WELFARE INCOMES 1990

A Report by the

National Council of Welfare

Autumn 1991

Copies of this publication may be obtained from:
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Également disponible en français sous le titre:
Revenus de bien-être social, 1990

Cat. No. H68-27/1991E
ISBN 0-662-19197-8

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SUMMARY

This report is the third of its kind by the National Council of Welfare. It estimates welfare incomes for the year 1990 for four types of households: a single employable person, a single person with a disability, a single-parent family with a child aged two, and a two-parent family with two children aged ten and 15. Similar estimates were published in Welfare in Canada: The Tangled Safety Net and Welfare Incomes 1989.

All three reports show that welfare incomes in all parts of Canada fall well below the poverty line. They also represent only a small fraction of average incomes. Welfare Incomes 1990 shows explicitly for the first time that many welfare recipients have seen their benefits decline in value over the years because of the lack of automatic cost-of-living increases in basic welfare rates.

By themselves, income data cannot really describe the plight of the estimated 1.9 million Canadians who survive on the inadequate allowances paid by governments. Many thousands of children from welfare families go to school hungry. Many thousands of people with disabilities face disproportionately larger problems because of the additional expenses related to their disabilities. Many thousands of single people and families live in substandard housing. Others cut back on food to be able to afford more livable accommodations.

The National Council of Welfare will have more to say about these problems in a future report on welfare reform. Meanwhile, we hope that our rigorous, if somewhat bloodless methodology for calculating welfare incomes will help dispel some of the cruel and unjustified myths about people on welfare.

What is Welfare?

Social assistance or welfare is the income program of last resort in Canada. It provides financial assistance to individuals and families whose resources are inadequate to meet their needs and who have exhausted other avenues of support.

Welfare is paid under the terms of the Canada Assistance Plan, an arrangement that allows the cost to be shared by the federal government and the provinces and territories. Although people talk about welfare as a single entity, there are really 12 welfare systems in Canada - one in each province and territory. Some would say there are hundreds of welfare systems, because of the leeway allowed to municipalities which run welfare programs in Nova Scotia, Ontario and Manitoba.

Despite the fact that each of the 12 main welfare systems is different, they have many common features. They have complex rules which regulate all aspects of the system, including eligibility for assistance, the rates of assistance, the amounts recipients are allowed to keep from outside earnings, and the way in which applicants and recipients may question decisions regarding their cases.

Eligibility

Eligibility for welfare is based on some general rules, on a determination of fixed and liquid assets, and on a shortfall in household income as measured by a "needs test."

Applicants must qualify for assistance on the basis of rules which vary widely throughout the country. For example, applicants must be of a certain age (usually between 18 and 65). Full-time students of post-secondary educational institutions may qualify for assistance only if they meet specified conditions. Single parents must try to secure any court-ordered maintenance support to which they are entitled. Individuals who are disabled require medical certification of their conditions. Strikers are not eligible in most jurisdictions. Immigrants must try to obtain financial assistance from their sponsors.

Applicants also must meet requirements concerning their fixed and liquid assets. The value of their assets cannot exceed certain levels. Otherwise, applicants are considered to be self-reliant or potentially self-reliant because they can convert their fixed assets into liquid assets.

Rules vary regarding the treatment of <u>fixed</u> assets. In most provinces, a principal residence and personal effects such as furniture and clothing are considered exempt. Most provinces exempt the value of a car, although some jurisdictions take into consideration factors such as the need for a private vehicle and the availability of public transportation. Property and equipment required for employment are generally considered exempt.

The limits on <u>liquid</u> assets (cash, bonds, securities that are readily convertible to cash, and the cash value of life insurance) are shown in Table 1 that follows. The amounts vary by household size and employability.

Provinces and territories set their own maximum allowable liquid assets. If they want to qualify for cost-sharing, however, the amounts cannot exceed the maximums set by Ottawa.

The federal maximums on liquid assets are:

* $2,500 for a single person and $3,000 when an individual is aged or disabled.

* $5,000 for a person with one dependent (spouse or child) and $5,500 when the applicant or spouse is aged or disabled.

* an extra $500 for the second and each additional dependent.

* an additional amount where this has been placed in a special fund or trust for purposes that the province considers to be socially important - for example, the education of a child or the purchase of equipment to overcome a disabling condition.

The liquid assets permitted by most provinces and territories do not reach the federal maximums. Only Newfoundland and Ontario allow applicants for long-term assistance to have liquid assets that match federal levels, while Nova Scotia and Alberta permit the maximum levels for people with disabilities. In fact, the levels in Table 1 are almost identical to the 1986 levels presented in <u>The Tangled Safety Net</u>. This means that most provinces had not changed their levels of allowable liquid assets for at least four years. Federal guidelines were last changed in July 1980.

The maximums allowed by Ottawa and the provinces are very low and require individuals to be poor before they are eligible for financial aid. Disabled individuals in particular have expressed concern about the fact that these levels do not allow them to have a small "personal safety net" which they can use in the event of an emergency or special need.

TABLE 1

LIQUID ASSET EXEMPTION LEVELS AS OF DECEMBER 1990

	Unemployable			Employable	
	Single Person	Single Parent One Dependent	Single Disabled	Single Person	Family
Newfoundland	$2,500	$5,000	$3,000	$40	$100
Prince Edward Island	200	1,200	900	50[1]	50[1]
Nova Scotia	1,500	2,500	3,000	Municipalities generally require liquid assets to be expended to meet basic needs.	
New Brunswick	500	1,000	1,000	500	1,000
Quebec	**[2]	**[2]	2,500[2]	1,500	2,500
Ontario	2,500[3]	5,000[3]	3,000[3]	Municipal welfare administrators determine the level of liquid assets a person may have and still be eligible for assistance. For a single person, assets equal to 1-2 weeks' assistance may be exempted (or up to 1-3 months' assistance in the case of a temporarily unemployable person). For a family, assets equal to 1-3 months' assistance.	

TABLE 1 (Continued)

	Unemployable			Employable	
	Single Person	Single Parent One Dependent	Single Disabled	Single Person	Family
				Maximum exemptions ($2,500 for a single person and $5,000 for a couple plus $500 per dependent) may apply to households to be transferred to long-term assistance.	
Manitoba[4]	$400	$2,000	$400	Municipalities generally require liquid assets to be expended to meet basic needs.	
Saskatchewan	1,500	3,000	1,500	$1,500	$3,000
Alberta	1,500	2,500	3,000[5]	For a single person, $50 cash plus the equivalent of $1,450 in cash assets. For a family, $250 cash plus the equivalent of $2,250 in cash assets.	
British Columbia	500[6]	1,500	2,500	160	1,500
Northwest Territories	The value of any assets that should not be converted into cash for sound social or economic reasons (in the director's opinion) is exempt from inclusion as a personal resource.				
Yukon	500	1,800	1,500	100[7]	200[7]

NOTES TO TABLE 1

1. This level applies to unemployed applicants who require assistance for less than four months. Liquid asset exemption levels for persons on assistance for four months or more are higher.

2. Under the new system of income security in Quebec, applicants would not be considered unemployable unless they were disabled. Families that qualify under the Financial Support Program get a $5,000 exemption.

3. The director may permit households in receipt of Family Benefits to exceed the maximum exemption level by no more than ten percent. This exception applies only to current beneficiaries and not to applicants.

4. Manitoba has a distinct set of rules pertaining to persons owning or operating farms.

5. This level applies to persons who are severely and permanently disabled as defined under the Assured Income for the Severely Handicapped (AISH) program.

6. This applies to recipients under age 55. The asset exemption for recipients between the ages of 55 and 59 is $1,500.

7. This asset exemption level applies to persons on assistance for less than 90 days. Higher levels are permitted for those on assistance for more than 90 days.

