Why don't we want the poor to own anything?

Our relentless social policy journey toward destitution for the 900,000 poorest people in Ontario

"Basically, welfare policy is caught in a trap of its own making that strips applicants of the same productive assets they will need to leave and stay off welfare later on."

Social and Enterprise Development Innovations,
Wealth, Low-Wage Work and Welfare:
The Unintended Costs of Provincial Needs Tests, 2008

John Stapleton

October 2009

METCALF FOUNDATION

Metcalf Foundation

The Metcalf Foundation helps Canadians imagine and build a just, healthy, and creative society by supporting dynamic leaders who are strengthening their communities, nurturing innovative approaches to persistent problems, and encouraging dialogue and learning to inform action.

Metcalf Innovation Fellowship

The Metcalf Innovation Fellowship gives people of vision the opportunity to investigate ideas, models, and practices with the potential to lead to transformational change. The Fellowships currently focus on addressing systemic issues of poverty and strengthening the nonprofit sector.

John Stapleton

John Stapleton worked for the Ministry of Community and Social Services in the areas of social assistance policy and operations in senior positions for 28 years. After leaving government, John became a Fellow at St. Christopher House in association with Massey College at the University of Toronto. John works as a social policy consultant with governments, think tanks, and community groups.

In 2006, John became a Metcalf Fellow, looking at issues of income security for working-age adults. In 2007 as part of his Fellowship, he published, *Why is it so tough to get ahead? How our tangled social programs pathologize the transition to self-reliance.*

Contents

How Asset Testing Affects Social Assistance Applicants: A Scenario

"In the financial community, we're always urging Canadians to save more, because we know how important even a small pool of savings can be in cushioning families through a financial shock."

- TD Economics, From Welfare to Work in Ontario, 2005

Dave and Alana married after high school and had two children, now ages 6 and 8. The couple worked in upholstery plants in the Cambridge area, Dave full time as a supervisor and Alana part-time in quality control. Both were laid off in March 2008 with severance packages of 4% for each year worked.

At the time of the layoffs they had two cars – a 2003 Chevy Cobalt and a 2001 Taurus. They had saved $20,000 in RRSPs, which they planned to use as a down payment on a house.

In the months following the layoffs, Dave went into a serious depression. By March 2009, the marriage had dissolved under the strain. Dave moved in with his parents. He is undergoing treatment for clinical depression and attending an anger management course.

Alana has been struggling to pay off credit card debt and the higher-than-expected income taxes caused by the severance payment. She is pursuing support from Dave, and although he wants to pay, he still has not secured a job. Both have exhausted their EI and severance money.

When Alana finally sold the family piano for $3,000, she realized it was time to look into going on welfare temporarily – just until she could get back on her feet. During her first interview with Ontario Works, she discovered that she had too much money to qualify for social assistance – the $3,000 from the piano, and the RRSPs. The caseworker advised her to come back when she has exhausted the RRSP money and when her bank balance was below $2,050.

Dave agreed to cash out the RRSPs, which were in mutual funds. Unfortunately, because of the stock market crash in the fall of 2008, their value was only $12,000. After Alana had exhausted this money, she reapplied for welfare. This time, she qualified.

So Alana is on welfare, but she hasn't hit bottom yet.

In February 2010, Alana will find out that she owes a lot of tax on the RRSPs she cashed in. Since she can't pay the taxes, Canada Revenue Agency will suggest that she accept a reduction in her Canada Child Tax Benefits. Alana will agree.

The tax problems will affect Alana's credit rating, which has been deteriorating for two years. In May of 2010, Alana will receive a letter from her credit card company, telling her that they have reassessed her credit rating and are cancelling her last remaining card. To top things off, in June of 2010, Alana's landlord will increase the rent by 2% – an increase that social assistance does not cover.

Now, Alana has no life savings to draw from. She has almost nothing in the bank. She has no credit. She has no money for gas or clothes to look for work.

Alana may be on welfare a lot longer than she planned.

Summary and Recommendations

"You don't have to be sick to visit a doctor, so we don't believe individuals should be virtually penniless before they qualify for social assistance."

- Don Drummond, Chief Economist, TD Bank Financial Group,
& John Stapleton, "What Ontario has to do to fix the hole in welfare,"
Toronto Star, March 18, 2009

We all tend to think things were tougher in the past. We walked to school in the snow. We made less money. Welfare was harder to get. Wasn't it?

As a matter of fact, when we look at the asset limitations on the four programs in Ontario that still have them – Ontario Works, disability support, subsidized housing, and legal aid – the limits for eligibility are the harshest they have ever been.

Canada has a wide range of social security programs, and most of them did away with asset testing many years ago. Not so with these four Ontario programs, which affect some 900,000 of the poorest people in the province. Perhaps we need to give our heads a collective shake. Why don't we want the poor to own anything? In a society that promotes saving and cherishes self-reliance, what is the rationale for public policy that almost guarantees people will grow old in poverty?

Welfare may be a partial answer to destitution, but impoverishing people through asset testing has nothing at all to do with restoring self-sufficiency.

As a first step, this paper recommends the following reforms.

1. Raise asset limits in Ontario for social assistance, and legal aid to $5,000 for single people and $10,000 for families and people with disabilities.[1]

2. In the short term, bring Ontario policy in line with Alberta by exempting a further $5,000 per adult in Tax-Free Savings Accounts and RRSPs. In the longer term, consider adopting the Quebec model of a blanket exemption in registered instruments of $60,000.

---

[1] The recommended limits are in line with the Canada Assistance Plan limits of 1981 adjusted for inflation by the CPI. They also agree with recommendations in *Time for a Fair Deal*, Report of the Task Force on Modernizing Income Security for Working-Age Adults, Toronto City Summit Alliance, May 2006.

