SUBJECT: Changes to Earnings Exemptions and other Transition Supports
Ontario Works Transition Directive 2005-02 (SPH05041) (City Wide)

RECOMMENDATION:

(a) That the changes to the policy and delivery of the Ontario Works Program as outlined in Ontario Works Transition Directive 2005-02 be received for information.

(b) That an additional five case manager positions to the amount of $325,000 gross ($162,500 net) be hired effective November 1, 2005.

(c) That a report be submitted to Council in one year to report on the impact of the changes outlined in this report in caseload and costs.

(d) That Council correspond with the Minister of Municipal Affairs and Housing and request the additional 2005 in year costs for these mandated services in accordance with the Memorandum of Understanding between the Province and Ontario’s Municipalities.

(e) That a copy of this report also be forwarded to Association of Municipalities of Ontario (AMO).
EXECUTIVE SUMMARY:

Effective August 1, 2005, The Ministry of Community and Social Services introduced five changes to the Ontario Works program to provide supports and incentives to employment. The changes are outlined in Ontario Works Transition Directive 2005-02.

The changes represent the Provincial Government’s plan to progressively reform the welfare system by:

- Strengthening incentives for Ontario Works recipients to work while in receipt of Ontario Works assistance.
- Providing transitional supports to ensure Ontario Works recipients’ exit to employment is sustainable and long-term.

The changes are positive for Ontario Works recipients in that they will encourage employment and independence from social assistance. The changes have the potential for a reduced Ontario Works caseload in the future.

However, in the short term, there will be budgetary and administrative pressures placed upon the system as follows:

- The caseload will increase by an estimated 1,000 cases. Participants are able to earn more and remain on the system for a longer time period.
- A new benefit, Full-time Employment Benefit (FTEB) has been added. The annualized estimated cost is $775,000 gross ($155,000 net).
- Extended Health Benefits for full time employment have been added. Estimated increase in cost is unknown at the time of this report.
- The maximum deduction for informal child care expenses has been increased from $390 to $600 per child per month. This may place pressures upon the Ontario Works Informal Child Care budget. Parents can claim an additional $210 in child care deductions and remain in receipt of Ontario Works assistance.

BACKGROUND:

In December 2004, the Ministry of Community and Social Services issued a report by Parliamentary Assistant Deb Matthews about Ontario’s welfare system. The report recommendations included:

- Elimination of barriers and disincentives to employment
- Provision of the range of tools people need to secure employment
Ontario Works Transition Directive 2005-02 which came into effect August 1, 2005 introduced five changes.

1. Replacement of the current earnings exemption with a single 50% exemption for all employment earnings and elimination of the time limit on the percentage earnings exemption.
2. Employment Start-up Benefit of $253 renamed to Other Employment and Employment Assistance Activities Benefit and will focus on participation in employment activities and part-time employment.
3. Provision of a new full-time employment start-up benefit (FTEB) of $500 per person.
4. Increase the maximum deduction for informal child care expenses to $600 per child per month
5. Extension of health benefits for people exiting Ontario Works to employment for six months with the possibility of extension for an additional six months in extenuating circumstances.

A local implementation strategy has been established with long and short term objectives. Those immediately affected by the changes to earning exemptions have been given priority. Transitional financial and employment assistance will be provided for those negatively impacted up to three months. Further assistance will be provided for another three months on an exceptions basis.

**ANALYSIS OF ALTERNATIVES:**


Discretionary items issued by the City of Hamilton and the associated budget are approved by Council annually during the annual budget process.

This is not consistent with the principle put forward in the Memorandum of Understanding (MOU) that was established between the Province and Ontario’s Municipalities (AMO) on August 23, 2004. This MOU promotes the principle of prior consultation between the Province of Ontario and AMO whenever the provincial government proposes statutory or regulatory changes that have a significant impact on municipal budgets. However the MOU further states the province is not legally bound to this principle.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

The overall objective of the changes is to strengthen supports provided through Ontario Works to support the transition to employment. Because eligibility criteria are expanded, program and administrative costs will increase in the short-term. A precise determination of the full effect of the directive changes are only estimated at this time. The impact will be
monitored and tracked for a one-year period and a report will be submitted to Council in June 2006.

The changes have the potential for reduced Ontario Works caseload costs in the future. However, in the short term, there will be budgetary and administrative pressures placed upon the system as outlined in the following summary chart.

An additional five Ontario Works case managers are required to administer these programs which has an annualized costs of $325,000 gross ($162,500). If additional staff are not hired, the case manager to caseload ratio will rise to 133:1, which is significantly above the recommended standard of 90-100:1. The proposed addition in staff will result in a ratio of 118:1.

The total increase to staffing costs for the additional 5 FTE staff is $325,000 gross ($162,500 net) annually and will be reflected in the 2006 budget. The staffing costs for November/December 2005 ($54,167 gross/$27,084 net) will be funded within the existing Ontario Works Cost of Administration 2005 budget.

**SUMMARY**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>DIRECTIVE CHANGE</th>
<th>FINANCIAL IMPLICATIONS</th>
<th>STAFFING IMPLICATIONS</th>
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<tbody>
<tr>
<td>1.</td>
<td>50% Exemption on Earnings from benefits</td>
<td>Program savings of $361,799.04 gross ($72,359.81 net) annually due to recoveries from benefits since the previous formula of flat rate exemptions, varying percentages and time limits is replaced with a 50% deduction for all earnings.</td>
<td>Require 3 additional caseworkers for an increase of 360 cases. Total cost of $195,000 ($97,500 net)</td>
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<tr>
<td>2.</td>
<td>Other Employment and Employment Assistance Activities Benefit</td>
<td>No impact</td>
<td>No impact</td>
</tr>
<tr>
<td>3.</td>
<td>Full-time Employment Benefit</td>
<td>Budget increase of $775,000 gross ($155,000 net) for 2006</td>
<td>No impact</td>
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<td>4.</td>
<td>Informal Child Care Costs Deduction</td>
<td>Unable to project additional program costs at present</td>
<td>Require 1 additional caseworker to manage an increased caseload of 120 cases, since more clients will remain on the caseload. Total cost of $65,000 ($32,500 net)</td>
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<td>5.</td>
<td>Extended Employment Health Benefit</td>
<td>Unable to project additional program costs for downloaded costs for Ontario Drug Benefits, dental and other health benefits.</td>
<td>Require 1 additional caseworker due to projected increase of 500 terminated cases who will require health benefits, supports and monitoring. Total cost of $65,000 ($32,500 net)</td>
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Policies Affecting Proposal:

The City of Hamilton’s local Policies and Procedures for the Ontario Works program is currently under development and will be adjusted accordingly.

Consultation with Relevant Departments/Agencies:

Public Health and Community Services has consulted with the Regional Office of the Ministry of Community and Social Services, as well as with Finance and Administration in Corporate Services.

Appropriate consultations have been conducted with the Public Health and Community Services Directors and Managers directly impacted by these changes including Parent-Child Branch and Community Programs Branch. Collaborative efforts are being made to ensure efficient implementation.

City Strategic Commitment:

Although Transition Directive 2005-02 is a provincial initiative, the directive and recommendations are aligned with the City of Hamilton’s strategic commitment to be “a great city in which to live” and “supporting people in need with care”. The policy changes are an improvement to the Ontario Works program by treating people fairly and supporting recipients’ efforts to achieve financial independence.

The recommendations put forth are also consistent with the City’s commitment to “spend wisely and invest strategically”.