

CHRIS BUCKLEY
President

PATTY COATES
Secretary-Treasurer

AHMAD GAIED
Executive Vice-President



**ONTARIO
FEDERATION OF
LABOUR**

Pathways out of Poverty

A framework for building vulnerable Ontarians up

The Ontario Federation of Labour's Submission
Response to the Government of Ontario's Basic Income Pilot Consultation

The Honourable Dr. Helena Jaczek
Minister of Community and Social Services
80 Grosvenor Street
Toronto, Ontario M7A 1E9

The Honourable Chris Ballard
Minister Responsible for the Poverty Reduction Strategy
777 Bay Street
Toronto, Ontario M5G 2E5

January 31, 2017

Dear Ministers Jaczek and Ballard,

It is widely acknowledged that a meaningful measure of any society is rooted in how it treats and responds to the needs of its most vulnerable members.

In 2008, the government's first poverty reduction strategy committed to bringing down child poverty by 25 per cent in five years. In 2014, the government made four key commitments in its second strategy:

- Recommit to the original target of reducing child poverty by 25 per cent;
- Move towards employment and income security for vulnerable groups;
- End homelessness; and
- Build the evidence base required to guide effective poverty reduction policies and programs.

While the government has made some significant strides towards poverty reduction, it is important to remember that one person living in poverty is one too many.

On its own, a basic income program will not eradicate poverty nor will it eliminate precarious employment. There is no silver bullet. Instead, any initiative must be coupled with a comprehensive legislative framework for decent jobs, a \$15 minimum wage, gender and racial wage parity, a full employment strategy, employment equity, and universal public programs and services.

The Ontario Federation of Labour hopes that the government will continue to work towards creating an Ontario that is decent, fair, and equitable – where no one is left behind.

Sincerely,



Chris Buckley
President



Patty Coates
Secretary-Treasurer



Ahmad Gaied
Executive Vice-President

The Ontario Federation of Labour (OFL), which represents one million workers across the province, is pleased to respond to the Discussion Paper, *Finding a Better Way: A Basic Income Pilot Project for Ontario*, and make a submission on the Basic Income Pilot Project.

Everyone deserves to live in dignity.

For far too many people, this is not the case. Hundreds of thousands of Ontarians live in poverty.

They cannot afford to wait any longer.

While the OFL commends the government for recognizing that greater action is required to help those that are economically marginalized, a three-year basic income pilot project is not needed. It is well-documented that an increase in income will leave those that are impoverished better off. The 1970 Mincome experiment in Manitoba provided a basic income in the form of a negative income tax. Along with testing individual-level effects through different support levels and claw-back rates, community-level implications were also studied. The results showed population health improvements, the potential for government health savings, and no meaningful reduction in labour force participation.ⁱ It is evident that a basic income program – if implemented properly and combined with other structural changes – has the potential to make a meaningful difference in the lives of Ontarians.

Ontario's Basic Income Program

The OFL supports the provision of a basic income – provided that everyone living in poverty is better off as a result of receiving this income. To effectively contribute to raising people's quality of life, a basic income program must be responsive to changes in income and the cost of living, provide adequate income above the poverty line, and be paid through progressive revenue sources.

Recommendation 1: Design a program that responds quickly to changes.

Given that income tax is filed based on the previous year's income, with subsequent benefit adjustments occurring in July, an individual's basic income amount may be as much as 18 months old.ⁱⁱ People who are living in poverty are forced to make hard decisions every day, and even marginal changes in income can significantly influence their choices. More importantly, these individuals require benefit amounts that reflect their present situation and meet their immediate needs. Any basic income provision must therefore be rooted in one's current income and adjusted on a frequent basis to reflect current living standards.

Recommendation 2: Provide a basic income amount above the poverty line.

Roughly 15 per cent of Ontarians live below the Low Income Measure¹ (LIM). After taxes, this represents an annual income of \$22,600 for a single person and \$45,300 for a family of four². Currently, a single person on Ontario Works (OW) lives on about 45 per cent of the LIM (i.e., \$700 a month), while a person on the Ontario Disability Support Program (ODSP) receives about \$1,130.ⁱⁱⁱ The Discussion Paper proposes providing a monthly payment of \$1,320 for a single person or about 75 per cent of the LIM.^{iv} If the objective of a basic income program is to lift people out of poverty, then it must bridge the gap between current social assistance levels and the poverty line by raising individuals and families above the minimum standard.

