
Having a bank account – being seen in a bank	"Hiding money from the system"	Returning to normalcy – building assets – demonstrating money management skills – building a base to escape poverty
Getting a job	"Working and not reporting it - working under the table"	The first major building block in becoming self-sufficient and returning to normalcy and self-sufficiency
Spending on non-necessities	"How can they afford that if they are supposed to be poor?"	Returning to normalcy – taking responsibility for a household budget – making choices for better or worse – Weighing risk and responsibility consistent with adult behaviour

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The Importance of a Different Lens

<i>When we talk about ...</i>	<i>And Welfare, we mean:</i>	<i>And Income Security Programs, we mean:</i>
Receipt of benefits	Dependency	Entitlement
Failure	Continued Receipt	Non-receipt
Success	Getting Off	Staying On
Program Spending	Waste; a drain	Entitlement and Citizenship
Cost	Unaffordable, unsustainable unnecessary	Affordable – what makes Canada what it is
Self-sufficiency	Off welfare	Includes income security benefits
Reform	Open doors of opportunity or a push through the door 16 Supports mandatory requirements	Redesign to reach more – extend benefits – support choice

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Federal Accounts	Registered Instruments
Average Canadians <ul style="list-style-type: none"> • Tax Account • CPP/OAS 	Average Canadians <ul style="list-style-type: none"> • R P P • R R S P
Children <ul style="list-style-type: none"> • Tax Account 	Children <ul style="list-style-type: none"> • R E S P
Low Income or at risk Adults <ul style="list-style-type: none"> • Tax Account • EI (not a true account) 	Low Income or at risk Adults <ul style="list-style-type: none"> • No registered instrument
Benefits	P/T Exempted Contributions
Average Canadians <ul style="list-style-type: none"> • OAS/ CPP 	Average Canadians <ul style="list-style-type: none"> • Non-refundable tax credits/exemptions
Children <ul style="list-style-type: none"> • CTB/NCBS/UCCB 	Children <ul style="list-style-type: none"> • CLB/ C E S G • Millennium scholarships • Exempt part of NCBS
Low Income or at risk adults <ul style="list-style-type: none"> • EI/ Welfare • GST refundable credit • Other refundable credits (low) • WITB to be explored 	Low Income or at risk adults <ul style="list-style-type: none"> • No exempted contributions beyond GST credit • Development money could be deposited to EI account to pay for training, etc. based on EI contributions over time

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Part 2

Recommendations

Summary of Short-term Recommendations: METR's

- Reduce METRs
- Ensure that combined, METR do not exceed 75% of net earned income (medium term) and 50% long term
- OW to ensure that the WITB will be passed to eligible OW recipients without penalty



Summary of Short-term Recommendations: A TIME OUT

- Stabilize households in transition to greater self reliance.
- Social programs work together to establish a transition planning system.
- Grant a 1 year renewable moratorium on rent increases, OW reductions, losses in child care subsidies and student assistance.

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Summary of Short-term Recommendations: A TIME OUT



"I don't suppose I need to remind anyone that when I use the term 'bite the bullet,' I mean it metaphorically."

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Summary of Short-term Recommendations: A TIME OUT

- Recipients have the option to renew their moratorium.
- Where not successful in achieving self sufficiency, there be no retroactive charges if an attempt to achieve greater self-reliance was made.



Summary of Short-term Recommendations: A TIME OUT

- Raise assets limits for all social assistance recipients with an approved employment plan for the purpose of financing sustained employment.



Summary of Short-term Recommendations: Redefine Adulthood

- Support children in their transition to adulthood
- Establish an approval process, standards and benchmarks
- Redefine adulthood: Don't take on adult status while in post-secondary education, up to age 24.



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Summary of Short-term Recommendations: Redefine Adulthood

- Establish a four-year moratorium on rent increases, OW reductions, and losses in child care subsidies to families, and student assistance, while enrolled in post-secondary education.



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Summary of Short-term Recommendations: Adulthood Underclass

Suspend rental increases where student income is included in the calculation including:

- Any non-government funded scholarship, award, or grant from a recognized educational institution; and
- Any award, scholarship or grant received from a non-government group (such as a Children's Aid Society, charitable organization, or company).

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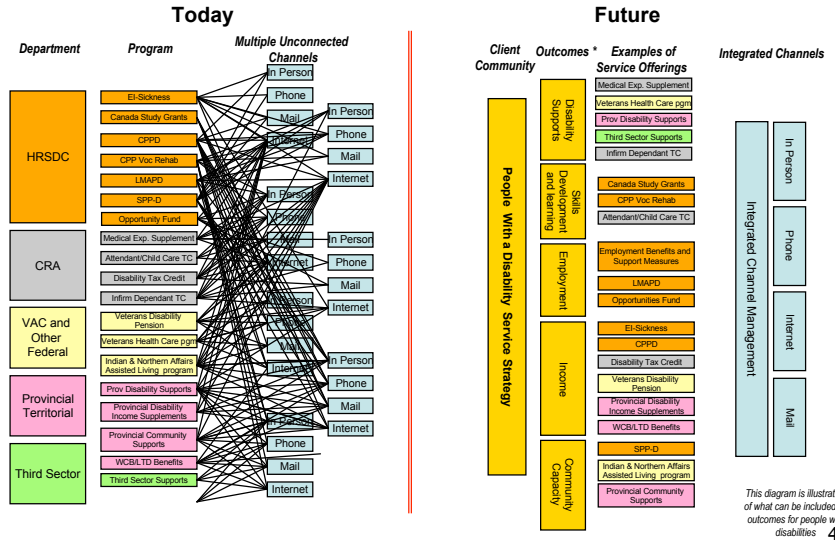
Summary of Short-term Recommendations: Adulthood Underclass

- Stop collecting information on student assistance from government sources.
- Clear up misunderstandings about receiving OSAP resulting in rent penalties.



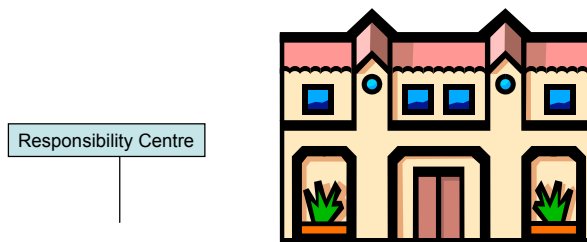
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A Citizen Centered Service Strategy for People with Disabilities



Longer Term Recommendations: Government Structure

Create a government responsibility centre.



Longer Term Recommendations: Government Structure

- All governments and agencies work together to ensure METR do not exceed 75% in the medium term, with a long term goal of 50%
- The Responsibility Centre to consult with civil society, agencies, and activists questioning the “business model” of governance.

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Longer Term Recommendations: Government Structure

- Responsibility Centre to ask funders to support think tanks to explore client centred models.
- Service Canada and HRSD to support individual and family accounts containing credits for income, housing, taxes and training for low-income adults.

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Longer Term Recommendations: Government Structure

- Through Responsibility Centre, share and pool data.
- Work together to develop Ontario supplement program in conjunction with the WITB.
- Transfer all social assistance recipients to the new combined program when entitlements fall below the combined Ontario program and WITB max.

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Longer Term Recommendations: Government Structure

- Coordinate the new OCB with the WITB.
- Raise asset levels for OW recipients to \$5500 single and \$9000 for families.
- Monitor RDSP to cover savings and windfalls.
- Publicly champion self reliance.
- Establish a policy, while devising a public education initiative to resolve misperceptions.

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