TORONTO

Heather MacVicar
General Manager

Sue Corke
Deputy City Manager

Employment and Social Services
Metro Hall
12th Floor, 55 John Street
Station 1123
Toronto, ON M5V 3C6

Tel: 416 392-8623
Fax: 416 392-4214

2009 BUDGET BRIEFING NOTE
2009 Staff Recommended Ontario Works Caseload Projections

Issue / Background:

The purpose of this briefing note is to review the 2009 preliminary Ontario Works budgeted caseload. Using the most current information available, this note briefly describes the caseload trends, analysis and supporting information used to establish the OW caseload at a monthly average of 90,000 cases for 2009.

This note will also discuss the impact of the Employment Insurance program on social assistance trends in Toronto over the last twenty years. It will pay particular attention to the changes in the Variable Entrance Requirements (VER) that were implemented in the 1990s and that have contributed to a decline in the percentage of the City's unemployed who are able to access EI benefits.

Key Points:

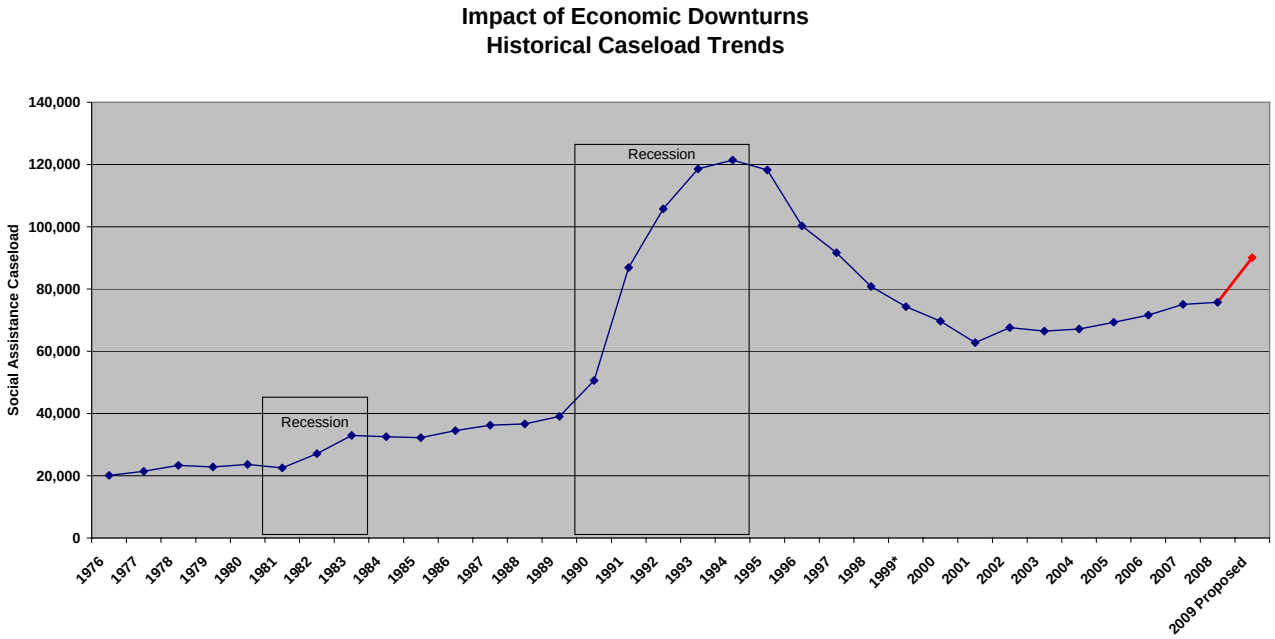
Budgeted Caseload:

To establish the 2009 budgeted caseload, TESS employs the following information and analysis:

1. Historical and key caseload trends (e.g. turnover, length of stay);
2. Economic forecasts related to Toronto's labour market, and;
3. Reviews of policy changes that will likely impact caseloads.

