

# A BAD TIME TO BE POOR

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An Analysis of  
British Columbia's  
New Welfare Policies



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by Seth Klein and Andrea Long

JUNE 2003



CANADIAN CENTRE FOR POLICY  
ALTERNATIVES - BC OFFICE

SPARC BC

# A Bad Time to be Poor\*: An Analysis of British Columbia's New Welfare Policies

by Seth Klein and Andrea Long

Co-published by the Canadian Centre for Policy Alternatives and the Social Planning and Research Council of BC

June 2003

**Acknowledgements:** The authors would like to thank the following people for their helpful feedback on drafts of this paper: John Argue, Sylvia Bashevkin, Gwen Brodsky, Sandy Cameron, Shannon Daub, Jane Dyson, Sylvia Fuller, Michael Goldberg, David Green, Sarah Khan, Steve Kerstetter, Marc Lee, Ernie Lightman, Lesley Moore, Ginger Richards, Jean Swanson, and Margot Young. We are also grateful for the advice and insights provided by Jared Bernstein, Dean Herd, Andrew Mitchell, Marge Reitsma-Street, and the social assistance workers and clients we spoke to in the course of conducting this research.

The content, opinions and any errors in this paper, however, are those of the authors, and do not necessarily reflect the views of the CCPA or SPARC BC.

This research was assisted by an inequality research endowment fund provided by the Government of British Columbia.

**About the authors:** Seth Klein is the BC Director of the Canadian Centre for Policy Alternatives. He has a B.A. in international relations and B.Ed. from the University of Toronto, and an M.A. in political science from Simon Fraser University. A frequent media commentator on public policy issues, Seth is the author and co-author of numerous CCPA studies and articles, including the 2001 study *Depressing Wages: How Welfare Cuts Hurt Both the Welfare and Working Poor*.

Andrea Long is a researcher with the Social Planning and Research Council of BC. She has a B.A. in Philosophy and an M.A. from the Individual Interdisciplinary Studies Graduate Program at the University of British Columbia (Political Science, Law, and Sociology). Andrea undertakes research on a variety of social policy issues related to income security and other matters, including co-authoring the 2002 SPARC BC publication *Falling Further Behind: A Comparison of Living Costs and Employment and Assistance Rates in British Columbia*.

Copyedit and layout by Nadene Rehnby • Cover photo by Shannon Daub, with thanks to the East End Food Co-op

\*Thanks to the Rheostatics for inspiring the title

ISBN: 0-88627-344-7

## SPARC BC

201 – 221 East 10th Avenue  
Vancouver, BC, V5T 4V3  
Email: [info@sparc.bc.ca](mailto:info@sparc.bc.ca)  
Phone: 604-718-7733  
[www.sparc.bc.ca](http://www.sparc.bc.ca)



## CCPA BC Office

1400 – 207 West Hastings Street  
Vancouver, BC V6B 1H7  
tel: 604-801-5121  
fax: 604-801-5122  
email: [info@bccpolicyalternatives.org](mailto:info@bccpolicyalternatives.org)  
[www.policyalternatives.ca](http://www.policyalternatives.ca)



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## SUMMARY

# A Bad Time to be Poor

## An Analysis of British Columbia's New Welfare Policies

IN JANUARY 2002, the BC government announced that it intended to implement a dramatic program of welfare restructuring, and that it would be cutting the operating budget of the Ministry of Human Resources (responsible for social assistance) by a staggering \$581 million (or 30 per cent) over the next

three years (a figure that has since grown to \$609 million). The Ministry's staff is being cut by 459 full-time equivalent positions, and 36 welfare offices across the province are being closed.

These budget savings are being achieved by a combination of cuts to welfare benefits and a further tightening of eligibility rules. The details of these welfare cuts and rule-changes were revealed with the tabling of new welfare legislation in April 2002—the *Employment and Assistance Act*, and the *Employment and Assistance for Persons with Disabilities Act*.

A number of BC's new welfare policies are radical and unprecedented in Canada. The two-year time limit rule (limiting "employable" welfare recipients without children to two years of support during any five year period), and the "two-year independence test" (requiring new welfare applicants to demonstrate that they have been financially independent for two consecutive years), in particular,

represent a fundamental shift in Canadian social policy—the denial of welfare when in need as a basic human right.

Many of BC's new welfare policies are borrowed from the US welfare restructuring of the 1990s. Thus, this paper begins with a review of the US experience. We examine what

welfare restructuring has meant for low-income people in the US (and in an appendix, in Wisconsin—the "poster child" for neo-liberal welfare changes). Next, each of the major BC welfare policy changes is discussed and critiqued in turn. Drawing on experience from the US and other jurisdictions, we present the likely impacts of BC's new welfare legislation, and highlight contradictions within the government's policy program. The paper concludes by presenting an alternative, progressive approach to welfare reform.

This study sounds an alarm. Among the paper's findings and anticipated policy consequences are the following:

- The BC government hopes its welfare rolls will decline substantially over the next three years, as occurred in the US over the 1990s. But evidence from the US experience indicates that the dramatic caseload declines were primarily a product of

unprecedented economic growth (a condition that no longer exists). Over the past year, as the US economy slowed and unemployment increased, US welfare rolls grew for the first time since 1994. Moreover, when the methodology for measuring welfare caseloads is made consistent, US caseloads are not substantially lower than those in Canada. We also find that low-income people in the US continue to experience persistent—and in some cases increased—hardship and poverty, and many former welfare recipients have not found employment, despite the favourable economic conditions that marked the 1990s.

- The US-inspired policy with the most potential to reduce caseloads (and increase hardship) is welfare time limits. The first group of US families is only now starting to hit its lifetime limits, so evidence of the impact of this policy is very preliminary. Early studies from states with shorter time limits, however, find that: those forced off welfare due to hitting their time limits are worse off than those who leave voluntarily; large numbers of time-limit leavers continue to rely on food stamps and other forms of assistance—options that will not be available in BC; at least one study notes higher rates of evictions than among those who left welfare voluntarily.
- While the BC government has borrowed many policy ideas from the US, it has chosen to import only the policy “sticks” that push and keep people off welfare (such as time limits, tough sanctions, workfare, and tighter eligibility rules). None of the policy “carrots” or supports that help people make the transition to paid employment (such as enhanced child care, transportation support, increased minimum wage, enhanced training and educational opportunities, and the expanded use of earnings exemptions) have been adopted. In the US, welfare restructuring was not driven by a fiscal imperative to cut spending. In fact, notwithstanding its tough new rules, the US *increased* its spending on programs for low-income people during the post-1996 welfare reform period (in contrast with what is occurring in BC).
- The BC government is forecasting a decline in welfare caseloads despite the fact that it is not anticipating a drop in the unemployment rate. It is normal for welfare rolls to decline during economic good times, but it is quite another to plan for a reduction in rolls when unemployment is stagnant, and at a time when workers in resource-dependent communities are struggling with the fall-out of the softwood lumber dispute and exhausting their EI coverage. In effect, the government’s new welfare rules are undermining the ability of the welfare system to function as an economic “automatic stabilizer”—injecting money into people’s pockets when people and communities are facing hard times.
- If the government’s program is successful in pushing many people off welfare into a *weak* labour market—characterized by increased competition for low-wage work—the outcome will be increased hardship for both those leaving social assistance and those already toiling in the low-wage workforce. Greater competition for low-wage jobs will depress wages and earnings, ironically harming the very people welfare reformers purport to honour—the “working poor.”
- The tool chosen by the Ministry to track former recipients—“exit surveys” conducted by phone—is highly problematic, particularly when it comes to tracking homeless people, mobile people without a steady phone number, or those who simply cannot afford a phone. As a result, the findings overstate the success former clients have in finding employment. The three surveys conducted to date have managed to attain response rates of only 32 to 33 per cent. Nearly half those sought for the surveys did not have a phone number in service. Thus, we simply do not know what has happened to a majority of welfare leavers (but the high number of people without working phones does not bode well). Moreover, the exit survey questionnaire does not include any questions exploring the presence of continued hardships, such as difficulties paying rent or utilities, or a continuing reliance on food banks or other charities. Without this kind of information about the conditions faced by former

welfare recipients we simply do not know the human price of the government's sought-after caseload reductions.

- We expect that most of BC's new welfare policies will result in increased and serious hardship (and in some cases they already are). The cuts to rates and benefits reduce what was already an inadequate level of income support. Prior to the latest cuts, SPARC BC found that the maximum welfare income available to a single parent with one child covered only 65 per cent of minimum living costs. With the new round of benefit reductions, these families are expected to make do with \$43 less each month—a change that will make it practically impossible to make ends meet.
- The elimination of earnings exemptions (which allowed people receiving social assistance to work in the paid workforce and keep some of their earnings) for all but those with disabilities represents the loss of a vital income top-up. Indeed, without earnings exemptions, many people are being forced to commit fraud and hide their income. The new rules force many people on social assistance into an untenable Catch-22: if a person discloses that they have income from paid work (as the rules say they must), the deduction of this money dollar-for-dollar means they are left with an unliveable income. However, tough new sanctions may mean the loss of benefits for breaking the rules.
- Perversely, many of BC's new policies actually discourage work re-entry, most notably the elimination of earnings exemptions, cuts to child care, cuts to transition-to-work assistance (such as money for work clothes and transportation), and the \$6 training wage.
- For many people, the new three-week wait policy (requiring new applicants to conduct a three-week job search before a claim is reviewed) represents a great hardship. In practice, for some, the three-week wait is proving to be much longer (as much as six weeks), before welfare workers are satisfied that an adequate job search has been undertaken. People without any income are being asked to search for work, when in many cases they lack the financial resources to do so. When applying for income assistance, people have normally exhausted their last resources, assets, and prospects. The policy is also risky in that people without income for nearly a month (or more) may face evictions, yet without secure and stable housing, a bad situation could turn worse.
- The government is seeking to confine its obligations to those they deem to be the “deserving” poor, such as people with disabilities. Yet it is simultaneously redefining who is considered disabled, so that only those who can demonstrate a need for assistance with the tasks of daily living are deemed entitled to disability benefits. Thousands of people with medical conditions and disabilities that leave them unable to sustain regular employment will be disqualified from disability benefits.
- The elimination of legal aid funding for poverty law matters means welfare applicants/recipients who believe they have been treated unfairly will be at a disadvantage. This change places increased demands on lay poverty law advocates with non-profit organizations in BC, just as many of these groups are themselves facing provincial funding cuts and laying off advocates. The consequence is that low-income people needing help with a welfare, EI or WCB claim no longer have equal access to justice, and may be denied life-sustaining benefits to which they are entitled.
- BC's new approach to social assistance will indeed mean that some people's stay on welfare is more brief, and that others are denied welfare entirely. But troubling questions remain: What happens to those who face more barriers to employment, or who run up against the new time limits before the local economy produces adequate employment? What happens to those who are simply denied support under the new rules? What happens to those who need meaningful training opportunities, but find themselves in a new welfare system with a greatly reduced capacity to provide such training and education?

The new welfare rules are a social catastrophe in the making. In particular, the combination of time limits, the two-year independence test, and the three-week wait with an economic downturn would prove a toxic mix.

OVER THE COMING YEARS, IT WILL BE VITAL TO monitor the impact of BC's new welfare rules. Some of the policy changes are untried and untested, most notably the two-year independence test, particularly in the context of an economic slowdown. The simultaneous implementation of all these extreme and punitive new rules, in combination with cuts to employment supports, is unprecedented. More research will be needed to track the potential effects outlined in this paper. In particular, careful monitoring of measures of critical hardship and poverty—homelessness, evictions, going without food, and health impacts—will be essential. Thus far, the Ministry of Human Resources' quarterly exit surveys fail to provide this essential information.

We are deeply concerned that the new welfare rules are a social catastrophe in the making. In particular, the combination of time limits, the two-year independence test, and the three-week wait with an economic downturn would prove a toxic mix with profound social and health consequences. Already, the new rules are causing increased despair and desperation for many. There are early reports of an increase in homelessness in Vancouver, and suicides have been attributed to the disability reassessment process.

The welfare cuts and rule changes are being driven by a desire to reduce government spending. The Ministry of Human Resources has been targeted for the largest budget cut of any ministry—nearly one third of the total cut to BC's direct public sector is to come from the MHR. In a very concrete way, we are witnessing a transfer of income from the poorest among us (those who need social assistance) to the wealthiest among us (who received the lion's share of BC's recent tax cuts).

Welfare is a critical element of our social safety net. It is an important basic right in which almost all of society has a stake—even if one is never forced to rely on social assistance.

The welfare system is also an expression of social solidarity—it is one of the ways the members of our society have chosen to look after one another when facing hardships such as poverty, disability and unemployment, or when people are forced to leave their families due to

physical or emotional abuse. In short, welfare is part of how we recognize our moral obligations to one another.

BC's new welfare rules are harmful, mean-spirited and unjustified. These policies will result in unacceptable hardship. They should be thoughtfully and compassionately reconsidered. In light of the findings and dangers presented in this paper, we recommend that the BC government:

- Repeal the cuts to welfare benefit rates (support and shelter allowances and crisis grants);
- Reinstate earnings exemptions and child support exemptions;
- Increase funding for quality child care programs, ease the eligibility for child care subsidies, and reverse the requirement that single parents seek work when their youngest child reaches age three;
- End the three-week wait for new welfare applicants;
- Abandon workfare—the forced participation in work and training programs—as it is not necessary to coerce people into accepting decent work or meaningful training;
- Abandon time limits and the two-year independence test;
- Let welfare recipients pursue post-secondary training without loss of benefits when such training will help improve a person's long-term life chances;
- End the lifetime ban for those found guilty of welfare fraud;
- Abandon the punitive and onerous reassessments of those with disabilities, replace the 23-page disability assessment form with a shorter and simpler form, reinstate the permanent designation of disability, reverse the new narrow definition of disability, and reverse the requirement that Persons with Persistent and Multiple Barriers to employment must have been on assistance for 12 of the previous 15 months;
- Refrain from privatizing welfare delivery or computerizing welfare determination; and
- Restore legal aid for poverty law.

# Introduction

BRITISH COLUMBIA witnessed a substantial drop of 29 per cent in welfare caseloads between 1995 and 2001 (see Figure 1).<sup>1</sup> Most of this decline was a consequence of economic growth, job creation, and a resulting reduction in unemployment. Some of the caseload decline, however, was the result

of welfare changes brought in by the NDP provincial government during 1995/96—including cuts to welfare benefit rates and tighter eligibility rules—that pushed some people off welfare and discouraged many others from claiming support. Both the Canadian Centre for Policy Alternatives and the Social Planning and Research Council of BC are on record criticizing these welfare cuts as harmful, mean-spirited and unjustified.

The new BC government, however, was not satisfied. In the face of large tax-cut-induced deficits, the government announced in January 2002 that it intended to implement a dramatic program of welfare policy changes, and that it would be cutting the operating budget of the Ministry of Human Resources (responsible for social assistance) by a staggering \$581 million (or 30 per cent) over the next three years, from \$1.936 billion to \$1.355 billion.<sup>2</sup> The Ministry's staff is to be cut by 459 full-time equivalent positions, and 36 welfare offices across the province are being closed.

These budget savings are being achieved by a combination of more cuts to welfare benefits and a further tightening of eligibility rules. The details of the cuts and rule-changes were revealed with the tabling of new welfare legislation in April 2002—the *Employment and Assistance*

*Act*, and the *Employment and Assistance for Persons with Disabilities Act*.

The welfare cuts and rule-changes announced in January 2002 came as a surprise for a number of reasons. First, as mentioned above, the previous government had already cut welfare benefits to levels at which recipients lacked sufficient income to meet even basic needs. Second,

Premier Campbell was asked during the 2001 election campaign whether a new Liberal government would reduce welfare benefits, and he replied with an unequivocal “We have no intention of reducing welfare rates.”<sup>3</sup> The Liberal's *New Era* election platform also said nothing about reforming or cutting welfare. When people in Alberta and Ontario voted for Ralph Klein in 1992 and Mike Harris in 1995, they knew they were voting for welfare cuts. The same cannot be said of those who voted for the BC Liberals in 2001.

Third, the new BC government cut welfare during a period of economic slowdown, and at a time when workers in resource-dependent communities across the province are struggling with the fall-out of the softwood lumber dispute and exhausting their Employment Insurance coverage. In its February 2002 Budget, the BC government forecast a decline in welfare caseloads of about 40,000 (or 25 per cent) over the following three years, even though the unemployment rate was expected to rise. Page 155 of the Budget states that this reduction in caseloads is based on an average unemployment rate over the next three years of 6.9 per cent. Yet, according to the 2002 Budget, there is not a single year between now and 2006 in which the unemployment rate is forecast to fall



A number of the new welfare policies are radical and unprecedented in Canada. The new two-year time limit rule and the “two-year independence test” in particular, are a denial of welfare when in need as a basic human right.

below 7.2 per cent. (Indeed, in the 2003 Budget, this forecast is downgraded—the government now reports it does not expect to attain an unemployment rate of 7.2 per cent until 2007.)

Something is not right here. The government’s own forecasts are in conflict. It is normal to expect welfare caseloads to decline as unemployment falls, but it is quite another matter to predict falling caseloads while unemployment stays stable or increases.

The greatest surprise about the new government’s welfare cuts, however, is the nature of the reforms themselves. A number of the new welfare policies are radical and unprecedented in Canada. The new two-year time limit rule (limiting “employable” welfare recipients without children to two years of support during any five year period) and the “two-year independence test” (requiring new welfare applicants to demonstrate that they have been financially independent for two consecutive years), in particular, represent a fundamental shift in Canadian social policy—the denial of welfare when in need as a basic human right. (More on these new policies below.)