3. In the short term, exempt all assets for the first six months of receipt of assistance, as an extension of policies adopted in Newfoundland and Labrador.

4. Eliminate the option to asset test subsidized housing under the Social Housing Reform Act.

5. The federal government must once again assume the leadership role in which it has proven itself so successful in the past. The federal government should call on all provinces and territories to exempt modest RRSP and TFSA amounts from their welfare asset and income rules, building on the provincial leadership of Quebec, Alberta, and Newfoundland and Labrador.

Ontario's government did commit to exploring asset-based approaches in its 2008 Budget. But it needs to act on this now. After the market crash and recession we experienced in 2008 and 2009, the important thing is to provide temporary support to people who lose their jobs and then, when the economy turns around, help them get back into the labour market quickly. Under our present welfare rules, we are destined to repeat old patterns that entangle working families in poverty.

We are not talking about a small group of the vulnerable. Ontario's asset restrictions now affect close to 7% of Ontario's population. This is no time to sit back and see whether vulnerable people can overcome all kinds of adversity to achieve success. It's time to remove as much adversity as we can.

1. The Social Policy Context

In Ontario, we have a range of income programs available to people of all ages and walks of life. These programs, in aggregate, are what we call our income security system.

For seniors, we have Old Age Security, the Guaranteed Income Supplement, and the Canada Pension Plan. For children, we have the Canada Child Tax Benefit, the Universal Child Care Benefit, and the Ontario Child Benefit. For people with disabilities, we have the Workers' Safety and Insurance Board (workers' compensation), the Ontario Disability Support Program (ODSP), and the disability component of the Canada Pension Plan, as well as private plans and other programs.

For working-age adults who have limited resources, we have social assistance or welfare, along with subsidized services such as housing, child care, and legal aid. Employment Insurance has always been the program of first resort for the jobless.

Governments employ a variety of tests (income, assets, and needs) and set eligibility requirements to ensure that needs-tested benefits like welfare go only to those who truly need them. An **income test** is used to determine benefits for people whose annual incomes fall below a certain amount. A **needs test** is used to ensure benefits are only paid to applicants who can show that they have certain necessary expenses. An **asset test** limits eligibility to benefits when people have certain liquid assets above established thresholds.[2]

This third form of test, the asset test, is the topic of this paper. Any program that employs a needs test normally assesses assets as well as income. An asset is a present stock of wealth from which a stream of future income may be expected to flow. The issue for this discussion is the extent to which assets should be taken into consideration in social assistance and related programs.

[2] Welfare programs like Ontario Works also have rules surrounding fixed (non-liquid) assets. These latter rules are not the focus of this paper.

Why do we have asset testing?

The rationale for asset testing is to ensure that people who receive benefits are in true need and to promote fairness in these programs. For example, to treat two applicants with identical incomes in the same way, when one has substantial fixed wealth and the other does not, can be seen as unfair. To give aid to an individual who has little income and large assets while denying aid to someone with greater income but no assets evokes a similar response.

An asset limit must be set and defined in terms of ready convertibility to cash. Liquid assets over the limit either result in ineligibility or are considered to be available to offset the cost of assistance.

Why do we allow applicants to retain some of their assets?

For the last 60 years, needs-tested programs have recognized that a reasonable "cushion" or liquid asset exemption is a necessary eligibility rule. A reasonable exemption ensures that people receiving a minor windfall do not lose all their benefits. It promotes savings behaviour and builds the capacity to meet contingencies and pay the costs associated with taking on a job and moving toward self-reliance.

There is extensive literature on asset poverty, asset testing, and asset development.[3] Although there are many strands in the literature, there is no unifying argument, a problem that may be hurting social policy in the area of asset development and asset poverty.

Nonetheless, many make the argument that when low-income and asset-poor adults are given incentives and rules that allow them to obtain and retain assets, their time horizon lengthens and they become better citizens who are better able to withstand the ravages of poverty.[4]

---

[3] See Rajiv Prabhakar, *The Assets Agenda and Social Policy*, Social Policy & Administration ISSN, 0144–5596 DOI: 10.1111/j.1467-9515.2008.00646.x Vol. 43, No. 1, February 2009, pp. 54–69. http://www3.interscience.wiley.com/cgi-bin/fulltext/121641371/PDFSTART where a useful overview on the current debate and the literature associated with it is provided and clarified.

[4] See Social and Enterprise Development Innovations (SEDI) at: http://www.sedi.org/html/programs/AssetBuilding.asp.

This idea is not new. It was one of the cornerstones of German Chancellor Otto von Bismarck's social security innovations in the late 19th century. It is not our intent to discuss asset poverty and asset development in this paper. Rather, it is to concentrate on the particular problems associated with low asset limits in Ontario's needs-tested programs, especially in the context of the current economic recession.

Was asset testing more common in the past?

Going back to the early 1950's, many more of our income and service programs were asset tested, including:

- Old Age Assistance,
- Old Age Home per diem subsidies,
- Homemakers and Nurses Services,
- Blind and Disabled Persons Allowances,
- per diem subsidies for persons with disabilities living in institutions,
- Welfare and related programs, and
- Child care.

Imputing value to assets is administratively a tremendously complex and subjective task. Income is more easily quantified. All government programs except welfare and related programs have long since abandoned asset testing. That’s because the administrative complexity, weighed against the possible return, has not been seen as cost effective or warranted.

However, the asset testing employed by most of the programs that retain it (especially Ontario Works) is far more stringent today than it was in the post-war period.

2. Asset Testing in Ontario

In Ontario, only four province-wide programs use asset testing.[5]

- Ontario Works (OW) is also known as social assistance or welfare.
- Ontario Disability Support Program (ODSP) is a social assistance program for people with disabilities who do not have alternative resources. People sometimes refer to receiving ODSP as "being on disability."
- Legal Aid[6] is a service provided by lawyers and community legal clinics that enables people with limited resources to access Ontario's legal system.
- Subsidized housing (or "public housing") enables people with limited resources to pay reduced rents.[7]

How are the rules applied?