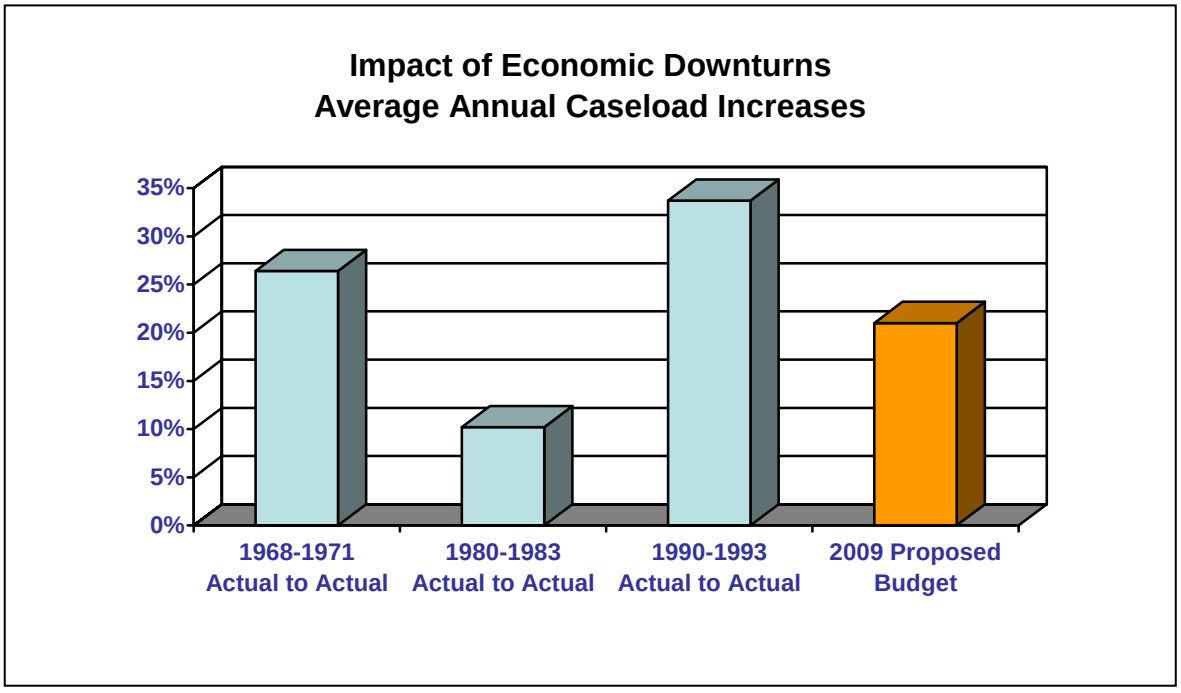
For 2009, staff began their analysis by looking at a macro level and comparing previous recessionary experiences with the most current economic forecasts available. More specific trends that impact caseload growth, such as applications and terminations, were then incorporated into the review to provide supporting evidence for the overall findings. Finally, recent program changes were evaluated against the economic forecasts and analysis.

