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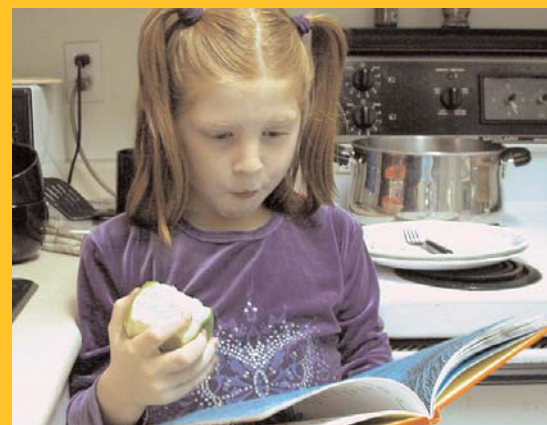


# REBUILDING LIVES



Daily Bread  
Food Bank

**Taking children off  
social assistance  
and encouraging  
their parents to work**





# Daily Bread Food Bank

Our immediate goal is to feed hungry people.

Our ultimate goal is to eliminate the need for food banks.

## **Credits**

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# Rebuilding Lives

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# Rebuilding Lives

## Taking children off social assistance and encouraging their parents to work

### A. A Better Way to End the Clawback

#### Introduction

In Daily Bread's Research Bulletin # 4<sup>1</sup>, the impact of eliminating the clawback on children using food banks in the GTA was examined. Although not explicitly stated, the approach used in that bulletin was the "**Manitoba Model**" because it was based on one used by the province of Manitoba to end the clawback. In this paper, Daily Bread proposes a new model to end the clawback called the "**Transition Model**."

This paper has four aims:

- o to review how the clawback works;
- o to explain and contrast: the Manitoba Model and the Transition Model;
- o to show why the Transition Model is the best option for ending the clawback--especially from the point of view of the people it benefits ;
- o and, to persuade the government of Ontario to keep its campaign promise to end the clawback and to do so by implementing the Transition Model.

The current Liberal government in Ontario has indicated a willingness to examine the options for ending the clawback and it has made positive statements concerning this issue. For example, prior to the 2003 election, Dalton McGuinty promised in a letter to the Campaign Against Child Poverty, "my team and I oppose the Conservative government's practice of clawing back the National Child Benefit, a practice we will end during our first mandate."<sup>2</sup> This commitment was repeated in the 2004 Budget by the Liberal government where it states that:

"Over the next year, the Province will examine Ontario's approach to the treatment of the NCBS payments to social assistance recipients and decide whether it should be changed or restructured. As well, social assistance programs that provide cash and in-kind benefits for children will be reviewed. If there are better ways to deliver benefits to low-income families and vulnerable children, the government will do so."<sup>3</sup>

In writing this paper, our starting point is that the Ontario Liberal government has a significant opportunity to meet its commitment to end the clawback while putting social assistance programs on a much stronger foundation for the future. The key message we hope both politicians and policy advocates take from the paper is that simply ending the clawback is not enough. The Transition Model reviewed in this paper is a specific and highly detailed approach to ending the clawback. Even if this approach is not adopted in its entirety, Daily Bread strongly believes that its basic approach should be followed. Social assistance benefits need to be restructured and that the best way to do this is by taking children off welfare and placing greater emphasis upon the working poor.

#### Fiscal Implications

The central purpose of this paper is to explain how the Transition Model works and the reason why restructuring social assistance in this manner is necessary. However, it would be remiss not to acknowledge that there are significant cost implications for what is being argued here, particularly in light of the province's current financial position. There are savings to be found in the reduction of social assistance rates and reducing impediments to labour market entry. However, new costs will come through the conversion of the Ontario Child Care Supplement for Working Families into an Ontario Child Benefit; the expansion of drug and dental programs to the working poor; and the introduction of a working income

supplement, in addition to administrative costs of restructuring. A portion of those costs should be assumed by the federal government through the Canada Social Transfer. Beyond that, the costs of restructuring welfare should be viewed through the alternative of putting money back into a welfare program that is structurally flawed and publicly unpopular. In light of this alternative, we believe there is a strong argument for the province to move in the direction outlined here.

## **B. Child Benefits 101**

### **What is the National Child Benefit?**

The National Child Benefit is an income-tested benefit provided to Canadian families with children under the age of 18. It consists of two parts: the Canada Child Tax Benefit base benefit which is received by approximately 82% of Canadian families with children, and the National Child Benefit Supplement which is received in full by low-income families under an income threshold of \$22,615. The purpose of the NCB initiative was to reduce child poverty, promote labour force attachment and reduce overlap of government services and benefits.<sup>4</sup>

### **What is the clawback?**

Some provinces, including Ontario, offset or, in other words, "clawback," social assistance rates by the amount of the National Child Benefit Supplement component of the CCTB (see page 5 to see how it works into the calculation of the gross welfare benefit for an average family). The ability of provinces to clawback was a design feature of the NCB, although provinces were not compelled to do it. Most provinces do clawback, but in different ways. Only Manitoba and New Brunswick do not clawback in any way, although both Newfoundland and Nova Scotia have, for the most part, ended the clawback in their treatment of the NCBS in a way that is similar to what is being proposed here. The savings for provinces generated through the clawback must be used to re-invest in new programs that meet at least one of the NCB program goals and objectives. Throughout Canada these have included programs such as the expansion of extended medical benefits to the working poor and in some cases provincial child benefits that mirror the design of the NCB.