Each of these programs tests liquid assets differently. In the following table, the first two columns show the asset limits for single people and lone parents in order to qualify for each program.

The third column, "Permissive or Mandatory," explains whether the municipality or organization that delivers the program can set its own policies about whether to test for assets or not.

The fourth column, "Administrative Discretion," explains whether program deliverers can adjust the rules for individual applicants, depending on their circumstances.

[5] Child care subsidy – a service called "day care" by many – has until recently been subject to an asset test in some Ontario municipalities. As of 2008, child care is no longer asset tested anywhere in Ontario.
[6] See Legal Aid Ontario: http://www.legalaid.on.ca/en/getting/financial.asp.
[7] There are other smaller municipal programs that also apply an asset test at the municipal level. One good example are the Ottawa programs called Essential Health and Social Support, and Home Help. See http://ottawa.ca/calendar/ottawa/citycouncil/cpsc/2009/06-01/05%20-%20ACS2009-CCS-CPS-0014%20EHSS%20asset%20level%20report%2007May09.htm.

For each program, a complex set of rules govern what counts as a liquid asset (an asset easily converted to cash) and what does not.[8] Applicants and recipients are generally allowed to own a principal residence and a modest automobile.[9] Often, monies paid out for pain and suffering are exempt (for example, criminal injuries compensation or residential school awards).

Asset Testing in Ontario's Needs-tested and Income-tested Programs

Program	Asset Limit for Single person	Asset Limit for Lone Parent	Permissive or Mandatory	Administrative Discretion
Ontario Works	$572	$1,550	Applies without exception to all applicants and recipients.	Applicants are tested differently in different parts of the province.
Ontario Disability Support Program	$6,000	$6,500		Staff apply the rules consistently to both applicants and recipients.
Subsidized Housing	$20,000 under the Social Housing Reform Act (SHRA).		At the discretion of municipalities.	SHRA rules apply if a municipality chooses to apply an asset test.
	Residents must sell their homes.		Applies without exception.	Applies without exception.
Legal Aid	The allowable asset level varies from case to case. After Legal Aid does a needs test, all resources that applicants have in excess of their needs-tested requirements are available to service legal fees.		Legal clinics and duty counsel at court do not apply the asset test. Legal aid offices test the assets of people who apply for a certificate.	Legal Aid waives both the needs test and the asset test for some applicants.

How many people are subject to asset testing in Ontario?

In July 2009, Ontario Works and ODSP had a total combined population of 798,105 people or 6% of Ontario's population.

According to the latest figures (2004-05) available from Legal Aid Ontario, Legal Aid asset tested approximately 125,000 families.

[8] Various Ontario Regulations set out extremely complex asset limits. For example, see the rent geared to income regulations of the Social Housing Reform Act at: http://www.e-laws.gov.on.ca/html/regs/english/elaws_regs_010298_e.htm and the Ontario Works and ODSP regulations at: http://www.e-laws.gov.on.ca/html/regs/english/elaws_regs_980222_e.htm#BK30 and http://www.e-laws.gov.on.ca/html/regs/english/elaws_regs_980134_e.htm#BK44.

[9] Housing programs do not allow these assets.

Based on data from the Ontario Non-Profit Housing Association, we estimate that in 2009, subsidized housing will test the assets of 6,000 tenants who are not receiving social assistance.[10]

Some people in Ontario are asset tested in more than one program. For example, someone receiving Ontario Works may live in subsidized housing. That person may also be eligible for a legal aid certificate. Our best estimate is that about 600,000 families, representing at least 900,000 Ontarians (adults and children), comprising 7% of Ontario's population are subject to often stringent asset testing in order to receive program benefits.

[10] The estimate of 6,000 tenants is based on spreadsheets supplied by the Ontario Non-Profit Housing Association (ONPHA).

3. Asset Limits in Ontario: A 60-Year Roller-Coaster Ride

The following three charts illustrate the up-and-down, careening pattern for asset limits since the post-war years, affecting three categories of social assistance recipients:

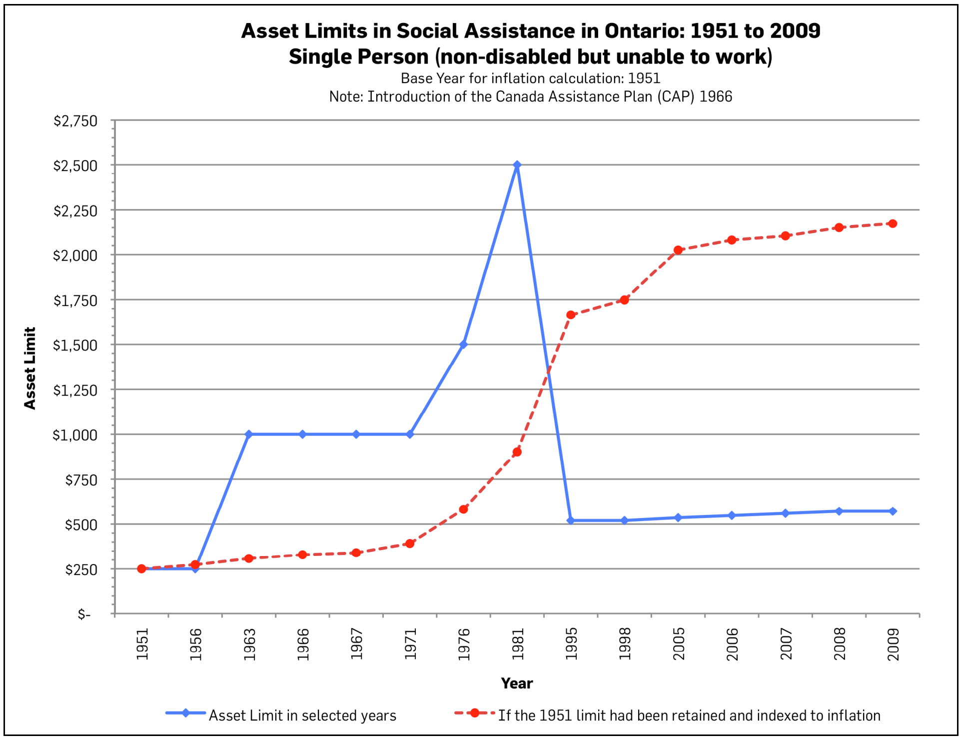
- Single, unemployable people (non-disabled but unable to work),[11]
- lone parents with one child, and
- single people with a disability.