Historical Trends



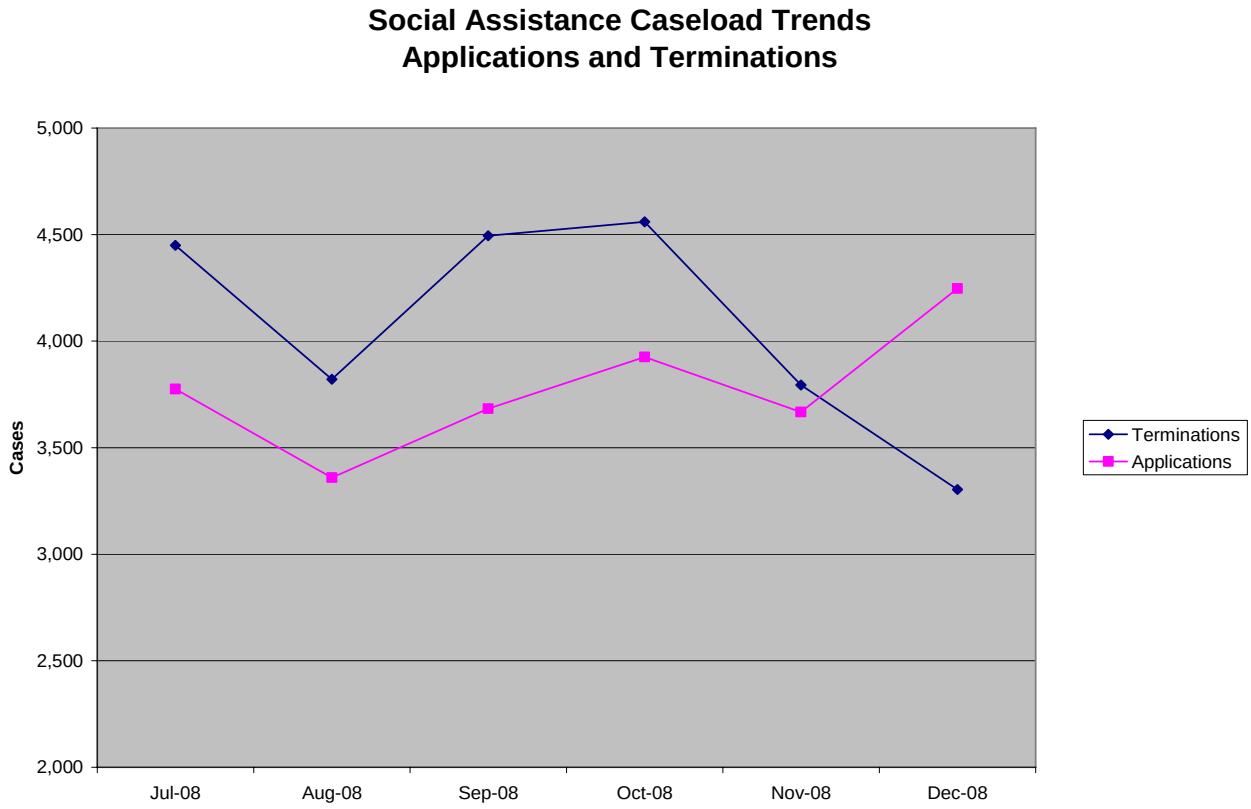
- This chart shows the actual average monthly caseload for OW for the period 1976 through 2008 and includes the 2009 projection.

- The time period covers two of the last three economic downturns, 1981 – 1984 and 1990 to 1994.



- The three previous downturns saw annual caseload increases in the average monthly caseload ranging between 10% and 35%. The 2009 projection of 90,000 cases represents an average monthly caseload increase of 20% placing it in the middle of previous experiences.

This next chart shows recent trends in the number of families and single people entering and leaving Ontario Works in Toronto, what constitutes the natural turnover in the OW caseload.



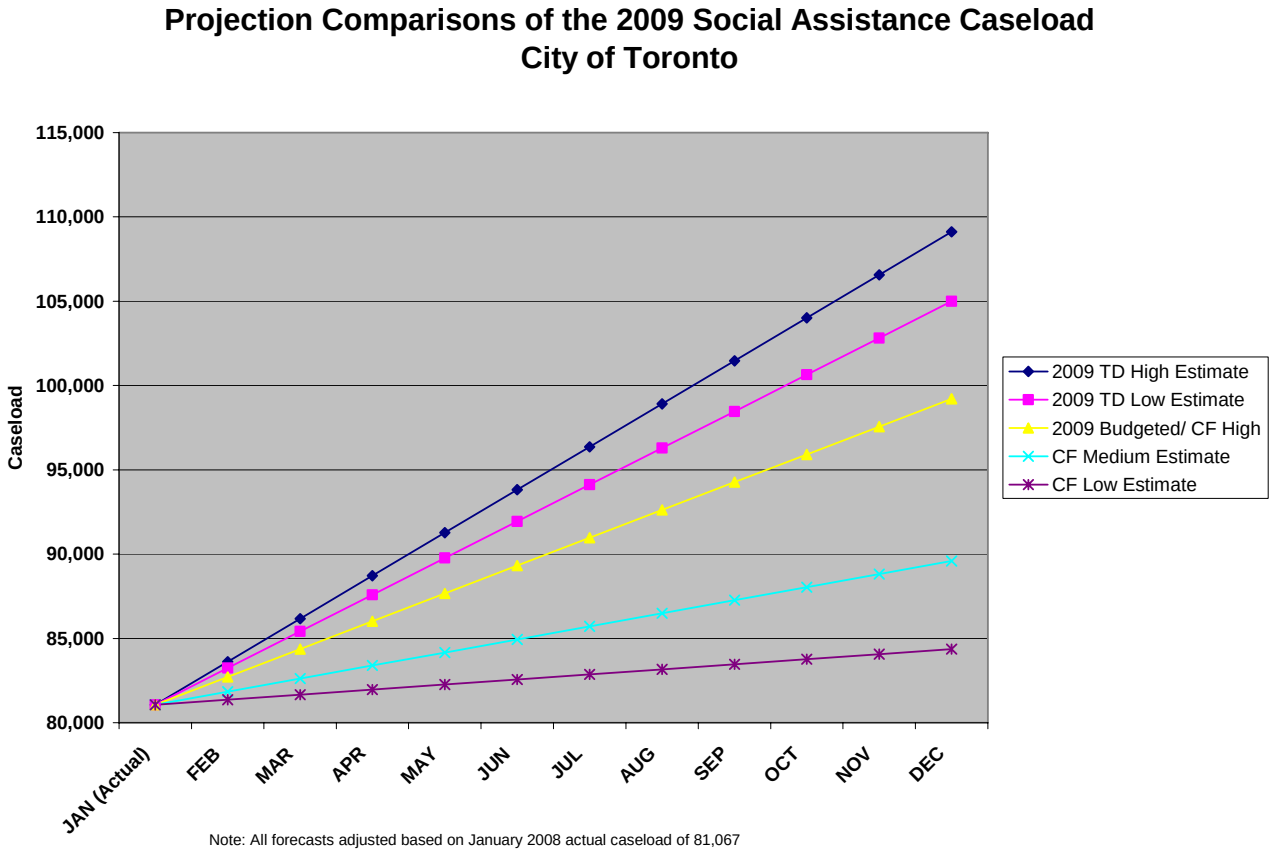
- The last quarter of 2008 saw a rapid decline in the number of cases leaving assistance. As experienced in previous recessions, this drop in terminations can be an early sign of increasing caseloads as fewer employment opportunities are available for people to exit assistance.