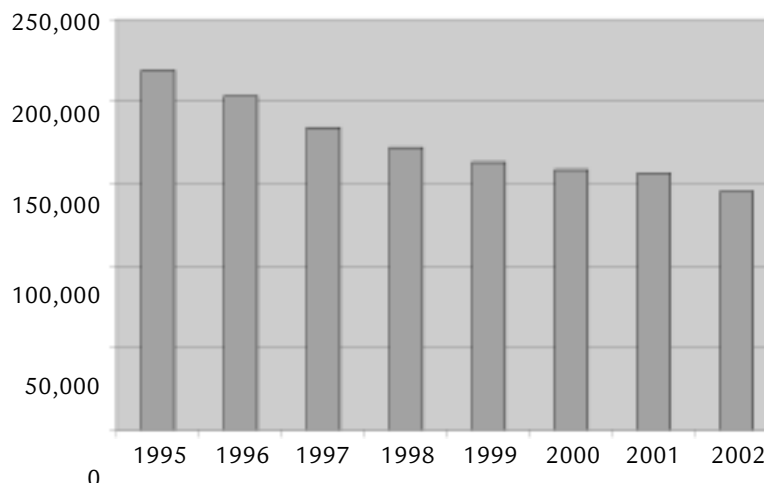
The purpose of this paper is to analyze and critique BC’s main welfare changes in the hope they will be thoughtfully—and compassionately—reconsidered. We also hope this paper provides anti-poverty and social justice activists with the facts and analysis they need to challenge these rollbacks of basic rights that were fought for and won over decades.

The Ministry of Human Resources’s “Service Plan” (released in full along with the February 2002 Budget) offers no indication of where these harsh policy ideas come from. No literature is cited, and no jurisdictions are pointed to as evidence that these reforms will, as alleged, help improve the circum-

stances of low-income people. Nevertheless, the inspiration for most of the changes is no mystery. Many of these policies have been advocated by the neo-liberal Fraser Institute for years, and a number are clearly drawn from the United States welfare reform program of the 1990s, and to a lesser extent from Ontario.<sup>4</sup>

To provide some context for BC’s new welfare policies, this paper begins with a review of the US experience and welfare reform literature. We examine what welfare reforms have meant for low-income people in the US (and, in an appendix, in Wisconsin—the “poster child” for neo-liberal welfare restructuring). Next, each of the major BC policy changes are discussed and critiqued in turn. Drawing on experience from the US and other jurisdictions, we present the likely impacts of BC’s new welfare policies, and highlight contradictions within the policy program. Finally, we propose an alternative, progressive approach to welfare reform—one that truly helps those in need, rather than punishes them; one that offers individualized support and hope; and one that emphasizes job creation, not personal blame.

**Figure 1: BC Welfare Caseloads, 1995-2002**



Source: Ministry of Human Resources. *Monthly Statistics*— August 2002.

Note: The average annual caseload figures in the chart include those receiving temporary assistance (‘employable’ recipients), continuous assistance (persons with disabilities) and child in the home of a relative cases. A welfare ‘case’ can include more than one person.

# How Do We Measure Success?

TOO OFTEN, the purported success of welfare reform is based on one overriding measure—caseload reductions. But this is not how success *should* be measured. The true measure of success ought to be poverty reduction, and the associated goals of job creation (stable, quality jobs) and earnings growth for low-income people.

This mis-measuring of success is evident in the Ministry of Human Resources' new "Service Plan." The Plan outlines the "performance measures" by which the Ministry is to be judged over the coming years. It sets out various targets and goals, such as ensuring all clients have signed "Employment and Assistance Agreements," providing job search and other skills training, reducing caseloads, and tracking employment among welfare leavers. Indeed, stunningly, the MHR's deputy minister even receives performance "bonus" pay for successfully reducing caseloads. Rewarding government appointees for reducing the numbers of people they serve without regard for the human consequences represents a fundamental conflict of interest.

Conspicuously absent from the Ministry's "performance measures" is any reference to the *quality* of the training provided or employment found by former welfare recipients. Nothing is said about the incomes and earnings of those leaving social assistance. Nothing is said about poverty, or the goal of reducing poverty. There are no performance measures or targets related to reducing (let alone eliminating) the use of food banks or reducing homelessness and evictions—all measures one would expect from a Ministry that should ultimately be concerned with poverty and well-being.

## The BC Welfare Exit Surveys

One positive development appears to be an improved system for tracking what happens to former clients, and an increased willingness on the part of the Ministry to undertake this monitoring. Unfortunately, the tool chosen by the Ministry to track former welfare recipients—"exit surveys" conducted by phone—is notoriously problematic, particularly when it comes to tracking homeless people, mobile people without a steady phone number, or those who simply cannot afford a phone. As a result, the findings tend to overstate the success former clients have in finding employment.

For example, the MHR has (at the time of writing) published three quarterly exit surveys of those who left social assistance and stayed off for six months. All three surveys were conducted by phone, and surveyed people who left social assistance prior to BC's new welfare policies taking effect. The first survey found that just over 50 per cent of respondents left assistance for work, the second reported that 66 per cent of respondents left for work, and the third that 67 per cent left for work (results that are fairly consistent with previous exit surveys, as welfare is always subject to a considerable amount of people cycling on and off).

However, there are two important reasons to be cautious about what these results tell us. First, by surveying only those people who have stayed off welfare for six months, the government's exit polls automatically miss all those who have cycled back onto welfare in less than six months. In many respects, the surveys merely state the obvious—of course most of those who leave welfare and stay off do so because they have found some form of paid employment. But given that a large number of welfare recipients cycle on and off the program, the exit survey results present an exaggerated view of the "success" of workforce attachment measures. Those recipients able to stay off welfare for six months or more are likely those with the fewest barriers to employment.

Second, the first exit survey managed to attain a response rate of only 33 per cent, while both the second and third surveys achieved response rates of only 32 per cent. Of those sought for the surveys, 40, 46, and 48 per cent, respectively, did not have a phone number in service, while another quarter to one fifth were either “unavailable” or declined to be interviewed. The survey methodology is inherently flawed, as many low-income people do not have or cannot maintain phones. Thus, we simply do not know what has happened to the majority of welfare leavers.<sup>5</sup>

Moreover, the MHR’s exit survey questionnaire does not include any questions that seek to determine the presence of continued hardships, such as difficulties paying rent or utilities or a continuing reliance on food banks or other charities. Without this kind of information about the conditions being confronted by former welfare recipients, we are missing a big piece of the story. We do not know the human price of the government’s sought-after caseload reductions, and the government cannot claim to have any true knowledge of the economic circumstances of most former welfare recipients.

If the government were fully committed to knowing what happens to welfare leavers, its exit surveys would more vigorously seek out *all* former clients (not rely solely on phone surveys). The MHR would conduct long-term studies that follow the same people for many years (to determine whether their lives in fact improve). And the government would not shy away from asking both current and former welfare clients about their experiences with various hardships (such as evictions, problems paying the rent, going without food, etc.) Without such active research, claims of welfare reform “success” will remain unsubstantiated and indefensible.

The first exit survey managed to attain a response rate of only 33 per cent, while both the second and third surveys achieved response rates of only 32 per cent. Thus, we simply do not know what has happened to the majority of welfare leavers.

## Life After Welfare

Interestingly, a new study published by Statistics Canada, entitled *Life After Welfare: The Economic Well Being of Welfare Leavers in Canada during the 1990s*, does a much better job of tracking what has happened to former welfare recipients.<sup>6</sup> The StatsCan report, rather than using one-time phone surveys, used multi-year tax return data to track changes in the family incomes of former welfare recipients over many years. While this methodology still has limitations—it misses those who do not file tax returns, and it does not capture the day-to-day hardships many face—it does provide a more detailed picture of life after welfare than the BC MHR surveys.

The findings of the StatsCan study are deeply troubling. While most welfare leavers – six in 10 – saw their income go up (as would be expected), “family income declined (sometimes substantially) for about one third of welfare leavers.” This trend occurred in every province, with the BC figures almost exactly matching the national average. For example, in British Columbia, two years after leaving welfare, the bottom third of welfare leavers found themselves with average family incomes of a mere \$2,700 per year—well below even the paltry sum provided by welfare—and only after about five years did the incomes of these families tend to return to what they had received while on social assistance.

Clearly, too many welfare leavers are not finding work with adequate pay and hours. A significant number of those pushed or kept off welfare face significant barriers to employment. And many have existed on abysmally low incomes—even during a period of economic growth and declining unemployment.

# The Context

## Where Do BC's New Welfare Policy Ideas Come From?

WHAT IS THE motivation—the inspiration—for the BC welfare changes? How are these cuts to welfare benefits and eligibility justified?

The BC government itself has little to offer in response to these questions, other than oft-repeated rhetoric about moving people from welfare to work, and fostering “self-reliance” and “personal responsibility.” The day the new welfare legislation was introduced, the government’s news release spoke merely of reforms “designed to help break intergenerational dependency on welfare” and “help people achieve independence.”<sup>7</sup> Social assistance (welfare) was renamed “Employment and Assistance,” signalling the government’s new emphasis on shifting people into the paid workforce as quickly as possible. However, the substance of the new legislation offers little in the way of a helping hand—instead it details a list of harsh and punitive measures designed to push and keep people off social assistance. As mentioned above, the Ministry’s “Service Plan” cites no research, nor does it point to other jurisdictions as evidence that its reforms will improve the lives of low-income people.

At one level, there is clearly a fiscal imperative at work: the BC government has stated that it must cut overall provincial spending by \$1.9 billion over three years. With the health and education budgets frozen, the Ministry of Human Resources has been targeted for a large cut. Indeed, nearly one third of the total cut to BC’s direct public sector is to come from the MHR. In a very concrete

way, we are witnessing a transfer of income from the poorest among us (those who need social assistance) to the wealthiest among us (who received the lion’s share of BC’s recent tax cuts).<sup>8</sup>

Yet it is equally clear that many of the welfare changes are also ideologically motivated. Specifically, they are based on an ideological presumption about the people in need of income support, who are seen as lacking skills (at best) or as lazy and unwilling to work (at worst). The overall package of policy changes is based on a belief in personal responsibility and minimal government. Underlying many of the changes is a distinction the government clearly draws between the “deserving” and “undeserving” poor (thus, some benefits for people with disabilities are enhanced, while these same benefits for those without disabilities are eliminated). The ideological underpinning of the reforms is a belief in individual self-sufficiency in a free market economy. This approach refuses to entertain larger structural and economic considerations, such as the failure of the free market to produce an adequate supply of decent paying jobs, the failure of the market to produce an adequate supply of affordable housing, or the reality of socio-economic inequalities and oppression, such as the greater challenges faced by low-income families, the systemic discrimination faced by women in the workplace, or the cultural and workplace racism experienced by aboriginal people or other visible minorities.

Within this neo-liberal and individualistic world-view, poverty is seen not as a result of bad policy choices,

In a very concrete way, we are witnessing a transfer of income from the poorest among us (those who need social assistance) to the wealthiest among us (who received the lion's share of BC's recent tax cuts).

economic conditions, market failures or racial and gender discrimination, but rather as a consequence of bad *personal* choices. Drug addiction, for example, is seen not as a health issue but as a lifestyle choice. Similarly, single mothers are seen as *choosing* a life of poverty, rather than as carrying out an important social task—child rearing. Thus, underlying the new welfare rules is a continuing shift from a model of mutual responsibility and caring to one of personal obligation and self-sufficiency.

Many of BC's new welfare policies are not new at all—they have been borrowed from other jurisdictions, primarily the US (and to a lesser degree Ontario and Alberta). As we will see, however, the BC government has selectively imported many of the US policy “sticks” and few, if any, of the policy “carrots” or supports (highlighting the central objective of budget-cutting that is at work). Indeed, we have heard that prior to the introduction of BC's new welfare policies, welfare officials from Wisconsin visited BC and consulted with staff at BC's Ministry of Human Resources.

It should also be noted that the way was paved for BC's new welfare rules by a 1995 federal government decision to eliminate the Canada Assistance Plan (CAP), and replace it with the Canadian Health and Social Transfer (CHST). The CAP Act enshrined fundamental welfare rights, including the right to an adequate level of income support, the right to assistance when in need, and the right to receive assistance without forced participation in training or work programs. If a province failed to respect these rights, its federal funding under CAP could be withdrawn. These rights were eliminated in Canadian law, however, with the implementation of the CHST in April 1996 (although they continue to be enshrined in international agreements to which Canada is a signatory—even if these obligations are systematically ignored by federal and provincial governments). The elimination of CAP signalled to provincial governments that they were free to experiment with welfare restructuring, including restrictive eligibility rules, and that the federal government would no longer require the protection of welfare

rights as a condition of receiving federal transfer payments.

## Why the Fraser Institute has it Wrong

Many of BC's US-style welfare changes were foreshadowed in a report published by the neo-liberal BC-based Fraser Institute in August 2001 entitled *Surveying US and Canadian Welfare Reform*. The Fraser Institute report praised the US welfare restructuring of the 1990s, and urged Canadian provinces to do likewise.<sup>9</sup> The report centres around two key questions: First, why are Canadian welfare caseloads consistently higher than those in the US? And second, why have Canadian caseloads trended upward over the last 20 years? Both observations are technically correct (although, as mentioned earlier, caseloads have been in sharp decline since 1995); however, the explanations offered and solutions prescribed are replete with errors of omission and selective interpretation of the facts.

For example, in seeking to explain the higher caseloads in Canada, nowhere does the Fraser Institute mention the highly noteworthy fact that the US provides federal cash assistance (the program used to measure US “welfare” caseloads) only to *families with dependent children*. This fundamental fact may be hard for most Canadians to believe. In the US, if you do not have dependent children, you simply cannot access federal cash assistance, nor state cash assistance in most cases. You may be able to access food stamps or other low-income programs, but these are not captured in welfare caseload statistics. Is it any wonder, then, that the US is home to so much more homelessness than Canada?<sup>10</sup>

The fact that the US does not provide federal cash assistance to those without dependent children makes straight statistical comparisons between the countries highly misleading. In BC, approximately one third of the welfare caseload consists of “employable” individuals or

couples without children (see Figure 2)—groups that are simply denied cash benefits throughout most of the US. This fact also helps to explain why the US has lower welfare caseloads than Canada, but a higher overall poverty rate.<sup>11</sup>

There are other important differences between Canadian and US welfare statistics. While provincial income assistance rolls capture virtually all “welfare” cases in Canada, in the US federal cash assistance represents only one of many income assistance programs. Indeed, the federal cash assistance program (used by the Fraser Institute to measure overall US caseloads) represents less than half of those receiving some form of social assistance in the US—many more people receive support through the Food Stamp program or through a separate Disability Insurance system. Once all of these factors are considered, US welfare caseload levels are much closer to those in Canada.

The Fraser Institute report also fails to recognize other important differences between Canadian and US society that help to explain at least some of the caseload gap, such as dramatically higher prison incarceration rates in the US and the higher percentage of working age people in the US military. In many respects, both institutions operate as substitutes for income support for many low-income people. At over 0.7 per cent, the US incarceration rate is higher than any other country in the world except China, and is dramatically higher than Canada’s, at approximately 0.1 per cent.<sup>12</sup> US sociologist Bruce Western

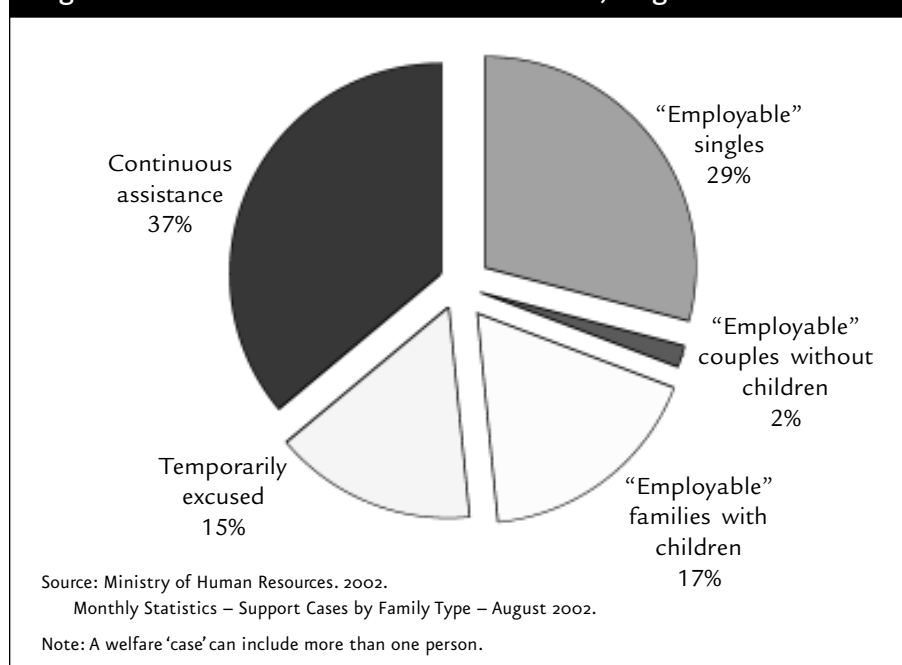
contends that, contrary to popular perception, the US labour market has not become less regulated (through cuts to welfare and unemployment insurance). Rather, the focus of labour regulation—and public expenditures—has merely *shifted* from income support to the more punitive and controlling correctional system.<sup>13</sup>

In discussing the upward trend in welfare caseloads in Canada, the Fraser Institute authors similarly neglect to note key changes in broader economic policy that have led to increased unemployment, including high interest rates in the 1980s and early 1990s, the free trade deals, corporate restructuring, recessions followed by years of “jobless recovery”, etc. (ironically, these are all policies for which the Fraser Institute has been a strong advocate). At the very least, these policies offer some explanation for the welfare caseload trend. Amazingly, never once do the authors mention the monumental restructuring of Unemployment Insurance over the late 1980s and early 1990s, which resulted in the percentage of unemployed workers who qualify for UI coverage plummeting from 74 per cent in 1989 to 36 per cent in 1997 (and which disproportionately affected women).<sup>14</sup> This profound policy change clearly led to more people turning to provincial welfare programs.

Instead, the Fraser Institute authors explain higher Canadian welfare caseloads as a product of a system that is too easily accessed and thus breeds “dependency.” Fault is found with the Canadian welfare system—and implicitly with recipients of welfare themselves—but not with

the overall economy, the lack of decent paying jobs, or cuts to UI. The Fraser Institute report recommends time limits, tougher sanctions for non-compliance with welfare rules, work requirements (workfare), “diversion” strategies to keep new applicants from accessing welfare, and privatization<sup>15</sup>—in short, the very policy changes we are now seeing implemented in BC.

**Figure 2: BC Welfare Caseload Distribution, August 2002**



The ideological underpinning of the reforms is a belief in individual self-sufficiency in a free market economy. This approach refuses to entertain larger structural and economic considerations, such as an inadequate supply of decent jobs or affordable housing, or systemic discrimination.