The "clawback" of the National Child Benefit Supplement (NCBS) has been a contentious issue among anti-poverty advocates since the federal government's National Child Benefit initiative was first launched in 1998. After years of declining real benefits for Ontario's lowest income earners, the NCBS has come to be viewed by many as the last chance of a significant and immediate improvement in incomes at the lowest end of the income scale. It is widely accepted that the provincial government in Ontario needs to act on this issue.

### **Where does the clawback money go in Ontario?**

In Ontario the clawback funds are divided on an 80%-20% basis between the province and municipalities respectively, as part of Ontario's welfare cost sharing arrangement. The majority of the province's share of the re-investment money, \$161.7 million in 2002-2003 (plus an additional \$55.3 million of provincial money), is spent on an income-tested benefit for low- and moderate-income working families called the "Ontario Child Care Supplement for Working Families."

Municipalities have taken a wide-ranging approach with their \$40.4 million share of the re-investment money. The City of Toronto, for example, counts the "Shelter Fund Enhancement" as part of its re-investment strategy.

### **What does ending the clawback mean?**

Essentially, ending the clawback means stopping the offset of the National Child Benefit Supplement against social assistance payments and allowing it to 'flow' through to all families with children on social assistance. This option can best be demonstrated by referring to the income calculations on page 5. The clawback takes place in Line B in the calculation of gross social assistance benefit in the Current Model. Ending the clawback means eliminating that deduction line from the net social assistance calculation.

Nevertheless, while there is general agreement on that, ending the clawback can and does imply different things to different people. For many advocates, ending the clawback must



result in families with children on social assistance seeing a rise in income equivalent to the NCBS; anything less would constitute a clawback by other means. In this regard, the definition of the clawback is directly tied to the issue of the adequacy of income security benefits. After eleven years with no increase in social assistance rates this has become especially true as the clawback has been seen by many as a way to get extra income to those who are relying on benefits that have seen a staggering real decline in value over the past decade. If that increase in income does not occur, the clawback has not really been eliminated according to this view.



This goes beyond the technical definition of ending the clawback. Ultimately, the acid test for ending the clawback and completing the NCB initiative is fairly simple. The federal government should be able to combine the CTB base benefit and NCBS into a single child benefit for all Canadian families. This change should not have any affect on social assistance systems in any province or territory or their children benefits. If the federal government moved in the direction of a unified child benefit and eliminated the NCBS, Ontario would be forced to respond because there would no longer be anything to clawback. Other provinces, including Newfoundland, Nova Scotia, New Brunswick and Manitoba would have no such problem (although for very different reasons). Ending the clawback should also mean that reinvestment programs will be maintained and properly funded. The Transition approach to ending the clawback presented here stands up to this test by presenting a way of restructuring welfare benefits that would allow children's benefits to be paid outside the current welfare system.

## C. Ending the Clawback: Two Approaches

### Ending the clawback through the Manitoba Model

In November 1999, Gary Doer's NDP government in Manitoba was elected on a platform that included a promise to end the clawback of the National Child Benefit Supplement. The Doer government moved quickly on this election commitment, announcing on July 27, 2000 the first part of a scheduled five year phase-in of the restoration of the NCBS. This restoration occurred in a way that was consistent with the view that families with children on social assistance must see a rise in income equal to the NCBS. It achieved this by ending the offset of the NCBS, and allowing the benefit to flow through to all social assistance recipients. In other words, Manitoba stopped deducting the NCBS from the welfare cheques of social assistance recipients, increasing the incomes of recipients by the amount of their monthly NCBS cheque, in effect reversing the clawback. No structural changes were made to the social assistance system.

#### Manitoba model: who wins?

- o All families with children who receive social assistance

#### Manitoba model: who ties?

- o The working poor

This was accomplished over a five year period according to the following schedule:

- 2000:** the annual increase in NCBS from the federal government was allowed to flow through to all eligible social assistance recipients.
- 2001:** full benefit allowed to flow through without offset to children ages 6 and under.
- 2003:** full benefit allowed to flow through without offset to children ages 7-11.
- 2004:** full benefit allowed to flow through without offset to children ages 12-17.

In short, the benefits of the Manitoba Model fall to all families with children on social assistance, including those not in the labour market. These are the families who are currently subject to the clawback. The impacts of the Manitoba Model are confined to families within the social assistance system; it does not provide help for families who are not in receipt of social assistance but who may still be at the lower end of the income spectrum. In fact, unless the Ontario government commits to funding the programs the clawback currently funds, the potential is there for those programs to actually be lost. In this regard, poor families in the work force may not just "tie" but lose as a result of ending the clawback.

