



## BRIEFING NOTE

### Drummond Report Recommendations

Last Updated February 21, 2012

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#### Key Points:

1. The Drummond report acknowledges the importance of the non-profit sector and social programs for society's most vulnerable and makes specific recommendations that present positive opportunities for the sector.
2. Along with health and education, social programs are the only other area that is not targeted for an overall cost reduction - Drummond proposes that spending continue in social programs with an annual growth rate of 0.5% to 2017-18.
3. While spending on social programs is recommended at overall growth of 0.5%, this would inevitably result in significant pressures on the sector given Ontario's growing social demands and ageing population. United Way agencies are expected to continue to see rising demands for services and supports.
4. The provincial government is expected to respond to the Commission with a multi-year "roadmap" strategy which will be linked to the 2012 Provincial Budget. The Commission could not assess revenue tools, such as deferral of corporate tax cuts or the sale of public assets. Such options are expected to be part of the government's fiscal strategy to achieve a balanced budget by 2017-18.

#### Drummond Commission Recommendations: A Summary

As part of 2011 Provincial Budget, the Government of Ontario launched a commission with a mandate to provide advice on how to deliver public services more efficiently. The Commission's report was developed with a view towards informing the development of the 2012 Budget and the goal of eliminating the structural deficit by 2017-18.

##### 1. Non-Profit Sector:

- The Commission recognizes that the NFP sector is an "often-overlooked contributor to the Canadian economy". The report notes that the contributions of the NFP Sector support the Government's broader goals with regards to education, health, the environment and much more.

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- The Commission calls on the government to ensure that NFPs have funding security through multi-year agreements. Drummond also notes that predictable revenues enable NFPs to make longer-term decisions.
- Drummond also points to the importance of a shift to an “outcomes framework” with regards to grants and other contributions to NFPs.
- The Commission recognizes the reporting and administrative burden on the NFP sector. Drummond supports incorporating the “Open for Business” model for the NFP sector. This cross-ministry initiative created a single window which all business can engage all government services promoting efficiency and customer service.
- Drummond highlights the tremendous social return that volunteers have which link to the broader goals of the government.

### Social Impact Bonds:

- Drummond proposes the introduction of new revenue tools for NFPs to promote “cost-effective social outcomes” and highlights Social Impact Bonds (SIBs) as an example. Through SIBs, the Commission suggests that governments are able to raise funds to address social challenges and provide investors with a risk-adjusted rate of return. Drummond notes that the U.K. experience with SIBs “shows promise” and suggests that the government undertake a pilot project to “explore Social Impact Bonds across a range of applications”.

### Delegated Administrative Authority Review:

- To promote efficiency and innovation, the Commission suggests that the government “delegate” authority where appropriate to other partners which may include NGO’s and the broader the NFP sector. Drummond suggests that NFPs could deliver employment services and hints that they may be financially rewarded for positive program outcomes.

## **2. Provincial-Municipal Relations:**

- Drummond notes that in many cases all three levels of government are involved in the delivery of services, such as housing, which leads to confusion and is exacerbated with the involvement of non-profit organizations. Drummond suggests a “thorough review” of the relationship between the provincial government and municipalities.

### **3. Immigration:**

The Commission recommends that the provincial government:

- Seek greater control from the federal government regarding immigrant settlement in Ontario and advocate for devolving federal immigrant settlement and training programs to the province with an appropriate funding mechanism, similar to those established in BC and Manitoba;
- Undertake a pilot program equivalent to Australia's pre-application skills assessment which supports the employment participation of immigrants when their credentials are not recognized;
- Streamline and integrate provincially delivered integration and settlement services for recent immigrants with Employment Ontario.

### **4. Social Assistance:**

The Commission endorses the mandate and continued work of the Commission for the Review of Social Assistance. It recommends that the following be of particular focus:

- Fully integrate OW and ODSP, linking it with the Employment Ontario Services and having the new program delivered at the local level;
- That an integrated system will achieve saving through centralizing income testing and payment delivery; automating the processing of applications, eligibility and payments; automating income verification; consolidating program delivery; and standardizing eligibility criteria;
- That the province support people with disabilities who are entering the workplace and work with employers and fellow employees to properly understand and accommodate the specific needs of the individual in the workplace;
- That the province push the federal government to establish a national income support program for people with disabilities who are unlikely to re-enter the workforce and implement the final recommendations of the Mowat Centre Employment Insurance Task Force;
- Tie specific benefits (beginning with the Ontario Drug Benefit program) be tied to income levels rather than to social

assistance status to provide incentives for employment.

#### 4. Intergovernmental Relations:

- The Commission suggests that the provincial government should continue to push for a realignment of the fiscal relationship (Equalization Program) with the federal government. Drummond notes that in 2010, “Ontarians provided 39 per cent of federal revenues, but benefited from only 34 per cent of federal expenditures”.
- The Commission suggests that a review of the role that each government plays in the delivery of services take place to eliminate redundancy, in particular programs related to housing, immigration and employment.
- The Commission argues that the inequity in the fiscal framework with the federal government goes beyond the Equalization Program and they cite Employment Insurance as an example that needs to be recalibrated.

*“In 2010, Ontarians contributed about 40 per cent of EI premiums, but received only 32 per cent of benefits. Despite being one of the hardest-hit provinces during the global economic recession and with the province’s unemployment rate above the national average, Ontarians’ coverage remained near the lowest in the country, with only 32 per cent of the unemployed receiving EI.”*

#### Next Steps:

- The provincial government will wait until the 2012 Federal budget is tabled in March, which means that the 2012 Provincial budget will likely be tabled in early April.
- Both the Premier and Finance Minister have noted that the Commission’s report will not dictate government policy. For example, Drummond’s recommendations to scale back full day kindergarten have already been rejected by the government.
- In addition to provincial funding cuts, expected cuts to Citizenship and Immigration Canada, Human Resources and Skills Development and other federal ministries and departments are likely to affect programming for youth, seniors and newcomers in the coming years.

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#### Economic Background:

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- Ontario ran a \$16 billion deficit in the 2010-11 fiscal year and its total debt now stands at about \$235-billion, the highest ever. Debt servicing cost for the 2010-11 fiscal year represented \$9.5-billion. It is expected that a greater proportion of spending in the 2012-18 provincial budgets will see funds diverted from various programs to finance and pay-down the province's debt.
- Ontario's prospects for economic growth are greatly influenced by the stability of export markets. Global economic instability, particularly in the United States has most experts agreeing that despite its best efforts, Ontario is entering a stage of "slow growth" projected to be about 2% (GDP) per year.
- Health care represents about 42% of total annual spending equating to about 43 cents of every dollar collected in taxes or transferred from the federal government. Health care spending has increased by almost 7% per year over the last five years. The Ontario government has noted that it plans to slow health spending to 3.4% in the fiscal year 2012-13 and 2.8 % in 2013-14.
- This presents a serious challenge given Ontario's ageing population. Recent estimates project Ontario's seniors' population to double in the next 16 years. The majority of seniors (84%) live in Ontario's large urban centers, such as Toronto.
- According to Statistics Canada, Ontario's unemployment rate has fallen from a peak of 9.4% during the recession to 7.7% in December 2011. This is closer to the national average of 7.5%. Unemployment is most acute for new Canadians (14%), youth (15 to 24) (14%) and older workers (55 and over).
- Economic activity in Toronto currently represents about 44% of provincial GDP. The success of the Toronto region will remain critical to Ontario's continued economic recovery.