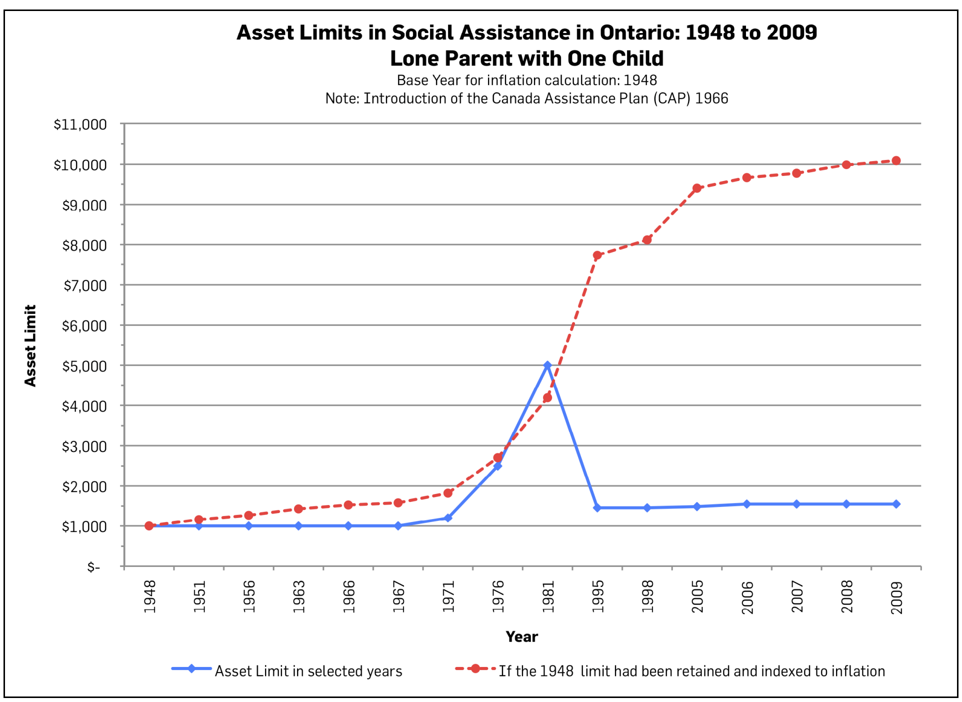
The solid lines represent the actual amount of the asset limit for each of these categories over time. The dotted lines show the real value of the baseline asset limit if it had remained in place and been adjusted to inflation over time.

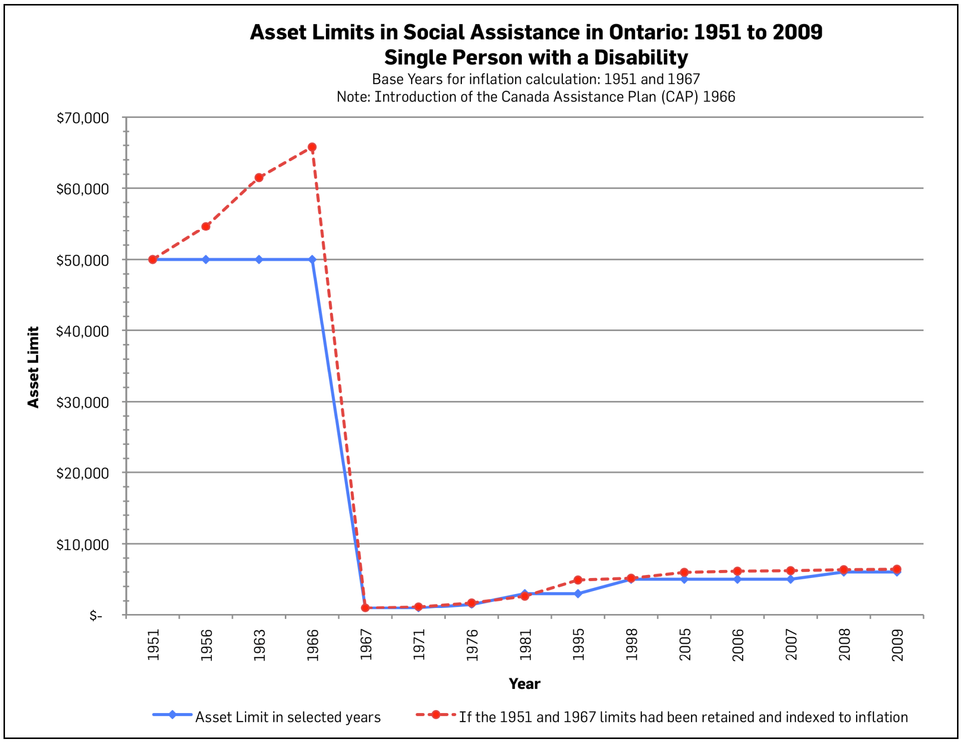
The "roller coaster" analogy refers to the original setting of social assistance asset limits in the post-war period, the catch-up to inflation in 1981, and then the relentless decline during the 28-year period from 1981 to 2009.