### **Taking children off welfare by implementing the Transition Model**

The Transition Model, as proposed in a recent Caledon Institute paper,<sup>5</sup> takes a whole new approach to social assistance consistent with the second definition of ending the clawback. It proposes paying social assistance benefits to adults only. Families with children would be provided for through a combination of the National Child Benefit Supplement (which would no longer be clawed-back) and a new Ontario benefit modelled after the NCBS that would replace the current Ontario Child Care Supplement for Working Families (OCCS). In other words, in the Transition Model, children are "taken off welfare." The approach also calls for a new Working Income Supplement (WIS) for all working families, regardless of whether they have children or not. The amount of the supplement is suggested at \$200.

The advantages of the Transition Model are that it provides new benefits for people in part-time and marginal employment. Importantly, it eases the transition from social assistance to the labour market by directing new money for income security to low-wage work outside of the welfare system. The benefits of this model help all low-income people who have employment income, but primarily families with children even if they are not receiving social assistance benefits. Although the Transition Model allows the clawed back money to flow through to social assistance recipients, it does not increase social assistance incomes for everyone currently being clawed back by the amount of the NCBS. For anyone not in the labour force and receiving social assistance, there would be no change in net income. A fundamental difference between the models is that the Transition Model is not restricted by the boundaries of social assistance. Furthermore, it is more dynamic in the sense that it unlocks the potential for families to actually see an increase in income in their pocket as their employment income rises. Daily Bread believes it will act as a catalyst to propel families away from social assistance.

#### **Transition Model: who wins?**

- o The working poor
- o Low-income families with children who are working, whether receiving social assistance or not, will especially benefit

#### **Transition Model: who ties?**

- o Families with children on social assistance with no employment income

### **How do the models work?**

To demonstrate the models for ending the clawback, we will look at the income equations of an average food bank family. Also included in this demonstration is the current system of social assistance payments.

#### **A Typical Food Bank Family**

Pamela is a 35 year old single parent with two kids, Rob who is ten years old, and Stephanie who is seven. They live in a two bedroom apartment in the Lakeshore and Islington area of western Etobicoke where rents are a little bit cheaper than downtown (but not much). Like ¼ of food bank clients, Pamela has a college diploma. She has worked in the past in her field as a legal secretary, but the 9-5 hours interfere with Rob and Stephanie's school schedule. Unable to afford a babysitter, she has had to settle for doing temp office work in the mornings while the kids are at school, and brings in about \$400 per month in net income (the average for a food bank client in this family size). This is just above the amount Ontario Works allows her to earn before her income from employment is deducted from her welfare earnings (\$321/month). Pamela has always held a job (except when on maternity leave), and has more than two years of employment income since first going on social assistance three years ago. As a result, every dollar she earns after the \$321 work exemption is deducted from her welfare cheque.

## Calculation of Pamela's Monthly Income:

The benefits of the Transition Model are best understood by following the worksheets below and attempting the simple math. For anyone not doing the math, the equations show a simplified version of how Pamela's net income is calculated.

**CAUTION:  
MATH**

### Current Model

Figure 1 is a worksheet showing how Pamela's net income is calculated according to the **Current Welfare Model**. In Step 1, her net welfare benefit is calculated minus deductions for her employment income and for the **National Child Benefit Supplement--the "clawback."** *The clawback or the deduction for the NCBS, it should be clear, happens in Line B in the calculation of Pamela's net welfare benefit.* In Step 2, all her income sources are added together to arrive at her net income. In brief, the income equation for the calculation of her net income is as follows:

$$\text{Net Social Assistance Benefit} + \text{Net Work Income} + \text{NCBS} + \text{CCTB Base Benefit} = \text{Net Income}$$

Note that Pamela still receives her NCBS cheque as part of the total package of income benefits. However, the money had already been deducted in the first step of determining her net social assistance benefit, leaving her no better off than had the NCBS not been there in the first place. Under the Current Model, Pamela's net income, inclusive of her government benefits and her \$400 per month job is \$1,601, as the worksheet shows.

Figure 1:

### Current Model Worksheet

Step 1: Calculate Net Social Assistance Benefit

<b>Gross Social Assistance Benefit</b>	Enter client's social assistance benefit according to existing provincial regulations		<b>\$1,086</b>
	<b>A. Subtract net work income from client's flat rate exemption:</b> <u>\$400</u> Work Income - <u>\$321</u> Flat Rate Exemption* <small>* if income is less than flat rate enter \$0 and move to next step</small>	<b>\$79</b>	
	<b>B. Province of Ontario Clawback of National Child Benefit Supplement (NCBS)</b>	<b>\$227</b>	
	<b>Calculate total deduction from Gross Social Assistance Benefit</b> by adding the result of line A to line B	<b>\$306</b>	
		<b>↳</b>	<b>- \$306</b>
<b>Net Social Assistance Benefit</b>	Subtract work income in excess of flat rate exemption and provincial clawback of the NCBS from Gross Social Assistance Benefit		<b>= \$780</b>



