

Intelligence MEMOS



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To: Canadian Businesses and Governments

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Re: **RESTRUCTURING SOCIAL ASSISTANCE IN ONTARIO**

Social assistance systems, and how they interact with individuals' participation in the labour force, are an integral component of healthy and financially stable communities.

In Canada, nearly 50 percent of all social assistance recipients reside in Ontario –home to about 39 percent of Canadians. Consequently, Ontario has the highest social assistance rate – the number of beneficiaries relative to the total population.

The core Ontario social assistance programs – Ontario Works (OW) and the Ontario Disability Support Program (ODSP) – have been characterized by high costs and poor recipient outcomes. With about one million Ontarians receiving social assistance benefits, the cost of the program was about \$9 billion in 2018.

Despite the strong labour market performance and mandatory work participation requirements, only 10 percent of OW cases in 2018 exited the program to employment, down from 13 percent in 2014. Furthermore, the average dependency duration on OW has substantially increased from 19 months in 2009 to 35 months in 2018.

The Ontario government has committed to reform its social assistance system and announced a number of changes in 2018, which it has since rolled back.

What is the best way forward?

Our new C.D. Howe Institute [study](#) evaluates Ontario's social assistance programs and summarizes international best practices for reforming social assistance, especially with a view to improving labour-market attachment. It offers policy options that can help improve Ontario's social assistance programs to ensure their efficiency and effectiveness in providing appropriate support to meet recipients' needs and increasing labour-market attachment.

These include:

- Reducing the cost of working through less punitive benefit claw-back rates.
- Higher exemptions for earned employment income while on the program. In particular, more generous claw-back rates and higher earnings exemptions generate more incentives to exit to employment, and can generate long-term cost savings as more recipients leave the program, or rely less on it.
- Ensuring appropriate work requirements and support. An important way to improve social assistance is to increase the desire and ability of people to bounce out of the net and into the labour market by providing them the right tools. The types of job preparation activities assigned to beneficiaries based on their needs and program goals matter.
- Placing supplemental benefits outside social assistance. The loss of supplemental benefits as employment income grows beyond the eligibility threshold for social assistance raises the costs of leaving social assistance and going to work, creating financial disincentives to labour participation.
- Shifting the focus in disability support programs from the inability to work to the ability to work. Here, it is important to recognize that disability exists on a spectrum, and that employment requirements and supports should be based on an individual's assessed capacity to work.

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