The determination of fixed and liquid assets is part of the needs test. Under this test, the needs of a household for food, clothing, shelter and other essential items are calculated - using criteria for need as determined by provincial and territorial governments. Special needs items, if they are deemed essential to daily living or are required for a regularly recurring need, are generally included in this calculation.

The household income from various sources is identified. Some income, such as family allowances, the federal refundable child tax credit and the federal sales tax credit, is normally considered exempt; it is not calculated as income available for the support of the applicant. Income from other sources such as employment, pensions and unemployment insurance is considered as income fully or partially available for support of the household.

Saskatchewan does not exempt family allowances. Quebec exempts government transfers, including family allowances and the child tax credit, in the calculation of benefits, but takes their value into account when setting the rates of assistance.

Total non-exempt income is subtracted from the total needs of the household. Applicants qualify if the household's needs exceed its resources or if there is a budget surplus that is insufficient to meet the cost of a special need such as medications or disability-related equipment.

The needs test is the central eligibility criterion required by the assistance provisions of the Canada Assistance Plan. The law authorizes the federal government to share the costs of welfare only on behalf of households that qualify on the basis of need.

The needs test has a significant impact upon the shape of the welfare system. The test is fairly "intrusive." Applicants must reveal a significant amount of financial and personal information. A large bureaucracy is required, and individual welfare workers have room to make discretionary judgments in the application of welfare regulations.

By contrast, eligibility for other income support programs such as the federal refundable child tax credit and Guaranteed Income Supplement for seniors is determined by an income test. This is a simpler and more objective test based on income alone, not assets or needs. Eligibility for the refundable child tax credit, for example, is based on net family income as reported on income tax returns.

In summary, applicants are eligible for welfare if they qualify on the basis of certain general rules, if their assets fall within the guidelines on fixed and liquid assets, and if their needs exceed the financial resources available to them.

Rates of Assistance

Every province and territory uses a different method of calculating basic social assistance, which generally includes food, clothing, shelter, utilities, and an allowance for personal and household needs.

Applicants and recipients may be eligible for extra assistance if they have special needs such as medication, prosthetic devices, technical aids and equipment, special clothing or dental care. Assistance may be provided as cash or "in kind" in the form of vouchers, goods or services.

Sometimes applicants require assistance only for a special needs item, because they are able to provide for other basic needs from their own resources. In such a case, the province or territory may grant the specific amount that the household requires.

Every province and territory has a list of special needs for which it will provide extra assistance. In some cases, only a portion of the cost of a particular item is paid. For example, the province may reimburse a certain percentage of dental costs, and the recipient is expected to pay the remaining amount.

In Ontario, municipalities may make special assistance available for households that require financial help only for designated special needs. The fact that municipalities are not <u>required</u> to grant such assistance has created hardship for many low-income individuals and families with special needs.

All across Canada, welfare officals have some degree of discretion in deciding whether certain households qualify for special assistance under provincial or territorial welfare regulations. Discretion is both a strength and weakness of the welfare system. On the one hand, welfare recognizes the fact that individuals may have on-going or one-time special needs for which they require assistance. On the other hand, a person with special needs may be considered eligible for extra assistance by one welfare worker, but not by another.

Table 2 presents a national picture of estimated welfare incomes for 1990. The incomes are for the basic needs of four household types: a single employable person, a single disabled person, a single-parent family with one child aged two and a two-parent family with two children aged ten and 15. To facilitate comparisons, we assumed that each of the households went on welfare on January 1, 1990, and remained on welfare for the entire calendar year.

These rates must be interpreted with caution. They are estimates of what a particular family or single person might receive. Because welfare is such a highly individualized program of income support, every recipient is potentially eligible for a different amount of financial assistance.

It is especially important to understand the derivation of the social assistance figures in Column 1. These figures are both maximum and minimum amounts.

They are maximum amounts in that they represent the highest level of welfare that a designated province will provide to a given household unit for its basic living needs. Recipients might actually receive any amount up to and including that maximum level.

At the same time, these figures are minimum amounts in that they do not include any of the special needs assistance to which a given household may be entitled.

Basic Social Assistance

Column 1 represents the basic social assistance to which eligible households are entitled. Basic assistance generally includes an amount for food, clothing, shelter, utilities, and personal and household needs.

In order to ensure to the greatest extent possible the comparability of the data, a number of assumptions were made in calculating basic assistance. These assumptions involve the size of a municipal area, two-tier welfare systems, the employability of the recipients, accommodation, and rate increases.

a. largest municipal area

The rates of social assistance are for the largest municipal area in the province or territory. The shelter component of basic assistance may vary by region. Assistance may increase in more remote areas in order to compensate for higher living costs. For example, a supplementary fuel allowance is granted to recipients in Labrador when the cost of heat is not included in the rent. A northern districts supplement is available under General Welfare Assistance in Ontario. Manitoba and Saskatchewan provide a northern food allowance. The food rates in the Northwest Territories vary by region.

b. two-tier welfare systems

Nova Scotia, Ontario and Manitoba have two-tier welfare systems. This means that the provincial government assumes responsibility for certain recipients (generally those considered to be unemployable) while municipal governments are responsible for other categories of recipients (generally those considered to be employable).

In Nova Scotia and Manitoba, municipalities set their own levels of assistance. The welfare rates for single employable recipients and two-parent households in Table 2 are for Halifax and Winnipeg. Rates for these households may vary in the other municipalities in these two provinces.

Ontario also has a two-tier welfare system, but municipalities must conform to a standard set of provincial rates for basic welfare assistance. There is wide variation, however, with respect to the provision of special assistance, which is the sole responsibility of Ontario municipalities.

c. employability of recipients

Short-term rates of assistance (which are generally lower than long-term rates) were assigned to single employable individuals in all jurisdictions. In fact, in some provinces such as British Columbia, single employable persons are eligible for assistance for one month only, after which they must renew their applications. In order to "annualize" the rates presented in Table 2, it was assumed that these people started receiving welfare on January 1, 1990, and remained on assistance throughout the entire year, even though many recipients would not actually have been eligible on such a "long-term" basis. Prince Edward Island got rid of its short-term rates altogether as of April 1, 1990, but the impact of the new policy is not reflected in Table 2, because short-term rates were still in effect for the first three months of the year.

Single disabled persons generally qualify for long-term rates of assistance. In Ontario, they are eligible for benefits under the Guaranteed Annual Income System for the Disabled (GAINS-D) program. In Alberta, disabled applicants may qualify for benefits under one of two programs - social assistance or Assured Income for the Severely Handicapped (AISH). The rates in Table 2 are for the social assistance program, although the corresponding rate of assistance for persons with severe and permanent disabilities is indicated in the accompanying footnotes. The Alberta welfare system changed in 1991.

In most cases, the single-parent family was assigned higher rates of assistance. It was generally presumed that this family was unemployable because of the young age of the child (two years). However, classification of the single-parent family actually varies throughout the country, and this variation is reflected in the calculations in Table 2.

In Saskatchewan, single parents are not required to seek employment or take training if they choose to remain at home to care for a child <u>under</u> one year of age. Single parents with a child <u>over</u> age one may be deemed unemployable if they are required to remain at home to care for a child with special problems.

In Alberta, single parents with one child over the age of four months were considered able to work in 1990. The age limit was raised to two years in February 1991.

Single parents in New Brunswick and Quebec receive the benefits paid under the employability enhancement programs in these provinces - the Upgrading, Training and Placement Program and the Work and Employment Incentives Program, respectively. The employability enhancement programs provide lower rates of assistance than long-term welfare programs.