## Step 2: Calculate Net Monthly Income

	Enter <b>Net Social Assistance Benefit</b>	<b>\$780</b>
	Enter <b>work income</b>	<b>\$400</b>
	Enter <b>NCBS cheque sent to client by Federal government</b>	<b>\$227</b>
	Enter <b>Canada Child Tax Benefit base benefit (CCTB)</b>	<b>+ \$194</b>
<b>NET INCOME</b>	Add all of the above sources of income	<b>= \$1,601</b>

### Transition Model

The worksheet in Figure 2 shows how Pamela's income equation would change under the proposed **Transition Model**. As can be seen from both the income equation below and the worksheet, the Transition Model is a significantly different way of approaching income security, with an array of new benefits to help families struggling in the labour market.

**Note that the Line B from the Current Model above is no longer in place.** This means that the clawback of the NCBS has been eliminated. Note also that the gross social assistance benefit in the first line of Step 1 has been restructured into an adult only welfare rate of \$675. It is at this point that the children's benefits are extracted from welfare payments. The new rate represents the 'adult only' system of payment being proposed in the model. This accounts for the lower net social assistance benefits.



With regard to children's benefits, the NCBS and the CCTB base benefit would be paid in full outside of welfare. Furthermore, the Ontario Child Care Supplement for Working Families (OCCS), a benefit currently funded by claw back revenue but with tight eligibility restrictions, would be replaced by a broader Ontario Child Benefit. The OCB would follow the NCBS rules and, unlike the OCCS which is paid out to children under 7, would be expanded to include children under 18. These three elements, the NCBS, the CCTB and the new OCB, would all be paid out regardless of Pamela's welfare status. In addition to the separate benefits for children, there is a new Working Income Supplement of \$200. This new benefit would be payable to all low-income working people. Under this new arrangement, Pamela's income equation changes substantially, and would now look like this:



As the following worksheet shows, her net income rises from the \$1,601 in the Current Model to \$1,801 in the Transition Model.

Figure 2:

## Transition Model Worksheet

Step 1: Calculate Net Social Assistance Benefit

<b>Gross Social Assistance Benefit</b>	Enter client's social assistance benefit <b>only on the number of adults</b> in the family	<b>\$675</b>
	<b>A. Subtract net work income from client's flat rate exemption:</b> <u>\$400</u> Work Income - <u>\$321</u> Flat Rate Exemption* <small>* if income is less than flat rate enter \$0 and move to next step</small>	<b>- \$79</b>
	<b>Note: The provincial clawback of the NCBS has been eliminated.</b>	
<b>Net Social Assistance Benefit</b>	Subtract work income in excess of flat rate exemption and provincial clawback of the NCBS from Gross Social Assistance Benefit	<b>= \$596</b>

Step 2: Calculate Net Monthly Income

	Enter <b>Net Social Assistance Benefit</b>	<b>\$596</b>
	Enter <b>work income</b>	<b>\$400</b>
	Enter <b>NCBS cheque sent to client by Federal government</b>	<b>\$227</b>
	Enter <b>Canada Child Tax Benefit</b> base benefit (CCTB)	<b>\$194</b>
	Enter Ontario Child Benefit (replaces the OCCS)	<b>\$184</b>
	Enter the Working Income Supplement (new benefit for the working poor)	<b>+ \$200</b>
<b>NET INCOME</b>	Add all of the above sources of income	<b>= \$1,801</b>

## Manitoba Model

The last worksheet, Figure 3, shows Pamela's income equation if the Manitoba Model were implemented. There is no difference from the current model, except that the clawback has now been eliminated from the calculation of Pamela's net social assistance benefit in Step 1 of the worksheet.



This raises her income by the amount of the NCBS, in her case \$227 per month. Her net income therefore rises to \$1,828, slightly higher than under the Transition Model.

Figure 3:

## Manitoba Model Worksheet

Step 1: Calculate Net Social Assistance Benefit

<b>Gross Social Assistance Benefit</b>	Enter client's social assistance benefit according to existing provincial regulations	<b>\$1,086</b>
	<b>A. Subtract net work income from client's flat rate exemption:</b> <u>\$400</u> Work Income - <u>\$321</u> Flat Rate Exemption* <small>* if income is less than flat rate enter \$0 and move to next step</small>	<b>- \$79</b>
	<b>Note: The provincial clawback of the NCBS has been eliminated.</b>	
<b>Net Social Assistance Benefit</b>	Subtract work income in excess of flat rate exemption and provincial clawback of the NCBS from Gross Social Assistance Benefit	<b>= \$1,007</b>