Roller coasters are expected to go up and down without warning. Public policy is expected to be anticipatory, planned, deliberate, and subject to reasonable public expectations. The patterns on these charts point to a gross lack of policy attention as asset limits dropped precipitously to inflation, then rose markedly above inflation (1981), only to relentlessly fall relative to inflation starting in 1995. There was little or no interprovincial or pan-Canadian public policy discussion of the matter.

[11] In Ontario, employable men and women were ineligible for social assistance between 1941 and 1958; accordingly, the 'unemployable' designation is used here. 'Employable' and 'Unemployable' rates were re-established at one benefit rate in the early 1980's.


Asset Limits in Social Assistance in Ontario: 1951 to 2009
Single Person (non-disabled but unable to work)
Base Year for inflation calculation: 1951
Note: Introduction of the Canada Assistance Plan (CAP) 1966
Asset Limit
$2,750
$2,500
$2,250
$2,000
$1,750
$1,500
$1,250
$1,000
$750
$500
$250
$-
1951
1956
1963
1966
1967
1971
1976
1981
1995
1998
2005
2006
2007
2008
2009
Year
Asset Limit in selected years
If the 1951 limit had been retained and indexed to inflation


Asset Limits in Social Assistance in Ontario: 1948 to 2009
Lone Parent with One Child
Base Year for inflation calculation: 1948
Note: Introduction of the Canada Assistance Plan (CAP) 1966
Asset Limit
$11,000
$10,000
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$-
1948
1951
1956
1963
1966
1967
1971
1976
1981
1995
1998
2005
2006
2007
2008
2009
Year
Asset Limit in selected years
If the 1948 limit had been retained and indexed to inflation



The picture prior to the introduction of the Canada Assistance Plan in 1966

Asset limits for families on welfare did not preoccupy the policy makers of the 1930's. Wallace Campbell, General Manager of the Ford Motor Company of Canada, who chaired the Royal Commission on Relief in 1932 for Ontario's Premier Henry, commented that any additional money that a relief recipient may have, should be deployed in meeting necessities. It appeared that in the face of the pressing need during the Great Depression and the gross lack of resources of so many families, Campbell thought the concern to be somewhat superfluous. If a family on relief actually came into some money, then the thought was to simply use such resources to meet their need.[12]

Mothers' Allowance had been subject to asset limits since its inception in November 1920, but in the early days of the first cash benefits, a dollar asset limit was not referred to in welfare legislation. With the Ontario Mothers' Allowance Regulations in 1948, the limits were set in clear dollar terms at a fairly generous level of $1,000. Any assets in excess of the limit were allowable as long as they were spent on raising children.[13]

[12] See J. Stapleton, & C. LaFrambroise, *The Campbell report: The origins of modern public assistance in Ontario*, http://www.openpolicyontario.com/wallace%20campbell%20final.pdf, 2005.
[13] Ontario Mothers' Allowance Act, Regulation 237/48, Section 11 (2), November 1948.

In a 1991 interview, Dr. Dorothea Crittenden, Canada's first woman Deputy Minister (Ontario Community and Social Services, 1974-1978) looked back at the ideas prevalent in social policy during the post-war years:

> "The mothers were able to have assets. For instance, a single mother with children might, while the children were small, be able to go out and get a job, but if she had those assets behind her, she might also be able to help her children go to get a secondary education and a higher education. But if she didn't have any assets, she was just like a floundering fish…"

In 1951, when a new amendment to the Constitution created payroll-funded Old Age Pensions at the federal level, a new program, called Blind and Disabled Persons Allowances, was introduced in Ontario. The asset limits were set very high at $50,000. Dr. Crittenden explained:

> "There were only two groups that were able to have assets – the disabled and blind were all lumped together … and the idea was with both of those, they would through time, have requirements – this was the previous thinking back in the fifties – you see."[14]

Changes with the Canada Assistance Plan (CAP)

Following proclamation of certain elements of the Canada Assistance Plan in April 1966, the Family Benefits Act was proclaimed in Ontario in 1967. All provinces and territories implemented similar asset tests and abolished residency requirements as part of the CAP agreements of 1966 and 1967.

Ontario believed that it gave up a lot to come into the Canada Assistance Plan and garner the 50% cost sharing that the federal government offered on all provincial and territorial qualifying social assistance payments. Under strong but muted bureaucratic protest, it froze asset limits at $1,000 for all individuals. This included the sick and injured, persons with disabilities and lone parents. It was forced to 'grandfather' its generous asset limitations for all disabled recipients.

From 1967 to 1981, asset limits generally moved in an upward direction. CAP turns out to have been an influential program, as provinces and territories used its guidelines as informal benchmarks for their own programs.

[14] 1991 interview with John Stapleton, http://www.openpolicyontario.com/Publications/Interview_Crittenden_1.pdf.

In 1975, in anticipation of the demise of CAP in favour of expected new income support and supplementation legislation,[15] CAP issued new asset guidelines, and revised them upwards again in 1981. This placed considerable moral suasion on provinces and territories to meet the maximum allowable under CAP for federal cost sharing of provincial and territorial social assistance.

In 1981, Ontario adopted the CAP guidelines. This was one of the two “high water marks”[16] of asset limits in Ontario. The asset limits were:

- $2,500 for a single (unemployable) person,
- $5,000 for a family with $500 added for each child, and
- a $2,500 limit for the first child in a one-adult family.

The demise of CAP

Ontario’s asset limits came under attack when it became clear that CAP would no longer survive in the mid-1990's. The 'moral suasion' argument had already ceased to hold with the so-called 'cap on CAP' that was implemented by the federal government in 1990. This capped increases to Ontario, Alberta and BC (the “have” provinces) at the outset of a crippling recession.

