

Ontario Auditor General's Report Underlines Need for Social Assistance Reform

10 December 2009

Produced by the Income Security Advocacy Centre (ISAC)

The auditor general released his annual report on December 7, 2009. Part of this report dealt with problems in the Ontario Works (OW) and Ontario Disability Support Program (ODSP) system.

Whether he meant to or not, the auditor general has unleashed the kind of backlash we experienced in the mid- to late-1990's – intimations that the social assistance system is rife with fraud when that is clearly not the case.

The most troubling aspect of this backlash is the perception that Ontarians who receive support from these programs are committing widespread fraud to obtain benefits. This conclusion is unsupportable and simply untrue.

It's not the people who are the problem, it's the broken social assistance system. This is a system that, as Premier McGuinty has stated, "stomps people into the ground" – a system that does not give them the social and community supports they need, the educational or training opportunities to get ahead, or the respect that they deserve as neighbours in our communities.

And we can't lose sight of the fact that living standards on both OW and ODSP are dangerously low. Report after report, most recently from public health officers around the province, demonstrate that the amounts of income that people receive from these programs are incompatible with being able to live in health and dignity. People on OW and ODSP can barely make ends meet, if at all, and aren't given the financial resources they need to get off the programs and out of the poverty trap – which is perhaps the most tragic part of Ontario's broken system.

Now is the time to make change happen. The Ontario government has begun to move forward on the social assistance review that it promised one year ago. That review can't come soon enough.

For now, it's important to be clear about many of the issues highlighted in the auditor general's report. Numbers and facts have been misconstrued, misrepresented, and misappropriated.

Most importantly:

- We can't compare apples with oranges: comparing the yearly cost of OW and ODSP with the historical value of all unrecovered overpayments in the system over decades is highly misleading;
- This comparison invites the public to falsely conclude overpayments make up 24% of the cost of OW and ODSP. It's more like 1.4%;
- Overpayments are endemic to the OW and ODSP systems and are routinely generated because of the way the system works;
- 'Overpayment' is a misleading term. 'Overpayments' are automatically generated by the system for the smallest of routine changes, such as a recipient getting long-awaited back pay from a previous job or child support arrears.

Backgrounder: Just the Facts

We need the facts to make sure that the auditor general's report doesn't become another excuse to vilify and blame the people who most need society's help.

1) Overpayments and Program Costs: Comparing Apples to Oranges

The yearly cost of both OW and ODSP was reported by the auditor general as \$5 billion. In addition, the historical value of all overpayments in the system, potentially reaching back many decades, was reported as \$1.2 billion. Comparing these two numbers leads to the faulty conclusion that overpayments make up 24% of the cost of programs.

This is simply not true. It's unfair and misleading.

Doing the math the right way compares annual program costs with the annual amount of overpayments – which the report indicates is about \$26 million. That means that overpayments account for only 1.4% of the cost of the programs.

2) What Is An Overpayment?

The auditor general's press release on Ontario Works states that, "More should be done to ensure these overpayments do not occur in the first place," and "if the required financial and other eligibility procedures were being properly followed, many of these overpayments might not have been given out."

The problem is, even the term 'overpayment' is misleading.

In other business systems, what social assistance calls 'overpayments' are called 'adjustments' or 'debits'. Heating and hydro bills, for example, are typically adjusted at the end of the year to account for credits or debits. When families use more heat or water than expected, they owe money to the utility company. We don't think of this as 'abuse' or 'fraud'.

Unfortunately, OW and ODSP calls these routine debits and adjustments 'overpayments', which contributes to a misperception that there is widespread abuse in the system.

3) The System Routinely Generates Overpayments

The real issue is that overpayments are endemic to the OW and ODSP systems and are routinely generated because of the way the system was set up in the first place.

Both OW and ODSP subtract any income a person makes in a month from their monthly benefit cheque. But any number of daily life occurrences can cause an "overpayment" to be generated by the system. For example, overpayments are automatically generated when:

- Income from work or any other source is estimated by a worker or a recipient and the amount actually received is higher than estimated;
- A benefit like back pay, child support arrears, or any kind of retroactive payment is paid to a recipient for a previous time period.