Step 2: Calculate Net Monthly Income

	Enter <b>Net Social Assistance Benefit</b>	<b>\$1,007</b>
	Enter <b>work income</b>	<b>\$400</b>
	Enter <b>NCBS cheque sent to client by Federal government</b>	<b>\$227</b>
	Enter <b>Canada Child Tax Benefit</b> base benefit (CCTB)	<b>+ \$194</b>
<b>NET INCOME</b>	Add all of the above sources of income	<b>= \$1,828</b>

Review of Pamela's monthly net income with \$400 of employment earnings

<b>Social Assistance Model</b>	<b>Net Income</b>
<b>Current Model</b>	<b>\$1,601</b>
<b>Transition Model</b>	<b>\$1,801</b>
<b>Manitoba Model</b>	<b>\$1,828</b>

### Impact of the two models as Pamela's employment income grows

The above income equations show that the immediate impact of the Transition Model on Pamela, our average food bank client, is a rise in net income of \$200 over the Current Model.

This is slightly less than the rise in income obtained from the Manitoba Model. However, the Transition Model is a more dynamic model in the sense that the real benefits are seen as Pamela's employment income rises. It provides a greater net income, than the other two models, when more money is earned from employment. The reason for this is that the Transition Model addresses the large band of employment income in which someone receiving social assistance would **not** realize an increase in their overall income, partly because of the STEP rules in Ontario Works, but also because of the amount of employment income needed to escape welfare. This band of income is between the flat-rate exemption and the employment income level at which the family would no longer qualify for social assistance (the "break-even level").

To demonstrate, try re-calculating Pamela's net income using the three worksheets above for net employment earnings of \$1,100. What happens?

### Review of Pamela's monthly net income with \$1,100 in employment earnings

Social Assistance Model	Net Income
Current Model	\$1,601
Transition Model	\$1,905
Manitoba Model	\$1,828

As the chart above shows, this level of employment earnings makes no more difference to the net income of Pamela's family than \$400 did under either the Current Model or the Manitoba Model, but rises under the Transition Model. Why?

The key is the concept of the "break-even levels"--the point where the family employment income is high enough to no longer qualify for social assistance. Looking at the Current Model, Pamela would get to keep every dollar of her employment income between \$1 and \$321 (the flat-rate exemption for that family size). However, between \$321 and \$1,180 in monthly employment earnings (the highest amount Pamela can earn and still qualify for welfare), there would be no net increase in total income from any dollar of increased employment earnings. There is essentially a tax-back rate of 100%. Anything above \$1,180 and Pamela's work income exceeds the break-even level, meaning she no longer qualifies for welfare. It is only at this point that she would start seeing an increase in her net income. ***The current system is rigged in such a way that someone earning income from employment sees no extra money in their pocket at the end of the day unless they are able to make a leap into a job that pays relatively high wages.***

Now consider the two models under discussion. The Transition Model alleviates this problem by lowering Pamela's break-even from \$1,180 to \$996. As a result, any extra dollar Pamela earns through employment above \$996 would increase her net income. By contrast, the Manitoba Model would actually increase the break-even level to \$1,407 for a single parent with two children. In short, under the Manitoba Model, if Pamela got more hours at work and increased her monthly employment earnings to \$1,400, it would give her no more additional money in her pocket than the \$400 she earns now. In the Transition Model that level of employment income would long ago have started increasing her bottom line as the following chart shows. Reducing these break-even levels--the point where added income from employment starts making a difference--is one way the Transition Model improves transition into the workforce for social assistance recipients. Moving people off social assistance quicker (ie. because of a lower break-even level) is a benefit to recipients as it ensures they will get to keep more of the money they earn through employment.

#### Comparison of Pamela's Break-Even Levels\*

Current Model:	\$1,180
Transition Model:	\$996
Manitoba Model:	\$1,407

\*The point at which Pamela's work income is sufficient to make her ineligible for welfare and starts to make a difference in her net income.

## Review of Pamela's monthly net income, \$1,400 in employment earnings

Social Assistance Model	Net Income
Current Model	\$1,821
Transition Model	\$2,205
Manitoba Model	\$1,828

The flip side of the reduction in the break-even levels is the impact on drug and dental benefits available to social assistance recipients. By lowering the break-even level, there will be a group of people currently on OW whose work income is high enough to exceed the new break-even level in the Transition Model. Therefore, this group will find they are unable to qualify for welfare after restructuring and will stand to lose the in-kind benefits attached to social assistance eligibility. To ensure that this group is not punished after restructuring takes place, a system would have to be implemented where they would continue to receive the same drug and dental benefits they would have received under the old system. This could be achieved through "grandfathering" (ie. allowing that specific group to retain those benefits for a given period of time). But Daily Bread believes that the better, more structural alternative is to extend drug and health benefits to all working poor regardless of welfare status.

There are also other considerations to take into account with the Transition Model. Primarily, it improves a fundamentally bad aspect of OW by allowing people who work to keep more of their money at a lower level of employment earnings, thus greatly easing their transition into the labour force. With employment earnings making more of a difference to net income, people will actually be receiving more of what they earn for working more hours or getting a raise in wages. Whereas, in both the current model and the Manitoba Model people would not see a net increase because the break-even levels are set much higher. Following on from this, with the greater remuneration from work it will attract more people into the labour force who would otherwise find it does not make economic sense to do so.