- Coupled with this decline in terminations has been a steady increase in new cases entering assistance that has been occurring since August 2008.

- Of particular note with the applications is the disproportionate number of previous applicants who are reapplying for assistance.

- At 71% of applicants having been previous recipients, December 2008 is the highest percentage of previous recipients TESS has ever recorded. This may be an indicator that those in precarious employment are losing their jobs and returning to OW.

Economic Forecasts:



- This chart plots the proposed 2009 monthly caseload against the most recent forecasts from TD Bank Financial Group (TD)[1] and the City's Corporate Finance Division (CF), which were developed using models based on a range of economic data (i.e. unemployment rates). Both projections assume that for every 1% increase in Toronto's unemployment rate there is an impact of 10,000 cases on the average monthly OW caseload;
  - Based on their most recent forecasts, TD is projecting an unemployment rate of between 9.0% and 9.5% for 2009;
  - Using the Conference Board's February 6, 2009 forecast to establish its low estimate and TD's report for the High Estimate, Corporate Finance is projecting a range in the unemployment rate of between 8.5% and 9.5% in 2009.
- It is important to note that the underlying economic and labour markets conditions began to change rapidly beginning in that latter half of 2008, causing the federal government[2], and most private sector forecasters, to consistently downgrade assessments.
- At an average monthly caseload of 90,000 cases TESS' 2009 forecast falls between the ranges provided by TD and Corporate Finance.
- It is anticipated that there will be continued volatility in the economic sphere, requiring constant review and upgrading of projections.

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1 Toronto Faces Large Funding Burden For Social Assistance, TD Economics Special Report, February 9, 2009.

2 In its recent budget, the federal government noted: *…the private sector outlook for real and nominal GDP in Canada has been revised down significantly since the time of the Economic and Fiscal Statement (released in November 2008).*