With CAP effectively ended by 1995, there was no standard or beacon that one could point to in terms of standards. Provinces and territories quickly followed Ontario's lead to reduce asset limits to all but persons with disabilities. The single person asset limit was dropped by a factor of five and the lone parent limit by four early in the Mike Harris regime.

Without CAP in place, decades of generally keeping pace were ended with a pen stroke. Activists, preoccupied in 1995 by the social assistance rate cuts of 21.6% (only the second of two rate cuts in the 20th century[17]), did not make the asset limit cuts a matter of strong public protest, even though they were reduced by far greater amounts than the rates of payment themselves.

---

[15] Mark Lalonde's famous Orange Paper on income security reform called for the replacement of the Canada Assistance Plan with an income support and supplementation Act and a new social services Act.
[16] The other high water mark was in the immediate post-war period until 1951.
[17] The first rate decrease occurred in 1938-9 when the Campbell report's +25% rate table adopted by the Ontario government resulted in rates as high as Campbell +39% being reduced to the Campbell +25% standard. See Campbell Report, op. cit. p. 9.

Lingering effects of the legislative changes of the 1990's

In the 1990's, the Harris government strongly tied legal aid and social housing benefit structures to the Ontario Works model. This had the effect of enforcing Ontario Works limitations on these two other programs.

These legislative changes established asset limits at a level that was identical to social assistance rates. For instance, the monthly single allowance, set at a maximum of $520, was mirrored by an asset limit of $520. By the time the Liberals came to power in 2003, the logic of this association between asset limits and maximum rates had already hardened.[18] Accordingly, asset limits were raised each time social assistance rates were raised in each of four rate increases since 2003.

The result is that today, asset limits for single people are only worth a quarter of what they would have been worth if their original regulatory limit had stayed in place and been indexed. Today's disability limits are roughly in line with their 1966 re-set, but nowhere near, their pre-CAP worth. Of course, Unemployment Insurance, now Employment Insurance (EI) covered many more people in the 1950-1980 period and had no asset test at any time in its history.

The effect on lone parents over time is really striking. Let's go back to 1948, when Ontario brought in regulations to formalize asset limits for lone parents at $1,000. Had this amount been indexed over the last 60 years, an inflation-adjusted asset limit of $10,090 would be in place in 2009. The current asset limit of $1,550 for a lone parent leaves very little for normal day-to-day contingencies, and little or nothing to help with pursuing a job.

And keep in mind that in 1948, any assets in excess of the limit were allowable as long as they were spent on raising children.[19] By contrast, any amount over the limit in 2009 would result in immediate disqualification from benefits.

---

[18] Informal rules in the post-war period linked the asset limit for a single, employable person but no formal asset rules linking monthly benefit levels were introduced until 1998. An important public policy question relates to why some asset limits are set at monthly benefit levels, others slightly above, and others (for persons with disabilities) at six times the monthly benefit rate. There is no stated rationale provided for each of the three policy approaches.

[19] Ontario Mothers' Allowance Act, Regulation 237/48, Section 11 (2), November 1948.

4. Why Do We Keep Clamping Down on Assets?

"The asset limit provides a perverse incentive against recipients accumulating any meaningful cash reserves. This limits their geographic mobility to seek work and inhibits their departure from OW. We believe that current asset limits considerably heighten the persistence of any increases in the OW caseload. Moreover, the asset limits encourage recently laid-off individuals to transfer any liquid assets into exempt forms in order to qualify for social assistance. The low asset limit will likely deny eligibility to certain potential beneficiaries, but we suspect that they will choose to shift or deplete assets in order to qualify. These asset limits are then likely a greater barrier to moving from social assistance than to qualifying for social assistance."[20]

- TD Economics: "Toronto faces large funding burden for social assistance," February 9, 2009

In the mid-1990's, the clampdown on social assistance programs had ten significant aspects.

1. Workfare (community participation) was introduced.
2. Social assistance rates were cut by 21.6%.
3. The 'man in the house' rule was reintroduced.
4. A lifetime ban on welfare eligibility was introduced for those who committed fraud.
5. Minimum amounts paid for shelter costs were removed.
6. Penalties for being fired or for quitting a job were implemented.
7. Earnings exemptions were reduced to zero for some recipients.
8. People with addictions were sanctioned.
9. Portions of the earnings of people living with their parents were deducted from their parents' payments.
10. Asset limits were reduced to mirror monthly payments.

[20] www.td.com/economics/special/db0209_toronto.jsp, February 9, 2009.

It is interesting to note that since the change in governments in Ontario in 2003, the first nine of these restrictions have either been removed or relaxed.

1. Community participation rules have been relaxed or removed in many municipalities.
2. Social assistance rates have been increased four times and a fifth increase has been announced.
3. The ‘man in the house’ rule has been changed.
4. The lifetime ban respecting welfare fraud was abolished.
5. Shelter funds have been established in many municipalities.
6. The 'quit-fired' penalties were abolished.
7. Earnings exemptions have been increased to 50% from 0% and 25%.
8. The approach to people with addictions has been overhauled.
9. The earnings of people living with their parents who are attending post-secondary education are no longer penalized.

Conspicuous by its absence from this list is any policy change around asset limits. True, the limits have been increased in line with the rate increases implemented in social assistance. But the four- and five-fold drops in asset limits caused by linking asset accumulation to monthly social assistance rates have yet to be addressed.

Clearly, there is resistance to increasing the limits. That may stem from a belief that there would be growth in the number of people who would apply for and receive social assistance in the short term. However, the damage caused by preventing social assistance recipients from saving and by stripping applicants’ assets outweighs short-term concerns about caseloads.

Compared to social assistance rates or any other element of our social assistance programs, allowable assets and the rules surrounding them have been subject to the most protracted and relentless set of cuts and restrictions.

The time has come to take a careful look at asset policies and explore approaches that would be a better fit with the province’s current poverty reduction strategies.