The fact is, the vast majority of what we call 'overpayments' are these kinds of routine occurrences. They are systemic differences between 'budgeted' and 'actual' amounts of assistance caused by normal changes in people's lives. So, for example:

- Being asked by a part-time employer to work an extra hour will result in an overpayment;
- An former spouse unexpectedly paying a bit more child support in a month will result in an overpayment;
- An unexpected cheque from any program will create an overpayment.

The irony is that from the point of view of the system, overpayments are a good thing. They mean that more money is being paid to recipients from 'other sources' – which reduces the cost of social assistance to government. In fact, if there were fewer overpayments, the programs would cost much more.

4) Overpayments and Fraud

While government and society need to be concerned about fraud, it's clearly the case that fraud in the social assistance system is low. The number of people convicted of social assistance fraud is a tiny fraction of the number of overpayments in the system.

And, as reports have stated in the past, fraud in the OW and ODSP systems is no greater than in any other system of benefits or supports, including the tax system and other income support programs.

The difference is that, under social assistance, fraud is often committed out of desperation.

The system may in fact encourage fraud by setting rates at levels that no one can live on, and by clawing back half of any income that people earn from employment. Worse yet, on Ontario Works, any money that a person receives from any source other than employment is clawed back at a rate of 100%, forcing people to live on incomes that are below subsistence levels.

It would be laudable and visionary to undertake an accounting of just how far social assistance incomes are from any measure of acceptable living standard. For example, how does one account for the feasibility of having a healthy life given a monthly income of \$585 for a single person on Ontario Works in a city like Toronto?

5) Program Complexity and 800 Rules

The social assistance system is so overly and unnecessarily complicated that any number of situations can generate an overpayment.

In fact, in a 2004 report, Deb Matthews, the former Minister for Poverty Reduction and current Minister of Health, indicated that,

“There are now approximately 800 rules and regulations within the system that must be applied before a client's eligibility and the amount of their monthly cheque can be determined. Many of those rules are punitive and designed not to support people, but rather to keep them out of the system. Because there are so many rules, they are expensive to administer and often applied inconsistently from one caseworker to another, even within the same office. Further, the rules

are so complicated that they are virtually impossible to communicate to clients, and it takes years to train a caseworker.”

Little has changed since then. The system is overburdened. Overpayments – and, more troubling for people who need the support, underpayments – are inevitable. It’s time for a new system.

6) “Temporary” Assistance?

Unfortunately, the auditor general made unwarranted comments on issues outside the laws and rules that are in place. He observed that:

“Although the government considers Ontario Works assistance as temporary, about one-third of recipients in three municipalities were paid longer than two years and 13% longer than five years.”

There is no legislation, no regulation, no guideline or government directive that places time limits on the receipt of Ontario Works.

Rather than commenting on issues outside the legal and accounting frameworks within which government does business, it would be more helpful to comment on issues like the systemic nature of overpayments or the other procedures endemic to social assistance that cause the situations that the auditor general calls to task.

For example, it would be more than fair to comment that a 55% increase in Ontario Works rates is required to bring them to the levels that they stood at in 1993. It is possible to argue that many of the “problems” that have been identified in the social assistance system can be related to the considerable loss in purchasing power of the extremely low incomes on which people have to survive.

7) Special Diet

The Special Diet program provides additional funds for people whose medical needs, as determined by a physician, require particular nutritional support. There are a limited number of conditions for which a special diet allowance is available, and these conditions must be verified by a physician.

There are many people on ODSP who continue to suffer from medical conditions with documented dietary needs that are not funded by the program because they don’t appear on a list of conditions for which support will be provided.

The auditor general makes the following observation:

“Many special dietary allowances were paid under questionable circumstances. The total amount spent on the allowances has increased from \$5 million in the 2002/03 fiscal year to more than \$67 million during 2008/09.”

What does “questionable” mean in this instance? Innuendo rules the day over facts, debasing a program that provides vital support to people for whom additional nutritional support can mean the difference between health and greater illness.