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DATE: August 31, 2009

REPORT TITLE: **UPDATE ON ECONOMIC RECESSION AND HUMAN SERVICES PROGRAM IMPACTS**

FROM: Janet Menard, Commissioner of Human Services  
Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

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**RECOMMENDATION**

**That the Ontario Works 2009 Council approved complement level be increased by 44 Full Time Equivalent (FTE) positions to 336.5 FTE to address Social Assistance caseload increase per Council resolution 2009-644.**

**REPORT HIGHLIGHTS**

- The global economy remained in a synchronized recession during the first half of 2009 with sustained declines in global production.
- The impact of the recession on Peel has been negative.
- Peel's seasonally unadjusted unemployment rate increased to 10.5 per cent in the 2nd quarter of 2009, which is up significantly from 7 per cent recorded the same time last year.
- The Social Assistance caseload is steadily increasing and has reached 13,389 for August 2009.
- As approved by Council, an additional 44 FTE has been hired for increased caseload management efforts.
- Over 40,000 Peel residents collected Employment Insurance regular benefits in June 2009, up 167 per cent over June 2008 levels.
- Despite some signs that the recession has bottomed out, most economists predict that the recovery will be slow and modest and the unemployment rate will remain high in the coming months and well into 2010.
- An economic forecast model for social assistance caseload suggests an increase in social assistance caseloads to a monthly average of 13,358 for 2009 and 14,614 for 2010.
- Council has approved additional expenditures of up to \$9.3 million in support of clients in need per Council resolution 2009-644. This includes \$7.2 million to deal with the increased Ontario Works caseload and \$2.1 million in expanded and new programs.
- The 2009 year end costs, including caseload related expenditures and new programming is expected to be \$7.83 million.
- Council has approved up to \$9.30 million of the costs to be funded from internal working fund reserves (resolution 2009-644) in the event that other 2009 year end surplus funding alternatives do not materialize.

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**DISCUSSION**

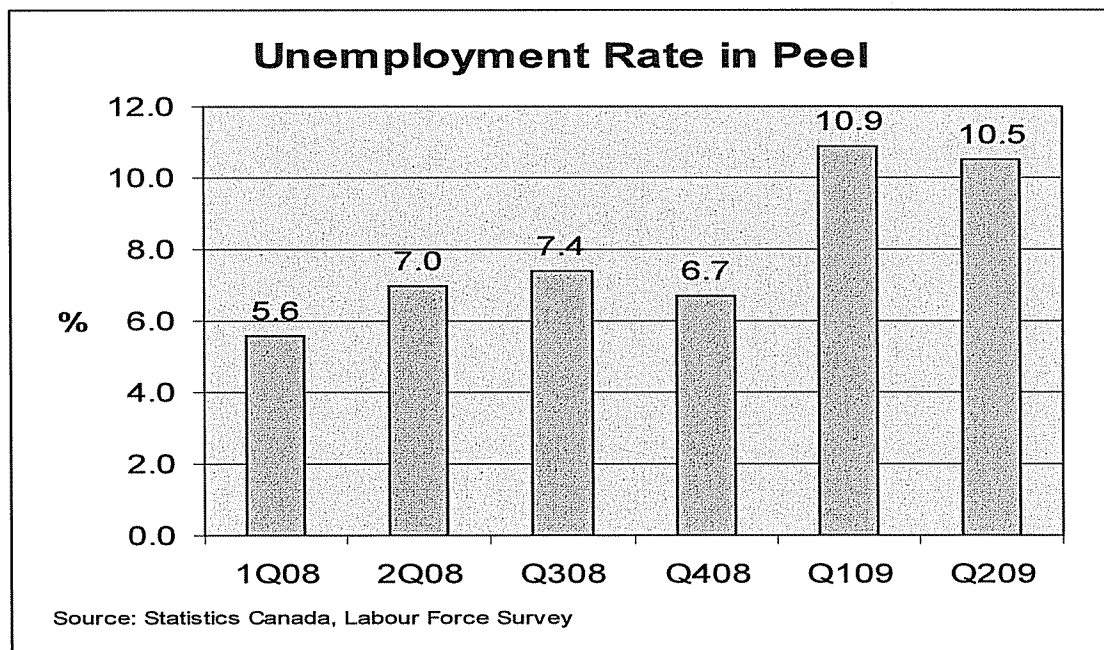
**1. Current economic situation – Canada in a synchronized recession**

Per Council Resolution 2009-644, Council directed staff to provide updated reports every four months on the economic recession, and its impact on Human Services' programs and Peel's community agencies. This report is the 2<sup>nd</sup> in a series of regular reports.

