WELFARE REFORM

A Report by the

National Council of Welfare

Summer 1992
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INTRODUCTION

This report outlines and explains the many changes that have taken place in provincial and territorial welfare programs in recent years. It also raises broader issues that we believe should be addressed by the federal, provincial and territorial governments.

The first National Council of Welfare report devoted exclusively to the Canada Assistance Plan and the welfare system was Welfare in Canada: The Tangled Safety Net, which was published in 1987. The report was organized around specific issues, such as eligibility for benefits, that are relevant to all provincial and territorial welfare systems. It made 55 recommendations for improvements based on five principles:

* Adequacy Benefits should provide an adequate standard of living.

* Simplification Welfare systems should have fewer rules and fewer categories of recipients.

* Accessibility Information about welfare should be more readily available. Reasonable access to benefits should not be denied.

* Equity Disparities between provinces and territories and differences within jurisdictions should be reduced.

* Due Process Like our legal system, welfare should guarantee due process of law and reasonable appeals.

Welfare Reform is organized by province and territory rather than by issues, because each provincial and territorial welfare system is distinct and largely self-contained. Within the broad guidelines in the federal Canada Assistance Plan Act of 1966, provinces and territories have a free hand to change their welfare systems without the approval of the federal government. We were interested in finding out what changes governments actually made and their impact on welfare recipients.
When measured against the five principles put forward by the National Council of Welfare in 1987, welfare reform can hardly be termed an overwhelming success.

Welfare Incomes 1991, the latest of our annual publications estimating welfare and other government benefits for typical households, found that the incomes of single employable people ranged from 25 percent of the poverty line in New Brunswick to 62 percent of the poverty line in Prince Edward Island. For single disabled people, incomes were between 49 percent of the poverty line in Manitoba and 75 percent in Ontario. The incomes of single-parent families on welfare were between 54 percent of the poverty line in Quebec and 79 percent in Ontario. Two-parent families with two children fell between 45 percent of the poverty line in New Brunswick and 73 percent in P.E.I.¹

Welfare Incomes 1991 also showed that some welfare recipients have actually seen the value of their benefits decline in recent years because benefits are not indexed - that is, increased automatically as the cost of living rises. While all governments raise their rates from time to time, there is no legal requirement for them to do so and no guarantee that welfare rates will keep pace with inflation.

Progress with respect to the other four principles has also been limited. There were some attempts at simplification, but most provincial and territorial welfare programs remain incredibly complex. Most governments provide only minimal information about their welfare programs to recipients or the public at large, and most have been too busy coping with increased caseloads to worry about improved access to the system. Equity continues to be a problem, and benefit levels still vary widely from jurisdiction to jurisdiction. Possible improvements in due process and appeals have been largely ignored.

This report includes information on recent changes in welfare programs in each province and territory up to April 1, 1992. It draws on a variety of sources, both published and unpublished, but most of the information came from governments themselves. Officials of the federal, provincial, and territorial governments were given draft copies of the report as an additional step to ensure the accuracy of all factual material. The opinions in the report, however, are those of the National Council of Welfare.
PRELUDE TO REFORM

With the rise in caseloads and costs during the early ‘eighties, welfare in Canada came under increased scrutiny. It seemed clear that provincial and territorial welfare systems which had last been reorganized following the creation of the Canada Assistance Plan in 1966 were overdue for review. Many governments commissioned studies of welfare, and several of them proceeded with reforms before the end of the decade.

Some of the changes held out the hope of making welfare more rational and humane, a system that puts people first and helps them realize their potential as contributing members of society. Other changes seemed driven by the notion that the budgetary needs of governments take priority over the personal needs of some of Canada’s poorest people.

Welfare is the social safety net of last resort. It protects people with little or no other income from a free fall into utter destitution. It is also the ultimate safety net in the sense that it was intended to catch people who fall through the holes in other safety nets.

The welfare system operates under the terms of the Canada Assistance Plan Act of 1966 and subsequent agreements that the federal government signed with each of the provinces and territories. Most of the key decisions about welfare are made by individual provinces and territories. The federal role is to provide general guidelines and to pay up to 50 percent of the cost of welfare and designated social services.