Recommendations

1. Raise asset limits in Ontario for social assistance, and legal aid to $5,000 for single people and $10,000 for families and people with disabilities.[21]

2. In the short term, bring Ontario policy in line with Alberta by exempting a further $5,000 per adult in Tax-Free Savings Accounts and RRSPs. In the longer term, consider adopting the Quebec model of a blanket exemption in registered instruments of $60,000.

3. In the short term, exempt all assets for the first six months of receipt of assistance, as an extension of policies adopted in Newfoundland and Labrador.

4. Eliminate the option to asset test subsidized housing under the Social Housing Reform Act.

[21] The recommended limits are in line with the Canada Assistance Plan limits of 1981 adjusted for inflation by the CPI. They also agree with recommendations in *Time for a Fair Deal*, Report of the Task Force on Modernizing Income Security for Working-Age Adults, Toronto City Summit Alliance, May 2006.

5. Asset Restrictions on Federal Savings Instruments: A Study in Inconsistency

At the start of the new millennium, Canada had two very popular and well-advertised registered savings instruments. Registered Retirement Savings Plans (RRSPs) are not exempt from social assistance clawbacks. Registered Education Savings Plans (RESPs), on the other hand, are exempt.

Since 2007, two new registered savings vehicles have been established by the federal government. The first is the Registered Disability Savings Plan (RDSP) where parents and relatives may fund a savings plan for a loved one with a disability. This plan is completely exempt from social assistance clawbacks. The second new vehicle is the Tax-Free Savings Account (TFSA). This vehicle is not exempt either as income or assets under social assistance programs.[22]

It is difficult to understand why two of these programs are exempt and the other two are not. One possible reason may be that RDSPs and RESPs provide federal cash incentives (contributions) for savings, and Ontario does not wish to keep these incentives from flowing to the beneficiary. In both of these cases, the federal government publicly asked provinces and territories to exempt these two instruments. It refrained from doing so with RRSPs and TFSAs. The following table summarizes the situation.

Treatment of Tax-assisted Registered Savings Instruments under Ontario Social Assistance

Type of Registered Instrument	Treatment under Social Assistance Asset & Income Rules	Contribution Available from Federal Government	Date of Policy Decision	Public Federal Intervention to Exempt
RRSP	Non-exempt	No	1958	No
TFSA	Non-exempt	No	2009	No
RESP	Exempt	Yes	2004	Yes
RDSP	Exempt	Yes	2008	Yes

[22] The newest registered tax instruments are explained at http://www.cibc.com/ca/features/tax-tips/contribute-rrsp.html. Also see A. Baldwin, J. Stapleton, and D. Drummond; TD Economics, *New Asset and Income policies to assist low-income adults under Ontario's Poverty Reduction Strategy*, July 2008.

The consequence of these inconsistent policies is that disabled social assistance recipients, and those who have children, have a real savings advantage over the non-disabled and those without children. Either the social assistance recipients themselves, or relatives who have additional resources, may contribute to savings plans for children or people with disabilities. No such capacity is in place for non-disabled persons without children.

Nor is there any consistency in the way that various provinces and territories apply asset limits to registered vehicles. With the exception of Alberta, Quebec, and Newfoundland and Labrador, all provinces and territories count RRSPs as disqualifying assets and income for welfare purposes. Alberta allows a $5,000 RRSP exemption for each adult family member. Quebec allows individuals to retain up to $60,000 in total savings instruments. Ontario exempts Registered Education Savings Plans (RESPs) up to $45,000. Newfoundland and Labrador allows RRSPs for three months before they must be liquidated.

Previous displays of federal leadership show, however, that provinces and territories can and will respond to federal calls for change and national standards. Here are some examples.

- When Finance Minister John Manley asked provinces to stop clawing back increments in the federal National Child Benefit Supplement (NCBS) in 2003, all provinces complied.
- When HRSDC asked all provinces to exempt RESPs from welfare payments in 2004, all jurisdictions complied.
- When Finance Minister Flaherty asked provinces to exempt the Working Income Tax Benefit (WITB) and the Registered Disability Savings Plan (RDSP) from welfare payments, all complied.

However, when no call was issued to exempt either RRSPs or the new TFSA from welfare payments, provinces and territories retained their policies to count TFSAs and (more importantly) RRSPs as both assets and income under provincial welfare programs.

And what is the result? Unemployed workers with a few thousand dollars in RRSPs who apply for welfare are told that they have to liquidate them in order to become eligible later on. They cash them out at a low point after the market crash, spend the proceeds before getting a single dollar of assistance, then face a tax bill in the next year when they can least afford to pay it. For their trouble, they have no savings for their retirement and will become even more reliant on programs like the Guaranteed Income Supplement (GIS) when they turn 65 – and all as a result of short-sighted policies that will cost all of us dearly.[23]

Recommendation

The federal government must once again assume the leadership role in which it has proven itself so successful in the past. The federal government should call on all provinces and territories to exempt modest RRSP and TFSA amounts from their welfare asset and income rules, building on the provincial leadership of Quebec, Alberta, and Newfoundland and Labrador.

[23] J. Stapleton & D. Drummond, *What Ontario has to do to fix the hole in welfare,* http://www.thestar.com/article/604099.

6. Asset Stripping in a Culture that Promotes Saving

"You may be asking yourself, why is there so much pressure to save money. If you have enough to pay for everything you need, why should you worry about putting any aside each month? There are a variety of reasons to begin saving money. Different people save for different reasons. Here are seven reasons that you may consider saving your money.

