

EXECUTIVE SUMMARY OF *WELFARE INCOMES 2003*

Welfare Incomes is a regular report on the welfare rates in each province and territory in Canada. The report estimates welfare incomes for four types of households in 2003: a single employable person, a single person with a disability, a single-parent family with a two-year-old child, and a two-parent family with two children aged 10 and 15. The National Council of Welfare has published similar estimates since 1986.

Welfare Incomes in 2003

The gap between the poverty line and welfare incomes remained large and relatively unchanged in 2003 with people on welfare subsisting on as little as one-fifth of the poverty line.

In general, welfare incomes in 2003 deteriorated through cuts, freezes and the eroding effects of inflation. There were just four exceptions. The single employable person and single disabled person in the Northwest Territories saw increases of 5.6 and 5.4 percent in their benefits mainly due to increases in shelter, clothing and food amounts that took effect in 2003. The couple with two children aged 10 and 15 saw a slight increase of 1.3 percent which reflects Manitoba's decision to cease its clawback of the supplement to the National Child Benefit for children 11 years of age and under as of February 2003. Finally, the value of welfare increased by 0.4 percent for the single employable person in Prince Edward Island due to slight increases in provincial welfare. The single employable person in Newfoundland and Labrador benefited from a major change in provincial welfare policy yet their welfare income was still less than half the 2003 poverty line.

This report also brings to light the severe cuts in welfare rates in British Columbia. The Council is horrified by the decision of British Columbia to put time limits on the receipt of welfare. Employable persons without children can have their benefits

EXECUTIVE SUMMARY OF *WELFARE INCOMES 2003*

terminated after they have been on welfare for a total of two years in any five-year period, and families with children can have their benefits reduced after two years in any five-year period. More recent changes in the province's welfare regulations are expected to limit the impact of the policy to a relatively small number of people. Nonetheless, this policy sets a dangerous precedent and is one more reason for having minimum national standards for welfare.

Highlights of Welfare Rates across the Country

- Single employable people. Across the country, this group had the least adequate welfare incomes in 2003 – as in previous years. Incomes ranged from a low of 20 percent of the poverty line in New Brunswick to a high of 44 percent in Newfoundland and Labrador.
- Single people with disabilities. Incomes ranged from 39 percent of the poverty line in Alberta to 59 percent of the poverty line in Ontario.
- Single-parent families. The lowest for this group were in Alberta at 48 percent of the poverty line. The highest rate was in Newfoundland and Labrador at 71 percent of the poverty line.
- Two-parent families. The lowest income was 48 percent of the poverty line in Quebec and the highest rate was in Prince Edward Island at 63 percent of the poverty line.

EXECUTIVE SUMMARY OF *WELFARE INCOMES 2003*

Erosion of Welfare Incomes

In the eighteen-year period between 1986 and 2003, the majority of household types suffered losses in their standards of living. At no point between 1986 and 2003 did any province or territory provide welfare benefits that allowed welfare recipients to reach the poverty line. The highest rates ever achieved were still substantially below the poverty line and have since deteriorated significantly.

Welfare incomes in all the provinces were grossly inadequate and are in most cases far less adequate than in 1986 or 1989. The National Council of Welfare is extremely concerned about this trend. The poorest of the poor fell further behind and the gap between the haves and have nots widened in a country often regarded as the best place to live in the world.

- Between 1986 and 2003, single employable people in Alberta lost the most ground in their standard of living. Their incomes were 51 percent of the poverty line in 1986, but only 25 percent by 2003, a drop of 101 percent.
- Over this period, single-parent families lost ground in Prince Edward Island, Nova Scotia, Ontario, Manitoba, Saskatchewan and Alberta. The exceptions were Newfoundland and Labrador, New Brunswick, Quebec and British Columbia. In Alberta, the welfare income of the single-parent family was at an all-time low of 48 percent of the poverty line in both 2002 and in 2003, the lowest standard of living for a single parent in the country. The highest standard of living was in Newfoundland and Labrador at 71 percent of the poverty line in 2003, down from 72 percent in 2002.
- A Quebec couple with two children ages 10 and 15 had the lowest standard of living in Canada at only 48 percent of the

EXECUTIVE SUMMARY OF *WELFARE INCOMES 2003*

poverty line in 2003. This was a drop from 54 percent in 1986. The couple with two children in New Brunswick experienced the biggest gains in this time period with a 12.4 percent increase. The highest percentage for this household type was in Prince Edward Island at 63 percent of the poverty line in 2003 down from a high of 74 percent in 1986.

- Since 1989, the welfare incomes of people with disabilities eroded steadily. In every province except Quebec welfare incomes were further below the poverty line in 2003 than they were in 1989. Although there were minor gains made in some intervening years in some provinces, every gain was lost over time. The National Council of Welfare did not include the single person with a disability in its original calculations of welfare incomes for 1986.

The Clawback of the National Child Benefit

The federal government introduced the National Child Benefit which includes the Canada Child Tax Benefit (CCTB) and the National Child Benefit Supplement (NCBS) in July 1998 as its major contribution to fighting child poverty and has regularly increased the benefits. The National Child Benefit gave all modest-income families a basic benefit to support their children. The program also had a supplement that went to the lowest income families.

This program had great potential to help reduce child poverty. Evaluations of the National Child Benefit show that it seems to have helped those families with modest incomes in which the parents have been lucky enough to find and keep work on a relatively steady basis.

EXECUTIVE SUMMARY OF *WELFARE INCOMES 2003*

How is it that welfare incomes for families on welfare remained so low – and actually decreased in most cases – in the years following the federal government’s introduction of the National Child Benefit, especially when the federal government increased its support regularly?

Firstly, the federal government allowed the provinces to claw back the National Child Benefit Supplement from parents unlucky enough to be forced to depend on welfare. Only Newfoundland and New Brunswick resisted the temptation from the outset. More recently, Nova Scotia, Quebec, Manitoba and Alberta decided to limit their clawback. This is progress, but in December 2003, four provinces and the three territories still continued to take the money from the already painfully low welfare payments these families rely on. None of these provinces and territories has indicated this would change in the future. The exception is Ontario which announced in June 2004 that it would reduce the clawback beginning July 2004.

Secondly, with the regular increases from the federal government to the National Child Benefit and a deal that allowed the provinces and territories to claw back part of the money, provinces and territories had absolutely no incentive to put in any of their own money by way of increases in welfare rates. Some provinces and territories actually did make minor increases, but welfare incomes for families still came nowhere near the poverty line.

The clawback mechanisms varied from place to place. Regardless of the mechanism actually used, the end result was that most families on welfare were no better off despite the substantial sums of new money provided by the federal government.

The National Council of Welfare is very concerned by the fact that the clawbacks to the federal child tax benefit discriminate against families on welfare. Our 2001 report, *Child Poverty Profile 1998*, estimated that only 66 percent of poor families with children

EXECUTIVE SUMMARY OF *WELFARE INCOMES 2003*

benefited from the federal child tax benefit between June 1998 and June 1999. Seventy-nine percent of poor two-parent families received the supplement, but only 57 percent of poor single-parent families were allowed to keep the supplement. As women head most single-parent families, the Council believes that this constitutes discrimination on the basis of gender.