### Benefits of the Transition Model

- o It is easier for OW recipients to leave the welfare system.
- o The model helps people stay off welfare, reducing recidivism rates.
- o OW recipients with work income will get to keep more of their earnings, improving a fundamentally bad aspect of the current OW system that is unfair to recipients.
- o OW caseloads would drop as those with sufficiently high employment income levels would no longer qualify for OW. This is an important PR consideration for the government.

### Transition Model reduces social assistance caseloads

The immediate result of the Transition Model will be to lower both social assistance caseloads and the number of people on the system. Both of these reductions can be achieved without lowering incomes for anyone and, in fact, raising them for most low-income people. In contrast, the raising of the break-even levels in the Manitoba Model would widen the welfare eligibility of those with employment income, likely leading to an increase in welfare caseloads.

## D. Impact of the Transition Model on Food Bank Clients

### Children and food bank use

A recent poll of approximately 500 Ontarians conducted for Daily Bread by Maritz Research found that 46% of respondents indicated the number of children using food banks every month was the food bank issue that they were most concerned about. Furthermore, fully 63% said that governments were responsible for reducing hunger. Only 4% believed that food banks were responsible.

The concern of the public is well placed. Every month 63,000 children rely on food relief



programs throughout the GTA. Some form of social assistance is received by 62% of these children's families. Seventy per cent of households relying on social assistance survive on less than \$6.00 a day per person after rent and utilities have been paid. Therefore it is not surprising that 57% of these families are unable to provide the necessities for their children going to school. Neither is it surprising that almost 30% of families can not afford childcare, nor that 15% are unable to afford health care for their children when needed.

With regards to housing, these families are struggling to make ends meet. Families with children on social assistance spend an average of 60% of their income on rent. Although they pay a disproportionate amount for accommodation, often the conditions are poor and unsatisfactory. Thirty eight per cent of these households have at least one very poor aspect to their housing. Also, close to 15% of children do not have access to either a private bathroom or kitchen. In addition, 27% of children have to share a bedroom with their parent(s). Despite these surroundings, many of these families struggle to hold on to the housing they do have. A quarter of these households have faced eviction, or have been evicted within the last twelve months. Unsurprisingly, more than a quarter of these families have experienced homelessness. The income received by children in families on social assistance is clearly inadequate to meet acceptable living conditions.

The educational outcomes, health outcomes, and future well-being of these 63,000 children are all very much at stake in the debate on the NCBS. The lack of income has negative consequences on a household's ability to purchase nutritious foods--79% of households reported that they are unable to eat foods they know they should eat. Ultimately, there is an impact on the diet of children in these families. Up to 30% of children in these households eat healthy food only a few days a week or less and 35% of these children go hungry at least one day a week. Furthermore, food banks are unable to completely meet their need. Half of families which rely upon food banks indicate that they usually, if not always, need more food from a food bank than they receive.

### **Impact of Transition Model on food bank clients**

In Daily Bread's Research Bulletin Number 4, we estimated that ending the clawback through the Manitoba Model would reduce food bank use among children in the GTA by 13,500 kids. Evaluating how the Transition Model would impact food bank clients is less straight-forward. The 2004 Daily Bread Annual Survey of Food Bank Clients asked interviewees how much impact having the clawback money would have for them. Based on clients' responses, it was a fairly simple task to determine the numbers that would benefit from the Manitoba Model.<sup>6</sup> To determine the net benefit of the Transition Model, three factors needed to be considered. Initially, establish the number of households most impacted by the model. Secondly, examine how the new model would impact these families' bottom line. Finally, we looked at the amount of money these households indicated through the annual survey they would need to avoid having to use a food bank.

It is important to note that the working poor are the fastest growing group of food bank clients. Whereas in 1995, about 1 in 10 food bank households had at least one family member working, currently about 1 in 3 do.<sup>7</sup> In addition, Daily Bread knows that people not currently working would prefer to have a job. Food banks, therefore, have a significant interest in seeing greater public policy attention devoted to the working poor.

With regards to families with children, there are more than 45,000 households with 63,000 children that rely on food relief programs every month in the GTA. Just over 20,000 of these households, housing more than 27,000 children, have at least one adult with a job. Since the Transition Model primarily benefits families with children with employment income, we looked specifically at these families. (Figure 4 breaks this down between part time (PT) employment<sup>8</sup> and full time (FT) employment).

To properly gauge the impact of the model on these families, we need to look at how much additional money they say they need to avoid using a food bank. All of the 20,000 or so households with children and income from employment would benefit from the Transition Model to some extent. However, one third

**Over 20,000 households with over 27,000 children using food banks have income from employment.**

stated they would need an extra \$200 or less per month to no longer rely on a food bank. This is approximately the additional money the Transition Model, on average, provides to these families. Daily Bread's survey data suggests that, if the Transition Model were implemented, more than 7,000 children would benefit immediately and their families would no longer need to use a food bank.