1. *Save for Emergency Funds*
2. *Save for Retirement*
3. *Save for a Down Payment for a House*
4. *Save for Vacations*
5. *Save for a New Car*
6. *Save for Sinking Funds*
7. *Save for Your Education"*

- "Top-7-Reasons-to-Save-Money" from about.com

Financial analysts say Canadians need up to one million dollars in savings in order to retire in comfort. The only real way to achieve this goal is a steady regimen of saving from early adulthood until retirement. Governments and financial experts have preached for decades about the need to build savings.

Most Canadians will live through three recessions during their adult years. For any of us who hit a rough patch in just one of those recessions and are forced to apply to one of the four asset-tested programs in Ontario, the lion's share of our savings must be depleted and we must start again.

When recessions happen, rising welfare caseloads tend to follow unemployment with a lag. The number of welfare recipients keeps growing long after the economy starts to recover. This "welfare hangover" is a dangerous phenomenon. In 2008, 5.6% of Ontarians received social assistance. This figure will rise to over 7% by 2011 if unemployment continues to grow. That comes with a hefty price tag to the taxpayer and an even larger cost to society.

Features of welfare design actually contribute to the problem, because applicants must run down their assets to meet the requirements. That's where the trouble really begins. Climbing out of destitution takes time and money.

For example, Social and Enterprise Development Innovations (SEDI) has conservatively estimated the cost of moving into accommodation from a shelter – just the basics, like Hydro, phone, pots and pans, a little furniture, a first food shopping, a TTC transit pass – amounts to more than $2,000.

475,000 families receive social assistance in Ontario. They have stripped themselves of their liquid assets. They must wait until they no longer require legal aid, and leave public housing, before they can resume saving for anything, – let alone save for retirement.

In a society that promotes saving and cherishes self-reliance, there is no good rationale for public policy that almost guarantees people will grow old in poverty.

Appendix 1: Asset Limits in Social Assistance in Ontario: 1948 – 2008

A 60-Year Roller-Coaster Ride Real Asset Limits in Social Assistance in Ontario: 1948 to 2008						
Asset Limit by Category of Social Assistance Recipient						
Category of SA Recipient	Single Person (non-disabled but unable to work)		Lone Parent with One Child		Single Person with a Disability	
Base Year	Base Year for inflation calculation: 1951		Base Year for inflation calculation: 1948		Base Years for inflation calculation: 1951 and 1967	
Year	Asset Limit in selected year	Limit if adjusted to inflation	Asset Limit in selected year	Limit if adjusted to inflation	Asset Limit in selected year	Limit if adjusted to inflation
1948[24]	n/a	n/a	$1,000	$1,000	n/a	n/a
1951	$250	$250	$1,000	$1,161	$50,000	$50,000
1956	$250	$273	$1,000	$1,268	$50,000	$54,615
1963	$1,000	$308	$1,000	$1,429	$50,000	$61,538
1966	$1,000	$329	$1,000	$1,527	$50,000	$65,769
Introduction of the Canada Assistance Plan (CAP)[25]						
1967	$1,000	$340	$1,000	$1,580	$1,000	$1,000
1971	$1,000	$392	$1,200	$1,821	$1,000	$1,153
1976	$1,500	$583	$2,500	$2,705	$1,500	$1,712
1981	$2,500	$902	$5,000	$4,188	$3,000	$2,650
1995	$520	$1,665	$1,457	$7,732	$3,000	$4,893
1998	$520	$1,748	$1,457	$8,116	$5,000	$5,136
2005	$536	$2,025	$1,487	$9,402	$5,000	$5,949
2006	$548	$2,081	$1,550	$9,661	$5,000	$6,113
2007	$560	$2,104	$1,550	$9,768	$5,000	$6,181
2008	$572	$2,150	$1,550	$9,982	$6,000	$6,317
2009	**$572**	**$2,173**	**$1,550**	**$10,090**	**$6,000**	**$6,384**

[24] Mothers' Allowance was always subject to asset limits since its inception in November 1920 but the 1948 regulations established the limits in clear dollar terms.
[25] Following proclamation of certain elements of the Canada Assistance Plan in April 1966, The Family Benefits Act was proclaimed in Ontario in 1967.

Appendix 2: Cost for Single People to Move from a Shelter to a Place of Their Own

The following is a conservative estimate of what it costs an individual to go from the shelter to living on their own. This estimate was created by the Salvation Army Gateway shelter in conjunction with a previous resident that had recently made the transition to their own place. The estimate is provided courtesy of Social and Enterprise Development Innovations (SEDI).

There are many hidden costs that are incurred by individuals when they move into a new place. These items such as: knives, window curtains, security deposit on keys, etc., have not been included.

Cost for Single People to Move from a Shelter to a Place of their own		
Item Category	**Cost**	**Item particulars**
First and Last month's rent	$850	Basic bachelor or a room
Bed	$100	Wholesale price
Furniture	$300	Lamps, chairs, table, phone, etc.
Transportation	$109	TTC transit pass for work
Hydro deposit*	$180	
Phone hook up	$92	
Cable	$100	
First shop groceries	$100	
Initial condiments	$80	
Pot set	$50	
Dishware set	$20	
Glasses	$20	
Basic linens	$30	
Household goods	$30	Broom, shower curtain, etc.
Bathroom accessories	$30	Towels, facecloth, cleanser, brush
Laundry	$15	
Personal hygiene products	$60	
Total without Hydro	**$1986**	
Total with Hydro	**$2166**	

*Some accommodations require the tenant to pay for Hydro. Toronto Hydro charges $30 when somebody first sets up an account and then charges 1.75 times the average bill, which covers two months.

Why don't we want the poor to own anything?
Toronto: October 2009

This report was prepared by: John Stapleton

ISBN # 978-0-9808981-1-8

Published by:
George Cedric Metcalf Charitable Foundation
174 Avenue Road
Toronto, Ontario M5R 2J1

Phone: (416) 926-0366
Fax: (416) 926-0370
E-mail: info@metcalffoundation.com
Website: www.metcalffoundation.com