**a) Economic Conditions and Indicators**

The global economy remained in recession during the first half of 2009. According to the Organization of Economic Corporation and Development (OECD), the economies of the seven largest industrialized economies shrank at annualized rates of 8.4 per cent and 0.1 per cent during the first and second quarters of 2009 respectively. The Canadian economy declined at annualized rates of 6.1 per cent and 3.4 per cent during the same two quarters extending the economic recession in Canada to three quarters.

The recession has negatively impacted Peel. Peel's unemployment rate remained elevated above 10 per cent during the first half of 2009. For the 1<sup>st</sup> and 2<sup>nd</sup> quarter 2009, Peel's quarterly average unemployment rates were 10.9 per cent and 10.5 per cent respectively, up from 5.6 and 7 per cent registered during the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2008 respectively.



The strong deterioration in Peel's labour market reflected the impact of the recession on key sectors in Peel. On average, close to a quarter of Peel's labour force is employed in the manufacturing and construction sectors. In the 2<sup>nd</sup> quarter of 2009, there were 20,000 fewer workers in Peel employed in the manufacturing sector compared to the 2<sup>nd</sup> quarter of 2008, a drop of 18.5 per cent. Over the same time period, Peel residents employed in the construction sector lost 12,300 jobs, a 35 per cent decline. The job losses over this period were not only limited to manufacturing and construction but were widespread affecting many other industries in the economy.

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In addition to significant and widespread losses in employment, there were other signs that Peel's economy continued to experience recessionary conditions in the 2<sup>nd</sup> quarter 2009. The table below compares the 2<sup>nd</sup> quarter 2009 with the 2<sup>nd</sup> quarter of 2008.

**Table 1: Peel Economic Indicators**

Economic Indicators	2 <sup>nd</sup> Quarter 2008	2 <sup>nd</sup> Quarter 2009	Increase / (Decrease)	
			No	%
Total Employment:	625,300	564,500	(60,800)	-9.7%
Full Time	519,000	467,300	(51,700)	-10.0%
Part Time	106,300	97,300	(9,000)	-8.5%
Manufacturing Employment	111,500	90,900	(20,600)	-18.5%
Construction Employment	34,200	21,900	(12,300)	-35.0%
Trade Employment	113,400	111,500	(1,900)	-1.7%
Value of Building Permits in Peel (millions of dollars)	\$678.4 M	\$219.9 M	(\$458.5 M)	-67.6%
Number of Housing Starts*	1,808	737	(1,071)	-59.2%
Number of Housing Completions	2,138	1,539	(599)	-28.0%
Number of Single Family Residential Housing Sales	6,201	6,304	103	1.7%

\* The decline in the 2<sup>nd</sup> quarter 2009 compared to the 2<sup>nd</sup> Q 2008 follows a 300 per cent surge in housing starts in March 2009, primarily due a six fold (668%) increase in multiple unit starts. In fact, Housing starts for the period of January – February 2009 relative to January – February 2008 fell by 59.0%.

Over the period:

- The total value of building permits fell by 67.6 per cent;
- The number of housing starts declined by 59.2 per cent; and
- The number of housing completions dropped 28 per cent.

Housing sales were slightly up in the 2<sup>nd</sup> quarter of 2009 over the same quarter last year. This increase follows a significant decline in the first quarter of 2009 compared to the 1<sup>st</sup> quarter 2008 which influenced an overall decline in total sales for the half year period (January – June 2009). Sales in the 2<sup>nd</sup> Quarter 2009 were up for two main reasons: interest rates were at historic lows and pent up demand in the market – prospective home buyers who put off buying homes between October 2008 and March 2009 due to the recession and resulting concern of job loss.

Current forecasts suggest that the global economy should begin to emerge from the economic recession during the latter half of 2009. Similarly, the forecast for the Canadian economy is for quarterly growth in the Gross Domestic Product (GDP) to begin again in the latter half of 2009.