Following from this, the greater remuneration from work will attract more people into the labour force who would otherwise find it financially disadvantageous to do so. This is not the case under the current system, nor would it be the case under the Manitoba Model. However, from a Transition Model standpoint, the 28% of food bank clients who are currently unemployed but worked within the last year are much more likely to make an easier switch back into the labour force. There are just over 9,000 children represented in those families.

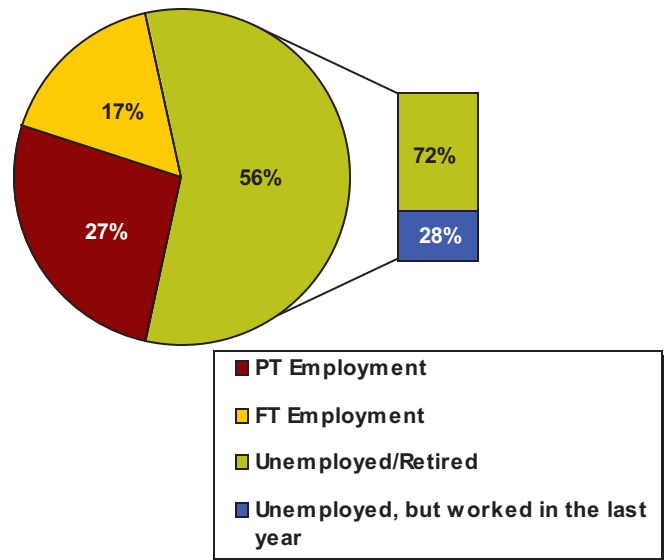
In conclusion, Daily Bread expects the Transition Model to immediately improve lives for 27,000 of the 63,000 children in the GTA whose families rely on food relief programs--especially the 7,000 children whose families would no longer need food banks. Many children's families would leave social assistance entirely and the rest would take a massive step towards that goal. An additional 9,000 children would quickly benefit when their parents returned to work. Many more parents could be attracted to the workforce once they learned how they could benefit under this new system. All of these results are substantially better than what could be expected from using the Manitoba Model.

## E. Conclusion: Building a New Foundation for Economic Security

Daily Bread is deeply concerned about the lowest-income members of our community. With an average income of just over \$11,000 per year, under half of the poverty line, these are the people served by food banks across the GTA. The Manitoba Model returns the National Child Benefit Supplement to a number of people at the lowest end of the income spectrum. However, it does nothing to change the structural environment of social assistance, particularly regarding the handling of employment income. **It is clear from this paper that the mistreatment of employment income in Ontario social assistance programs is as unfair a structural component of the system to recipients as the lifetime ban, the stripping of assets, or any of the more publicized shortcomings of the program.** Furthermore, the Manitoba Model does nothing to support people who leave welfare and enter into the work force. **Importantly, it is precisely this group of people that account for the steady increase in food bank use that Daily Bread has seen in recent years.**

For these reasons, and the justifications stated below, Daily Bread believes the Transition Model is the better way to ending the clawback and strongly urges the Liberal government to adopt the Transition Model in meeting the promises it made before the provincial election

**Figure 4: Employment Situation of Households With Children**



**Under the Transition Model, Daily Bread estimates that just over 7,000 children and their families would no longer need to use a food bank.**

**Households accounting for a further 9,000 children will find the improved economic equation will make it easier to return to the workforce.**

and in the 2004 budget:

### **1. Sustainable benefits for low-income families**

Daily Bread strongly supports paying income support benefits outside of the welfare system. Paying benefits outside the welfare system has the impact of assisting the move into the labour market. By putting in place an Ontario Child Benefit, welfare recipients are assured of not losing their child benefits when leaving the welfare system to get a job. This guarantees them a stable source of money for their children whether on welfare or in work. Paying benefits outside welfare has the effect of raising people's incomes without the negative impact of raising break-even levels, which, as previously stated, needs to be a key consideration of the welfare to work equation. Furthermore, from the perspective of the family, child benefits paid outside of welfare are safe benefits. They are not subject to the perceived whims of their welfare worker; they are not subject to the intense personal scrutiny and surveillance that welfare benefits are; and recipients do not have to live with the constant concern that they will trip up in maintaining welfare eligibility and lose their child benefits. **An Ontario Child Benefit would be *income people can count on*.**

### **2. Improved transition into the labour market**

Any discussion on how employment income is treated in welfare, in general, and in the STEP program in particular, should include the issue of reducing the break-even levels; in an attempt to move people off welfare at a lower level of employment income. Reducing the amount of work income needed to exit the welfare system is beneficial to everyone, especially the recipient. In the system, recipients are subject to a tax-back rate on their earned income over the basic exemption which, in Pamela's case, is 100%. This makes it extremely difficult for people to ever get ahead unless they can make a leap into a relatively well-paid job. The result being, people tend to get stuck in the system. The faster people can keep every dollar of earned income, the easier their transition into the labour market, and the better for their economic security. This is precisely what the Transition Model provides, as the new adult-only welfare rates lower break-even levels significantly over the current system.