Recommendation 3: Pay for the program through progressive revenues.

The costs of a basic income program should be absorbed through progressive revenue sources. The government may, for example, consider raising personal income taxes. As U.S. Supreme Court Justice Oliver Wendell Holmes Jr. said, “Taxes are what we pay for civilized society”.^v Personal income taxes serve a dual purpose – on one hand, they provide direct personal benefit and on the other hand, they provide for indirect public benefits.^{vi} Ontario’s personal income tax system is progressive, meaning that individuals and families that are better off financially contribute a higher proportion of their income towards public programs and services. This allows lower-income people to access basic programs and services irrespective of their financial position. To ensure that the cost associated with a basic income program does not further amplify income inequality in Ontario, changes to the tax system must ensure that the income transfer does not occur from the near poor to the very poor and leave upper income groups unaffected.^{vii}

Ontario’s Social Assistance Program

There are immediate steps that the government can take to improve the well-being of all social assistance recipients – without requiring them to wait for the conclusion of the three-year pilot project. The government, for example, should immediately increase social assistance rates to above the poverty line, remove barriers to paid employment (i.e., break down the welfare wall), and provide workers at OW and ODSP with the resources required to offer more one-on-one services to social assistance recipients.

¹ The LIM is a fixed percentage (50 per cent) of median adjusted economic family income, where "adjusted" indicates that family needs are considered. Adjustment for family sizes reflects the fact that a family's needs increase as the number of members increases.

² Estimate based on inflation at two per cent.

Recommendation 4: Raise social assistance rates above the poverty line.

As of December 2015, there were more than 900,000 Ontarians (i.e., 654,000 adults and 253,000 children) relying on OW and ODSP – Ontario’s two social assistance programs – to meet their basic needs. Benefits received from these programs, however, have failed to lift Ontarians out of poverty. In fact, a 2016 report from the Canadian Centre for Policy Alternatives finds that “people receiving benefits from Ontario’s social assistance programs are living in a greater depth of poverty now than a generation ago.”^{viii}

Single people in Ontario – the poorest of those that qualify for social assistance – have received supplemental income with rates increasing by \$25 a month in 2016. For other family types, however, rate increases have failed to reflect the rise in the cost of living and benefit levels continue to fall below any measure of adequacy.^{ix} Social assistance benefits must raise people out of poverty and increase in line with inflation to ensure that benefits do not erode over time.

Recommendation 5: Remove barriers to paid employment.

Several barriers prevent low-income Ontarians from accessing paid employment, including the interaction between social assistance programs and the personal income tax system (i.e., the welfare wall). Those that receive social assistance, and subsequently accept low-paying employment, encounter several outcomes that could potentially leave them worse off. This includes higher payroll taxes; new work-related expenses such as transportation, clothing, and child care; reduced income support in the form of social assistance and income-tested refundable tax credits; and loss of in-kind benefits such as supplementary health and dental benefits as well as subsidized housing.^x As a result, the welfare system can unintentionally create incentives to remain on social assistance and disincentives to find and keep a low-wage job. It is important that such barriers are dismantled to ensure the full and equal participation of all Ontarians in the workforce – regardless of their economic status.

Recommendation 6: Invest in more one-on-one social assistance services.

Currently, Ontario’s welfare system focuses primarily on monitoring and regulating social assistance recipients. They are required to not only prove their poverty to qualify but to also maintain their eligibility. Such a process discourages individuals from seeking help, places an undue burden on individuals receiving social assistance and on front line caseworkers, and undervalues the importance of restoring dignity to those living in poverty. Instead, public servants at the provincial, regional, and municipal levels should be able to provide individualized support services (e.g., financial and employment assistance) that support (re)integration into the workforce. As the Discussion Paper notes, “when front line workers have fewer administrative tasks and more time to provide one-on-one counselling and client-focused engagement, other benefits can be achieved [e.g., improvements in social assistance recipients’ stability and autonomy as well as the satisfaction of both employees and clients].” To make this transition and to ease current

workloads, however, greater resources are required. The government must invest in high-quality personalized services for social assistance recipients.