Evidence of more positive economic changes in the Canadian economy has started to emerge. In June 2009, real GDP increased by 0.1 per cent and in August, the Canadian economy created 27,100 new jobs, with 18,600 of these jobs being created in the Toronto Census Metropolitan Area (CMA). The recent employment growth coupled with the GDP growth in June is a sign that the worst of the recession could be over.

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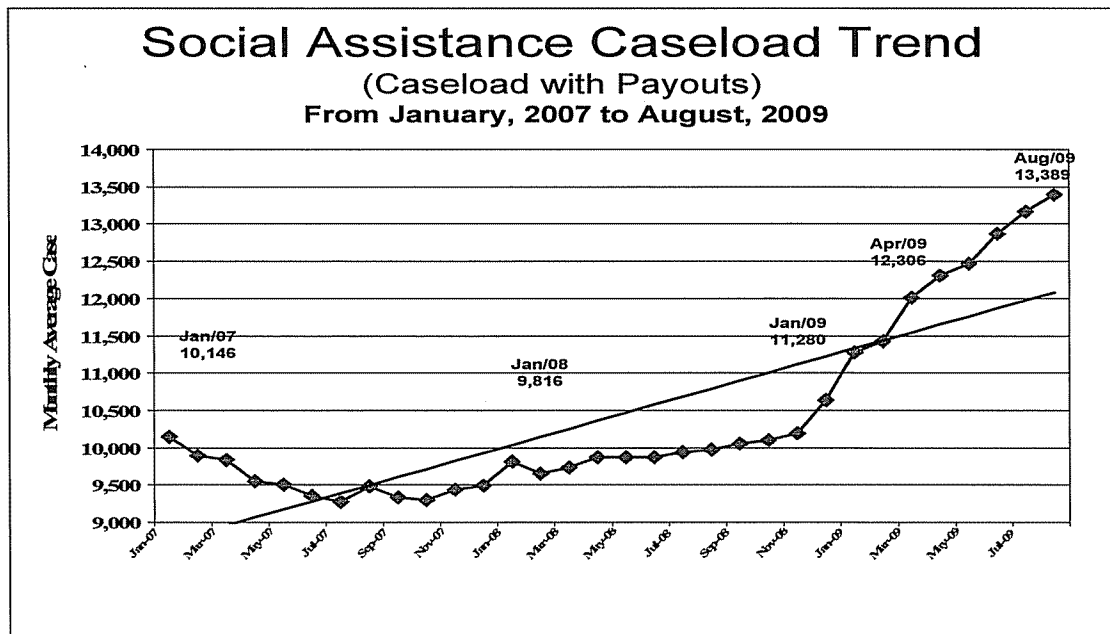
Despite these recent positive signs, labour market conditions are expected to deteriorate in the upcoming months and into 2010 with rising unemployment rates reflecting two main factors:

- **Employment is a lagging indicator:** After an economic downturn, the increase in employment usually lags behind an increase in GDP. As such, improvements in the job market are expected to occur after the rebound in the economy.
- **Increased entry into the labour force:** With the rebound in GDP, there is likely to be more persons entering the labour force, pushing the labour force higher. This is likely to occur at a pace above the growth in employment, resulting in increases in the national, provincial and regional unemployment rate.

This forecast has been confirmed by the OECD in its latest employment outlook report for its 30 industrialized countries. The OECD also says "there is a risk that the rise in joblessness could result in permanently higher unemployment levels that could take many years to bring back down". In view of this, the report argues that "governments must urgently reassess and adapt their labour market and social policies in order to prevent people from falling into the trap of long-term unemployment".

**b) Social Assistance Caseload Update**

As the number of people who become and/or remain unemployed continues to increase, we can expect to see, after a lag of several months, the Ontario Works caseload to rise. As staff reported back in May, as the economy contracted and unemployment rates substantially increased, the Region of Peel experienced a spike in the social assistance caseload. The caseload for August 2009 is 13,389 (cases with actual cash payouts during the month) or 13,080 (cases remaining on assistance at month end). From September 2008 to August 2009, the caseload increased by 33 per cent.