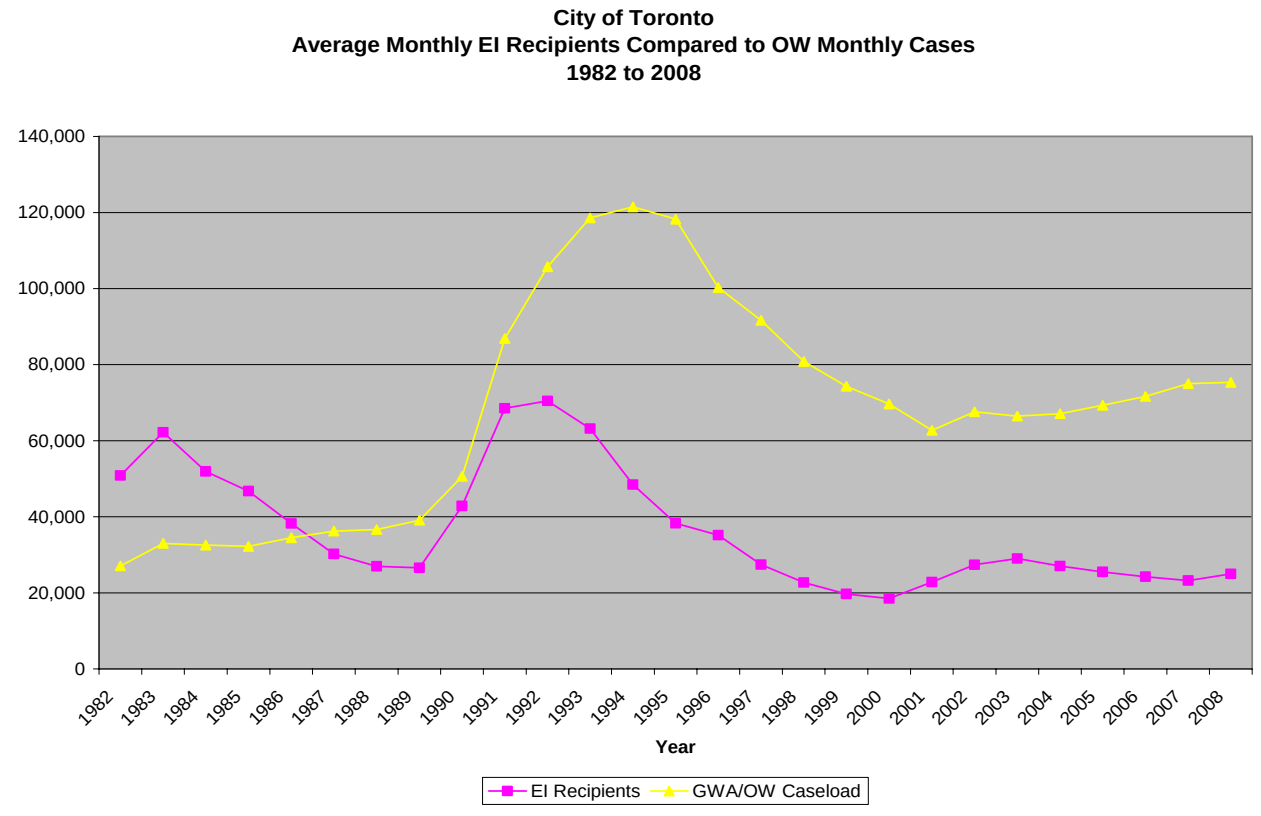
Impact of the Employment Insurance:

Since its inception, the primary purpose of the Employment Insurance program has been to provide benefits to Canadians between jobs. During recessions, the program has been a crucial support to people and communities, providing insurance against forces beyond their control. It also served a primary countercyclical function, putting financial benefits into the hands of residents and consumers that are then spent to a large extent in local economies.

For Torontonians, EI has in the past been a key part of the social safety net, fulfilling its role in supporting people when they lose their jobs. However, since the mid 1990's, the percentage of unemployed city residents able to access EI has decreased substantially.

Today, fewer than one in four unemployed city residents are able to access EI. By comparison, the percentage of the unemployed receiving EI benefits nationally is approximately 40 percent, although this rate has fallen sharply from 1990 when 80 percent of all unemployed Canadians qualified for EI.

Changes to the Variable Entrance Requirements introduced in the mid 1990s, along with changes to benefit maximums and benefit duration - all of which are now tied to regional unemployment rates - has significantly contributed to the decline in coverage overall, and disproportionately so in Toronto. Today most residents need more than 630 insurable hours to qualify and receive a maximum of 40 weeks of financial benefits. (see Appendix 1 for a comparison of EI program characteristics for different Canadian jurisdictions)



➢ The chart above compares the average monthly number of EI recipients[3] in Toronto with the average social assistance caseload administered by the City. By the middle of the 1990s

3 Labour Force Survey, Statistics Canada

OW became the primary program of financial support for Toronto's unemployed and underemployed.