Finally, the two-parent family with two children was considered to be employable for the purposes of these calculations. If, for some reason, the family was unemployable (for example, the family head was disabled), it would be eligible for higher rates of assistance.

d. accommodation

Table 2 considers welfare recipients to be renters rather than homeowners. It also assumes that there was no sharing of accommodation. In some provinces, rates of assistance are reduced when unrelated individuals share housing. Under the Work and Employment Incentives Program for employable persons in Quebec, for example, the monthly assistance cheques of two households sharing accommodation were reduced by $89 each in 1990.

Where shelter allowances do not include the cost of utilities, the latter were added to the shelter rates. Maximum allowable shelter rates were employed for all jurisdictions. A problem arose while trying to do calculations for the Northwest Territories, because there is no maximum rate scale for shelter. Actual rents are paid and these vary widely in the North. As a result, no rates of assistance are provided for the Northwest Territories in Table 2.

e. rate increases

Most welfare rates are not automatically increased in line with increases in the Consumer Price Index. Only Quebec indexes its rates of assistance and then only for long-term recipients under the Financial Support Program, although the province gave other welfare recipients discretionary increases in 1990.

Most other provinces also granted discretionary increases to welfare recipients for 1990, some at the beginning of the year and others during the course of the year. The increases were incorporated in the calculations in Table 2 as of their effective dates. There were no increases in Alberta or Yukon.

Special Assistance

Two kinds of assistance may be provided for special needs. First, there are regularly recurring needs within certain groups, such as people with disabilities. Second, there are "one-time" special needs which are determined case by case. One-time special needs include items such as funeral expenses, moving costs or emergency home repairs.

Decisions to provide either type of special assistance are made by individual welfare workers. In some cases, approval is required from an administrator, director or designated professional such as a doctor.

Because it is impossible to know whether individuals receive special assistance and because the amount and type of help vary by household, these extra amounts have not generally been included in the calculation of estimated welfare income.

Special assistance has been incorporated in Column 2 of Table 2 only when it is automatically provided to certain recipients. Examples of special assistance include: extra assistance for disabled persons in Newfoundland and Prince Edward Island, money for school expenses in Quebec, a clothing allowance for families with children in Ontario, and a lump-sum Christmas allowance and winter clothing allowance for all recipients in Yukon. The footnotes explain the nature of the special assistance in each jurisdiction.

Family Allowances

Federal family allowances are indicated in Column 3. These are standard throughout the country except in Alberta, which varies the amount of the allowance according to the age of the child, and in Quebec, which varies the allowance by family size and age. In addition to the federal allowance, Quebec provides a supplementary family allowance. This provincial allowance is incorporated in the calculations for child-related benefits in Column 5.

Provinces normally consider family allowances as exempt income in the calculation of welfare benefits. The only exception is Saskatchewan, which deducts the value of family allowances from welfare payments. The province claims that its family welfare rates are comparable to other provinces, because family allowances are taken into account in the setting of rates. The rates of assistance presented in Column 1 for the two households with children have been reduced by the appropriate amount of family allowances for Saskatchewan.

Child Tax Credit

The federal refundable child tax credit is indicated in Column 4. The credit goes to families of low and middle incomes with children under 18. Families with very low incomes get a prepayment of the credit each year before Christmas and the rest when they file their income tax returns in the spring.

The figures in Column 4 consist of the portion of the 1989 credit that was received after tax returns were filed in the spring of 1990 plus the prepayment of the 1990 tax credit received late in 1990.

The calculation includes the supplement to the child tax credit for low-income families with children under the age of seven which do not have receipted child care expenses.

Child-Related Benefits

Child-related benefits refer to additional benefits that some provinces provide to low-income families with dependent children. Quebec provides a family allowance over and above the federal family allowance. Quebec also makes available a special allowance to families with children under six called the Allowance for Young

Children. It was worth $8.75 a month in 1990 for the first child under six.

Manitoba provides up to $30 a month per child under the Child-Related Income Support Program (CRISP). As of July 1990, the maximum benefit went to families with net incomes of $12,384 a year or less. For the single-parent family on provincial welfare, the CRISP benefit has been included in the rates of assistance. For the two-parent family on municipal welfare, it is indicated separately as a child-related benefit.

The Family Income Plan (FIP) in Saskatchewan provides non-taxable cash assistance for eligible families with dependent children under 18 years of age. Maximum benefits are $100 a month for each of the first three children and $90 a month for the fourth and subsequent children. This amount is not presented as a separate entry in Column 5 because the province includes it in the rates of assistance for families on welfare.

Sales Tax Credit

The federal refundable sales tax credit is indicated in Column 6. The 1989 value of the credit has been used in the calculations because this is the amount that individuals and families actually received when they filed their 1989 income tax returns in early 1990. The credit was worth $100 per adult and $50 per child.

Provincial Tax Credits

The tax credits in the table are limited to the Sales and Property Tax Credits in Ontario and the Cost of Living and Property Tax Credits in Manitoba.

TABLE 2

ESTIMATED WELFARE INCOME, BY TYPE OF HOUSEHOLD AND PROVINCE, 1990

	Basic Social Assistance	Additional Benefits	Family Allowances	Child Tax Credit[1]	Child-Related Benefits	Federal Sales Tax Credit[2]	Provincial Tax Credits	Total Welfare Income
NEWFOUNDLAND[3]								
Single Employable[4]	3,884					100		3,984
Disabled Person	6,288	1,500[5]				100		7,888
Single Parent, One Child	9,928		400	773		150		11,251
Couple, Two Children	11,480		800	1,142		300		13,722
PRINCE EDWARD ISLAND[6]								
Single Employable[7,8]	7,245					100		7,345
Disabled Person	7,305	1,080[9]				100		8,485
Single Parent, One Child	10,113		400	773		150		11,316
Couple, Two Children[7]	14,769	175[10]	800	1,142		300		17,186
NOVA SCOTIA[11]								
Single Employable	5,882					100		5,982
Disabled Person	8,064					100		8,164
Single Parent, One Child	9,792		400	773		150		11,115
Couple, Two Children	11,950	40[12]	800	1,142		300		14,232
NEW BRUNSWICK[13,14]								
Single Employable	2,904					100		3,004
Disabled Person	5,804	1,800[15]				100		7,704
Single Parent, One Child	7,868		400	773		150		9,191
Couple, Two Children	8,500		800	1,142		300		10,742

TABLE 2 (Continued)

	Basic Social Assistance	Additional Benefits	Family Allowances	Child Tax Credit	Child-Related Benefits	Federal Sales Tax Credit	Provincial Tax Credits	Total Welfare Income
QUEBEC[16,17,18]								
Single Employable[19]	6,624					100		6,724
Disabled Person	6,872					100		6,972
Single Parent, One Child	9,096	594[20]	256[21]	773	222[22]	150		11,091
Couple, Two Children	13,188	787[23]	735[21]	1,142	273	300		16,425
ONTARIO[24]								
Single Employable	6,804					100	391[25]	7,295
Disabled Person	9,816[26]					100	334[25]	10,250
Single Parent, One Child	12,780	95[27]	400	773		150	378[25]	14,576
Couple, Two Children	16,548	366[28]	800	1,142		214[29]	475[25]	19,545
MANITOBA[30]								
Single Employable[31]	5,678	13[32]				100	701[33]	6,492
Disabled Person	5,947					100	825[33]	6,872
Single Parent, One Child	8,200		400	773	**[34]	150	897[33]	10,420
Couple, Two Children[31]	14,383	37[32]	800	1,142	720[34]	300	939[33]	18,321
SASKATCHEWAN[35]								
Single Employable	4,980					100		5,080
Disabled Person	7,740	300[36]				100		8,140
Single Parent, One Child[37,38]	10,110		400	773		150		11,433
Couple, Two Children[37,38]	13,860	160[39]	800	1,142		300		16,262