In July and August, the Finance department conducted an econometric exercise aimed at developing a forecast model for the Ontario Works (OW) caseload in Peel. This exercise examined the historic relationship between the change in the annual

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unemployment rate for the Toronto Census Metropolitan Area (CMA) and the change in Peel's OW caseload from the year 1990, the start of the last significant recession, to the present. The unemployment rate for the Toronto CMA was used in this analysis because unemployment data for Peel Region was only available from 1996 onward. The Toronto CMA is a geography that includes Peel, and one that was deemed more representative of changes in Peel (relative to other data sets like Ontario and Canada).

The relationship was tested statistically (correlation) before proceeding to develop a regression model. The exercise used both the statistical results as well as knowledge of the influences on the OW caseloads to develop a predictive model that could explain 63 per cent of the change in the OW caseload. This model provided estimates which will be used as the basis for forecasting the level of monthly average OW caseloads for 2009 and 2010. The estimates are presented in Table 2 below.

**Table 2: Ontario Works Caseload Forecasting Model for 2009 and 2010**

OW Caseload	2009			2010		
	Lower Limit	Mid Point	Upper Limit	Lower Limit	Mid Point	Upper Limit
Total OW Cases	154,069	160,294	170,949	166,087	175,362	188,898
Average Monthly Caseload	12,839	13,358	14,246	13,841	14,614	15,742

Based on this model the OW monthly average caseload is predicted to be approximately 13,358 for 2009. For 2010, the OW monthly average caseload will be considerably higher with average monthly caseloads forecast ranging between a low of 13,841 cases and a high of 15,742 cases as the unemployment rate continues to climb through the remainder of 2009 and into the early part of 2010. The 2010 budgetary impact will be discussed as part of the budget process.

**c) Social Assistance Caseload Management**

Peel's optimal caseload management staffing level is 100 cases per caseworker. This 100 to one caseload ratio is critical to the success of caseload management due to the following factors:

- A large caseload impedes staff ability to maintain Ministry standard of appointment bookings within four days of telephone application (increased wait times).
- The composition of an OW caseload can significantly affect case management. An OW caseload with a large percentage of cases who are families and sole source parents and with a higher number of beneficiaries per case (spouse, children of the client) requires more time and effort. The Ontario Municipal Benchmarking Initiative (OMBI) data shows that Peel is near the top end of participating municipalities in terms of the number of beneficiaries per case.
- Peel has a large immigrant population. Clients who have limited English skills and Canadian experience are generally less employable and require more intensive support and longer times on assistance.

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- Increased workloads contribute to increased employee stress and resulting illness and absenteeism. At the best of times the nature of this work is complex and high pressure. Additional stress is counterproductive to staff effectiveness.
- Large caseloads lead to higher costs due to overtime required.
- Caseload size indirectly affects worker effectiveness and client satisfaction. The size of the caseload affects the timeliness of processing the OW application, eligibility determination and changes.

As mentioned in the report dated May 11, 2009, the Region planned to deal with the increased caseloads by first redeploying Ontario Works (OW) staff and temporarily suspending certain processes and procedures. In July, a total of 15 staff were redeployed to OW caseload management (e.g. case workers, supervisors and other support staff.) Staff also reviewed OW processes and procedures and temporarily suspended certain processes. Some of the process changes include documentation requirements and the reduction of mandatory training sessions.

In addition, Council approved the hiring of a team of additional caseworkers and support staff for every increase of 700 cases. A team is made up of 11 employees – 6 caseworkers, 1 supervisor and a variety of support staff, (e.g. Employment Support Worker, Customer Service Representative, Operational Service Representative and Administrative Support Representative). The approved 2009 caseload management staffing level is sufficient to handle 10,400 cases. Based on the August 2009 caseload volume of 13,389 an additional 44 staff are needed. Since Council approval of resolution 2009-644 on June 4<sup>th</sup>, the Region has hired 44 additional employees.

Staff is recommending that the Ontario Works 2009 Council approved complement level be increased by 44 FTE to 336.5 FTE to address Social Assistance caseload increase per Council resolution 2009-644.

## **2. Increased Needs in the Community due to the Recession**

### **a) Assessing the Recession's Impact on Client's and Community's Needs**

Besides monitoring the economically sensitive social assistance caseload, Human Services staff are regularly identifying and tracking key indicators drawn from Ontario Works, Children's Services, Housing, community agency and federal government data to assess the recession's impact on our clients, budget and the community. This work will help to inform the department's decisions about resources to meet the growing demand and plan for the 2010 budget.