Labour Force Information
City of Toronto

Year	*Labour Force*	*Employed*	*Unemployed*	*Not in Labour Force*	*Participation Rate*	*Unemployment Rate*	*OWA Caseload*	*EI Recipients*
1990	1,355,048	1,278,454	76,595	603,821	69.2%	5.7%	50,615	42,831
1991	1,337,112	1,197,370	139,743	618,530	68.4%	10.5%	86,895	68,536
1992	1,312,444	1,153,027	159,418	647,915	66.9%	12.1%	105,713	70,467
1993	1,287,308	1,124,093	163,213	673,323	65.7%	12.7%	118,553	63,156
1994	1,241,663	1,105,303	136,358	721,737	63.2%	11.0%	121,459	48,477
1995	1,227,629	1,106,848	120,784	728,737	62.8%	9.8%	118,262	38,276
1996	1,224,340	1,099,196	125,144	746,468	62.1%	10.2%	100,280	35,156
1997	1,253,117	1,139,139	113,982	722,692	63.4%	9.1%	91,637	27,422
1998	1,286,372	1,181,303	105,069	714,305	64.3%	8.2%	80,837	22,733
1999	1,291,360	1,201,328	90,033	716,430	64.3%	7.0%	74,324	19,698
2000	1,316,842	1,232,884	83,958	716,116	64.8%	6.4%	69,654	18,498
2001	1,347,968	1,249,671	98,297	708,002	65.6%	7.3%	62,751	22,868
2002	1,375,928	1,259,962	115,968	706,995	66.1%	8.4%	67,602	27,380
2003	1,379,546	1,260,021	119,527	696,328	66.5%	8.7%	66,494	29,043
2004	1,402,588	1,284,560	118,031	697,798	66.8%	8.4%	67,124	27,062
2005	1,425,329	1,311,607	113,723	725,553	66.3%	8.0%	69,345	25,510
2006	1,427,981	1,320,822	107,158	740,863	65.8%	7.5%	71,626	24,238
2007	1,447,519	1,333,529	113,991	747,081	66.0%	7.9%	75,021	23,218
2008	1,467,963	1,357,544	110,420	742,839	66.4%	7.5%	75,708	24,980

- The above table provides Labour Market Information including Employment Insurance and OW data showing that between 1990 and 2008:
  - the number of unemployed in Toronto has risen by 34,000;
  - the average OW monthly caseload is higher by more than 25,000, and;
  - the average number of EI recipients is down by nearly 50% or about 18,000 recipients.
- The absolute increase in TESS' 2009 projected caseload equals less then 20% of the December 2008 unemployed population of the City.
- To address the substantial erosion of EI accessibility in Toronto, a wide range of groups, including the TD Financial Group, have recommended the following basic program changes be made to EI:
  - Eliminate the Variable Entrance Requirements and establish a Canada wide standard of 360 hours to qualify for EI;
  - Extend the maximum weeks of benefit entitlement to 50 in all regions, and;
  - Increase the basic benefit rate of 55% of average insured earning to 60%.
- It is difficult to determine the impact that these recommendations would have on the number of unemployed accessing EI in Toronto due to a lack of detailed labour force information, including information about EI applicants, those about to exhaust their EI benefits and the recently unemployed. However, it should be noted that prior to the

introduction of the current VER requirements, in Toronto nearly half of the City's unemployed received EI financial benefits compared to just 23 per cent in 2008.

Conclusion:

The proposed caseload of 90,000 is a conservative estimate, and represents an increase of 1,650 cases a month through the remainder of 2009. In 1990, TESS experienced average monthly caseload increases of 2,350 cases.

It is expected that the recent federal announcement about changes to the EI program, specifically the increase in maximum duration for receiving benefits, will have little or no effect on the caseload growth in 2009. The reforms of the EI system outlined above would go a long way in helping to mitigate the impacts of this downturn that are being felt first hand by a rapidly increasingly number of Toronto residents and their families.