TABLE 2 (Continued)

	Basic Social Assistance	Additional Benefits	Family Allowances	Child Tax Credit	Child-Related Benefits	Federal Sales Tax Credit	Provincial Tax Credits	Total Welfare Income
ALBERTA[40]								
Single Employable[41]	4,803					100		4,903
Disabled Person[42]	5,940					100		6,040
Single Parent, One Child[43]	9,006		316[44]	773		150		10,245
Couple, Two Children[41]	13,269		887[44]	1,142		300		15,598
BRITISH COLUMBIA[45]								
Single Employable	5,776	28[46]				100		5,904
Disabled Person	8,076	28[46]				100		8,204
Single Parent, One Child	10,294	70[46]	400	773		150		11,687
Couple, Two Children	12,743	155[47]	800	1,142		300		15,140
YUKON[48]								
Single Employable	7,356	155[49]				100		7,611
Disabled Person	7,356	995[50]				100		8,451
Single Parent, One Child	11,772	572[51]	400	773		150		13,667
Couple, Two Children	17,724	570[49]	800	1,142		145[52]		20,381
NORTHWEST TERRITORIES[53]								

NOTES TO TABLE 2

1. Families with very low incomes get the child tax credit for a given tax year in two installments: a prepayment before Christmas and the balance when they file their income tax returns. The figures in the table represent amounts actually received during the calendar year 1990. The single-parent family received $255 in the spring and $518 in December, including a supplement for a child under age seven in lieu of receipted child care expenses. The couple with children aged ten and 15 received $376 in the spring and $766 in December.

2. The federal sales tax credit in 1989 was worth $100 per adult and $50 per child. The 1989 value was used here because that is the amount that taxfilers actually received in 1990.

3. Rate changes which took effect on May 1, 1990, were incorporated in these figures.

4. These rates apply to single able-bodied persons under age 50. Rates of assistance to persons over 50 are higher. Welfare officials in Newfoundland say that most single employables fall under a board and lodging rate structure instead of the rates shown here.

5. This is the disability allowance of $125 a month. It is paid only to individuals who are severely disabled and who require supportive services to aid independent living.

6. Rate changes which took effect on April 1 and July 1, 1990, were incorporated in these figures.

7. The only difference between short-term and long-term rates in Prince Edward Island used to be a clothing allowance of $20 a month. As of April 1, 1990, the province eliminated the short-term rate and paid everyone at a rate that included a clothing allowance. The figures here represent three months at the old short-term rate and nine months under the new system that included the clothing allowance.

8. The assistance to single persons appears to be relatively generous because the shelter allowance for singles is higher than that provided in other provinces. Single persons are encouraged and often required to find room and board accommodation and are paid a correspondingly lower allowance.

9. This is the special care allowance of up to $40 a month to help pay for the special needs arising from a disability and the personal comfort allowance of $50 a month for items of personal care.

10. This represents back-to-school benefits of $100 and $75 for the children.

11. The rates are based on changes that took effect on January 1, 1990, for provincial Family Benefits for the single disabled person and the single-parent family. Rates for municipal recipients for the single employable individual and the two-parent family are based on the Halifax rates for 1988. Increases to the food allowance that took effect in December 1990 are included as well. Municipal recipients in Halifax often get an additional $40 a month for work-related transportation, but the allowance is not automatic in all cases.

12. Halifax provides a $20 per child back-to-school allowance.

13. Rate changes which took effect on September 1, 1990, were incorporated in these figures.

14. The single employable person was classified in the Interim Assistance Program, the single disabled person in the Long-Term Established Needs Program, and the single-parent and two-parent families in the Upgrading, Training and Placement Program.

15. This is the maximum Assistance for the Payment of Rent or Board and Lodging Expenses of $150 a month available for low-income elderly or disabled persons.

16. The single disabled person was classified under the Financial Support Program while all the other family types were classified as "participating" under the Work and Employment Incentives Program.

17. Rate changes which took effect on January 1, April 1 and August 1, 1990, for the Financial Support Program are incorporated in these figures. Rates for the Work and Employment Incentives Program are based on changes which took effect on January 1, 1990.

18. Rates of assistance for recipients of the Work and Employment Incentives Program include adjustments that were made as a result of harmonizing the welfare system with the tax system in that province.

19. Under its new system of income security introduced in 1989, Quebec requires a parental contribution from the parents of certain employable individuals defined as "parental dependents." It is possible that the actual assistance would be lower than the rates indicated here if the recipient were classified as a parental dependent as defined by Quebec law.

20. Recipients with dependent children are eligible for a shelter subsidy. The single-parent family was entitled to a maximum monthly subsidy of $49.50.

21. Quebec varies the amount of the federal family allowances. The province has its own system of family allowances as well; these are included under "child-related benefits."

22. This is the combined amount of the Quebec family allowances and the Allowance for Young Children.

23. This is the school expense allowance of $46 for each dependent attending primary school and $93 for each dependent in secondary school. The maximum monthly shelter subsidy of $54 for a family of four is included as well.

24. The figures were based on rate changes which took effect on January 1, 1990, for both the Family Benefits Program and General Welfare Assistance.

25. This represents the combined amounts of the Ontario Sales Tax and Property Tax Credits. The Property Tax Credit was calculated on the following shelter costs: $350 for a single person, $550 for the single-parent family and $650 for the two-parent family; these correspond to the maximum shelter benefits payable in each case.

26. Assistance for a single disabled person was based on the GAINS-D (Guaranteed Annual Income System for the Disabled) rates.

27. This is the winter clothing allowance of $95 paid in October for each dependent child.

28. This is the combined amount of the dependent child allowance and the winter clothing allowance paid in November on behalf of the dependent children of General Welfare Assistance recipients.

29. The federal sales tax credit was reduced by five percent of net family income (including family allowances) in excess of $16,000.

30. Rates for the provincial Social Allowances Program (for the single disabled person and single-parent family) were increased on January 1, 1990. Rates for the single employable person and two-parent family are based on increases for the City of Winnipeg which took effect on October 1, 1990. Increases in food allowances which took effect April 20, 1990, were also incorporated in these figures.

31. The clothing allowance for employable recipients is not provided until the fifth week on assistance.

32. Winnipeg provided a Christmas allowance of $13.05 per single person or family head and $7.90 for each other family member.

33. These are the Manitoba Cost of Living and Property Tax Credits.

34. Low-income families with children are eligible for a supplement from the Child-Related Income Support Program (CRISP). For the single-parent family on provincial assistance, the amount is already included in basic social assistance. For the two-parent family assisted by the City of Winnipeg, it is listed separately as a child-related benefit.

35. Rate increases effective June 1, 1990, and increases to shelter and utility rates effective July 1, 1990, were incorporated in these figures.

36. This represents the $25 a month special care allowance granted to disabled recipients to pay for tasks they are unable to perform themselves.

37. The rates of assistance indicated here have been reduced by the amount of federal family allowances. Saskatchewan is the only province which explicitly deducts the value of family allowances from welfare rates.

38. Low-income families are eligible for supplements from the Family Income Plan (FIP). The benefits are already incorporated within the welfare rates indicated here.

39. This represents an amount for education-related expenses: $100 for children aged 14 and over and $60 for children between the ages of six and 13.

40. Alberta's new welfare system took effect in 1991. The rates here are based on the former system and rates that were revised in May 1988.

41. Employable individuals in Alberta are not eligible for a clothing or household allowance (except as a special need) until they have been in receipt of assistance for at least three consecutive months.

42. An individual with a severe and permanent disability who qualified under the Assured Income for the Severely Handicapped (AISH) program would have received $8,640 in 1990.

