

The treadmill of poverty



RENÉ JOHNSTON/TORONTO STAR

Zuher Ismail's decision to live with his mom in public housing while attending school full time backfired when her subsidized rent went up and their welfare was reduced.

Case study: why a job doesn't pay

A single mother with 2 children aged 15 and 19 living in subsidized housing gets \$13,873 annually from welfare, GST credit and federal child benefits.

The mother takes a part-time job that pays \$14,000 a year and her 19-year-old enrolls in university part-time and gets a part-time job that pays \$2,400. Both must now take public transit. The son has a \$1,000 bursary. On paper, the family's income per year is \$31,273.

The mother's and student's earnings reduce their welfare by \$8,200 (half of her pay and half of his). Their earnings also cause their subsidized rent to rise by \$2,268 per year. Payroll taxes eat up another \$815. TTC and GO Transit passes for both cost \$4,728 and work-related clothing another \$1,000.

The family is now left with \$14,262 (\$31,273 minus \$17,011) or just \$389 more before taxes than they had at the start.

System penalizes people who attempt to get ahead, study finds
December 06, 2007

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Zuher Ismail just wants to get ahead.

The 23-year-old lives at home with his mother in social housing, and works while attending school part-time to earn a degree in business administration. He's not at home entirely by choice – he tried to make it on his own, because he didn't want to be a burden, but he couldn't make ends meet.

The catch is, by living at home, trying to work and go to school, both Ismail and his mother have been penalized. Some of the money earmarked for his schooling goes to cover his mother's subsidized rent, which has gone up by about \$100, to \$400 a month, due to his income and the fact that he's now living with her.

"That's just the way it is I guess," Ismail says. "I just want to complete my studies and get on with my life."

Escaping social assistance in Ontario is a vicious game of snakes and ladders where too often those struggling to get ahead end up further behind, says a new report on government social programs.

That's because federal and provincial policies aimed at helping the poor too often work at cross-purposes, punishing anyone who gets a job or goes to school to try to improve their circumstances, says the report by John Stapleton, who was a policy analyst in Ontario's social services ministry for 28 years.

"Life is tough for poor people – we know that. Why do we develop public policies that make it even tougher?" Stapleton asks.

The report, funded by the privately endowed Metcalfe Foundation, lists a litany of barriers to self-reliance. It starts with welfare, which deducts 50 cents for every dollar earned the moment a person on welfare gets a job. Other social supports such as public housing and subsidized child care are also often slashed as income increases, leaving those on welfare little incentive to move ahead.

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

As a result, programs encourage non-reporting, discourage work and perpetuate abject poverty, it says. Stapleton, who hopes his report will help shape the McGuinty government's poverty-reduction strategy, says the situation is particularly perverse for children turning 18 in poor families.

He recounts Toronto Mayor David Miller's fury in 2005 when, after encouraging large companies to hire disadvantaged youth, parents told their sons and daughters to turn down job offers. The reason? Any income these youth earned would trigger automatic rent hikes in the families' subsidized housing and cuts to welfare cheques.

"These kids were caught in a tangle of social policies that made it worse for both themselves and their parents if they took advantage of opportunities such as Miller's initiative," says the report, entitled "Why is it so tough to get ahead? How our tangled social programs pathologize the transition to self-reliance."

Under provincial social assistance rules, when children turn 18 they are considered adults and expected to work. The same rule applies in public housing. Only if they are studying full-time can children over 18 remain in the family home without causing penalties. But if they move out, they often can't support themselves because it's difficult for disadvantaged youth to get jobs that pay living wages.

Ismail's story is all too common, says Stapleton, who spent the past year consulting widely with people in Toronto receiving basic welfare, called "Ontario Works," and ODSP, the province's disability support program.

His primary focus were first-generation immigrant adults on welfare and youth who have grown up in public housing.

Problems they encountered as they found work or enrolled in education and training included:

Cuts to income support such as Ontario Works, ODSP and the national child benefit.

Ineligibility for benefits such as prescription drugs and dental care.

Eviction notices or rent hikes for public housing.

Reduced eligibility for services such as subsidized child care.

Reduced eligibility for OSAP (student assistance).

Single mom Toby Rowe, 27, was determined to crawl out of poverty last winter by taking a part-time job at a fast-food restaurant to supplement her \$939 welfare cheque. Her goal was to work in the afternoons while her children, then aged 4 and 6, were both in school. But the restaurant, which paid her \$8 an hour, insisted she work weekends too, forcing Rowe to hire a babysitter, which cost \$6 an hour.

"I did it for three months and had no more money in my pocket to show for it," Rowe says. "Welfare took 50 cents of every dollar I made and the babysitter took the rest. It actually cost me to work. "

Rowe, who has been completing high school one credit at a time while raising her children, hopes to complete her diploma and enrol in some form of post-secondary education or job training after her daughter starts Grade 1 next year.

"I know I need more training because I'll never get ahead working (for) minimum wage. But it's hard."

Ultimately, Ontario's social safety net needs to be more focused on the person seeking help, rather than on so-called "service silos."

But in the short term, Ontario could ease the transition into self-reliance from social assistance by granting moratoriums – what Stapleton calls "time outs" – on public-housing rent hikes, welfare and child-benefit clawbacks, and cuts to child-care subsidies.

When it comes to disadvantaged youth turning 18, he calls for a grace period of up to four years for those in school so they can prepare themselves for adulthood without triggering financial hardship.

Rules that may make sense in isolation, Stapleton says, are disastrous for struggling families when tangled together. "These misdirected social policies perpetuate poverty and dependence into the next generation," he says.