### **3. Incentives for entering the labour market & better support for people leaving welfare**

The Transition Model would provide a Working Income Supplement (WIS) as a much needed financial support to families and individuals working in low-wage jobs. A substantial portion of the increase in food bank use in recent years can be explained through these working families and individuals. Furthermore, the Transition Model best supports people once they leave the welfare system and would combat recidivism rates, by extending drug and dental benefits to the working poor. This is an issue-area that plays a large part in people returning to welfare.

### **4. Immediate reductions in the number of people on social assistance**

Reducing the amount of employment income necessary to move off the welfare system is beneficial to those on the system. It is also beneficial to the Ontario government. The Transition Model provides the government with an opportunity to make immediate reductions in both the number of social assistance beneficiaries as well as caseloads, while actually increasing the incomes of a large number of poor Ontarians. The Ontario government needs to be seen by the public to be moving people off welfare into sustainable employment, but in a way that is compassionate and that helps rebuild lives rather than pushing people further down. The Transition Model succeeds on both these counts.

### **5. Stronger foundation for addressing income adequacy**

Daily Bread strongly supports the goal of adequate income benefits for our least well-off citizens. However, we feel that is simply not possible given the cut-backs of the 1990s and the general public dissatisfaction with social assistance as it is currently structured for a government of any political stripe to keep the program at even reasonably livable levels. We have been arguing for some time now that a new approach is needed.

The approach being advocated here delivers the legacy that was first envisioned in Transitions, the last major review of social assistance in Ontario. In 1988 the Social Assistance Review Committee wrote that:

"In future, no one in the labour force should need to turn to social assistance for help in making ends meet...Nor will children be part of the social assistance system, because their income needs will be met by the children's benefit. In other words, only adults will be recipients of social assistance in the future, and there will be far fewer than is now the case."<sup>9</sup>

The Transition Model decreases the number of people who will require social assistance, reliance on social assistance benefits for income and the overall cost of social assistance to the provincial government. We feel that the best way to move forward is with this architecture of a social assistance system combined with child benefits, drug and dental benefits, and a working income supplement for low-income people regardless of their social assistance status.

It is within the Transition Model framework that income adequacy can be best addressed. In the short and long term, the new adult-only welfare rate could be increased to ensure that everyone under the Transition Model receives an increase in income. Alternatively, or in conjunction, a new Ontario Child Benefit could be issued. This option would be more costly given the fact that the OCB would cover a far greater number of people. However it would not have the effect of increasing break-even levels, which should be an important consideration of the government. In the best of both worlds, and if the money were available, social assistance benefits would be restructured as described in this paper, and the income adequacy issue addressed through higher provincial child benefits and higher adult social assistance rates. **Daily Bread supports both adequate income benefits and a restructured social assistance program.**

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<sup>1</sup> Daily Bread Research Bulletin 4: How much difference would the NCBS make for food bank families? available at- <http://www.dailybread.ca/apps/index.cfm?fuseaction=publications.dsp>

<sup>2</sup> Dalton McGuinty, letter to the Campaign Against Child Poverty.

<sup>3</sup> 2004 Budget, p. 29.

<sup>4</sup> See "National Child Benefit Progress Report: 2002," available at [www.nationalchildbenefit.ca](http://www.nationalchildbenefit.ca).

<sup>5</sup> Stapleton, J. September 2004, "Transitions Revisited: Implementing the Vision." <http://www.caledoninst.org>

<sup>6</sup> Daily Bread Research Bulletin 4: How much difference would the NCBS "clawback" make to food bank families.

<sup>7</sup> See 'Research Bulletin # 1: Working to be Poor: Employment and Food Bank Use in the GTA.

<sup>8</sup> Part time employment includes casual and day labour as well.

<sup>9</sup> Daily Bread's Annual Survey of Food Bank Clients found that 35% of single parents on social assistance were working, versus 56% of two parent households. This suggests the clawback is primarily a single parent issue.



## Daily Bread Food Bank

The **Daily Bread Food Bank** is dedicated to helping people struggling with hunger. Each month, a record high 175,000 people in the GTA rely upon food relief programs. Daily Bread and its member agencies serve the vast majority of these people through more than 200 different programs. In an effort to eliminate the need for food banks, Daily Bread educates the public, conducts research and advocates realistic government policies. It is a non-profit, charitable organization.

This report is based, in part, on statistics compiled as a result of Daily Bread's 2004 survey of people who rely upon food banks. This annual survey is used to determine why people are accessing these programs and advocate for changes to eliminate the need for food banks.

More reports, such as the August 2004 report on Housing, and research bulletins can be found on the Daily Bread Food Bank's website:  
[www.dailybread.ca](http://www.dailybread.ca).

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