43. Single parents with one child over the age of four months are considered employable in Alberta.

44. Alberta varies the amounts of the federal family allowances according to the age of the child.

45. Rate changes which took effect in August 1990 are included in these figures. Since November 1988, single parents with children over six months of age receive benefits paid at the rate for unemployables, but they are expected to seek work nonetheless.

46. This is the amount of the Christmas allowance.

47. This figure represents the combined amounts of the Christmas allowance and school start-up fees.

48. The last rate increases were introduced on November 1, 1989.

49. This represents the combined amounts of the Christmas allowance and the winter clothing allowance (both of which are payable once a year).

50. In addition to the Christmas allowance and winter clothing allowance, disabled recipients are eligible for a supplementary allowance of $70 a month if they are considered to be "permanent exclusions from the labour force."

51. In addition to the Christmas and winter clothing allowances, a weekly $6 amount for babysitting was included in the special assistance for the single-parent family.

52. The federal sales tax credit was reduced by five percent for net income over $16,000.

53. The Northwest Territories are not included in this table because it was not possible to obtain average cost estimates for shelter rates in Yellowknife. Actual rents, heating and utilities are paid.

Adequacy of Benefits

Many of the incomes in Table 2 are abysmally low. To demonstrate just how low, we compared them with the low income cut-offs of Statistics Canada for 1990. The results are shown in Table 3.

Each year, the federal agency calculates low income cut-offs for households of different sizes living in communities of different sizes. They approximate levels of gross income where people are forced to spend disproportionate amounts of their incomes on food, shelter and clothing.

The National Council of Welfare regards the cut-offs as poverty lines. Like any poverty lines, they have their limitations, but they are widely accepted as a benchmark for judging income adequacy in Canada. Other studies of poverty, especially local surveys using a "market basket" approach, have produced comparable results.

Some provincial governments maintain that the poverty lines are an especially imperfect measure of poverty when it comes to welfare incomes, because the lines are based on pre-tax income and welfare benefits are not taxable. In reality, most of the incomes in Table 3 are so low that there is no difference between taxable and non-taxable income. For example, single employable people in New Brunswick with total incomes of $3,004 in 1990 a year were poor by any standard. Even if they had earned income instead of receiving welfare income, they would have been exempt from income tax because their earnings were so low.

Some provinces also contend that welfare is intended to provide only the bare necessities of life, while incomes at the level of the low income cut-offs are high enough to allow some discretionary spending as well. The National Council of Welfare has no sympathy for that argument. The fact is that the cut-offs already represent very low levels of income. The only "discretion" many welfare recipients have is whether to live in substandard housing to save money on rent or how to cut back on food when the money starts running short toward the end of the month.

As Table 3 shows, Prince Edward Island and Ontario are two provinces where welfare incomes are closer to the poverty lines than elsewhere, although still substantially below the lines. Some of the rates in other provinces, especially rates for single employables, are far below the lines. Welfare incomes which reach only one-quarter or one-third of the poverty line are unacceptably low and should be raised at the earliest possible date.

At the present time, there are two sets of low income cut-offs in active use. One set is commonly known as the 1978 base lines, because it is based on consumer spending patterns that were surveyed in 1978. The second set is known as the 1986 base lines and is based on spending surveyed in 1986.

Column 1 of the table shows welfare incomes for different types of households in the ten provinces in 1990. Neither of the territories is included in this table because they are specifically excluded from the survey used to generate the cut-offs.

Column 2 indicates the 1978 base poverty lines. Although the National Council of Welfare considers these lines out of date, they are presented here to allow comparisons with the poverty lines used in The Tangled Safety Net. The poverty gap - or difference between total income and the poverty lines (1978 base) - is indicated in Column 3. Column 4 represents total welfare income as a percentage of the poverty line (that is, welfare income divided by the poverty line).

The poverty lines in Column 5 are the 1986 base lines. They are somewhat higher than the 1978 base lines, but they are a more realistic measure of poverty. Columns 6 and 7 show the poverty gap and welfare income as a percentage of the poverty lines using the 1986 base low income cut-offs.

Using the 1986 base poverty lines, welfare incomes for single employable people were by far the least adequate, ranging from 24 percent of the poverty line in New Brunswick to 60 percent of the poverty line in Prince Edward Island. Benefits for single disabled people fell between 43 percent of the line in Alberta and 72 percent in Ontario. Welfare incomes for single-parent families ranged from a low of 53 percent in Alberta to a high of 76 percent in Ontario. Finally, the incomes of two-parent families with two children fell between 44 percent of the poverty line in New Brunswick and 71 percent in Prince Edward Island.

On the whole, the adequacy of benefits has not improved significantly since the calculation of rates in The Tangled Safety Net.

TABLE 3

ADEQUACY OF BENEFITS, 1990

	Total Welfare Income	Poverty Line (1978 base)	Poverty Gap	Total Welfare Income as % of Poverty Line (1978 base)	Poverty Line (1986 base)	Poverty Gap	Total Welfare Income as % of Poverty Line (1986 base)
NEWFOUNDLAND							
Single Employable	3,984	12,087	-8,103	33%	12,433	-8,449	32%
Disabled Person	7,888	12,087	-4,199	65	12,433	-4,545	63
Single Parent, One Child	11,251	15,937	-4,686	71	16,854	-5,603	67
Couple, Two Children	13,722	24,601	-10,879	56	24,662	-10,940	56
PRINCE EDWARD ISLAND							
Single Employable	7,345	11,339	-3,994	65	12,146	-4,801	60
Disabled Person	8,485	11,339	-2,854	75	12,146	-3,661	70
Single Parent, One Child	11,316	14,870	-3,554	76	16,464	-5,148	69
Couple, Two Children	17,186	22,997	-5,811	75	24,094	-6,908	71
NOVA SCOTIA							
Single Employable	5,982	12,087	-6,105	49	12,433	-6,451	48
Disabled Person	8,164	12,087	-3,923	68	12,433	-4,269	66
Single Parent, One Child	11,115	15,937	-4,822	70	16,854	-5,739	66
Couple, Two Children	14,232	24,601	-10,369	58	24,662	-10,430	58
NEW BRUNSWICK							
Single Employable	3,004	12,087	-9,083	25	12,433	-9,429	24
Disabled Person	7,704	12,087	-4,383	64	12,433	-4,729	62
Single Parent, One Child	9,191	15,937	-6,746	58	16,854	-7,663	55
Couple, Two Children	10,742	24,601	-13,859	44	24,662	-13,920	44
QUEBEC							
Single Employable	6,724	12,727	-6,003	53%	14,155	-7,431	48%
Disabled Person	6,972	12,727	-5,755	55	14,155	-7,183	49
Single Parent, One Child	11,091	16,791	-5,700	66	19,187	-8,096	58
Couple, Two Children	16,425	25,884	-9,459	63	28,031	-11,606	59

Table 3 (Continued)