## The 1996 US Welfare Reforms

Welfare cuts and rule changes have been implemented in numerous US states and Canadian provinces for over 10 years, but the welfare reform agenda reached a new level in the US in 1996 with the passage of a federal law entitled the *Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)*. PRWORA replaced Aid for Families with Dependent Children (the federal welfare program in place since 1963) with a new program entitled Temporary Assistance for Needy Families (TANF). Among other things, PRWORA sets out the minimum rules US states must incorporate into their welfare systems if they are to receive federal money. States can impose harsher rules if they choose—and many have—but cannot loosen the welfare rules mandated by the Act.

PRWORA and TANF represented a watershed—“the end of welfare as we know it,” as then-President Clinton proclaimed. The new act contained many elements, but at its heart was the introduction of time limits. PRWORA and TANF proclaimed an end to the “entitlement” to welfare for families with children by mandating a five-year lifetime limit for the receipt of welfare benefits.

In addition to this five-year limit, PRWORA/TANF rules required that welfare recipients participate in work or training programs in exchange for benefits—a policy known as workfare. The law also limited the ability of immigrants to qualify for benefits, narrowed the circumstances under which children can qualify for disability benefits, and reduced the federal Food Stamp program.<sup>16</sup> States were also encouraged to greatly expand the use of tough sanctions for non-compliance with welfare rules during this period.

PRWORA was due to be renewed in 2002, but Congressional agreement could not be reached. Thus, the current law was extended for one year while negotiations continued. Although both parties agreed that the 1996 overhaul of the welfare system was “successful,” they disa-

greed on the measures needed to assist poor Americans. In mid-February 2003, however, the US House of Representatives approved Republican welfare legislation that maintains the five year lifetime time limit on the receipt of welfare benefits, places strict limits on the amount of time many welfare recipients can spend in education and training programs, and dedicates \$300 million to programs promoting marriage.<sup>17</sup>

## US Lessons not Learned

As will be discussed below, the US welfare reforms have caused increased hardship in many cases, a reality that will only intensify as more families reach their five-year time limits. Nevertheless, it is also important to note that not all of the new welfare measures introduced under PRWORA were of the “tough love” variety. The US reforms included an *increase* in spending on many programs for low-wage workers, and numerous policies designed to increase the incomes of poor families.

In contrast to the BC policy changes, the US welfare changes appear not to have been driven by a fiscal imperative to cut spending. The US actually increased spending on child care, transportation support, and training programs. Federal spending on child care programs for low-income families increased from \$4.1 billion in 1997 to \$6.9 billion in 1999.<sup>18</sup> The Clinton administration also increased the federal minimum wage, and doubled the value of the Earned Income Tax Credit (EITC, a federal cash benefit to low income people with employment income).<sup>19</sup> Indeed, the US now spends considerably more on the EITC—about \$30 billion—than it ever did on cash assistance under the old Aid to Families with Dependent Children or the new TANF systems.<sup>20</sup>

Similarly, at the state level, welfare reform included an expanded use of “earnings disregards” (known as “earnings exemptions” in Canada)—rules that allow people

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receiving social assistance to work in the paid workforce and keep some of their earnings.<sup>21</sup> Earnings exemptions are important not only because they offer welfare recipients a means to supplement their meagre income, but also because they build connections to the paid workforce. Earnings exemptions have now been eliminated in BC for “employable” recipients of temporary income assistance.

The Godfather of US welfare restructuring, former Governor of Wisconsin Tommy Thompson (now President Bush’s Secretary of Health and Human Services), was fond of noting that “You can’t do welfare reform on the cheap”<sup>22</sup>—an operating principle that stands in stark contrast with the changes occurring in BC, which are driven in large part by cost-cutting objectives. In fact, when Wisconsin welfare officials visited BC’s MHR, they warned their BC colleagues that Wisconsin’s reforms did not save the state money (for more, see appendix on the Wisconsin experience).

Indeed, TANF was actually structured so as to ensure that cost-cutting would not drive the reform agenda. The US federal government promised state governments that TANF block funding would be held stable for five years. Moreover, these funds came with conditions. The federal government required that states match their TANF contribution by 75 per cent, and insisted that all TANF funding be used exclusively for programs for low-income people. Thus, as welfare caseloads declined (primarily due to strong economic growth), large sums of money became available for other programs for low-income people.<sup>23</sup> The end result: US spending under TANF has increased in recent years despite caseload drops. This contrasts sharply with Canada’s experience under the Canadian Health and Social Transfer introduced by the federal government in 1995. The dollar value of CHST payments—combined cash transfers from the federal government to the provinces for health care, post-secondary education and welfare—fell sharply between 1995 and 2000. Moreover, the provinces are free to direct this federal transfer towards whatever they wish, and are not re-

quired to direct the transfer to social assistance and related programs.

## **The Context of US Welfare Reforms: Strong Economic Growth**

US welfare caseloads (measured as those families receiving cash assistance under the TANF program) declined by 53 per cent between 1996 and 2000. A debate exists, however, regarding how much of the dramatic decline since the mid 1990s was due to economic growth and the resulting job creation, versus the impact of the welfare reforms themselves (with many policy-makers keen to claim the latter). A large number of US studies have sought to determine the relative impact of these factors, each employing different methodologies and coming to differing conclusions. Most studies agree, however, that the economy played a significant role. A near academic consensus has emerged that the welfare reforms themselves account for between 15 and 30 per cent of the US caseload decline since 1995.<sup>24</sup> Moreover, to the extent that welfare reforms deserve credit, it is very difficult to determine how much is attributable to the policy “sticks” (such as workfare and time limits) versus policy “carrots” (such as the expanded Earned Income Tax Credit, enhanced child care and other work supports) that helped make low-wage work pay.

What is indisputable is that the US welfare reforms occurred during a period of unprecedented economic expansion and record low unemployment, masking and delaying the true impact of these “fair weather” welfare reforms. The US economy generated about 14 million jobs during the latest expansion—the longest such period since the turn of the century.<sup>25</sup> Economists in both the US and Canada have found a strong relationship between unemployment and welfare caseloads,<sup>26</sup> and in particular between welfare rolls and the availability of high-wage jobs for low-skilled workers.<sup>27</sup>



Upon reviewing the literature, economists Jared Bernstein, Mark Greenberg and Steve Savner concluded that:

*...the economy and the policy interacted in a way which is extremely difficult to tease out of the models. Welfare reform sent a strong, new message to both recipients and potential recipients regarding the urgency of moving from welfare to work, and that message went out at a time when many new employment opportunities and work supports were becoming available.<sup>28</sup>*

Yet, even in the context of unprecedented economic growth, many former welfare recipients have not found jobs. Even the Fraser Institute finds that, depending on the study, only somewhere between 45 per cent and 70 per cent of former US welfare recipients report having employment earnings,<sup>29</sup> results that are not dissimilar

from the period prior to welfare reforms. We know very little about how those without employment income are living.

## What Happens During an Economic Downturn?

A great unknown hangs over the current debate about US welfare reform: What happens during a period of prolonged economic downturn, particularly after large numbers of people have exhausted their lifetime time limits?

One cannot definitively answer this question yet. It remains too early for the collection of extensive hard data—at this stage, hardship stories are still primarily anecdotal. Only recently has the first group of families begun hitting its time limits. The reaction of most states to

### Hardship During the Boom Years

Despite strong economic growth during the 1990s, many US studies have found evidence of continued hardship and poverty among those receiving social assistance, as well as among employed welfare leavers:

- A study by the Washington-based Economic Policy Institute (EPI), using data from two National Surveys of American Families in 1997 and 1999, found that “Among families that left welfare between 1997 and 1999 for full-time employment, nearly half experienced hardships such as going without food, necessary medical care, or housing.” According to the study, about two-thirds of former welfare recipients are working, and four out of five worked at some point after leaving welfare. “However, the kinds of employment these former welfare recipients found often failed to provide them with enough income to keep them and their families from experiencing hardships.” Moreover, despite the unprecedented economic growth that marked the final years of the 1990s and record low unemployment, “the level of hardships among those that left the welfare rolls did not improve in 1997 or 1999.”<sup>37</sup>
- The EPI study distinguishes between “critical” hardships that threaten a family’s health and well-being (such as going without food or necessary medical care, eviction, utility shut off) and “serious” hardships that pose day-to-day difficulties (such as not making house payments, worrying about food, having the phone disconnected). Among recent welfare leavers, the number who reported experiencing one or more critical hardships over the previous year actually rose between 1997 and 1999, from 39 per cent to 46 per cent.<sup>38</sup>
- Nationally, about 40 per cent of welfare leavers aren’t working. Of those who are working, most are earning very low wages in the range of \$6 to \$8 per hour.<sup>39</sup>
- Recent data indicate that, while the incidence of poverty in the US declined overall during the 1990s, poverty “actually deepened for those who remained poor, and has increased among working families.”<sup>40</sup>
- Nationally, the 2001 recession clearly took a toll—for the first time since 1993, the national poverty rate rose to 11.7 per cent (up from 11.3 per cent in 2000)<sup>41</sup> and hence proved unable thus far to reach lows attained in the 1970s.<sup>42</sup> As Sheldon Danziger of the University of Michigan’s Poverty Research and Training Center puts it, “We have never been wealthier as a nation, but millions of families still have difficulty making ends meet.”<sup>43</sup>

(Also see appendix on the Wisconsin experience.)

The US welfare reforms occurred during a period of unprecedented economic expansion and record low unemployment, masking and delaying the true impact of these “fair weather” welfare reforms. Yet, even in the context of unprecedented economic growth, many former welfare recipients have not found jobs.

this first group has been to bend the new welfare rules by granting extensions and exemptions (which TANF allows to a limited degree) so as to avoid the unseemly task of throwing mostly single parent families into the street.<sup>30</sup> As a result, by the summer of 2002, “only around 8,000 families nationwide have had their case closed because of the 60-month time limit and are not receiving other assistance,” while another 85,000 have had their cases closed after reaching state time limits of less than five years.<sup>31</sup> But if the economic slowdown persists and unemployment continues to rise, the policy flexibility currently available to state governments will shrink. (Early data is now available for the few states that imposed time limits of less than five years. This data is reviewed in the “time limits” section below.)

As American writer Barbara Ehrenreich and political scientist Frances Fox Piven have noted, some low-income families have found themselves caught in a bitter Catch-22 under TANF rules. Although many single mothers found work over the past five years, the income they received from these primarily low-wage jobs was so meagre that they continued to qualify for and receive income supplements under TANF. The catch is that even though they were working, so long as they received cash top-ups from welfare the clock kept ticking on their five-year time limit. Over the past year and a half, as the economy went into a downturn, many of these women lost their low-wage jobs (last hired, first fired) just as they were hitting the wall on their welfare time limits. Now they are finding themselves without any source of income.<sup>32</sup>

The 2001 recession offered a taste of how fleeting the gains can be. Unemployment rose, incomes fell slightly, and the official national poverty rate rose for the first time since 1993 to 11.7 per cent (up from 11.3 per cent in 2000).<sup>33</sup> Welfare caseloads also increased in many states for the first time since 1995. A survey done for the US Conference of Mayors found that requests for emergency food assistance rose by an average of 23 per cent in major US cities in 2001, while requests for shelter increased by 13 per cent.<sup>34</sup> Unemployment continued to rise through 2002, the poverty rates will likely increase again in 2002 (although the data is not yet available), and for the first time in eight years, the national total of families receiving welfare grew.<sup>35</sup>

Many US welfare researchers are very concerned about what will happen if the US economic slowdown persists. Economists Bernstein, Greenberg and Savner note that, just as the boom of the 1990s disproportionately benefited the employment and earnings of low-wage workers (particularly African-Americans and single mothers), so too are these groups disproportionately hit by an economic downturn.<sup>36</sup> The toxic combination of families hitting their welfare time limits during a recession could be very ugly indeed, with tremendous social fall-out as thousands of families experience huge income losses. The same is true, of course, for British Columbia, which is implementing its harsh welfare reforms during a much less hospitable economic climate than was the case in the United States.

# BC's New Welfare Rules

AT THEIR CORE, BC's new welfare policies have as their central goal cutting government spending, specifically the MHR budget. This is to be achieved by denying benefits and pushing people off social assistance and into the low-wage workforce—a strategy of quick “labour force attachment.”

While this was also true of the pre-reform *BC Benefits* legislation, the employment emphasis of the Liberal's social assistance system is now much more pronounced, as is concretely reflected in the program's new name—“BC *Employment and Assistance*.” On the surface, this kind of “fastest route to a job” strategy (which has been practiced in Ontario and the US) may sound appealing. After all, isn't a job the best form of assistance? The problem is that while this approach may keep welfare rolls down, it frequently does little to end poverty or provide sustainable long-term employment with decent pay for those leaving social assistance.

In what follows, we review and critique each of the major BC welfare reforms, highlighting the various impacts and potential harms that may result from the new rules, and in some cases, the inherent contradictions between policy initiatives.

## Cuts to Rates and Benefits

### The New Policy

- Welfare benefit rates for single parents have been reduced by \$43 per month, while payments to employable individuals age 55–59 have fallen \$47 per month, those for employable individuals age 60–64 have fallen \$98 per month, those of employable cou-

ples age 55–59 have fallen \$94, and those of employable couples age 60–64 have dropped \$145 per month (see Table 1).

- Shelter allowances have been reduced for families with three or more people. Reductions range between \$55 and \$75 per month. Shelter allowances for people receiving disability benefits, single people, and two-person families, remain unchanged.
- The BC Seniors' Supplement—a monthly payment to very low-income seniors intended to ensure a guaranteed minimum income—is being phased out. The supplement currently goes to those BC seniors who qualify for the federal Guaranteed Income Supplement (GIS). The gradual elimination of the provincial supplement will match corresponding increases in the federal GIS to accommodate inflation. Thus, the nominal income of seniors will not be reduced. However, BC's low-income seniors will, effectively, no longer have their supplements indexed to inflation.
- A number of additional cuts to benefits have been made, including: the capping of crisis grants (food at \$20 per person per month, shelter at one month's allowance, and clothing at \$100 per person annually); the discontinuance of short term homemaker services previously available to those unable to care for themselves or for a spouse or dependent child; the reduction of allowable cash asset levels; the imposition of a \$5,000 limit on the value of a vehicle under new allowable asset rules; and the elimination of many work entry assistance benefits (such as money for work clothes or child care).

- Beginning in the fall of 2003, homeowners who receive welfare for more than six months will have a lien instituted against their property. All welfare payments received by the homeowner after six months will be treated as a loan. Once the house is sold, this loan will have to be repaid.<sup>44</sup>

## Critique

Even prior to this recent round of cuts, BC was a far from generous jurisdiction in terms of support provided through the welfare system. A single employable person on social assistance receives a mere \$325 per month for shelter, and \$185 for all other living expenses (slightly more than \$6 per day). According to SPARC BC's calculations, at these levels, welfare benefits provided only enough income to cover 45 per cent of a single person's minimum living costs, and only 32 per cent of Statistics Canada's low-income cut-off.<sup>45</sup>

Prior to the latest welfare cuts, a single parent with one child received a support allowance of \$377 per month (about \$12.50 per day) plus a shelter allowance of \$520—an amount that covered only 65 per cent of minimum living costs.<sup>46</sup> With the latest reductions to the support allowance portion of a single parent's welfare benefits, these families will now be expected to make do with \$43

less each month.<sup>47</sup> For many families, this change will make it practically impossible to make ends meet. In a 2002 paper entitled *The Cost of Eating in BC*, the Dietitians of Canada and the Community Nutritionists Council of BC warned about the implications of inadequate welfare benefits. According to this report, those on social assistance already lack sufficient income to purchase a healthy diet, and “undernourished children are more susceptible to illness, have diminished attention spans and are unable to perform at school as well as their nourished peers.”<sup>48</sup>

As indicated above, welfare is composed of two types of benefits: the support (or living expense) allowance and the shelter allowance. The inadequacy of welfare as a whole can be traced back to inadequate benefit levels within each of these categories. With respect to the support allowance, a 2002 report published by SPARC BC documents that the value of available benefits has actually been eroding for the last two decades. Between 1982 and 2002, the real (after inflation) value of support allowance benefits actually *declined* by 46 per cent for a single adult and 25 per cent for a single parent with one child.<sup>49</sup> In other words, welfare recipients could buy less with their support allowance in 2002 than they could in 1982. The welfare benefit reductions implemented in 2002 have certainly accelerated this trend, further deepening

**Table 1: Cuts to BC Welfare Benefits**

Type of recipient	2001 benefit rate <sup>1</sup>	2002 benefit rate <sup>1</sup>	Monthly income loss	2002 benefits as a % of the poverty line (LICO) <sup>2</sup>
Single 'employable' adult age 18-54	\$510	\$510	\$0	32%
Single 'employable' adult age 55-59	\$557	\$510	\$47	32%
Single 'employable' adult age 60-64	\$608	\$510	\$98	32%
'Employable' couple age 18-54 (no children)	\$827	\$827	\$0	41%
'Employable' couple age 55-59	\$921	\$827	\$94	41%
'Employable' couple age 60-64	\$972	\$827	\$145	41%
Single parent, one child	\$1,004	\$961	\$43	48%
Single parent, two children	\$1,201	\$1,111	\$90	44%
'Employable' couple, age 18-54, one child	\$1,118	\$1,071	\$47	43%
'Employable' couple, two children	\$1,266	\$1,221	\$45	40%
Single adult, Disability Level I <sup>3</sup>	\$608	\$608	\$0	38%
Single adult, Disability Level II <sup>4</sup>	\$786	\$786	\$0	49%

1. Amounts for families with children include the monthly BC Family Bonus (\$107 in 2001, and \$115 in 2002). The monthly income delivered by the federal government through the Canada Child Tax Benefit is not included in these calculations (\$96 per month in 2002, compared to \$92 in 2001).

2. Statistics Canada before-tax Low-Income Cut-Offs (LICOs) in 2002, for cities of 500,000+ people.

3. DBI now called Persons with Persistent Multiple Barriers to Employment (PPMB).

4. DBII now called Persons with Disabilities.

The reduction in crisis grants will mean increased reliance on food banks, and potentially more evictions. It also means low-income people have virtually no state support for weathering unforeseen events (such as family emergencies) or unanticipated expenses.

and reinforcing the poverty in which people on welfare are already living.