Some of the indicators of note include increases in Employment Insurance (EI) beneficiaries, Employment Resource Centre visits, growing numbers of market renters in social housing and child care families unable to pay market rates and Preventing Homelessness in Peel program (PHIPP) demand.

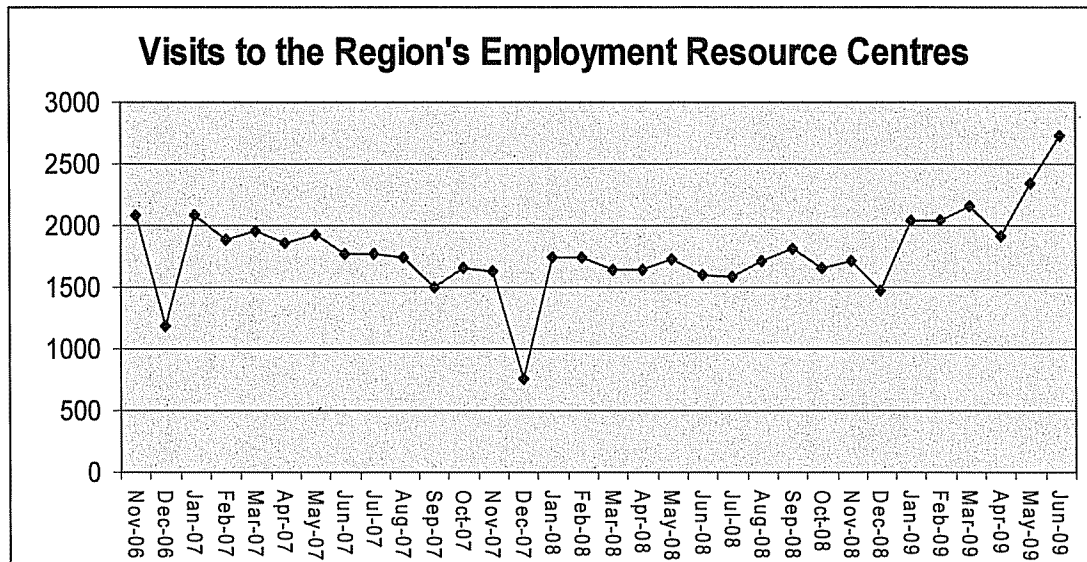
- **Employment Insurance (EI) Beneficiaries:** In June 2009, 40,430 people living in Peel were on EI regular benefits, up from 15,113 in June 2008, a spike of 167 per cent. This increase in EI beneficiaries is significant to municipalities in Ontario because Peel residents who exhaust their EI benefits before finding employment will likely end up on the OW caseload. The recent federal Conservative government announcement to introduce legislation to temporarily extend EI benefits to long

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tenured employees between 5 and 20 weeks should help to reduce the number of EI beneficiaries exhausting their benefits and falling onto the OW caseload.

- **Employment Resource Centres (ERCs):** The number of visits to the Regionally operated ERCs for the 2<sup>nd</sup> quarter of 2009 was 6,984 compared to 4,962 for the same period in 2008, a 41 per cent increase. Where monthly numbers since 2006 have averaged around 1,700, we have recently seen upwards to 3,000 visits per month.



- **Market Renters in Social housing units approved for Rent Geared to Income (RGI) wait list:** For the 2<sup>nd</sup> quarter 2009, there were 165 families who requested subsidy through RGI due to job or income loss. This represents an increase of over 27 per cent over the same period in 2008.
- **Peel Living Rental Arrears:** During 2009 there has been a fairly consistent increase in rental arrears indicating that overall increasing numbers of Peel Living tenants are struggling to pay their rent. In January, arrears were about \$140,000 (of the \$4.2 million rent demand). This increased to \$215,000 in July, representing a 53 per cent jump.
- **Rent Bank Program:** For the 2<sup>nd</sup><sup>st</sup> quarter of 2009, 168 households received assistance through Peel's rent bank (Preventing Homelessness Program) up from 126 households for the first quarter of 2008. This represents an increase of 33 per cent.
- **Child Care Fees:** Recently, increasing numbers of families with children in the regionally operated child care centres have experienced a loss in income due to the recession and are having difficulty paying full fee for child care. Staff will monitor this development and develop a strategy that will be reported to Council in the next Economic recession report.
- **Food bank usage:** There was an increase in food bank usage in Mississauga and Brampton in the 2<sup>nd</sup> quarter of 2009 compared to the 2<sup>nd</sup> quarter of 2008. Mississauga Food Bank and its affiliated network of food banks reported an increase of 13.5 per cent in the total number of clients served over this period and Brampton

