

Briefing Note: Strengthening Ontario Works to Support Employment and Protect Ontario

Summary

Ontario Works plays an important role in helping Ontarians transition back into the workforce. However, regulations governing how the program treats earned income have not been updated in over a decade. This creates an opportunity to better align it with today's labour market and improve outcomes.

By updating earned income rules, the Province can help program recipients take on additional work, reduce reliance on food banks, and support successful transitions off the program. This is a practical, low-cost solution that helps to protect low-income workers in Ontario during this time of economic uncertainty and rising unaffordability and aligns with provincial priorities.

Issue

Ontario Works (OW) is intended to support people as they transition into employment. Unfortunately, only 7% of OW cases had employment earnings last year, half of what the rate was in 2019. Comparatively, 10% of those on the Ontario Disability Support Program (ODSP) were employed. This highlights a clear opportunity to strengthen the program and implement changes that will help accelerate progress.

One key area for improvement is the structure of the program's earned income rules. Currently, Ontario Works recipients can earn \$200 per month before benefits begin to be reduced. This limit has not been updated since 2013, despite significant increases in minimum wage and cost of living.

As a result, program recipients begin to see a reduction in benefits and support just as their employment earnings start to increase. For minimum wage workers, this occurs after 11 hours of work in a month, compared to 20 hours in 2013. In practice, this means that the program can make it harder for people improve their financial stability and transition off the program, even when taking on additional hours of work.

In 2023, the Province took important steps to support low-income workers through ODSP, increasing the income exemption recipients from \$200 to \$1,000. In 2018, the Province introduced the Low-Income Individuals and Families Tax Credit (LIFT) to provide relief to low-income workers. These targeted policy changes demonstrate the Province's commitment to ensuring that work leads to stronger financial outcomes.

By taking a similar approach to Ontario Works and modernizing income rules, the Province can build on this progress and support program recipients in increasing their work hours, gaining more experience, and transitioning more successfully into long-term employment and financial stability.

With one in three households that access food banks relying on Ontario Works as their primary source of income, targeted changes present a clear opportunity to reduce pressure on community organizations while helping more Ontarians participate in the workforce and build financial stability.

Alignment with Provincial Priorities

Increasing the earned income exemption under Ontario Works supports several of Government of Ontario's priorities, including:

- **Workforce Development and Labour Supply:** Helps more people participate in the workforce by reducing barriers to taking on additional hours, progressing in their work, and gaining experience.
- **Fiscal Responsibility:** Supports more sustainable outcomes by helping people build stability and transition off social assistance over time.
- **Economic Growth:** Strengthens local economies by enabling more Ontarians to contribute through work.
- **Housing and Homelessness Reduction:** Helps people improve income security, which supports stable housing and reduces the risk of homelessness.
- **Fairness and Opportunity:** Ensures social assistance programs reflect today's economic realities and support progress towards financial independence.

Recommendation

Feed Ontario recommends increasing the Ontario Works earned income exemption from \$200 to \$600 per month, while maintaining the current 50% deduction rate.

This would be a historic, yet low-cost improvement that builds on recent progress and supports shared goals of increasing workforce participation, reducing reliance on food banks, and strengthening communities across Ontario.

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