Based on market rents for Greater Vancouver—the region in BC with the largest percentage of welfare recipients—the shelter portion of welfare is profoundly inadequate; it does not allow the majority of welfare recipients to obtain decent quality housing. Based on rental cost data from October 2002, the maximum shelter allowance for a three person household permitted that family to access only 0.4 per cent of all two bedroom apartments in Greater Vancouver, and no three bedroom apartments.<sup>50</sup> With further reductions to the shelter allowance, the range of apartments available to welfare recipients will be even more constrained. Many families will simply not be able to find accommodation within shelter allowance maximums, forcing them to use a portion of the support allowance to cover shelter costs.

In effect, BC's deplorably low welfare benefit levels force people to choose between paying the rent and feeding the kids. They also make it very difficult to pay the cost of maintaining a phone, or buy bus fare, which severely complicates job-search efforts and socially isolates people.

Older welfare recipients were also hit hard by the changes in welfare benefits. Recipients aged 55 to 64 used to receive somewhat higher support benefits than those under age 55, in recognition of the fact that they face greater barriers to employment, such as age discrimination and health difficulties. These differential rates have now been eliminated—the support allowance of older “employable” recipients has been reduced by between \$47 and \$145 each month. In effect, these recipients now get the same benefits as those aged 19 to 54.

The reduction in crisis grants will mean increased reliance on food banks, and potentially more evictions. It also means low-income people have virtually no state support for weathering unforeseen events (such as family emergencies) or unanticipated expenses (such as school expenses, health costs not covered under Medicare, or an inability to pay utility bills). The cuts to crisis grants may

also represent a false economy: if low-income people end up losing stable housing, their ability to hold on to or find employment is severely undermined.

Similarly, the elimination of many workforce transition supports for welfare recipients is at odds with the government's stated aim of helping people move from welfare to paid employment. Prior to recent changes, many recipients were able to access transition-to-work benefits of up to \$150 a month for a maximum of 12 consecutive months, and a workforce entry benefit of up to \$200 to cover incidental costs related to entry into paid employment. Importantly, transition-to-work benefits could be used to cover child care costs in excess of the child care subsidy amount—a key area in which families experience cost shortfalls. Both of these programs have now been eliminated.

In addition to the above described (and now absent) workforce entry supports, those with confirmed jobs were previously able to apply for a work clothes benefit to assist with the purchase of necessary work clothing, and a work transportation benefit to assist with essential transportation costs during the first month of employment. These programs have been replaced with what the BC government calls the Confirmed Job Program (CJP). The CJP offers one-time grants of up to \$250 to welfare recipients who can prove they have secured a job, but require assistance to purchase an essential item required to begin work—such as transportation, safety clothing, or work boots.

Given the inadequacy of welfare benefits, it is unreasonable to expect recipients to cover additional work-related expenses out of their basic social assistance support payments. While \$250 may be sufficient for a single person, a one-time payment of \$250 may not cover many work-related expenses incurred by families, particularly child care in the face of the government's retreat from the establishment of universal, affordable, high quality programming. In effect, the elimination of supplementary work-entry benefits again illustrates the internal con-

traditions in the government's welfare platform, and highlights the overarching goal of budget-cutting.

Under previous BC Benefits legislation, asset rules permitted welfare recipients to retain a vehicle. Now, "employable" persons receiving welfare can retain a vehicle only if the amount of equity they have in that vehicle does not exceed \$5,000. This new rule is surprising given the increased emphasis in BC Employment and Assistance legislation on job search and training—activities that may often require transportation to job sites, training sessions, and interviews. The vehicle asset limit will likely disproportionately affect welfare recipients in rural and remote communities, where car ownership is more essential in the absence of sufficient public transit options. Vehicle asset limits do not apply to welfare recipients with disabilities, or in circumstances where the vehicle has been

"significantly adapted" to accommodate the disability of a person in the recipient's family.

The new policy of treating welfare payments to homeowners after six months as a loan requiring repayment is also unduly harsh and petty. Traditionally, asset limits have applied only to liquid assets. Very few people on social assistance own their homes. Most likely, this policy will affect laid-off workers in resource communities who have used up their severance pay, exhausted their EI coverage, and whose only major asset remains their home (which, if the community is hard hit, is likely declining in value). According to MHR figures recently accessed through a Freedom of Information request, in November 2002, only 2.5 per cent of those receiving temporary income assistance had equity in a home, and only 2.2 per cent of those who were on social assistance for six of the

## A Word About "Incentives"

The language of "incentives" too frequently dominates welfare debates, and it does the debate a disservice. A refrain often heard from the Fraser Institute is that we need to "get the incentives right." Underlying this language is the presumption that the current system makes welfare too attractive relative to paid employment, thereby providing an "incentive" for people to stay on welfare rather than look for work.

This notion is absurd. The idea that living on \$6 a day can somehow constitute an "incentive" to remain on welfare is simply outrageous. No one would choose to live on such a meagre income. For single individuals, welfare provides \$510 per month, while a full-time job paying the regular minimum wage of \$8 per hour would provide approximately \$1,200 per month.

Ultimately, the language of "incentives" seeks to re-shift the debate from a meaningful discussion about the economy, the quality and availability of jobs, and the systemic barriers many face to full labour market participation, and onto the failings of the welfare system and the implied laziness or deficiencies of welfare recipients. The language of incentives seeks to shift the goal from reducing poverty to getting people off welfare and into the low-wage labour force as quickly as possible. It is euphemistically saying that welfare should be so punitive—so harsh and miserable—that no one would want to remain on it, regardless of the poor pay or working conditions one encounters in the workforce. It may be stating the obvious, but it bears saying—people don't need incentives to convince them to take decent-paying jobs or meaningful training opportunities; they only need "incentives" to take bad jobs or useless training.

In many respects, framing the debate around incentives serves employers and corporations very well, because reforms aimed at "getting the incentives right" create a pool of thousands of desperate people who have no choice but to work at minimum wage, often under awful conditions. Not only do employers get a new pool of cheap workers, but the very existence of this pool helps keep a lid on the wages and demands of existing workers.<sup>52</sup>

The language of incentives is also linked to the myth of welfare "dependency." There is always a great deal of turn-over on the welfare rolls—those on welfare today are not, for the most part, the same people who will be receiving social assistance tomorrow. A substantial majority of people (approximately 80 per cent) remain on welfare for less than one year. Moreover, the real (after inflation) value of welfare income has declined over the past 20 years, so the argument that higher benefits are "trapping" people on welfare does not hold up. As noted earlier, the key reason welfare caseloads rose in Canada between the late-1970s and mid-1990s is because average unemployment was climbing and unemployment insurance was being made increasingly inaccessible.

Some single parents who have previously benefited from both earnings exemptions and child support exemptions could see a drop in their monthly income of approximately \$400—an astounding loss from an already meagre income.

previous 12 months. However, these cases were skewed towards those in the so-called “Heartland”—while Vancouver was home to 19.5 per cent of those on social assistance, it was home to only 4.4 per cent of the social assistance recipients with equity in a home. In contrast, the Okanagan/Kootenays had 8.9 per cent of all social assistance cases, but 15.5 per cent of cases with home equity, Central BC was home to 8.9 per cent of all cases, but 15.2 per cent of recipients with home equity, while Prince George/Northern BC had 9.3 per cent of the overall caseload, but 13.4 per cent of those with home equity.<sup>51</sup>

## **Elimination of Earnings Exemptions and the Child Support Exemption**

### **The New Policy**

- Before the new reforms, people on social assistance could engage in paid employment and keep a portion of that income, known as an “earnings exemption.” Single people without dependents were entitled to a flat rate earnings exemption of \$100 per month, while people with a disability, couples and lone parents were entitled to a flat rate exemption of \$200 per month. Any income earned above the flat rate was subject to a 75 per cent claw-back.<sup>53</sup> These earnings exemptions have been completely eliminated—any income earned will now be deducted dollar-for-dollar from one’s social assistance cheque. The only exception is for people with disabilities—ironically, the flat rate earnings exemption for these welfare recipients has been increased to \$400 per month.
- Before the new reforms, a parent on social assistance receiving child support payments from an ex-partner was entitled to keep \$100 per month of this support. Now, all child support payments are deducted dollar-for-dollar from one’s social assistance cheque.

### **Critique**

The motivation for these changes appears two-fold. First, they represent a further attempt to ensure that social assistance income is so utterly minimal that people are desperate to exit the system and accept any low-wage, temporary work. Second, the changes are in keeping with the fiscal imperative driving these reforms, as the Ministry believes it will save a few million dollars by clawing-back all supplementary income.

With the cuts to welfare benefit rates and the elimination of various income exemptions, some low-income people will experience a dramatic loss of income. For example, some single parents who have previously benefited from both earnings exemptions and child support exemptions could see a drop in their monthly income of approximately \$400—an astounding loss from an already meagre income.

Earnings exemptions served two important functions.

First, they encouraged social assistance clients to remain engaged in the paid workforce. By allowing people to take on part-time work, earnings exemptions helped people gain work experience, new employment contacts, and the added self-confidence that these things build, thereby improving the likelihood of leaving the welfare rolls. In addition, the flat rate earnings exemption recognized the fixed costs associated with joining the paid labour force (such as transportation, appropriate clothing, tools, supplementary child care, etc.). Now, through the creation of what effectively amounts to a 100 per cent tax on earned income, the BC government is discouraging people from experimenting with potential new jobs (including those that provide only temporary and part-time employment). That is why this policy change is so misguided that even the right-wing Fraser Institute objects to it.

Second, earnings exemptions represented a vital income top-up for people on social assistance. As noted above, it is virtually impossible to live on social assistance (let alone look for work). Earnings exemptions allowed people to supplement their meagre welfare in-

comes, and keep food on the table as the month progressed. Indeed, earnings exemptions are so vital that, without them, many people are being forced to commit fraud and hide their income. The elimination of earnings exemptions effectively criminalizes people on social assistance. If a person on social assistance discloses that they have income from paid work (as the rules say they must), the deduction of this money dollar-for-dollar means they are left with an unliveable income. But, as we will see below, tough new sanctions for breaking the rules mean that many will be forced into an untenable Catch-22. Moreover, forced under the table, welfare recipients are more likely to find themselves in exploitative work situations, unable to seek recourse through conventional employment standards channels.

Ironically, by not only maintaining but also expanding earnings exemptions for people with disabilities, the Ministry is implicitly recognizing the value of earnings exemptions as a path to regular employment. However, they have chosen to provide this benefit only to those they consider “the deserving poor.”

Also ironically, this new policy represents an instance in which BC is *not* borrowing from the US policy playbook. In fact, as noted above, since the mid-1990s most US jurisdictions have been moving in the opposite direction—towards the introduction and expansion of what they call “earnings disregards” on the grounds that these earnings exemptions encourage labour force attachment.<sup>54</sup> Moreover, BC is now the only province in Canada that does not allow some form of earnings exemptions for welfare recipients.<sup>55</sup>

## Exemption for Single Parents With Young Children, and Cuts to the Child Care Subsidy

### The New Policy

- Employable single parents are now expected to work when their youngest child reaches age three, rather than age seven as was previously the case. As of April 2002, this change affected approximately 8,900 single-parent families<sup>56</sup> whose status changed from “temporarily excused from work” to “expected to work.”
- Maximum child care subsidy rates for the lowest income families remain unchanged, although the full subsidy already falls far short of the actual cost of child care.<sup>57</sup> However, the maximum monthly income a family may have in order to be eligible for the child care subsidy has been reduced by \$185. In addition, the government will now claw back more of the subsidy from modest income families. These changes mean that the value of the subsidy has been substantially reduced for many families. For example, a single mother with one child in licensed group care and a gross income of \$24,300 will now pay \$1,534 more towards her child care per year. As a result of these changes, over 10,000 families have lost all or part of their child care subsidy.<sup>58</sup>

### Critique

As is quickly apparent, the two policy changes outlined above are contradictory. The government is requiring single parents to seek work sooner while simultaneously making it more difficult to access affordable child care—a fundamental work support for single parents seeking to re-enter the labour force. Despite the government’s stated aim of quickly moving people from welfare to work, the cut to child care subsidies actually *discourages* the pursuit of employment, particularly in combination with the loss of other employment supports and incentives discussed above.

As is also apparent, these policy changes primarily negatively affect women. Almost all single parent families on social assistance are in fact single *mother* families, and thus it is these women and their children who will be disproportionately impacted by these new rules and the cuts to the child care subsidy.

**Table 2: Changes to the Child Care Subsidy**

(for a single parent with a 4-year-old in licensed group care)				
Gross yearly income	Hourly wage <sup>1</sup>	Old annual subsidy	New annual subsidy	Subsidy change
\$12,672	\$6.96	\$4,416	\$4,416	\$0
\$16,056	\$8.82	\$4,416	\$4,416	\$0
\$20,184	\$11.09	\$4,416	\$3,674	-\$742
\$24,300	\$13.35	\$3,408	\$1,874	-\$1,534
\$28,404	\$15.61	\$1,908	\$74	-\$1,834
\$32,652	\$17.94	\$408	\$0	-\$408
\$37,368	\$20.53	\$0	\$0	\$0
\$41,796	\$22.96	\$0	\$0	\$0

Note: 1. Assuming full-time, full year employment.  
Source: CCPA calculations based on information from the BC Ministry of Human Resources and the BC Ministry of Community, Aboriginal and Women’s Services.



The government is requiring single parents to seek work sooner while simultaneously making it more difficult to access affordable child care—a fundamental work support for single parents seeking to re-enter the labour force.

When cast against the backdrop of the high cost and limited availability of quality child care that is characteristic of BC,<sup>59</sup> it is not clear what options many single parents will have when their youngest child reaches age three. In addition to reducing eligibility for child care subsidies, the government has eliminated existing programs and planned expansions to the child care system put in place by the previous government (such as low-cost before and after school care). Already, many quality child care centres are laying off staff and anticipating closures. The Coalition of Child Care Advocates of BC found in a recent survey that “enrolment of children from low and moderate income families in licensed programs is down.”<sup>60</sup> Many parents are being forced to place their children in cheaper, unlicensed, and unregulated child care arrangements, despite the fact that studies continually demonstrate that these arrangements offer a lower quality of early childhood development.<sup>61</sup>

Given that a key plank in the government’s agenda is workforce participation and attachment, it is especially puzzling that they have chosen to take money away from a program that obviously facilitates women’s ability to access paid employment. Even in a state like Wisconsin that implemented a strict work-first approach to welfare, funding and eligibility for child care assistance was substantially expanded. In BC, in contrast, \$50 million is being cut from child care over a three year period.

These twin policies of increased single parent work requirements and decreased support for child care also expose a double-standard common among neo-conservatives; namely, the refusal to adequately fund child care reveals a belief that women should stay home with their children, unless they are low-income women, in which case they are expected to quickly engage in paid work.

These policies also highlight the government’s failure to appreciate that caring for children (even if unpaid) is *real* work, and trying to raise a child without a partner is particularly hard work. Forcing mothers into jobs in the paid workforce, particularly in the context of a reduced \$6 “training” wage and limited child care, is simply not an economically tenable situation for many.

## **Tightening of Eligibility: “Employment Plans” and the Three-Week Wait**

### **The New Policy**

The government’s renewed emphasis on “the fastest route to a job” has two main components:

- **The three-week wait:** When a new claimant first arrives at an Employment and Assistance office (the former welfare offices), under most circumstances, they can no longer receive assistance right away. They are given enquiry forms, including “Reasonable Work Search Guidelines,” instructed to attend a pre-application orientation, and told to return in three weeks with evidence of their work search. Only once this evidence has been reviewed to the satisfaction of a caseworker (which may in fact take more than three weeks) will an application for assistance be reviewed to see if an applicant qualifies for benefits.<sup>62</sup>
- **Employment Plans:** New welfare clients must complete an “Employability Screen” and a “Client Employability Profile.” According to the government, these instruments are used by a caseworker to identify a client’s “personal barriers to employment.”<sup>63</sup> The profile is then used to develop an individual “Employment Plan” that sets out the client’s work search, training and/or workfare obligations. A client’s progress through their Employment Plan is monitored by MHR. Welfare recipients must comply with the conditions in their Employment Plans, or their benefits will be reduced or suspended.

### **Critique**

For many people, the three-week wait represents a great hardship. In practice, it is often taking much longer (as much as six weeks) before welfare workers are satisfied that an adequate job search has been undertaken. People without any income are being asked to search for work,

For many, the three-week wait represents a great hardship. People without any income are being asked to search for work, when in many cases they lack the financial resources to do so.

When applying for income assistance, people have normally exhausted their last resources, assets, and prospects.

when in many cases they lack the financial resources to do so. How the government expects these individuals to expend time and energy on job searches without money for food, transportation, rent, a telephone, child care, or other expenses is certainly far from clear. When applying for income assistance, people have normally exhausted their last resources, assets, and prospects. The policy is also risky in that people without income for nearly a month (or more) may face evictions. Without secure and stable housing, a bad situation could turn worse.

Perversely, the three-week wait may also discourage employment in some cases. Once a person has successfully navigated the new requirements and is receiving social assistance, they may be reluctant to take up a new but uncertain job opportunity and risk having to go through the three-week wait again if the job falls through or proves unacceptable.

The government claims its reforms are designed to support and encourage employment. However, as we have seen, many of the cuts actually make the transition from welfare to work harder.

For example, while the government asserts it will be offering increased training to help people make the transition to work, it has substantially reduced its capacity to deliver training and individualized employment assistance. The MHR says it has committed \$300 million for job training and placement programs over the next three years, yet this money is to be found within the context of a \$609 million cut to the Ministry's overall budget. It seems unlikely, then, that this \$300 million is new money. More to the point, with 36 welfare offices being closed throughout the province, the elimination of ITAC (the Industry Training and Apprenticeship Commission that coordinated apprenticeship training across the province), the elimination of innovative youth training and employment programs (such as the Youth Community Action Program), cuts to the funding of non-profit groups offering training and education, the loss of ESL and adult high-school completion programming at some commu-

nity colleges, and rising tuition for conventional post-secondary programs, the government simply cannot deliver on its promise of enhanced training and employment support.