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Salvation Army Citadel Church food bank, the largest food bank in Brampton, reported an increase of 37 per cent. Caledon Community Services issued fewer vouchers in the 2<sup>nd</sup> quarter 2009 compared to 2<sup>nd</sup> quarter 2008 although this follows an increase of 17 per cent in the 1<sup>st</sup> quarter of 2009 over 2008 levels for the same period.

- **Counselling Services:** Several agencies reported substantial increases in the number of people using their counselling services in the 2<sup>nd</sup> quarter 2009 compared to the Q2 of 2008. In addition, they report substantial increases in the share of clients citing financial, unemployment, addiction and mental health related issues. For example:
  - Family Services of Peel reported a 35 per cent increase in the number of counselling hours over this period. The number of people who used its Walk in counselling program increased by 259 per cent.
  - Catholic Family Services of Dufferin-Peel reported that the number of new clients using all its counselling programs increased by 18 per cent in the 2<sup>nd</sup> quarter 2009. It also indicated that the number of clients citing financial, unemployment, addiction, mental health related, parent/child conflict and domestic violence issues increased by 42 per cent in the 2<sup>nd</sup> quarter of 2009 in comparison to the same period in 2008. The number of clients who only cited mental health issues (stress/depression/anxiety/self-esteem) increased by 130 per cent over this period.
- **Employment Services:** The number of people seeking employment services and programs was also up in the 2<sup>nd</sup> quarter of 2009 over 2008 levels for the same period. Employment agencies like Mississauga Community Connections (MCC), which handles all the employment assessments for EI clients in Mississauga, experienced a 94 per cent increase in the 2<sup>nd</sup> quarter of 2009 compared to the 2<sup>nd</sup> quarter 2008. Caledon Community Services also reported a 43 per cent increase in the number of clients using its Jobs Caledon programs in the 2<sup>nd</sup> quarter of 2009. Family Services of Peel saw a 35 per cent increase in the number of counselling hours offered in its Working to your Full Potential employment program.
- **Fundraising:** Community agencies are struggling with fundraising. Several agencies have approached the Region citing financial problems and requesting regional assistance (see below).

**b) Human Services Department's Response to the Growing Need**

In the first economic update Council report, staff advised that in addition to supporting families in need, increased financial and income supports to low income households was one of several ways to increase consumer spending, boost demand and get the economy moving again. This is supported by the fact that low income families spend the additional income immediately on basic goods and services. To this end, Council approved additional expenditures of up to \$9.3 million in support of clients in need, including \$7.2 million to manage the increased social assistance caseload.

In addition to the spending measures to meet the sharp increase in the OW caseload, staff has been expanding existing programs and implementing new strategies to assist clients in need. These include:



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- i) housing allowance assistance
- ii) continuation of the Affordable Home Ownership program
- iii) additional funds for the rent bank program
- iv) increasing the provision of food at Regional child care centres
- v) additional funding for community agencies in need
- i) Housing Allowance Assistance

In response to the recession, a housing allowance is now available to qualifying renters who pay market rent to a Peel social housing provider and who have been negatively affected by the recession (lost employment or had hours significantly cut). Families and individuals will have an eligibility review in their sixth month if they are still receiving the allowance. Staff spent most of June and July finalizing the eligibility criteria and distributing to social housing providers who have been the primary vehicle for promoting the program.

To date, five households are receiving assistance and staff anticipate we could assist be assisting up to 100 households by the end of 2009 for a total cost of approximately \$100,000.

- ii) Affordable Home Ownership Program

This program is to assist market renters living in social housing units to purchase a home. Staff have received applications and approved 30 applicants. Once approved, applicants must find a home and secure financing. By mid October, three purchases have been finalized. Staff anticipates a total of 10 purchases will close by the end of 2009, for a total cost of \$100,000.