	Total Welfare Income	Poverty Line (1978 base)	Poverty Gap	Total Welfare Income as % of Poverty Line (1978 base)	Poverty Line (1986 base)	Poverty Gap	Total Welfare Income as % of Poverty Line (1986 base)
ONTARIO							
Single Employable	7,295	12,727	-5,432	57	14,155	-6,860	52
Disabled Person	10,250	12,727	-2,477	81	14,155	-3,905	72
Single Parent, One Child	14,576	16,791	-2,215	87	19,187	-4,611	76
Couple, Two Children	19,545	25,884	-6,339	76	28,031	-8,486	70
MANITOBA							
Single Employable	6,492	12,727	-6,235	51	14,155	-7,663	46
Disabled Person	6,872	12,727	-5,855	54	14,155	-7,283	49
Single Parent, One Child	10,420	16,791	-6,371	62	19,187	-8,767	54
Couple, Two Children	18,321	25,884	-7,563	71	28,031	-9,710	65
SASKATCHEWAN							
Single Employable	5,080	12,087	-7,007	42	12,433	-7,353	41
Disabled Person	8,140	12,087	-3,947	67	12,433	-4,293	65
Single Parent, One Child	11,433	15,937	-4,504	72	16,854	-5,421	68
Couple, Two Children	16,262	24,601	-8,339	66	24,662	-8,400	66
ALBERTA							
Single Employable	4,903	12,727	-7,824	39%	14,155	-9,252	35%
Disabled Person	6,040	12,727	-6,687	47	14,155	-8,115	43
Single Parent, One Child	10,245	16,791	-6,546	61	19,187	-8,942	53
Couple, Two Children	15,598	25,884	-10,286	60	28,031	-12,433	56
BRITISH COLUMBIA							
Single Employable	5,904	12,727	-6,823	46%	14,155	-8,251	42%
Disabled Person	8,204	12,727	-4,523	64	14,155	-5,951	58
Single Parent, One Child	11,687	16,791	-5,104	70	19,187	-7,500	61
Couple, Two Children	15,140	25,884	-10,744	58	28,031	-12,891	54

Welfare and Average Incomes

The low level of financial support provided by social assistance is also evident when measured against average incomes. Welfare provides only a small part of the income that most Canadians would consider normal or reasonable.

Table 4 on the next page compares the welfare incomes of our four typical households with average incomes for the appropriate household type in each province.

The averages are 1990 estimates by the National Council of Welfare based on data collected by Statistics Canada in the 1988 Survey of Consumer Finances. For the single employable person and the single disabled person, we used average incomes in each province for unattached people under the age of 65. For single parents, we used the average incomes of female single parents with one child, the same family type used in our other tables. Unfortunately, the size of the sample for single parents was too small to be reliable in all provinces except Quebec, Ontario and Alberta. For the two-parent family, we used the average incomes of couples with two children.

Table 4 makes it clear that welfare incomes are far below average. A single employable person on welfare received from 15 percent to 41 percent of the average income received by single people under 65. The disabled person on welfare got 24 to 47 percent of the average. The partial information on single parents shows that they had 38 to 58 percent of the average income of single-parent mothers with one child. The two-parent family on welfare had between 22 and 39 percent of average incomes.

TABLE 4

WELFARE INCOMES AS PERCENTAGE OF AVERAGE INCOMES, BY FAMILY TYPE AND PROVINCE, 1990

	Welfare Income	Estimated Average Income	Welfare Income as Percentage of Estimated Average Income
NEWFOUNDLAND			
Single Employable	3,984	22,415	18%
Disabled Person	7,888	22,415	35
Single Parent, One Child	11,251	-	-
Couple, Two Children	13,722	44,048	31
PRINCE EDWARD ISLAND			
Single Employable	7,345	17,880	41
Disabled Person	8,485	17,880	47
Single Parent, One Child	11,316	-	-
Couple, Two Children	17,186	44,031	39
NOVA SCOTIA			
Single Employable	5,982	20,301	29
Disabled Person	8,164	20,301	40
Single Parent, One Child	11,115	-	-
Couple, Two Children	14,232	50,821	28
NEW BRUNSWICK			
Single Employable	3,004	20,458	15
Disabled Person	7,704	20,458	38
Single Parent, One Child	9,191	-	-
Couple, Two Children	10,742	48,394	22

Table 4 (Continued)

	Welfare Income	Estimated Average Income	Welfare Income as Percentage of Estimated Average Income
QUEBEC			
Single Employable	6,724	21,690	31%
Disabled Person	6,972	21,690	32
Single Parent, One Child	11,091	19,721	56
Couple, Two Children	16,425	50,444	33
ONTARIO			
Single Employable	7,295	27,288	27
Disabled Person	10,250	27,288	38
Single Parent, One Child	14,576	25,128	58
Couple, Two Children	19,545	64,797	30
MANITOBA			
Single Employable	6,492	21,332	30
Disabled Person	6,872	21,332	32
Single Parent, One Child	10,420	-	-
Couple, Two Children	18,321	52,539	35
SASKATCHEWAN			
Single Employable	5,080	21,362	24
Disabled Person	8,140	21,362	38
Single Parent, One Child	11,433	-	-
Couple, Two Children	16,262	48,784	33

Table 4 (Continued)

	Welfare Income	Estimated Average Income	Welfare Income as Percentage of Estimated Average Income
ALBERTA			
Single Employable	4,903	25,145	19%
Disabled Person	6,040	25,145	24
Single Parent, One Child	10,245	26,758	38
Couple, Two Children	15,598	58,819	27
BRITISH COLUMBIA			
Single Employable	5,904	26,090	23
Disabled Person	8,204	26,090	31
Single Parent, One Child	11,687	-	-
Couple, Two Children	15,140	55,966	27

Provincial and Territorial Benefits Over Time

One of the major improvements in social programs during the last two decades was the introduction of indexation. Indexation is a way of guaranteeing by law that people get cost-of-living increases in their benefits on a regular basis. The most common form is annual raises that are linked to the Consumer Price Index of Statistics Canada. Increases in benefits are automatic and do not require any further legislative or administrative approval once an indexing system is in place.

Unfortunately, the federal government has all but done away with indexation in many of its programs, including child benefits. As a result, the real value of family allowances and the refundable child tax credit is declining. Lack of full indexation is also a flaw in the federal refundable sales tax credit described earlier in this report and in the new refundable credit for the Goods and Services Tax that replaced it as of 1991.

Just as unfortunate is the fact that the provinces and territories have generally refused to provide the benefits of indexation to poor people who are forced to fall back on welfare. People who receive benefits under Quebec's Financial Support Program are the only welfare recipients in Canada who have their benefits protected from inflation by law. While other governments raise their welfare rates from time to time, the increases often fall short of the automatic increases that would occur under indexation.

Table 5 shows that many welfare recipients have seen the value of their benefits decline over the years because of the lack of indexation. The figures for 1990 consist of benefits taken from Table 2 that are exclusively within provincial and territorial jurisdiction - in other words, total welfare incomes minus federal family allowances, the federal refundable child tax credit and the federal refundable sales tax credit. Comparable figures for 1986 and 1989 were calculated from Welfare Incomes 1989 and Welfare in Canada: The Tangled Safety Net.

All the dollar figures in Table 5 are expressed in constant 1990 dollars to factor out the effects of inflation and to show the real purchasing power of welfare and related benefits over time. The percentages in the last two columns show increases or decreases in real purchasing power.

The table provides comparisons of provincial and territorial benefits for 1986, 1989 and 1990 for the single employable person, the single-parent family and the two-parent family. The National Council of Welfare did not include a single person with a disability in its original calculations of welfare incomes for 1986, so the comparison for this group is limited to 1989 and 1990.

Ontario was the only province that provided significant and consistent gains to all four types of households, largely due to the impetus to welfare reform provided by the Transitions report of the Social Assistance Review Committee.

Quebec provided significant increases to single employables and modest increases to other types of households. The huge gain for the single employable person resulted mainly from reforms that equalized rates for people over and under 30 years of age. In 1989, for example, single able-bodied people under 30 received only $185 a month compared to $507 a month for those over 30.

Outside of Ontario and Quebec, the table shows more losses than gains. All household types in Newfoundland, Saskatchewan and Alberta lost purchasing power between 1986 and 1990 as well as between 1989 and 1990.

For the single person with a disability, there were small gains in purchasing power between 1989 and 1990 in Quebec, Ontario, British Columbia and Yukon. Elsewhere, there were losses.