Ontario's Poverty Reduction Strategy

It is important to recognize that there is no singular measure that will eliminate poverty in Ontario. Providing a basic income is one course of action among many that are needed to lift hundreds of thousands of Ontarians out of poverty. There are multiple dimensions of poverty that extend beyond inadequate income – such as inadequate access to housing, education, health care, employment opportunities, and public programs and services; lack of political influence; and social exclusion – that need to be addressed. In doing so, policies must also acknowledge that different groups of people (e.g., women, racialized people, new immigrants, Indigenous persons, people with disabilities) face disproportionately higher rates of poverty.^{xi} Ultimately, a basic income program must be coupled with robust labour and employment standards, a meaningful strategy to create decent jobs, and strong social infrastructure.

Recommendation 7: Create conditions for decent work.

Jobs should be a pathway out of poverty. Unfortunately, this is not the case for Ontario's working poor – the 1.7 million^{xii} workers across the province who find themselves in low-wage³ jobs. Many of these jobs are temporary, provide few – if any – workplace benefits, have little or no job security, allow for constantly changing work schedules, and provide little or no protection through unions. These factors contribute to income insecurity, which can lead to impoverished living conditions. These Ontarians are confronted with difficult choices every day. People should not have to prioritize one basic need, such as food, shelter, electricity, and health-related expenses, over another. The inability to escape poverty (e.g., through employment, social assistance benefits) despite one's best efforts can be disheartening.

The status quo must change. Offering a basic income, however, is not the solution to eliminating precarious employment. Low wages are only one element of precarious employment. The government still needs to create conditions for decent work and improve the quality of jobs in Ontario. This includes ensuring that employees and their families are not living in poverty and that employees can live and work in dignity. The Ontario government is rightly examining employment conditions in the province. Through the Changing Workplaces Review, the legislative framework governing Ontario's employment and labour laws must provide for better working conditions, more permanent full-time work with good wages and benefits, and greater access to joining and keeping a union.

For recommendations on how to effectively eliminate precarious work in Ontario, please refer to the OFL's October 2016 [submission](#) on the Changing Workplaces Review.

³ A low-wage job is defined as paying an hourly rate within four dollars of the minimum wage.

Recommendation 8: Implement a \$15 minimum wage.

Some low-wage and precarious employers pay their employees poorly, because they believe the onus is on the social welfare system to make up the difference required for workers and their families to live in dignity. It is important that the provision of basic income not act as a subsidy to employers that will further drive down wages and workers' bargaining power. A basic income is not a substitute for a decent and fair wage. The minimum wage in Ontario must be raised to \$15 per hour for all workers – with no exemptions. Ontarians need a minimum wage that brings workers above the LIM, because no one should work full-time and still live in poverty.

Recommendation 9: Aim for full employment.

The government must also continue to pursue full employment (i.e., a situation where there is no involuntary unemployment) policies. It is argued that the right to work is fundamental in seeking social justice in any society, where employment income helps determine access to programs and services.^{xiii} The right to work is also seen as a fundamental human right as reflected in the United Nations Universal Declaration of Human Rights.^{xiv}

Decent jobs are known to stimulate growth through increased consumer confidence and spending in the economy. It has been demonstrated that low unemployment rates generally lead to higher wages, particularly for low-paid employees. Namely, higher levels of employment directly boost workers' bargaining power on workplaces issues, such as wages and benefits, as well as their political power in the economy and society at large. Overall, providing decent jobs to those that are unemployed will reduce inequality, minimize poverty, and provide an opportunity for everyone to meaningfully participate in and contribute to society.^{xv}

Recommendation 10: Support universal public social welfare programs.

Universal social welfare programs contribute to long-term economic stability. Generally, they do not preserve the status quo, while targeted programs tend to keep people in poverty and therefore maintain inequality over the long run. Instead, universal programs assist low-income people without perpetuating their low incomes. Most importantly, “the establishment of universal social welfare programs signals to society that what these programs are providing is a right—a service that is not defined by one’s ability to pay and not provided by markets, but provided by all of us to all of us”.^{xvi}

It is important to emphasize that any basic income approach adopted in Ontario should not be regarded as an all-inclusive substitute for other social welfare measures (i.e., where all social supports are replaced with a single government income transfer). Some may frame this voucher-based approach as one that provides increased choices to families. Instead, it weakens the overall social welfare system by fragmenting public services, eroding working conditions and wages, and contributing to further underfunding in the public sector.

Ontario must therefore work to strengthen access to various universal public services and social programs, including child care, housing, pharma care, post-secondary education, social and community services, and public pensions.