- iii) Regional Rent Bank Program

The increased use of the Rent Bank is a clear sign that the recession is negatively impacting our most vulnerable Peel residents. In the first half of 2009, the Regional Rent Bank program has assisted 219 households for a total cost of \$376,985, up from 174 households and a cost of \$225,354, a 67 per cent increase in expenditures over 2008 levels. Should these trends continue for the remainder of 2009, the Region will assist over 400 households this year.

- iv) Expanded Food Budget at Regionally Operated Child Care Centres

The additional funding that Council approved to expand the food budget at the Regionally operated child care centres is in the initial start-up phase and at various levels of implementation in our 12 sites. Current programs offer healthy snacks for families during drop-off and pick-up times. This program has reached all of our 650 plus families within the Child Care Centres and is extended to the other family members including grandparents and siblings. It is anticipated that a quarter of the funds will be spent by December 2009 when changes are fully implemented.

- v) Expansion of Community Programs Fund (Community Response Fund)

Recognizing the additional challenges non-profit social service organizations in Peel face as a result of the recession, Regional Council approved \$400,000 in additional funding under the Community Programs Fund. The Community Response Fund (CRF) is a short term, time limited fund that will provide an immediate response to those organizations experiencing cost and demand pressures that are placing

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considerable stress on key community-based critical human services, as a result of the recession.

Information on the CRF was sent to all currently funded organizations and placed on the Regional website in July. Organizations are encouraged to discuss their needs with the Acting Manager of Community Programs and Special Projects and if they are eligible for funding, they are asked to complete a brief form detailing their situation including funding need and plan to overcome the current challenges.

To date three formal requests for Community Response Funding have been received. One has been approved for \$33,000 and the two others are pending. As well two additional organizations are in conversation with staff around their current situations. The average request is \$35,000. The majority of organizations are facing financial challenges due to a combination of decreases in corporate and general fund-raising dollars and increases in service demands as a result of the recession.

Also, in response to the emerging trend of families having difficulty paying full fee for child care, staff will develop a strategy to mitigate the impacts for families who have experienced a reduction or loss of employment due to the current economic recession and may be experiencing difficulty in paying full fee for child care. Staff will provide an update to Council on this in the next report, slated for January 2010.

**FINANCIAL IMPLICATIONS**

The total cost for economic downturn impacted programs for 2009 is currently projected at \$7.88 million as outlined above. Council has approved up to \$9.30 million of the costs to be funded from internal working fund reserves (resolution 2009-644) in the event that other 2009 year end surplus funding alternatives do not materialize. Details are as follows:

<b>Programs</b>	<b>Estimated Costs to 12-31-09</b>
<b>Social Assistance Caseload Related:</b>	
1. Social Assistance Caseload	\$5.60 million
2. Caseload Management Cost (Staffing)	\$1.00 million
3. Office Leasing Renewal for Additional Caseworkers	\$0.30 million
Sub Total	\$6.90 million
<b>Expansion &amp; New Initiatives:</b>	
1. Housing Allowance Discretionary Benefit	\$0.10 million
2. Home Ownership Program	\$0.10 million
3. Rent Bank Program	\$0.30 million
4. Food at Regional Child Care Centres	\$0.03 million
5. Community Agency Funding	\$0.40 million
Sub Total	\$0.93 million
<b>Total</b>	<b>\$7.83 million</b>

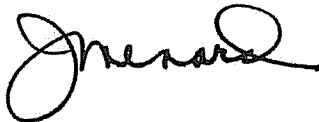
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**CONCLUSION**

The negative impacts on Peel of the economic recession continued in the 2<sup>nd</sup> quarter of 2009. This was strongly confirmed by key economic indicators, notably high unemployment rates increasing social assistance caseloads and increased number of families in financial trouble in both social housing and child care programs. The federal, provincial and municipal governments have made significant investments in the infrastructure to stimulate the economy. The Region of Peel too is complementing these efforts with local human service interventions that meet the specific and critical needs of our community. Staff has begun to implement these strategies and expand targeted service levels to mitigate the impact of the recession and help stimulate the economy. The expanded programs and new initiatives have been well received by the community and beyond and demonstrate Council's leadership in acting quickly and responsibly to support Peel's most vulnerable residents.

The Human Services department will closely monitor the economy and its impact on programs and report back to Council every four months.



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Commissioner of Human Services



Norma Trim  
Chief Financial Officer  
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**Approved for Submission:**



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