These figures provide the best evidence to date of the additional burden welfare recipients bear when their benefits are not indexed. No other program of income support is so erratic and so unpredictable over time. Clearly, the discretionary increases granted periodically by provincial and territorial cabinets are no substitute for annual cost-of-living increases guaranteed by law. And clearly, the federal government has contributed to the financial plight of welfare recipients by providing less than full indexation of the benefits that it provides directly.

TABLE 5

PROVINCIAL AND TERRITORIAL WELFARE BENEFITS IN 1990 CONSTANT DOLLARS

	1986	1989	1990	% Change 1986-1990	% Change 1989-1990
NEWFOUNDLAND					
Single Employable	4,050	3,905	3,884	-4.1%	-0.5%
Disabled Person	-	7,866	7,788		-1.0
Single Parent, One Child	10,153	9,941	9,928	-2.2	-0.1
Couple, Two Children	11,744	11,501	11,480	-2.3	-0.2
PRINCE EDWARD ISLAND					
Single Employable	7,521	7,275	7,245	-3.7	-0.4
Disabled Person	-	8,467	8,385		-1.0
Single Parent, One Child	10,368	10,029	10,113	-2.5	0.8
Couple, Two Children	15,193	14,938	14,944	-1.6	0.0
NOVA SCOTIA					
Single Employable	5,528	6,162	5,882	6.4	-4.5
Disabled Person	-	8,112	8,064		-0.6
Single Parent, One Child	9,573	9,860	9,792	2.3	-0.7
Couple, Two Children	11,523	12,542	11,990	4.0	-4.4
NEW BRUNSWICK					
Single Employable	2,725	2,947	2,904	6.6	-1.5
Disabled Person	-	7,722	7,604		-1.5
Single Parent, One Child	8,183	7,990	7,868	-3.9	-1.5
Couple, Two Children	8,853	8,644	8,500	-4.0	-1.7

TABLE 5 (Continued)

	1986	1989	1990	% Change 1986-1990	% Change 1989-1990
QUEBEC					
Single Employable	2,868	4,281	6,624	131.0%	54.7%
Disabled Person	-	6,622	6,872		3.8
Single Parent, One Child	9,651	9,217	9,912	2.7	7.5
Couple, Two Children	12,473	12,971	14,248	14.2	9.8
ONTARIO					
Single Employable	6,129	6,588	7,195	17.4	9.2
Disabled Person	-	9,512	10,150		6.7
Single Parent, One Child	10,977	11,822	13,253	20.7	12.1
Couple, Two Children	13,664	14,919	17,389	27.3	16.6
MANITOBA					
Single Employable	6,081	6,308	6,392	5.1	1.3
Disabled Person	-	6,859	6,772		-1.3
Single Parent, One Child	9,395	9,206	9,097	-3.2	-1.2
Couple, Two Children	14,235	14,940	16,079	13.0	7.6
SASKATCHEWAN					
Single Employable	5,091	5,093	4,980	-2.2	-2.2
Disabled Person	-	8,300	8,040		-3.1
Single Parent, One Child	10,445	10,403	10,110	-3.2	-2.8
Couple, Two Children	14,653	14,435	14,020	-4.3	-2.9

TABLE 5 (Continued)

	1986	1989	1990	% Change 1986-1990	% Change 1989-1990
ALBERTA					
Single Employable	7,244	5,034	4,803	-33.7	-4.6%
Disabled Person	-	6,225	5,940		-4.6
Single Parent, One Child	10,607	9,438	9,006	-15.1	-4.6
Couple, Two Children	15,770	13,906	13,269	-15.9	-4.6
BRITISH COLUMBIA					
Single Employable	5,174	5,676	5,804	12.2	2.3
Disabled Person	-	7,833	8,104		3.5
Single Parent, One Child	9,319	10,254	10,364	11.2	1.1
Couple, Two Children	12,728	12,807	12,898	1.3	0.7
YUKON					
Single Employable	6,148	7,421	7,511	22.2	1.2
Disabled Person	-	8,301	8,351		0.6
Single Parent, One Child	11,042	12,266	12,344	11.8	0.6
Couple, Two Children	16,918	18,413	18,294	8.1	-0.6

Earnings Exemptions

The figures in the tables above do not take into account the fact that welfare incomes may be increased by personal earnings. Each province and territory allows welfare recipients to retain a certain amount - a flat-rate sum and/or a percentage of net earnings - without any reduction in their welfare cheques. Nova Scotia and Manitoba have earnings exemptions based on gross rather than net earnings for recipients of provincial social assistance.

These extra amounts were not included in the tables because it is not certain that recipients would actually increase their incomes by these levels. They may be unable to work or unable to find jobs.

Allowable earnings exemptions in each province and territory are presented in Table 6. The exemptions vary by family size and sometimes by employability. Some provinces also recognize work-related expenses, including child care expenses. Welfare recipients are allowed to deduct all or some of these costs from their net earnings. In effect, that means that the actual earnings exemptions in some provinces are more generous than they appear at first glance. They also provide a greater incentive for people to take paying jobs.

While provinces and territories are free to set their own earnings exemption levels, they are expected to fall within federal parameters. Prior to October 1985, the federal government would not allow cost-sharing for provincial earnings exemptions which exceeded the following levels: for a single person, the greater of $95 or 25 percent of the amount of social assistance to which the person would be entitled if he or she had no income; for a family, the greater of $190 or 25 percent of social assistance plus the family allowance and child tax credit benefits to which the household would be entitled if it had no income.

In 1985, the federal government made special provision for cost-sharing in welfare programs with enhanced earnings exemptions. The initiative is part of the "four-corner agreements" involving the federal Ministers of Health and Welfare and Employment and Immigration and their respective provincial and territorial counterparts. The purpose of these agreements is to promote the participation of employable welfare recipients in the labour market.

Enhanced earnings exemptions are important because they provide a means for welfare recipients to improve (at least marginally) the quality of their lives. These exemptions also encourage individuals to get experience in the labour market and to gain sufficient confidence to leave the welfare system.

On the other hand, there is always the danger that provinces and territories will opt for higher earnings exemptions as a substitute for increases in basic welfare rates. In our view, that would be an abuse of the system, because it would deny adequate levels of support to welfare recipients who failed to obtain some kind of paying job through no fault of their own.

TABLE 6

MONTHLY EARNINGS EXEMPTION LEVELS AS OF DECEMBER 1990

	Unemployable	Employable
Newfoundland	For adults on social assistance for reasons other than unemployment (excluding disability), \$30 + 50 percent of allowable income over \$30 and up to \$80 a month (maximum monthly exemption of \$55) For families on social assistance for reasons other than unemployment, first \$30 + 50 percent of allowable income over \$30 a month and up to \$200 a month (maximum monthly exemption of \$115) For a disabled adult, up to \$95 a month For a family with disabled member(s), up to \$190 a month	For adults who are unemployed, 50 percent of allowable income up to \$80 a month; (maximum monthly exemption of \$40) For unemployed families, 50 percent of allowable income up to \$200 a month, (maximum monthly exemption of \$100)
Prince Edward Island[1]	\$50 for a single person and \$100 for a family, plus ten percent of the balance of net earnings	Same

TABLE 6 (Continued)

	Unemployable	Employable
Nova Scotia	For a single person, $100 + 25 percent of gross wages[2]	$50 single person[3]
	For families, $200 + 25 percent of gross wages[2]	$100 family[3]
New Brunswick	$150 single person	$150 single person
	$200 family	$200 family
		Where a recipient has been designated as having high employment potential, exemptions are increased for one person by an additional monthly amount of $250 for two months. Exemptions for a family are increased by an additional monthly amount of $200 for two months and $100 for the third month. Two-parent employable families are eligible for the $200 exemption for six months with possible extensions.
Quebec[4]	$100 for a single person or family	$84 for a single person or single parent; $53 for a two-parent family[5]