Welfare caseworkers with whom we have spoken view client Employability Profiles and Employment Plans primarily as mechanisms for the Ministry to categorize and subsequently monitor clients—not as a means of providing genuine individualized support. These workers also report that the capacity to deliver meaningful training has been significantly reduced. One described the new system as merely consisting of “quick referrals to McJobs.” Another said the profiles provide information, but workers can't actually deliver the help this information calls for. She too sees the emphasis being on “the shortest route to *any* job,” and worries about how sustainable such employment would prove to be. Another caseworker also said that training counsellors don't have access to budgets or good programs that would help to provide the training needs revealed by the employability profiles.

The new emphasis on Employment Plans also misrepresents the reality that most people—regardless of the rules—do not remain on social assistance for very long. According to analysis by the MHR covering most of the 1990s, 49 per cent of all income assistance cases received benefits for three months or less, while 81 per cent of all cases received social assistance for 12 months or less (although some of these cases subsequently cycled back onto the rolls).<sup>64</sup> Thus, in most cases, the new employment obligations will make very little difference (beyond forcing people to jump through more hoops, and possibly convincing a few folks that couch surfing or living on the street is less grief than navigating the welfare system). Most people rely on social assistance for very short periods to see them through difficult times. Those who remain on assistance for longer generally do so because of a lack of available jobs, because they face discrimination, or because they face much more challenging barriers to employment—barriers that the new job search and

employment plans will do little to alter unless real resources are directed towards helping people deal with very serious challenges relating to housing, addiction, education, disabilities, social problems, etc. This seems unlikely given the overarching fiscal imperative and cutbacks driving the changes.

Over the coming months and years, the government will be keen to point to exit surveys and other statistics allegedly showing how successful its reforms have been at moving people from welfare to work. These figures should be read and interpreted with great caution. In many cases, quick “labour force attachment” and employment programs simply place the easiest-to-employ (the people who would have found work relatively quickly without help) into paid work, and then falsely claim these placements represent a great success. As End Legislated Poverty’s Lesley Moore notes, given that so many people remain on social assistance for relatively short periods of time in any event:

*...it makes little sense to develop back-to-work programs for them—particularly when many will likely find work on their own without help from the Ministry. In the long run, it may be more cost effective to simply grant the income assistance and employment supports people actually need, rather than send thousands of clients to pre-employment programs that they can’t use, don’t need and may not want.*<sup>65</sup>

Those who favour the “fastest route to a job” approach often ask rhetorically: “But isn’t any job better than no job?” In truth, the answer is “Not necessarily.” Not if the job, rather than being a “foot in the door,” proves to be a dead-end. Not if the pay fails to adequately compensate for the work effort, the health hazards, or the working conditions. Not if a job takes you away from caring for a child or another dependent (particularly if child care or home care is unaffordable). And, if you are a single parent, a minimum wage job just doesn’t meet your basic needs.

People need to be treated as individuals with unique needs. Sometimes, it may make more sense for the social assistance system to invest the extra time and money into helping a person develop the skills that can only be acquired through a longer-term apprenticeship or post-secondary program, which will then lead to higher-paying and stable employment.

The fundamental problem with workfare—requiring people to participate in training programs or to accept work placements in order to receive welfare benefits—is

the element of coercion. When decent work or meaningful training is on offer, coercion is unnecessary—people flock to it. Moreover, such requirements undermine the wages and bargaining power of those already toiling in the low-wage workforce.

## Two-Year Time Limits: Ending the Entitlement to Welfare

### The New Policy

- Employable participants are limited to a cumulative two years of income assistance out of every five years. All months on income assistance after April 1, 2002, count towards this limit. Once the two-year time limit has been exhausted, income assistance will be discontinued for employable singles and couples without children, and reduced by \$100 per month for single parents and by \$200 for two-parent families.<sup>66</sup>

### Critique

Imposing time limits on the receipt of welfare is a punitive strategy designed to lower welfare caseloads and to reinforce the notion that welfare is a temporary form of assistance without any real concern for the well being of low-income people. This new rule is unprecedented in Canada in that it denies welfare when in need as a basic right, and undercuts what little of the social safety net remains for low-income people. This fundamental shift in Canadian social policy is modelled on the US, although the BC government has introduced a unique twist.

While US states now have five-year lifetime limits on welfare, none have adopted BC’s strategy of two-year time limits within a five-year period. (Three states—Arkansas, Connecticut and Idaho—have lifetime time limits of two years or less, and Ohio limits benefits to three years within any five-year period.) Moreover, as noted in Part 2 above, US states have the discretion to exempt many families from being cut off welfare due to time limits.<sup>67</sup>

In Wisconsin, a state that has undergone one of the most stringent welfare restructuring processes in North America, welfare recipients must move from one stage of the welfare system to another every two years, but they have five years before they are obligated to exit the system altogether.

Data from Ohio, a state that implemented its three-out-of-five year limit in 1997, offers some early

Time limited assistance will clearly help the government achieve its desired drop in the welfare caseload, insofar as people will be cut off regardless of their employment status or the hardship that may result. Many will likely be forced to depend on emergency services, community-based assistance, friends and family to make ends meet.

indication of what may be awaiting BC. Ohio's Center on Urban Poverty and Social Change examined data from state and county sources, and conducted extensive interviews with welfare leavers—both those who left voluntarily and those forced off the welfare rolls upon hitting their three year time limits after October 2000. The Center's study found that:

*...persons who leave welfare because of time limits are worse off than those who have left for other reasons. It is important to note that this finding cannot be interpreted as evidence that time limits are responsible for the relative disadvantages faced by the time-limited leavers. Rather, the imposition of time limits has served as a sorting mechanism, resulting in the most employment-ready welfare recipients leaving welfare prior to hitting time limits, and the most challenged exiting upon hitting their limits.<sup>68</sup>*

The study notes in particular that:

- In October 2000, there was a spike in the number of welfare exits as a result of people hitting their three-year time limits;
- Continued use of food stamps and Medicaid is much higher among time-limited welfare leavers than among voluntary welfare leavers;
- With respect to income, “time-limited leavers are worse off in every measure than the non time-limited leavers... Time-limited leavers have an average monthly income of \$869, over \$400 less than their non time-limited counterparts”;
- Time-limited leavers were more likely to be evicted than non time-limited leavers; and
- 78 per cent of time-limited leavers were employed at some time during the six months following their exit from welfare, while over 90 per cent of non

time-limited leavers worked at some time. “Finding steady employment and full-time status has proven problematic for all leavers, but particularly time-limited leavers.” Only 32 per cent of time-limited leavers found continuous employment of at least 20 hours per week.<sup>69</sup>

Furthermore, and of great concern to the study authors, all of these measures of hardship faced by time-limited leavers were for a period prior to the 2001 economic downturn.

Other studies on the impact of time limits are starting to emerge, mainly from states with time limits of less than five years. However, all cover a period of record low unemployment, and, subsequently, all likely report higher rates of employment among those leaving welfare than would be the case today. According to one literature review, “The post-exit employment rates of time-limit leavers vary widely across states, ranging from less than 50 per cent to more than 80 per cent.”<sup>70</sup> It is important to note that because the US allows earnings exemptions, many of these leavers were actually working before they left welfare. Indeed, the earnings exemptions (now eliminated in BC) may have helped with the transition to work. Also, large numbers of time-limit leavers continue to rely on Food Stamps and other forms of assistance—options that will not be available in BC. Finally, these studies note that homelessness has been rare among time-limited leavers, but food insecurity and other hardships are not.<sup>71</sup> Overall, few families have reached their limits in the US, and data remains very sketchy.

Of note, the US administration recognized that some people would need help beyond the five-year time limit for legitimate reasons, and thus the US legislation has some flexibility built into it. Specifically, states are permitted to exempt up to 20 per cent of families from the time limit rule. In other words, the Americans anticipated some problems from the start, and were prepared to make

necessary adjustments. The BC government has, to date, shown no such flexibility.

The impending threat of being cut off welfare is designed to push people back into the low-wage labour market as quickly as possible. Posters announcing the new rule are now prominently displayed in all BC welfare offices. When asked to explain what will happen to people who hit the limit over the coming years, Human Resource Minister Murray Coell refuses to answer—at this time, he does not want to outline any possible exceptions or entertain any willingness to reconsider the policy, likely for fear that such signs of flexibility will undermine the credibility of this new threat.

Time limited assistance will clearly help the government achieve its desired drop in the welfare caseload, insofar as people will be cut off regardless of their employment status or the hardship that may result. People will cease to be eligible for welfare even if they have been unable to find paid employment after complying with all of the requirements of their Employment Agreement. They will cease to be eligible even if the low-wage and part-time jobs that welfare leavers often cycle through do not provide sufficient income to cover basic expenses. Given that the government has chosen to implement this harsh reform in the context of an economic slowdown (particularly in resource-dependent communities), many people will likely be forced to depend on emergency services, community-based assistance, friends and family to make ends meet—resources that in many cases are already very stretched due to the cutbacks. In all likelihood, this new rule will result in increased homelessness, hunger and desperation, and all the social ills associated with these consequences.

## Post-Secondary Students Unable to Access Welfare

### The New Policy

- Full-time students in programs eligible for BC Student Financial Assistance (loans) are no longer eligible for income assistance (with the exception of people with disabilities).

### Critique

The fact that students are no longer eligible to receive welfare benefits is distinctly reminiscent of Kimberly Rogers—a pregnant woman who committed suicide

while under house arrest in Ontario in the summer of 2001 after being convicted of welfare “fraud” for the “crime” of claiming welfare while also receiving student loans. Rogers was trying to improve her life by attending a local community college, and had recently graduated with honours from the social work program.

At a time when the tuition freeze has been abandoned and BC students are facing skyrocketing increases in the cost of pursuing post-secondary education, the government has eliminated the possibility of allowing students to obtain welfare while they advance their skills and education. Given the government’s stated claim that it recognizes the importance of an educated workforce in this new “knowledge-based” economy, and its alleged commitment to helping people on social assistance get the skills they need to find employment, this policy move makes little sense.

“Quick-and-dirty” job skills frequently fail to provide people with the experience they need to secure stable, long-term, and life-sustaining jobs. The key to finding such employment is often a post-secondary diploma or degree. It may take longer, but the pay-off—for both the individual *and* the provincial treasury—is significant.<sup>72</sup> What the government is effectively saying with this new policy (in combination with rising tuition), is that it is not willing to help low-income people gain access to long-term, decent-paying jobs.

The Fraser Institute claims that the US experience demonstrates that welfare programs emphasizing quick labour force attachment have been more successful at reducing welfare rolls than programs emphasizing training and education.<sup>73</sup> The evidence it points to, however, merely compares workfare schemes to basic job training programs (which often deal with different populations facing different challenges). The US government General Accounting Office, which the Fraser Institute relies on as a source with respect to other issues, upon reviewing the records of various welfare-to-work programs, concluded that “the outcomes...in the two approaches were not different enough from each other to conclude that, overall, one approach is more effective than the other.”<sup>74</sup> The GAO also specifically warns that these comparison studies have not examined the benefits of long-term post-secondary training.

Like the new BC policy, the 1996 US welfare reforms also discouraged the pursuit of a post-secondary degree. In addition to imposing a five-year time limit, the US law allows only one of those years to be used for

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education (too little time to pursue a post-secondary degree or diploma). As a result of these restrictive rules:

*...many [welfare] recipients looking immediately for work got jobs in the booming economy of the 1990s—but these were often low-wage, dead-end jobs. Now, in a recession, the retail, restaurant and hotel industries that hired many welfare recipients are those with the most employment losses. Welfare recipients, the last hired, have been the first fired. In the long run, it might have been wiser for more recipients to improve their skills before going to work. With more education, they might have been able to keep jobs in bad times as well as good.*<sup>75</sup>

In a review of the “Lessons Learned” from 1990s welfare reforms and evaluation studies, Human Resources Development Canada finds that “In the long run, short-term labour market skills training (e.g. job search techniques, resume writing, interview coaching) and quick placement approaches do not seem to support clients with a poor education in gaining economic independence.”<sup>76</sup> What HRDC’s review concludes instead is that:

*Education is important for moving beyond low-wage jobs... Better-educated individuals have a lower incidence of unemployment, greater number of hours worked and earnings per hour, and less reliance on government support programs... Eliminating support for long-term training denies individuals an opportunity to gain skills and education that could lead to higher wages and long-term employment.*<sup>77</sup>

Likewise, a 2002 study from the University of Michigan’s Centre for the Education of Women found that, by pressuring recipients to stay in dead-end jobs even if they wanted to pursue post-secondary studies, the state’s welfare system denied clients a chance to secure better-paying jobs. The study states that Michigan’s welfare policies contradict research that “overwhelmingly demonstrates that postsecondary education is the most effective way for a low-income person to become self-sufficient through long-term employment.”<sup>78</sup>

## The Two-Year Independence Rule

### The New Policy

- Applicants age 19 and over are now required to demonstrate that they have been financially independent for two consecutive years (including any time spent receiving unemployment insurance benefits) before they are eligible to apply for welfare or qualify for hardship assistance.

### Critique

There is no defensible rationale for requiring people to have two consecutive years of work prior to claiming welfare. Like the two-year time limit, the two-year independence test represents a Canadian first—another fundamental repudiation of welfare as a right when in need. This rule essentially tells people that once they have left home, they must either enrol in a post-secondary educational program (an option that is now financially out-of-reach for many) or work (no matter what the pay, working conditions, or availability of local employment).

This rule may well result in more young people living on the streets, and has the potential to cause profound social harm. Indeed, some social agencies that work with young people are already reporting an increase in the number of street kids. In the winter of 2003, for example, the Dusk to Dawn youth drop-in centre in Downtown Vancouver reported that the number of youths using its facilities had reached 75 per night, up from an average of 40–50 per night six months earlier (itself an increase over the previous year), a change Deena Franks of Family Services of Greater Vancouver attributes in part to BC’s new welfare rules. The Vancouver police have also noted an increase in the number of youth sleeping on the street.<sup>79</sup>

Exempted from this rule are people with disabilities and those designated as facing persistent multiple barriers to employment, people who are pregnant or have a dependent child, spouses who have been supported by a

partner for a period of two consecutive years, people who were incarcerated in a correctional institution for over six months, people who were in the care of the Ministry of Children and Family Development when they turned 19, people who hold a post-secondary diploma or degree, and people leaving an abusive family situation.

While this rule applies to all other employable adults, it is, in effect, aimed at young adults, since it is primarily this group that will not have had time to accrue the requisite two years of paid employment. This new rule is clearly discriminatory, as it essentially penalizes young people for the fact of being young.

While the new policy exempts people leaving abusive family situations, in practice this may be difficult to prove to the satisfaction of caseworkers (the regulations do not define abuse). Accordingly, it may actually serve to escalate the risks faced by youth in abusive environments.

## People with Disabilities

### The New Policy

The government has made significant changes to the welfare system for people with disabilities.

- As of September 30, 2002, the Disability Level One benefit category (DBI) has been replaced with the designation “Persons with Persistent and Multiple Barriers to Employment” (PPMB). Former recipients of DBI were required to reapply under the new PPMB criteria. To qualify, an applicant must have been on income assistance for at least 12 of the previous 15 months. They must also pass an “employability screen” to be conducted by a Ministry Employment and Assistance worker, or be found to have a medical condition that precludes them from working. Applicants must provide the Ministry with medical documentation that their health condition has lasted for one year and will likely continue for two or more years, or has frequently occurred in the past year and is likely to keep occurring frequently for two or more years. Applicants must also demonstrate that they have taken all reasonable steps to overcome their barriers to employment. Individuals who do not meet these requirements will have their benefits reduced to the basic income assistance rate three months after their assessment (the PPMB monthly benefit rate for a single person is \$608, while the basic income assistance rate is \$510). Unlike benefits for “employable” adults, PPMB benefits are not time limited.
- As of September 30, 2002, the Disability Level Two benefit category (DBII) has been replaced with the new designation “Person with Disabilities” (PWD). Thousands of people currently receiving DBII have had to re-establish their eligibility for this form of assistance by completing a 23-page reassessment. This document includes sections to be filled out by the applicant, the applicant’s doctor, and a qualified “assessor” (a registered health professional, e.g. physical or occupational therapist, psychologist, social worker, etc.). The form focuses on the degree to which applicants can perform the tasks required for daily living as defined in the *Employment and Assistance for Persons with Disabilities Regulations*. However, there is no longer any consideration in the legislation of the amount of *time* it takes a person to perform these tasks independently. Persons found ineligible for PWD will have their benefits reduced to the basic income assistance rate, or to the PPMB rate pending qualification for a PPMB allowance (the monthly PWD benefit rate for a single person is \$786). Although PWD benefits are not time limited, it is also no longer a permanent designation—the Minister retains the ability to take away PWD status from a recipient.
- “Unusual and continuous costs” are no longer a part of the definition of disability. Under the previous legislation, people could qualify for disability benefits if they could demonstrate that they required assistance with daily tasks or if they had disability related costs. Under the new legislation, the cost criterion has been removed, meaning that the amount of money a person must spend on the care or management of his or her disability has no bearing on a welfare application.
- As noted briefly above, the criterion of requiring assistance with daily living activities no longer makes reference to time. The clause “performing tasks within a reasonable amount of time” has been removed.
- As discussed above, the flat rate earnings exemption for people with disabilities receiving benefits through either the PPMB or the PWD programs has been increased to \$400 per month.

The move to the PPMB and PWD benefit classifications will likely result in the denial of disability benefits to thousands of former recipients of DBI and II, both as a result of new bureaucratic hoops and the more stringent definition of disability.

## Critique

The move to the PPMB and PWD benefit classifications will likely result in the denial of disability benefits to thousands of former recipients of DBI and II, both as a result of new bureaucratic hoops that applicants must jump through, and the more stringent definition of disability that focuses on ability to perform the tasks of daily living. Given that rates of poverty among disabled people are already high, this outcome will clearly create additional hardship.

With respect to PPMB benefits, the preoccupation with moving welfare recipients into the workforce remains prominent. This is clearly evident in the fact that former recipients must now re-establish their eligibility for assistance by proving they have “severe multiple personal barriers to employment” and by going through an “employability screen.” However, this new focus on employability does nothing to address other factors that impinge on the ability of disabled people to find work, notably the high rates of unemployment among the disabled population, the physical or other barriers to accessing employment that many disabled people face, and discrimination.