Prepared by: Nizam Bacchus, Director, Program Support, Employment & Social Services, (416) 392-8585, nbacchus@toronto.ca

Further information: Heather MacVicar, General Manager, Employment & Social Services, ((416)392-8952, hmacvic@toronto.ca

Date: February 24, 2009

Appendix 1

Employment Insurance (EI) Program Characteristics for the period of February 08, 2009 to March 14, 2009

Province / Territory	Economic Region Code	Economic Region Name	Unemployment Rate	Number of Insured Hours Required to Qualify for Regular Benefits	Minimum Number of Weeks Payable for Regular Benefits	Maximum Number of Weeks Payable for Regular Benefits
Newfoundland and Labrador	01	St. John's (map)	7.2	630	22	45
Newfoundland and Labrador	02	Newfoundland/Labrador (map)	19.2	420	37	45
Prince Edward Island	03	Prince Edward Island (map)	11.8	490	28	45
Nova Scotia	04	Eastern Nova Scotia (map)	14.8	420	33	45
Nova Scotia	05	Western Nova Scotia (map)	9.2	560	25	45
Nova Scotia	06	Halifax (map)	5.6	700	14	36
New Brunswick	07	Fredericton-Moncton-Saint John (map)	5.6	700	14	36
New Brunswick	08	Madawaska-Charlotte (map)	11.1	490	28	45
New Brunswick	09	Restigouche-Albert (map)	14.7	420	33	45
Quebec	10	Gaspésie-Îles-de-la-Madeleine (map)	19.3	420	37	45
Quebec	11	Quebec (map)	3.9	700	14	36
Quebec	12	Trois-Rivières (map)	7.6	630	22	45
Quebec	13	South Central Quebec (map)	6.6	665	15	38
Quebec	14	Sherbrooke (map)	6.7	665	15	38
Quebec	15	Montérégie (map)	7.1	630	17	40
Quebec	16	Montreal (map)	7.9	630	17	40
Quebec	17	Central Quebec (map)	8	630	22	45
Quebec	18	North Western Quebec (map)	10.9	525	26	45
Quebec	19	Lower Saint Lawrence and North Shore (map)	12.4	455	29	45
Quebec	20	Hull (map)	5.2	700	14	36
Quebec	21	Chicoutimi-Jonquière (map)	8.4	595	23	45
Ontario	22	Ottawa (map)	4.6	700	14	36
Ontario	23	Eastern Ontario (map)	6.2	665	15	38
Ontario	24	Kingston (map)	5.4	700	14	36
Ontario	25	Central Ontario (map)	6.9	665	15	38

Ontario	26	Oshawa (map)	7.9	630	17	40
Ontario	27	Toronto (map)	7.8	630	17	40
Ontario	28	Hamilton (map)	8	630	17	40
Ontario	29	St. Catharines (map)	8.8	595	18	42
Ontario	30	London (map)	7.8	630	17	40
Ontario	31	Niagara (map)	8.7	595	18	42
Ontario	32	Windsor (map)	10.5	525	21	45
Ontario	33	Kitchener (map)	8.4	595	18	42
Ontario	34	Huron (map)	9.3	560	20	44
Ontario	35	South Central Ontario (map)	7.1	630	17	40
Ontario	36	Sudbury (map)	6.2	665	20	43
Ontario	37	Thunder Bay (map)	7.2	630	17	40
Ontario	38	Northern Ontario (map)	10.5	525	26	45
Manitoba	39	Winnipeg (map)	4.5	700	14	36
Manitoba	40	Southern Manitoba (map)	5.2	700	14	36
Manitoba	41	Northern Manitoba (map)	26.7	420	37	45
Saskatchewan	42	Regina (map)	3.1	700	14	36
Saskatchewan	43	Saskatoon (map)	4.3	700	14	36
Saskatchewan	44	Southern Saskatchewan (map)	6	700	14	36
Saskatchewan	45	Northern Saskatchewan (map)	15.2	420	35	45
Alberta	46	Calgary (map)	4.1	700	14	36
Alberta	47	Edmonton (map)	4	700	14	36
Alberta	48	Northern Alberta (map)	7.9	630	17	40
Alberta	49	Southern Alberta (map)	5.6	700	14	36
British Columbia	50	Southern Interior British Columbia (map)	8	630	17	40
British Columbia	51	Abbotsford (map)	5.7	700	14	36
British Columbia	52	Vancouver (map)	5.1	700	14	36
British Columbia	53	Victoria (map)	4.7	700	14	36
British Columbia	54	Southern Coastal British Columbia (map)	6.9	665	15	38
British Columbia	55	Northern British Columbia (map)	9.3	560	25	45
Yukon	56	Yukon (map)	25	420	37	45
Northwest Territories	57	Northwest Territories (map)	25	420	37	45
Nunavut	58	Nunavut (map)	25	420	37	45