TABLE 6 (Continued)

	Unemployable	Employable
Ontario[6]	$160 + 20 percent over $160 of net earnings for a single disabled person	$75 + 20 percent over $75 of net earnings for a single person
	$185 + 20 percent over $185 of net earnings for a family with at least one disabled person	$150 + 20 percent over $150 of net earnings for a two-parent family
	$175 + 20 percent over $175 of net earnings for a single-parent family	$175 + 20 percent over $175 of net earnings for a single-parent family
Manitoba	The greater of $50 a month, 70 cents for each hour worked or 30 percent of gross monthly earnings; $50 a month up to $600 a year for newly enrolled applicants, students and self-employed persons	$120 a month; $225 for those enrolled in Wage Supplementation Program
Saskatchewan[7,8]	First $100 of monthly earned income + 20 percent of excess (maximum exemption $150) for a single disabled person	First $25 of monthly earned income + 20 percent of excess (maximum exemption $75) for a one-person household considered non-disabled
	First $125 of monthly earned income + 20 percent of excess (maximum exemption $225) for a two-person family classified as disabled	First $50 of monthly earned income + 20 percent of excess (maximum exemption of $150) for a two-person family considered non-disabled

TABLE 6 (Continued)

	Unemployable	Employable
Alberta	100 percent of earnings up to $115; 50 percent of earnings between $116 and $200; 25 percent of earnings between $201 and $300; ten percent exemption on earnings over $300[9]	Same
British Columbia[10]	For an unemployable person, $50 a month; $100 for a single disabled person + 25 percent of net earnings in excess of $100	For a single employable person, a monthly exemption of $50 + 25 percent of net earnings exceeding this amount For households with a recipient and one or more dependents, none of whom is disabled and at least one of whom is employable, monthly exemption of $100 + 25 percent of net earnings
Northwest Territories	$50 (no dependents) $100 (dependents)	Same

TABLE 6 (Continued)

	Unemployable	Employable
Yukon	No exemption on net income from full-time employment (more than 20 hours a week); earnings exemption on part-time employment is the greater of 50 percent of net earnings but not exceeding 25 percent of the total of items of basic requirements necessary to maintain an applicant and dependents or $5 a month for a single person, $10 a month for a family of two and $15 a month for a family of three or more[11] For permanent exclusions from the labour market, $25 for a single person; $50 for a married couple from sale of handicrafts or hobby materials	Same

NOTES TO TABLE 6

1. The earnings exemptions for welfare recipients also apply to applicants for welfare.

2. There is a total exemption of earned income for the first month of full-time employment. As of July 1990, training allowances for a full-time participant were also exempt during the first month.

3. These are the earnings exemptions for the City of Halifax.

4. The exemptions indicated here were introduced with the new income security legislation in Quebec. The exemption for unemployable recipients was calculated under the Financial Support Program while exemptions for employable recipients were calculated under the Work and Employment Incentives Program. A person who has received welfare benefits from either program for three consecutive months and then gets a job or enters a training program can have all of his or her earnings or training allowances exempted for one month. This enhanced benefit can be claimed only once in any six-month period.

5. These are the earnings exemptions for recipients classified as "participants" within the Work and Employment Incentives Program. Different levels of earnings exemptions apply to persons classified as "available," "non-available" or "non-participating."

6. These earnings exemptions were introduced as part of the Supports to Employment Program (STEP) announced by Ontario in October 1989. The exemptions are more generous than they were prior to the reform; both the flat-rate amount and the percentage component have been changed. In addition, earnings are now calculated on the basis of net income and not gross income.

7. The earnings exemptions indicated here apply to fully employable individuals only after they have been in receipt of social assistance for at least the preceding three consecutive months. Recipients in the disabled category, by contrast, are entitled to the earnings exemption from the time they receive income from salaried employment.

8. Earnings exemption levels vary by family size. Only one-person and two-person households are indicated here.

9. People who qualify for the Assured Income for the Severely Handicapped (AISH) program instead of welfare have higher earnings exemptions. Single people get an exemption of $165 a month plus 25 percent of additional earnings.

10. The enhanced exemption may be claimed no more than 18 times in a three-year period. However, disabled persons are eligible indefinitely for the enhanced exemption.

11. In lieu of an earnings exemption, full-time workers get additional payments of $50 a month: $25 for clothing and $25 for transportation.

Conclusion

The income provided by most provincial and territorial welfare programs is grossly inadequate for the vast majority of recipients. Most welfare incomes are far below the poverty line. Although welfare recipients are among the poorest of the poor in our society, they rarely get any guaranteed protection from increases in the cost of living. Between 1986 and 1990, many recipients actually became poorer.

Welfare is a degrading experience for the vast majority of recipients. Applicants have to exhaust almost all their liquid assets to qualify for help. Welfare entitlements are determined by a labyrinth of rules and regulations that may or may not make sense. "Need" is as much a dictate of governments as it is a reflection of the cost of the necessities of life. The huge amount of discretion in the system makes it almost impossible to know whether people are being treated fairly.

The National Council of Welfare acknowledges that modest improvements have been made in some provincial and territorial welfare programs since the publication of Welfare in Canada: The Tangled Safety Net in 1987. However, the only guarantee that welfare offers consistently is poverty.

In this regard, the federal government is far from blameless. Although the setting of welfare rates is exclusively a matter of provincial jurisdiction, current federal restraints are bound to discourage many provinces from making long-overdue increases.

At issue is Ottawa's decision to limit increases in federal payments to Ontario, Alberta and British Columbia under the Canada Assistance Plan to five percent a year from the 1990-1991 fiscal year until the end of fiscal 1994-1995. The provinces challenged the restraints, but lost when the case went to the Supreme Court of Canada.

In a decision made public on August 15, 1991, the high court used the principle of the sovereignty of Parliament in rejecting the provincial position. It ruled that the federal government has the power to alter unilaterally its cost-sharing agreements on welfare with provinces and territories.

While the legal issue has been settled, the National Council of Welfare still considers the current policy of the federal government to be bad public policy. As we said in our recent report The Canada Assistance Plan: No Time for Cuts, federal restraints on CAP payments to Ontario, Alberta and British Columbia will work against the best interests of poor people and could deter improvements in welfare and social services funded through CAP elsewhere in Canada.

Once again, we urge the federal government to reverse its position and shoulder its full share of the cost of welfare and social services in all provinces and territories.

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NATIONAL COUNCIL OF WELFARE

The National Council of Welfare was established by the Government Organization Act, 1969 as a citizens' advisory body to the Minister of National Health and Welfare. Its mandate is to advise the Minister on matters pertaining to welfare.

The Council consists of 21 members, drawn from across Canada and appointed by the Governor-in-Council. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council has included past and present welfare recipients, public housing tenants and other low-income citizens, as well as lawyers, professors, social workers and others involved in voluntary service associations, private welfare agencies, and social work education.

Reports by the National Council of Welfare deal with a wide range of issues on poverty and social policy in Canada, including: income security programs, medicare, poverty lines and poverty statistics, the retirement income system, the aged, tax reform, the working poor, children in poverty, community economic development, women and poverty, employment policy, single-parent families, social services, nutrition, community organizing, child welfare, poor people's groups, legal aid/legal services, low-income consumers, poverty coverage in the press and welfare reform.

On peut se procurer des exemplaires en français de toutes les publications du Conseil national du bien-être social, en s'adressant au Conseil national du bien-être social, Immeuble Jeanne Mance
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