On January 2, 2003, the Ministry of Human Resources announced that the point system it set up for the PPMB “employability screen” was being reviewed. Its initial structure was such that few people formerly classified as DBI could pass the new test for PPMB eligibility. This review process is now over, and employment and assistance workers have been given slightly more discretion to recommend PPMB status based on information provided by an applicant’s doctor. However, questions remain about how the screen will treat people with mental disabilities, progressive disabilities, addiction problems, or those who are capable of minimal work but not enough to support themselves. Advocates for the disabled still fear that many former DBI clients will be moved to “employable” status because of the strict new criteria—a change

that will have serious implications for their health and well-being.

The requirements that PPMB applicants: a) have been on assistance for 12 of the previous 15 months; and b) prove they have a medical condition that has lasted at least one year and is likely to last for two more, are a huge problem for new applicants. They serve to disqualify people with new or short-term disabilities from extra benefits. The first of these rules should be abolished, and the second reduced to six months.

For persons currently receiving DBII, the elimination of any consideration of the time it takes to perform the tasks required for daily living is extremely problematic. Without this consideration, the definition of disability now used to determine eligibility for PWD focuses solely on functionality—whether or not an applicant can actually complete a specified list of tasks without assistance. This move to a functional definition of disability will have a particularly negative effect on people who struggle to remain independent despite the difficulty of performing daily living tasks. For example, a person may be considered capable of performing a daily living task such as feeding oneself, even if it takes many hours to do so. This struggle is compounded by the limited availability of home support services, supported housing, and supported employment.

The reassessment process set up by the Ministry for recipients of DBII is particularly onerous. The creation of a 23-page form for the establishment or reestablishment of eligibility is certainly overkill, not just for those benefit recipients who must complete it, but also with respect to the Ministry resources required to review these forms and make decisions concerning eligibility. Presumably the government considers this process worthwhile because it expects to generate a cost savings by denying thousands of people access to PWD benefits. While the Ministry publicly insists it has no target for disability caseload reduction, *Georgia Straight* columnist



Bill Tieleman reported on a confidential document indicating that MHR expects that about 9,000 former DBII clients will fail to re-qualify for PWD status.<sup>80</sup> Achieving such caseload reductions on the backs of a particularly vulnerable segment of the population is a shameful and punitive exercise.

A further concern about the extremely lengthy reassessment forms is that disabled people will find it difficult to find and/or convince doctors and other health professionals to take the time to complete the relevant sections. This is a particular concern for those who do not currently have a family doctor familiar with their condition and the limitations it imposes. In addition, restrictions on access to medical professionals such as psychologists and occupational or physical therapists imposed by recent changes to the Medical Services Plan will make it more difficult for applicants to obtain the assistance they need from these people.

The extensive data required for the reassessment process, in combination with changes to the welfare appeals system (discussed in more detail below), make it unclear how this information will be used in the adjudication process. Appointees to the Employment and Assistance Appeals Tribunal are now charged with the task of determining not only the correctness of the information presented, but also its reasonableness. This means that appointees may be responsible for the medical interpretation of the form—a task they are likely not qualified to perform.

Of the 62,000 former DBII clients, approximately 14,000 were sent the 23-page questionnaire in the fall of 2002—so far, it seems that the remainder have been exempted from the review process.<sup>81</sup> According to the BC Coalition of People with Disabilities, the re-assessment process seems to be targeting those suffering from depression, chronic fatigue, fibromyalgia, soft-tissue damage, back pain, learning disabilities, some forms of arthritis, and some of the mentally ill.<sup>82</sup> As of February 2003, approximately 10,000 PWD reassessment forms had been returned to the Ministry. Four thousand were still outstanding—particularly among those having significant difficulties getting the required documentation of their disabilities.

Overall, both the PPMB and PWD re-application processes have left thousands in a state of high anxiety—afraid that if they answer questions incorrectly they will lose their welfare entitlements. In February 2003, the BC Coroner's Office issued a report into the suicide of a Burnaby man, and concluded that receipt of the 23-page PWD reassessment form had been a contributing factor in the man's

death.<sup>83</sup> Advocates for the disabled report that this case is not unique—that there have been numerous suicides and attempted suicides as a result of the reassessment process. Moreover, people who are granted disability benefits will, from now on, have this status reviewed every two to five years, as the “permanent” designation has been removed.

Finally, as we have seen with other policy changes, the disability changes represent a Catch-22 for some disabled welfare recipients: on the one hand, people are being encouraged to pursue the goal of independent living; on the other hand, if they are moderately successful in this endeavour, they risk losing some or all of their income support.

## Sanctions

### The New Policy

As part of its welfare reform package, the BC government has adopted a system of harsh penalties for people who do not comply with strict new employment search and other requirements, or who fail to declare other sources of income.

- For quitting a job without cause or being fired with cause, families with children have their benefits reduced by \$100 for two months, and those without children are disqualified for two months. For failure to demonstrate reasonable work search, families with children lose \$100 for one month, and those without children are ineligible for one month. For failure to comply with an employment plan, the whole family may become ineligible. For failure to pursue income or assets, families are subjected to a reduction of \$100 for lone parent families and \$200 for two parent families for one month for each \$2,000 of the value of the income/asset. Those without children are ineligible to receive benefits for one month for each \$2,000 of the value of the income/asset.
- Individuals convicted of welfare fraud under the Criminal Code will now be banned from receiving assistance for life. Individuals convicted of fraud under the *Employment and Assistance Act* face a one-year disqualification for a first offence, a two-year disqualification for a second offence, and a lifetime disqualification for a third offence. Admitted fraud of a less serious nature will result in disqualification periods of three months to a year.

The tough sanctions approach essentially constitutes a Catch-22: People cannot meet their basic needs on a welfare income, but if they seek to supplement their income and are caught, they lose their benefits.

- There has been an overall increase in monitoring measures and requirements to provide documentation regarding relationships, job and volunteer performance, finances, and so on.

### **Critique**

This kind of punitive, zero-tolerance approach to welfare fraud contributed to the death of Kimberly Rogers in Ontario. In a precedent-setting ruling, however, Rogers succeeded in obtaining an interim order restoring her welfare benefits until her full case could be heard (although she remained under house arrest). The interim order was granted by Justice Gloria Epstein based on an argument that a lifetime welfare ban constituted “cruel and unusual punishment” as prohibited by the *Charter of Rights and Freedoms*. Unfortunately, the full *Charter* challenge was dropped upon Ms. Rogers’ death, so the constitutionality of lifetime bans on welfare benefits will not be challenged until another unfortunate person faces this harsh penalty. It seems that BC may have the dubious distinction of being the next jurisdiction in which this comes to pass.

A coroner’s inquest was launched to investigate the death of Kimberly Rogers. After eight weeks of testimony the coroner’s jury concluded that the lifetime welfare ban was a contributing factor in Rogers’ suicide. The jury also determined that this rule would have a “devastating and detrimental effect on our society” and, accordingly, should be scrapped.<sup>84</sup> It is alarming to say the least that the BC government has chosen to disregard what was learned at such a high price from the Rogers case.

The utility of dedicating more resources to the vigorous pursuit of “welfare fraud” is questionable at best given that Canadian and international research has repeatedly documented overpayment and fraud in fewer than 5 per cent of cases, and often for amounts less than \$100. In fact, studies suggest that investigators are more likely to uncover evidence of benefit underpayment than cheating on the part of recipients.<sup>85</sup> The government also appears to be taking a harsher and more punitive approach

to “welfare fraud” than it does towards “white-collar” fraud.

BC’s new sanctions are particularly harsh in light of the fact that, as discussed above, social assistance income in this province is effectively unliveable. The tough sanctions approach essentially constitutes a Catch-22: People cannot meet their basic needs on a welfare income, but if they seek to supplement their income and are caught, they lose their benefits.

## **Privatization**

### **The New Policy**

It is unclear to what extent the BC government is interested in privatizing parts of the welfare system. Thus far, the MHR has granted a contract to the consulting firm KMPG to produce a feasibility study of various privatization and computerization options, with the goal of making the best use of modern technologies to deliver welfare services more efficiently. Many anti-poverty activists are concerned that BC will go the route of Ontario, which contracted with the Bermuda-based firm Accenture (formerly Andersen Consulting) to produce a new computer and 1-800 telephone system for managing welfare inquiries and cases.

### **Critique**

Leaving aside the distasteful notion of large corporations profiting from poverty, there are many practical problems with privatizing welfare delivery.

First, there is evidence from a number of jurisdictions that a key way in which private firms profit from welfare is by denying people coverage, including cutting people off who are, in fact, entitled to benefits. Typically, privatization contracts see private firms paid from the “savings” they produce for the contracting government. In the case of Accenture in Ontario, social justice activists report that the key to welfare caseload drops was the introduction of a 1-800 phone system that was so com-

licated to navigate, many low-income people entitled to benefits (particularly those for whom English was not their first language) failed to qualify simply because the system was too user-unfriendly.<sup>86</sup> Welfare clients in Ontario no longer have individual caseworkers. Rather, each time they interact with the system they must deal with a new telephone operator (or computer), and if they fail to provide the requested information correctly they must start again from the beginning.<sup>87</sup>

Second, many welfare contracts with private firms have been harshly criticized by local auditors-general in both the US and Canada for their extremely high billing rates, cost over-runs, delays, and failures to deliver what was promised. Most recently, Ontario's Auditor-General, Erik Peters, harshly criticized the Accenture deal, stating:

*We consider the over \$400-million cost of the new welfare delivery system, of which over a quarter of a billion dollars was paid to Accenture, as substantial, particularly since it will take much more time and many more taxpayer dollars to bring the system up to the state where only eligible welfare recipients are paid in the correct amount. At the time of our audit, the system contained significant flaws.*<sup>88</sup>

Peters also notes that, despite the original promise that Accenture would only be paid from the savings produced, "Accenture was paid millions of dollars before the so-called benefits exceeded costs. In fact, we concluded that the taxpayer took virtually all the financial and performance risks of this project and Accenture reaped a disproportionately large share of the financial rewards."<sup>89</sup> Disturbingly, Accenture has not been alone in such failings. Similar problems have been reported with respect to other private firms delivering welfare services, such as EDS in Florida and Indiana, and Lockheed Martin and Unisys in California.<sup>90</sup>

Third, privatization may erode public accountability. Private firms are generally not required to disclose all their internal documents, as government departments must under Freedom of Information laws, and they frequently argue that such disclosure would undermine their position vis-à-vis their competitors. This lack of accountability can pose problems for public interest researchers and others seeking to determine whether all those who deal with private welfare firms are being treated fairly.

Finally, there is the problem of "skimming." One privatization model sees governments contracting with private firms to provide welfare clients with training and job-placements. However, as previously discussed, most people do not remain on welfare for very long, with or with-

out outside help. Thus, there is a risk that governments end up paying private firms for the unimpressive task of finding jobs for the easiest-to-employ (those who face the fewest barriers to employment).

## Appeals Process Changes and the Elimination of Poverty Law Legal Aid

### The New Policy

Under the *Employment and Assistance Act*, the process for appealing decisions about the denial, discontinuance, or reduction of welfare benefits in BC has been significantly changed.

- The BC Benefits Appeals Tribunal and the BC Benefits Appeal Board have been replaced with a single, regionally-based entity: the Employment and Assistance Appeals Tribunal. This change constitutes a significant reduction in available options for review.
- According to the *Restructuring Administrative Justice Agencies* report from February 2002, the BC government also intends to focus resources on improving initial decisions made at local offices. This will supposedly be accomplished by "enacting more precise regulations, providing better staff training and improving accountability."
- Poverty law legal aid has been completely eliminated in BC. Low-income people with poverty law questions or complaints—such as those wanting to challenge welfare, EI or WCB rulings—now have access only to a province-wide toll-free telephone service and limited online resources from the Legal Services Society, the body responsible for administering legal aid.

### Critique

Under the former welfare appeal system, there were four levels of review:

1. reconsideration of a decision by local workers/district supervisors;
2. Appeal Tribunal proceedings to review whether the legislation and regulations have been appropriately applied;
3. Appeal Board proceedings to review questions of law; and
4. Judicial Review by the BC Supreme Court.

Low-income people needing help with a welfare, EI, pension or WCB complaint no longer have equal access to justice, and may be denied life-sustaining benefits to which they are entitled.

The move to create a single review entity by collapsing stages (2) and (3) constitutes a significant “streamlining” of available venues for external review of decisions concerning access to and levels of welfare benefits. A key difference under the new system is that welfare recipients will no longer be able to turn first to a community-based appeal tribunal composed of one person they nominate, one person nominated by the Ministry, and a chair chosen by these two nominees. The new Employment and Assistance Appeals Tribunal is composed of chairs and members solely appointed by the Minister of Human Resources. The Ministry has also explicitly stated in its recruitment ad that people who receive welfare or disability benefits are not eligible to serve as tribunal members—a blatant example of discrimination on the basis of income and class.

According to the MHR Service Plan and the government’s *Restructuring Administrative Justice Agencies* report, the decision to “streamline” the welfare appeal process was motivated in part by concerns about the timeliness of review processing. In this vein, the Service Plan suggests that a “performance measure” of the new Employment and Assistance Appeals Tribunal will be the average time it takes to process an appeal. This underlines the fundamentally wrong-headed way in which the government is using outcome measurement. Evaluating changes on the basis of processing time says nothing about how these changes impact the quality of the appeals process, the validity of the decisions, whether clients are able to access the appeals system, whether clients are being treated fairly and equally, and so on—all matters about which the government should be concerned.

The focus on improving the fairness of initial decisions at local welfare offices also sits uneasily beside other changes to the welfare system, particularly the dramatic reductions in the number of Ministry staff and the closure of many regional offices. As noted previously, with fewer people serving welfare recipients, it will be difficult for the government to realize its rhetoric regarding more individualized services and employment assistance. Staff reductions will translate into fewer people and less time available for the reconsideration of welfare decisions.

In practice, “more precise regulations” may function as a euphemism for more narrowly prescribing available courses of action in the legislation, thereby diminishing the capacity of remaining local staff to work with their clients to forge an appropriate solution. Given that the majority of complaints were typically resolved at the local level, this constitutes a significant loss. If anything, welfare caseworkers with whom we have spoken indicate they now have less discretionary power to help people, and that they feel a tremendous internal pressure to meet targets for lower caseloads—a reality that points to a need for an *expanded* appeals system.

With the elimination of legal aid funding for advice or representation on poverty law matters, welfare applicants/recipients who believe they have been treated unfairly will clearly be at a disadvantage in the appeals process. Without the means to retain a private lawyer (if indeed they could find one given the very small number who handle poverty law cases), legal aid was a primary resource through which some of the poorest people in BC could get assistance on the legal issues that structure their lives. The likely outcome will be increased demands on lay poverty law advocates with non-profit organizations in BC—just as many of these groups are themselves facing provincial funding cuts and laying off advocates. The consequence is that low-income people needing help with a welfare, EI, pension or WCB complaint, or help challenging an unfair landlord or consumer fraud, no longer have equal access to justice, and may be denied life-sustaining benefits to which they are entitled. There is also a gender dimension to these cuts—while legal aid is being maintained for criminal matters (which involve mostly men), it is being eliminated for poverty law, which disproportionately affects women.<sup>91</sup>

The cuts to legal aid have met with some dramatic opposition. The board of the Legal Services Society of BC refused to implement a government directive to close 60 legal aid offices across the province and cut nearly 40 per cent from the legal aid budget, and was consequently fired by the Attorney General and replaced with a trustee. The Attorney General, Geoff Plant, was, in turn, the subject of a vote of non-confidence by the Law Society of BC.

# A Progressive Alternative Welfare Reform Agenda

ANOTHER WAY IS POSSIBLE. The hardship we are anticipating—and already witnessing—as a result of BC’s new welfare policies need not happen.

Imagining a more progressive reform agenda requires first that we appreciate what welfare is, and what it is not. Welfare is a social program intended to mitigate market failures—poverty and unemployment. It is needed because the market economy produces an inadequate supply of decent-paying jobs and affordable housing, and because some people are unable to engage in paid work and need a decent income.

Welfare also exists so that, when push comes to shove, people feel able to quit or turn down jobs that either pay inadequately or offer intolerable working conditions. All of society has a stake in strong welfare rights. There is a societal benefit when people feel able to quit bad jobs and fall back upon a secure social safety net—whether it be social assistance or employment insurance—as this puts upward pressure on employers to improve working conditions and raise wages. This is one of the ways in which societies slowly progress.

Adequate welfare is not the cause of poverty or unemployment (as some neo-liberal economists contend). Rather, it is one policy tool for dealing with these social

ills. One should not judge or condemn the welfare system by how many people rely on it (as the Fraser Institute does)—that is how one should judge the economy.

A more progressive welfare reform agenda would have the following elements:

- Welfare benefit rates would be increased, to ensure a decent standard of living for all those in need. It is cruel and unreasonable to expect people to cover all non-shelter costs with only \$6 per day. SPARC BC has calculated the level of benefits required to meet the minimum costs of living.<sup>92</sup>
- The rationale used by the provincial government to set welfare rates would be clear and transparent. It is imperative that the government reveal the research and/or data on which it is basing decisions concerning levels of support and shelter benefits in BC. If the government refuses to document the evidence it is using to support its welfare policy platform, a public review committee should be established to: (i) obligate the government to live up to its stated goals of transparency and accountability by disclosing the foundation for decisions on welfare benefit rates; (ii) develop an adequate income

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assistance rate structure; and (iii) involve low-income people in the policy making and decision process.