Affordable and adequate housing, for example, is a basic necessity. There are, however, many Ontarians who cannot access such housing due to several reasons including low social assistance and wage rates as well as an affordable housing supply shortage.^{xvii} In fact, in 2015, 171,360 Ontario households were waiting for affordable housing with average wait times of nearly four years. Since 2003, this list has grown by 45,000 households. The lack of social housing in Ontario means that many people on social assistance are forced to pay (significantly high) market rent, and the “limited supply of affordable housing means that people can be forced to accept unsafe accommodation, forego paying for other basic necessities, or become homeless”^{xviii}. It is therefore imperative that the government continue to take steps to ensure greater access to affordable and adequate housing for all Ontarians.

Recommendation 11: Close the gender wage gap.

More than 500,000 Ontario children, or close to 20 per cent, are living in poverty.^{xix} Typically, children that live below the poverty line find themselves in this situation because of their mother’s living conditions. Given that the number of lone-parent families is on the rise and 80 per cent of all lone-parent families are headed by women^{xx}, lifting women out of poverty must be prioritized. Specifically, the Canadian Women’s Foundation identifies two main reasons that women are more likely to be poor than men: women spend more time doing unpaid work, leaving less time for paid work, and women face a gender wage gap.

In Ontario, the gender wage gap is 31.5 per cent. On average, women in this province earn approximately 68 cents for every dollar that men earn. This gap is significantly more pronounced for Indigenous, racialized, and immigrant women as well as women with disabilities. Women are also over-represented in precarious employment, representing two-thirds of part-time workers^{xxi} and over 60 per cent of the 1.7 million Ontarians who earn at or near the minimum wage^{xxii}.

Collective bargaining and pay equity measures have proven to significantly reduce the gender wage differential. In fact, unionized women receive an average pay boost of nearly \$8.00 an hour and benefit from better job security and workplace benefits.^{xxiii} Making it easier and more accessible for women to join or form a union as well as collectively bargain for wages, benefits, and job security will help lift many women out of poverty.

For recommendations on how to effectively close the gender wage gap in Ontario, please refer to the OFL’s January 2016 [submission](#) on the Gender Wage Gap Strategy.

Conclusion

We must eradicate poverty in our lifetime. The lives of far too many people are on the line.

It's time for a basic income. Ontarians living in poverty cannot afford to wait for the conclusion of a three-year pilot project.

To lift hundreds of thousands out of poverty in Ontario, the government must employ a full suite of policies that include robust labour and employment standards, a meaningful strategy to create decent jobs, a \$15 minimum wage for everyone, gender parity, and strong social infrastructure.

It's time to build vulnerable Ontarians up.

Summary of Recommendations

Ontario's Basic Income Program

- Recommendation 1: Design a program that responds quickly to changes.
- Recommendation 2: Provide a basic income amount above the poverty line.
- Recommendation 3: Pay for the program through progressive revenues.

Ontario's Social Assistance Program

- Recommendation 4: Raise social assistance rates above the poverty line.
- Recommendation 5: Remove barriers to paid employment.
- Recommendation 6: Invest in more one-on-one social assistance services.

Ontario's Poverty Reduction Strategy

- Recommendation 7: Create conditions for decent work.
- Recommendation 8: Implement a \$15 minimum wage.
- Recommendation 9: Aim for full employment.
- Recommendation 10: Support universal public social welfare programs.
- Recommendation 11: Close the gender wage gap.

End Notes

- ⁱ Evelyn Forget. 2011. The Town with No Poverty: Using Health Administration Data to Revisit Outcomes of a Canadian Guaranteed Annual Income Field Experiment.
- ⁱⁱ Michael Mendelson. 2016. Basic income or bait and switch? Caledon Institute of Social Policy.
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- ^{iv} Hugh Segal. 2016. Finding a Better Way: A Basic Income Pilot Project for Ontario.
- ^v Internal Revenue Service. 2016. Tax Quotes.
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- ^{ix} Ibid.
- ^x Sheena Starky. 2006. Scaling the Welfare Wall: Earned Income Tax Credits. Library of Parliament.
- ^{xi} Canada Without Poverty. 2017. Basic Statistics about the Realities of Poverty Faced by Canadians.
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- ^{xx} Statistics Canada. 2012. Portrait of Families and Living Arrangements in Canada.
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