- Welfare benefits would be indexed to cost of living increases, so that their real value does not erode over time (as has occurred over the last 20 years).
- The separation between the support and shelter components of welfare benefits would be eliminated, creating a single overall benefit that allows recipients to make their own spending decisions.
- Earnings exemptions, including flat rate earnings exemptions, would be restored and increased from previous levels. A better model would see a flat rate exemption of \$200 or higher, with additional earnings clawed back at a rate of 25 per cent until a person's income is deemed sufficiently high (such as above the poverty line).
- Earnings exemptions would be combined with other forms of expanded employment support—high-quality and accessible child care, transportation allowances or bus passes, training and education, and a higher minimum wage. If these are in place, there is little reason to believe re-instating earnings exemptions and raising benefit rates would lead to increased welfare caseloads.
- The availability of high quality, regulated, and affordable child care spaces would be significantly increased, ideally through a provincial government commitment to universal programming. This would ensure that single parents are better able to find and keep paid employment—an essential precondition to decreasing the number of families living in poverty. There is also strong evidence that the most effective social program we can undertake to prevent poverty, increase employment, minimize gender inequality, and contribute to the development of a knowledge-based workforce in the future is to invest in quality early childhood education today.<sup>93</sup>
- If employment support programs are needed, they should be individualized and nurturing, offering people one-on-one assistance that addresses their personal barriers to employment. The welfare system would no longer be punitive and humiliating, but a springboard to help improve people's lives and, by extension, the economic and social well-being of the province.
- Meaningful, long-term training and education would be offered and supported, so that low-income people could access stable, well-paying jobs. This would require increasing post-secondary spaces, and expanding apprenticeship training. This approach costs more in the short-term and takes longer than the “fastest route to a job” approach now in operation, but represents the difference between being stuck in the low-wage economy and finding decent-paying work that is stable and self-sustaining. It also trains people for the higher-skill jobs we know will be needed in the modern, knowledge-based economy of the future. Evidence also indicates that mothers with higher education levels have children who are less likely to end up in poverty and in need of welfare.<sup>94</sup> A long-term approach is needed.
- The availability of social and other low-cost housing would be dramatically increased. Without question, safe and secure housing is *the* central ingredient to maintaining good health and finding stable employment.
- BC would adopt an Anti-Poverty Law (similar to the one adopted by all parties of Quebec's National Assembly in December 2002). Such a law would set out clear targets and deadlines for the reduction and

elimination of poverty (just as governments do with respect to balancing the budget and other fiscal targets). It would see the government develop an anti-poverty action plan, and all government policies would have to be assessed based on their impact on lower-income people.<sup>95</sup>

- Last, but not least, a truly progressive approach would emphasize the need for more decent-paying jobs, and would seek to build a full employment economy. Rather than coercing people into bad jobs, a progressive approach would appreciate that no coercion is needed to draw people to meaningful training and decent-paying jobs—people flock to such opportunities. A full employment strategy would include boosting public spending on both capital projects (such as public transit, social housing, building retrofits and other environmental in-

frastructure) and public services (such as child care and home care), developing public investment funds, requiring banks to adhere to a Community Reinvestment Act, and shorter work-weeks and enhanced work-time sharing.<sup>96</sup>

Ultimately, the goal must be improving people's lives, well-being and future prospects, not merely reducing welfare rolls. Too often, the public views the persistence of poverty as inevitable. But international comparisons, such as the Luxembourg Income Study, tell us that a number of countries, such as those in Scandinavia, have much lower poverty rates than exist in Canada or the US, without compromising economic performance. The key point being that countries that are serious about reducing poverty can and do—and consequently record better health, well-being, and child development outcomes.

Too often, the public views the persistence of poverty as inevitable. But international comparisons tell us that other countries have much lower poverty rates than exist in Canada or the US, without compromising economic performance. The key point is that countries that are serious about reducing poverty can and do.

# Conclusion

WELFARE IS A CRITICAL element of our social safety net. It is an important basic right in which almost all of society has a stake—even if one is never forced to rely on social assistance.

The welfare system is also an expression of social solidarity—it is one of the ways the members of our society have chosen to look after one another when facing hardships such as poverty, disability, unemployment, or abuse. In short, welfare is part of how we discharge our moral obligations to one another.

From an economic perspective, welfare (like EI) should also serve as an “automatic stabilizer.” Welfare is designed to moderate the peaks and valleys that characterize the business cycle: when times are good and jobs are plentiful, welfare rolls and costs decrease automatically. But when the economy slows and unemployment increases, the welfare and EI systems should kick-in automatically, concentrating income in the pockets of those hardest hit and in the communities hardest hit. These systems are elegant in their simplicity. When facing an economic downturn, no new bureaucratic programs are needed, no federal-provincial negotiations are required—these systems kick-in automatically to mitigate the harmful effects of economic slowdown and job loss.

There is a great risk, however, that BC’s new welfare policies—and the two-year time limit and two-year independence test in particular—will serve to undermine this automatic stabilizer function by denying people the right to welfare when in need. The fact that the 2002 and 2003 provincial budgets forecast declining welfare caseloads over the coming years even while the unemployment rate remains higher than it was in 2000 highlights this risk. In effect, BC is eroding the ability of the welfare system to mitigate economic slowdown and job loss.

If BC is fortunate and an improved global economy results in increased economic growth and job creation in the coming years, we will indeed witness a decline in welfare caseloads (as has been the case since 1995), and the government will be eager to claim credit for its welfare reforms. However, if the government’s program is successful in pushing many people off welfare but into a *weak* labour market—characterized by increased competition for low-wage work—the outcome will be increased hardship for both those leaving social assistance and those already toiling in the low-wage workforce. Intensified competition for low-wage jobs will depress wages and earnings, ironically exacting a price for the very people welfare reformers purport to honour—the “working poor.”<sup>97</sup>



When the economy slows and unemployment increases, welfare and EI systems should kick-in automatically, concentrating assistance on people and communities hardest hit. There is a great risk that these new policies will undermine this function by denying the right to welfare when in need.

This paper sounds a warning:

- The BC government, which has modelled some of its new welfare policies on the US restructuring of the 1990s, hopes to see its welfare rolls decline. But evidence from the US experience reviewed in this paper indicates that the dramatic caseload declines that marked the 1990s were primarily a product of unprecedented economic growth, a condition that no longer exists. Moreover, when measures are made consistent, US welfare caseloads are not significantly lower than those in Canada. We also find that low-income people in the US continue to experience great—and in some cases increased—hardship, and many have not found employment despite the favourable economic conditions that marked the 1990s. The new US policy with the most potential to reduce caseloads (and increase hardship) is time limits, but the first cohort of US families is only now starting to hit its lifetime limits, so only early data is available.
- While the BC government has borrowed many policy ideas from the US, it has chosen to import only the policy “sticks” that push and keep people off welfare—such as time limits, tough sanctions, workfare, and “diversion” strategies that deny people benefits when in need. But none of the policy “carrots” or supports that help people make the transition to paid employment—such as enhanced child care, transportation support, increasing the minimum wage, enhanced training and educational opportunities, and the expanded use of earnings exemptions—have been adopted.
- BC’s new approach to social assistance will indeed mean that some people’s stay on welfare is more brief, and that others are denied welfare entirely. But troubling questions remain: What happens to those who need more help, face more barriers to

employment, or run up against the new time limits before the local economy produces adequate employment? What happens to those simply denied support under the new rules? What happens to those who need meaningful training opportunities, but find themselves in a new welfare system with a greatly reduced capacity to provide such training and education?

Over the coming years, it will be vital to monitor the impact of BC’s new welfare rules. More research will be needed to track the potential harmful effects outlined in this paper. In particular, given the nature of the policy changes, careful monitoring of measures of critical hardship and poverty—homelessness, evictions, going without food, and health impacts—will be essential. Already, an official with the City of Vancouver’s Tenant Assistance Program has stated that, after seeing declines in recent years, homelessness in the city has been on the rise since the April 2002 implementation of BC’s new welfare rules,<sup>98</sup> but more comprehensive study is required. If presented with such evidence, the government must be prepared to rethink its welfare policies.

But even now, we have shown how and why many of BC’s new welfare policies result in increased hardship, and in some cases we find that the new policies are contradictory to the government’s stated goals. The cuts to rates and benefits reduce what was already an inadequate level of income support, and new rules tightening (and denying) eligibility represent a fundamental change in Canadian social policy—a denial of the right to income support when in need.

In short, BC’s new welfare rules are harmful, mean-spirited and unjustified, and they should be thoughtfully and compassionately reconsidered. As we outlined in the final section of this paper, a more hopeful and progressive alternative is possible. All that is needed is the political will to implement it. ●●

# A Closer Look at the “Wisconsin Miracle”

## The Human Side of Welfare Restructuring

NEO-LIBERALS IN CANADA have been keen to import US-style welfare policies, pointing to the alleged “miracle” of significantly reduced welfare caseloads. In particular, welfare “reformers” in both Ontario and BC have drawn inspiration from the example of Wisconsin—the poster child for neo-liberal

welfare reform. Under then Governor Tommy Thompson, Wisconsin implemented a new welfare system called *Wisconsin Works* (commonly known by its acronym W-2). Wisconsin was among the first states to experiment with such practices as time limits, workfare, privatization, and tough sanctions—and it witnessed one of the most dramatic declines in official welfare caseloads over the 1990s. Indeed, Wisconsin was the model for many of the components of the federal PRWORA in 1996.

In the face of Wisconsin’s caseload declines, a key question for policy-makers looking for inspiration south of the border is whether people leaving welfare are becoming more “self-sufficient” and reducing their need for public support by entering the paid workforce. By the end of the 1990s (a period of record economic growth),

were the circumstances of low-income people substantially improved? Unfortunately, a closer examination of the situation in Wisconsin clearly shows a less rosy situation for low-income people than the boosters of the Wisconsin model would have us believe.

### **Who Gets Counted: The Myth of Wisconsin’s Welfare Caseload Decline**

The story of Wisconsin’s welfare reform “miracle” has been woven from statistics documenting a dramatic decline in the caseload—an incredible drop of 89 per cent over the last decade. Unfortunately for those keen to celebrate Wisconsin’s success, some important threads have been missed in the weaving of this story. As a result, what has been produced is actually a blanket full of holes.

The apparent large decline in welfare caseloads in Wisconsin results in part through the mis-measurement of who is actually “on welfare.” By narrowly defining who counts as a recipient of assistance to exclude those benefiting from various new and long-standing state

support programs, the data appear to indicate a significant drop in the overall caseload. When the definition of assistance is broadened to include these other programs, however, a different picture emerges—one showing a much smaller overall decrease in the number of people receiving public support.

The oft-quoted 89 per cent drop in Wisconsin's welfare caseload is actually a decline in the number of people receiving *cash* assistance, and this drop has indeed been dramatic. But while cash assistance may be the program most frequently associated with welfare, delivering monetary support is only one part of the public support system in the US. In fact, cash assistance is an increasingly small segment of the overall welfare system, having declined in significance during the implementation of Wisconsin's W-2 welfare regime.

The number of people receiving cash assistance in Wisconsin as a percentage of the overall composition of the welfare caseload shrunk from over two-thirds in 1996 to just 16 per cent in 2000. At the same time, the number of people receiving other forms of support—notably child care assistance and job search and training programs—substantially increased. Some people have been shifted from cash assistance to other new or expanded programs, with notable examples in Wisconsin including a new child-only program (Kinship Care), and a new type of non-cash assistance (case management), both of which have been areas of considerable growth.<sup>99</sup>

By not including people receiving support through programs other than cash assistance, the welfare caseload decline in Wisconsin has been overstated. In 1995, the number of people receiving cash assistance plus the number receiving assistance to care for a related or disabled child, case management services, Food Stamps, Medicaid, and/or child care assistance, was approximately 118,595. Five years later, in 2000, the number of people receiving at least one of these low-income services was 114,725. This constitutes a drop of only 3 per cent in the overall public assistance caseload.<sup>100</sup>

In the absence of a significant decline in the total number of people receiving assistance through the welfare system, it is unsurprising that there is also little evidence of overall decreases in the cost of providing these services. As suggested above, what there has been is a *shift* in the amount of money dedicated to different programs. According to data from a group of Midwestern states (including Wisconsin), the majority of dollars are no longer spent on cash assistance: child care is now the largest area of expenditure.<sup>101</sup> Overall, total spending on low-income

programs in the Midwestern states actually increased slightly between 1996 and 2000, from \$4.7 billion to \$4.8 billion.<sup>102</sup>

## Are People Getting Decent Jobs When They Leave Welfare?

Even the Wisconsin Legislative Audit Bureau acknowledged that increased self-sufficiency among former W-2 participants has not been assured as a result of welfare program changes.<sup>103</sup> The strong economy of the 1990s, in combination with federal government decisions to raise the minimum wage and increase spending on the Earned Income Tax Credit for low-income workers, did help head-off the surges in poverty and hardship predicted by some commentators in the wake of welfare restructuring. However, these circumstances have not been enough to eliminate persistently high levels of economic hardship among those who left cash assistance.

While many former cash assistance recipients do find employment, cash support is typically replaced with low-wage, often part-time or temporary employment—jobs that keep individuals and families living in poverty and swell the ranks of the working poor. Unsurprisingly, many former recipients therefore continue to depend on Food Stamps, Medicaid, and other forms of government or community-based assistance. For many of those who rely on public support, the prospects for improved earnings and stable employment are limited by typically low skill and education levels.<sup>104</sup> Wisconsin's "fastest route to a job" approach to welfare reform—as opposed to longer-term investments in education and training—has done nothing to ameliorate these limitations, while stiff competition in the low-wage labour market presents a further barrier to accessing even marginal employment.

A key reason why those who have left welfare tend to remain poor relates to the areas of the job market in which they are able to find employment. By and large, leavers are concentrated in low-paying sectors and occupations with few (if any) workplace benefits—primarily the service and retail sectors. In general, service occupations provide the lowest median weekly earnings of all jobs. While the earnings of welfare leavers do tend to grow over time, this growth is slow, unsteady and, for many, precarious.<sup>105</sup>

In addition to clustering in low-wage sectors of the job market, welfare leavers also tend to secure only part-time or part-year work, and experience frequent job loss.<sup>106</sup> A 2001 report by the Center for Law and Social

Policy that looked at studies of welfare leavers from 26 states (including Wisconsin) found that only about half of leavers had earnings in all four quarters of the year. Even among those few former cash assistance recipients who do record some earnings in each quarter, in almost no cases do they have an income that reaches the poverty guidelines for a family of three in their first year after finding employment.<sup>107</sup>

While the booming US economy of the 1990s did help many welfare leavers (particularly women) find jobs, many of these positions disappeared during the recent downturn and post-September 11<sup>th</sup>. The sectors in which employment was typically found are those that have been hit hardest—hotel and lodging industries, and the service sector. Given their shorter work histories, former welfare recipients are frequently among the first laid off—now with a weakened social safety net to fall back on.<sup>108</sup>

Overall, while welfare reforms in Wisconsin may have been successful in reducing cash assistance caseloads, increasing workforce participation, and providing employers with subsidized cheap labour, their success in ensuring the economic self-sufficiency of former participants has not yet been established. Those who have left cash assistance are likely to remain poor and, as a result, continue to rely on assistance from Food Stamps, Medicaid, and child care supports. According to the Wisconsin Legislative Audit Bureau, these avenues of support may in fact be essential to the ability of former recipients of cash assistance to maintain employment.<sup>109</sup>

## Persistent Poverty and Continued Demand for Emergency Services and Community Support

Although the number of families receiving cash assistance has declined in Wisconsin, this measure does not provide an accurate gauge of need and hardship in the community. In addition to ongoing reliance on state-support programs discussed above, thousands of families continue to turn to a private, voluntary safety net to make ends meet. In many cases, community organizations, families, friends, and neighbours have become the default providers of emergency services.<sup>115</sup>

Sadly, financial hardship plagues both families receiving cash assistance and those with a member working on a part-time or temporary basis. Studies have shown that some poor families with paid employment do not have access to government support programs, while many others are either denied access to, or are unaware of (and are not told about) their eligibility for, various types of assistance.<sup>116</sup>

According to some commentators, hardship among the poor may have actually increased over the 1990s, instead of declining, as would be expected during a period of strong economic growth.<sup>117</sup> Data from Milwaukee County (where the bulk of Wisconsin's low-income population and welfare recipients are concentrated) indicates that hardship has increased under the new welfare

### From “Welfare Poor” to “Working Poor”

- The Wisconsin Legislative Audit Bureau reports that, based on average income reported by former W-2 recipients who filed 1999 tax returns, 66 per cent remain below the poverty level for their respective family size before the addition of state and federal EITC dollars.<sup>110</sup> When the money delivered through the EITC is counted, 53 per cent of filers remain below the poverty line.<sup>111</sup> The report goes on to note that since the numbers used in these calculations do not take into consideration that one-third of the sample of W-2 leavers did not file tax returns, it is likely that the percentage of former W-2 participants above the poverty level is actually overstated. If this is not disturbing enough, a recent report from the Economic Policy Institute observes that researchers generally agree that the US poverty line income is not sufficient to support most working families.<sup>112</sup>
- A 1999 study of employment in Milwaukee, Wisconsin, reports that only one in five full-time job openings that required no education or experience paid enough to support a family of four above the poverty level. Less than half of these positions paid enough to secure an income above the poverty level for a three-person family.<sup>113</sup>
- According to the same study, unemployed job seekers and parents receiving W-2 support outnumbered full-time job openings by 7 to 1 in central city Milwaukee neighbourhoods.<sup>114</sup>

In 1989, only 10 per cent of Wisconsin’s food stamp families with children lived at a level of extreme poverty. By 1997, 32 per cent were at this level.

system. This is reflected in the increased usage of emergency services for food, housing, and health care:

- While Food Stamp usage declined, the number of food-related calls to the Milwaukee County Community Information Line increased by 136 per cent between 1996 and 2000, and the amount of food distributed by two Milwaukee organizations increased 58 per cent between 1995 and 2000.<sup>118</sup>
- There has been an overall upward trend in evictions since 1995 in Milwaukee County, with 12,108 tenants being evicted in 2000. The annual call volume for the Shelter Referral Coordination Program increased 88 per cent from 1998 to 2000, while the number of emergency shelter referrals increased 553 per cent over the same period. The number of people in “vulnerable” housing situations increased by 450 per cent between 1999 and 2000.<sup>119</sup>
- Enrolment in Medicaid (US public health insurance for very low-income people) was denied to many eligible families when W-2 was implemented despite the low incidence of coverage by employer-sponsored health insurance programs among welfare leavers.<sup>120</sup> Hospital emergency services typically become the default option for medical care for those without health coverage: emergency room usage increased by 26 per cent in the Milwaukee area between 1995 and 1998. In addition, the amount of uncompensated care (medical care not paid for by the recipient or the recipient’s family) has grown by 89 per cent in Milwaukee County since 1995. Between 1995 and 1999, there was a 104 per cent increase in the number of charity care patients, and an 82 per cent increase in defaulted medical bills.<sup>121</sup>

What is most disturbing about the above data is that the period it covers was a time of significant economic expansion in the US. In other words, it was despite a booming economy that community organizations were faced with more requests for emergency assistance. As data becomes available for the years spanning the recent recession, it is likely that the situation for low-income families will be shown to have worsened.

In addition to failing to generate substantial declines in the number of families living in poverty, some commentators argue that the welfare reform process has actually contributed to a deepening of poverty among the already disadvantaged. As the Institute for Wisconsin’s Future notes, “In 1989, only 10 per cent of Wisconsin’s food stamp families with children were living at a level of extreme poverty, with incomes less than 50 per cent of the poverty level (\$6,665 for a family of three in 1997). By 1997, 32 per cent of Wisconsin’s food stamp households with children were at this extreme level of poverty.”<sup>122</sup> This acute poverty is concentrated in the Milwaukee area, where unemployment and poverty have remained high through the 1990s despite economic growth. Poverty rates in Milwaukee are consistently higher than in the rest of Wisconsin, and are especially dire for children under age 18.<sup>123</sup>

## Summing up the Wisconsin Experience

Overall, it is true that the cash assistance welfare caseload has declined significantly in Wisconsin. However, drawing the conclusion that welfare reform policies have therefore been “successful” is misguided. First, record economic growth played an important role in moving many families from welfare to paid employment. Second, cash assistance represents a declining portion of the overall welfare system, as an increased share of families now rely on other support programs not included in caseload statistics. Despite evidence that many eligible people are being denied access to Food Stamps, Medicaid, child care assistance, and other low-income programs, the need for these supports has not declined, as former recipients of cash assistance typically take up low-paying and precarious employment. These kinds of programs, as well as the emergency and community-based supports available from private sources, remain key resources for the working and non-working poor. In light of this evidence, it is clear that when evaluating the alleged “success” of welfare reform policies, caseload trends represent only one small piece of a much larger story.

# Notes

- <sup>1</sup> BC Ministry of Human Resources.
- <sup>2</sup> In the 2003 BC Budget, these cuts were made even deeper—the total cut to MHR will now amount to \$609 million.
- <sup>3</sup> Smith, 2001, p. 18.
- <sup>4</sup> For excellent policy analyses of Ontario’s welfare reforms, see the work of Welfare Watch: [www.welfarewatch.toronto.on.ca](http://www.welfarewatch.toronto.on.ca)
- <sup>5</sup> BC Ministry of Human Resources, 2002. *MHR Exit Survey—Spring 2002*; *MHR Exit Survey—Summer 2002*; and *MHR Exit Survey—Fall 2002*.
- <sup>6</sup> Frenette and Picot, 2003.
- <sup>7</sup> Ministry of Human Resource, April 15, 2002, news release.
- <sup>8</sup> For more on the distribution of BC’s tax cuts, see Lee, 2002; and Fuller and Stephens, 2002.
- <sup>9</sup> Schafer et al., 2001.
- <sup>10</sup> The fact that people without children cannot claim welfare in the US also helps to explain why so much of the US literature and public debate on welfare reform is, to the Canadian observer, bizarrely obsessed with “out-of-wedlock single mothers on welfare.” Indeed, the US welfare reform package included numerous measures to encourage marriage and out-of-wedlock abstinence. Yet, it is almost never suggested in the US literature that welfare be extended to people without children.
- <sup>11</sup> Danziger, 2000.
- <sup>12</sup> Princeton University sociologist Bruce Western and Indiana University sociologist Katherine Beckett, in a groundbreaking study looking at the role of the US penal system in the labour market, argue that “In the United States, criminal justice policy provides a significant state intervention with profound effects on employment trends... By 1996, 1.63 million people were being detained in American prisons and jails—a threefold increase from 1980... Incarceration generated a sizeable, nonmarket reallocation of labor, overshadowing state intervention through social policy.” (Western and Beckett, 1999, p. 1031.) They note that by 1995, nearly 7 per cent of black male adults were incarcerated. The authors calculate that, “If included in labor market statistics, the population of incarcerated men would contribute about two percentage points to the U.S. male unemployment rate by the mid-1990s.” (Ibid, p. 1052.)
- <sup>13</sup> Western and Guetzkow, 2002. Also see Randall Wray, 2001; Wray notes that by 2000, the US incarceration rate exceeded 2 million people, a growth he refers to as “penal Keynesianism.”
- <sup>14</sup> Canadian Labour Congress, 1999.
- <sup>15</sup> One Fraser Institute recommendation that the BC government has not pursued (for now, at least) is for government to enter into contracts with “faith-based organizations” to deliver social assistance programs.
- <sup>16</sup> Bernstein and Greenberg, 2001.
- <sup>17</sup> Meckler, 2003.
- <sup>18</sup> US General Accounting Office, 2001
- <sup>19</sup> The US minimum wage was increased from \$4.25 to \$5.15 in 1997, just after welfare reform was implemented. A major expansion of the Earned Income Tax Credit (EITC) was passed in 1993. The EITC goes to families with incomes under US\$32,000 (if they have two or more children), under US\$28,000 (if a family has only one child), and under US\$10,000 (for workers without children). Families have their credits gradually scaled back after their earned income exceeds about \$12,000. The EITC went to over 18 million US families in 2000, and lifted almost five million of them out of poverty (see Maxwell, 2002, p. 8). In practice, this means that, as of 1998, a working single mother is eligible for a maximum EITC payment of \$2,272 with one child, and \$3,576 with two or more children. In addition to changes in the minimum wage and the EITC, the Child Health Insurance Program (CHIP) was passed in 1997. This program subsidizes health care for children of the working poor, making jobs that do not provide health care coverage more attractive (see Danziger, 2000).
- <sup>20</sup> Bashevkin, 2002b; and Maxwell, 2002.
- <sup>21</sup> Danziger, 2000.

- <sup>22</sup> Phone interview with Jamie Peck, Professor of Geography, University of Wisconsin–Madison.
- <sup>23</sup> Bernstein et al., 2002.
- <sup>24</sup> Bernstein and Greenberg, 2001.
- <sup>25</sup> Black et al., 2000.
- <sup>26</sup> Fortin and Crémieux, 1998.
- <sup>27</sup> Black et al., 2000.
- <sup>28</sup> Bernstein et al., 2002.
- <sup>29</sup> Schafer et al., 2001, p. 33; also see Bernstein and Greenberg, 2001.
- <sup>30</sup> See Kilborn, 2001. For example, in Washington State in 2001, Governor Gary Locke ordered permanent exemptions for all but 120 of the 3,200 families who were approaching their five-year limits in 2002. Some states, such as Virginia have exempted welfare recipients in communities with an unemployment rate in excess of 10 per cent. (Also see Bloom et al., 2002.)
- <sup>31</sup> Bloom et al., 2002.
- <sup>32</sup> Ehrenreich and Piven, 2002.
- <sup>33</sup> Pearlstein, 2002. Note that the US poverty line and Canada’s low-income cut-off use different methodologies and are not comparable. While the US poverty rate may appear lower than Canada’s, when a consistent international measure is used, the US poverty rate is higher.
- <sup>34</sup> Ehrenreich and Fox Piven, 2002.
- <sup>35</sup> Meckler, 2002 (based on data collected by the Center for Law and Social Policy).
- <sup>36</sup> Bernstein et al., 2002; also see Bernstein and Lazere, 2001.
- <sup>37</sup> Boushey, 2002.
- <sup>38</sup> Ibid. Also see Loprest, 2001, for more detailed hardship findings from the National Survey of America’s Families.
- <sup>39</sup> Bernstein and Greenberg, 2001.
- <sup>40</sup> Boushey and Gundersen, 2001.
- <sup>41</sup> Pearlstein, 2002.
- <sup>42</sup> US poverty lines are not equivalent to Statistics Canada’s Low-Income Cut-Off (commonly used as Canada’s poverty line). When consistent international measures are used, Canada’s poverty rate is less than that of the US.
- <sup>43</sup> Danziger, 2000, p. 6.
- <sup>44</sup> This rule will not apply to welfare recipients with a disability or multiple barriers to employment.
- <sup>45</sup> Long and Goldberg, 2002.
- <sup>46</sup> Goldberg and Long, 2001. This calculation is based on the estimated minimum living costs of a single parent with a five-year-old child.
- <sup>47</sup> The support allowance for single parent families was actually cut by \$51 per month. However, there was a slight increase in the BC Family Bonus, making the overall cut \$43 per month.
- <sup>48</sup> Dieticians of Canada and Community Nutritionists Council of BC, 2002. Of note, the MHR has also made it more difficult for people with disabilities to qualify for funding for a high protein diet (\$40 per month). This special allowance is now restricted to people with certain medical conditions, whereas previously a doctor’s confirmation that a high protein diet was needed was sufficient.
- <sup>49</sup> Long and Goldberg, 2002.
- <sup>50</sup> Canada Mortgage and Housing Corporation, October 2002.
- <sup>51</sup> Figures released by Ministry of Human Resources to David Schreck, as a result of a Freedom of Information Request. Posted by David Schreck on StrategicThoughts.com on March 12, 2003.
- <sup>52</sup> For more on this dynamic, see Klein and Montgomery, 2001.
- <sup>53</sup> For example, a single person on social assistance who earned \$200 in a month would be able to keep \$125 (the \$100 flat rate exemption, plus 25 per cent of the additional income).
- <sup>54</sup> The BC MHR contends that earnings exemptions, by allowing people to mix income assistance and employment, lead people to stay on welfare longer. This view is supported by only one source—the US Manpower Demonstration Research Corporation (Berlin, 2000)—and even this source recognizes that the reason for the alleged longer stays is that earnings exemptions increase the incomes of those on social assistance and reduce poverty. There is other compelling research evidence that earnings exemptions help in the transition to work. A report published in 1998 by the US-based National Center for Children in Poverty concludes: “While earlier

research raised concerns that financial incentives could reduce recipients' work effort, more recent findings indicate that incentives are helping some families improve their income, obtain jobs, and escape poverty without increasing welfare receipt" (Ellen Berrey, 1998). A 1999 study by Blank, Card and Robins reports that "programs with enhanced earnings disregards also suggest that these programs increase employment" (Rebecca Blank, David Card, and Philip K. Robins, 1999).

- <sup>55</sup> In addition, the earnings exemption systems of New Brunswick, Quebec, Ontario and Alberta are all more generous than what existed in BC before the recent cut. (See National Council of Welfare, 2002.)
- <sup>56</sup> Moore, 2002, based on Statistics from the Ministry of Human Resources.
- <sup>57</sup> Long and Goldberg, 2002.
- <sup>58</sup> Coalition of Child Care Advocates of BC, April 2003.
- <sup>59</sup> Forer and Hunter, 2001.
- <sup>60</sup> Coalition of Child Care Advocates of BC, April 2003.
- <sup>61</sup> Goelman et al., 2000.
- <sup>62</sup> The only categories of people not required to wait three weeks are: clients in residential care facilities or hospital; those with serious mental or physical health impairments; children in the home of a relative; and spouses currently on welfare that have recently separated and are now applying for welfare independently.
- <sup>63</sup> The Client Employability Profile assesses such factors as work experience, employment search skills, education and training, literacy, transportation needs, child care needs, criminal record, shelter situation, health and disability issues, and communication skills.
- <sup>64</sup> Warburton, 1999. These statistics include all cases, including people with disabilities and families with young children. Statistics for those deemed "employable" would show an even shorter average stay on social assistance.
- <sup>65</sup> Moore, 2002.
- <sup>66</sup> The two-year time limit does not apply to the following groups: people with a disability, single parents with a disabled child or a child under age

three, children in the home of a relative, refugee claimants not yet granted landed status, and people who are temporarily excused from seeking work.

- <sup>67</sup> US time limits apply to families with children. Employable people without children do not qualify for cash assistance in most US states.
- <sup>68</sup> Bania et al., 2001, p. 2.
- <sup>69</sup> Ibid, pp. 3-5.
- <sup>70</sup> Bloom et al., 2002.
- <sup>71</sup> Ibid.
- <sup>72</sup> For more on the individual benefits and social returns of education, see Allen 1999.
- <sup>73</sup> Schafer et al., 2001, p. 34.
- <sup>74</sup> US General Accounting Office, 1999, p. 22.
- <sup>75</sup> Rothstein, 2002. Rothstein notes that some states and community colleges have stretched the federal welfare rules. They have turned to state support and local scholarships for the extra time needed to complete a degree. At City College of San Francisco, for example, college counsellors help people on welfare organize their financial aid and course selections—even child care and transportation needs—so that students on welfare can secure stable employment in fields such as nursing and business administration.
- <sup>76</sup> HRDC, 2001, p. 17.
- <sup>77</sup> Ibid, pp. 22-23.
- <sup>78</sup> Polk, 2002.
- <sup>79</sup> Carrigg, 2003b.
- <sup>80</sup> Tieleman, 2002.
- <sup>81</sup> The Ministry stated that recipients of DBII are not required to complete the reassessment if "the Ministry's internal review determines there is sufficient information on a client's file to confirm their eligibility under the new criteria" (Ministry of Human Resources, Sept. 30, 2002).
- <sup>82</sup> Tieleman, 2002.
- <sup>83</sup> Dolan, 2003.
- <sup>84</sup> Campbell and Lacey, 2002.
- <sup>85</sup> Reitsma-Street, 2002.



- <sup>86</sup> Defenders like to claim that Accenture’s system has saved the Ontario government \$692 million. But this figure represents the total savings due to declining welfare rolls. As Ontario’s Auditor-General notes, “[Accenture’s] system does not provide the information necessary to assess why the welfare rolls declined. The much more likely causes for that decline are the improved economy in Ontario and the policy decision to tighten eligibility rules” (Peters, 2003).
- <sup>87</sup> For more on Accenture’s social assistance reform in Ontario, see Ernie Lightman, 2003, pp. 108-09.
- <sup>88</sup> Peters, 2003.
- <sup>89</sup> Ibid.
- <sup>90</sup> Mitchell and Morrison.
- <sup>91</sup> National Council of Welfare, 1995, p. 10.
- <sup>92</sup> See Long and Goldberg, 2002.
- <sup>93</sup> Hertzman, 2000.
- <sup>94</sup> US General Accounting Office, 1999, p. 3.
- <sup>95</sup> For more on Quebec’s new law, see Alain Noel, 2002.
- <sup>96</sup> For more on these ideas, see the CCPA’s annual Alternative Federal Budgets.
- <sup>97</sup> For a detailed analysis of this phenomenon, see Klein and Montgomery, 2001.
- <sup>98</sup> Carrigg, 2002, and 2003a.
- <sup>99</sup> Case management is a new type of what is called “supportive services” in Wisconsin. These services are available to people ineligible for cash assistance because they have no dependent children, or because they are already working full-time or are capable of working full-time. The types of services offered in the case management category include access to a case manager, assistance with job searches and education or training programs, and money management or parenting classes.
- <sup>100</sup> Swartz, 2001.
- <sup>101</sup> Spending also increased significantly in other areas, including initiatives to move recipients into the workforce, and an area that states call “family formation and stability” that includes things like home visits to low income families with newborns, efforts to “reattach” fathers to their children, and efforts to reduce teen pregnancy.
- <sup>102</sup> Corbett, 2001, pp. 3-4.
- <sup>103</sup> Wisconsin Joint Legislative Audit Committee, 2001.
- <sup>104</sup> Danziger, 2000, p. 2.
- <sup>105</sup> Richer, Savner and Greenberg, 2001, p. 8; and Patel.
- <sup>106</sup> Richer, Savner and Greenberg, 2001, p. 8; Danziger, 2000; and Patel.
- <sup>107</sup> Richer, Savner and Greenberg, 2001.
- <sup>108</sup> Boushey, 2001.
- <sup>109</sup> Wisconsin Joint Legislative Audit Committee, 2001.
- <sup>110</sup> The average benefit from state EITC is \$415. Combined state and federal benefits averaged \$2,320. EITC payments to Milwaukee County families increased from \$49.5 million in 1993 to \$127.8 million in 1997. About 90 per cent of eligible families appear to be claiming the EITC in Milwaukee (*State of Milwaukee’s Children*, 1999).
- <sup>111</sup> Wisconsin Legislative Audit Bureau, 2001, p. 44.
- <sup>112</sup> Boushey et al., 2001.
- <sup>113</sup> *State of Milwaukee’s Children*, 1999, p. 5.
- <sup>114</sup> *State of Milwaukee’s Children*, 1999, p. 5; see also Institute for Wisconsin’s Future, 1998, p. 5.
- <sup>115</sup> Fendt, Mulligan-Hansel and White, 2001.
- <sup>116</sup> Fendt, Mulligan-Hansel and White, 2001; Institute for Wisconsin’s Future, 1998; Mulligan-Hansel and Norman, 2001; *State of Milwaukee’s Children*, 1999.
- <sup>117</sup> Boushey and Gundersen, p. 13; and Loprest, 2001.
- <sup>118</sup> Fendt, Mulligan-Hansel and White, 2001. Receipt of Food Stamps in Milwaukee County has declined by 30 per cent since 1995. This decline is attributed to the fact that some families were diverted from applying for Food Stamps, or were not told of their eligibility for this program. Caseload declines have also been given a boost by the strict policing of eligibility: W2 participants moving from welfare into work are required to re-establish their Food Stamp eligibility every three months.
- <sup>119</sup> Fendt, Mulligan-Hansel and White, 2001.
- <sup>120</sup> Fendt, Mulligan-Hansel and White, 2001, p. 18-19; see also Richer, Savner and Greenberg, 2001.
- <sup>121</sup> Fendt, Mulligan-Hansel and White, 2001.
- <sup>122</sup> Moore and Selkove, 1999, p. 3.
- <sup>123</sup> Fendt, Mulligan-Hansel and White, 2001, p. 26-7.

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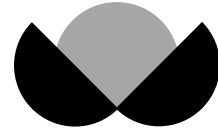
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### National Office

410-75 Albert St.  
Ottawa, ON K1P 5E7  
Tel: 613-563-1341  
Fax: 613-233-1458  
ccpa@policyalternatives.ca

### BC Office

1400-207 W. Hastings St.  
Vancouver, BC V6B 1H7  
Tel: 604-801-5121  
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Vancouver, BC, V5T 4V3  
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