Throughout most of the ‘seventies, the number of welfare recipients was reasonably stable and represented six percent of the population or less. The figure increased to more than seven percent following the recession of 1981-1982 and remained above seven percent for the rest of the ‘eighties. Further increases occurred during and after the recession of 1990-1991. Nearly 2.3 million people, or 8.5 percent of the population, were on the welfare rolls as of March 31, 1991.

Appendix A at the end of this report shows the estimated number of welfare recipients by province and territory from 1987 through 1991. Appendix B contains graphs showing welfare trends from 1980 through 1991.
Much of the increase in welfare dependence since the beginning of the 'eighties was due to increases in the number of "single employables" on the welfare rolls. Many of these people were simply unable to find jobs at a time of high unemployment. Some wound up on welfare when their unemployment insurance benefits ran out, while others did not work long enough to qualify for unemployment insurance in the first place.

The other main beneficiaries of welfare are single parents and their children and people with disabilities. The size of these caseloads has been more stable over the long term than the size of the caseloads for single employables.

The rise in the number of people on welfare, particularly the number of single employable people, provided the main impetus for welfare reform in the 'eighties. Higher numbers naturally meant higher costs, and these costs came during a period when governments were already alarmed about their financial health:

To a certain extent, rising welfare costs were unavoidable, because welfare spending is not really discretionary. The Canada Assistance Plan requires that provinces and territories provide welfare support to all people considered to be "in need." Governments are not allowed to exclude certain categories of people from the welfare rolls simply because they would rather not spend the money. The only discretion they have in terms of the cost of welfare is to keep benefit levels low.

One of the roles played by the welfare system is to offset some of the harsh effects of downturns in the economy, and reliance on welfare is generally high when unemployment rates are high. The sharp rise in the number of unemployed people following the recession of 1981-1982, for example, was mirrored by a sharp rise in the number of welfare recipients. The graph at the top of the next page shows the estimated number of welfare recipients for the years 1968 through 1991 compared with the average number of people who were unemployed.²

Nonetheless the financial squeeze on governments reinforced lingering doubts about the purpose of welfare and led to a renewed emphasis on individual responsibility. Advocates of this new point of view argued that individuals, rather than the state, must take primary responsibility for their own well-being. The role of the state was to encourage self-reliance and to provide assistance only when absolutely necessary. Terms such as "income security" were
heard less often in government circles. Instead, there was talk of the proper role of welfare as a "springboard" to the labour market and new emphasis on a process known as "employability enhancement."

This new thinking was translated into efforts by governments to get as many "able-bodied" people as possible off the welfare rolls and into paying jobs, or at least into training programs as a step on the way to paying jobs. Some provinces offered welfare recipients who were able to work a carrot in the form of inducements to increase their incomes. Others opted for the stick, through measures that reduced benefits for people judged employable who did not work or enroll in training. Still others used a combination of both approaches.

The federal government played a role by helping provinces and territories create more incentives for welfare recipients. One important initiative was the 1985 Federal-Provincial
Agreement on Enhancement of Employment Opportunities for Social Assistance Recipients. Its main purpose was to get more welfare recipients into federal and provincial job training programs. All provinces and the Northwest Territories subsequently signed agreements with Ottawa to put the general agreement into effect. These individual agreements came to be known in some circles as "four-corner" agreements because they normally involved four parties: Health and Welfare Canada, Employment and Immigration Canada and the two departments at the provincial level responsible for welfare and manpower.

In 1986, the federal government agreed to allow higher earnings exemptions as another way of encouraging welfare recipients to work. An earnings exemption is the amount of money a person can earn without losing welfare benefits. Generally speaking, higher earnings exemptions provide greater work incentives.3

There are two basic types of exemptions: fixed and open-ended.

Some welfare programs have fixed dollar limits on the amount of money welfare recipients can earn without losing benefits. With a fixed exemption of $50 a month, for example, people on welfare have an incentive to do $50 of work a month and no more, because they lose a dollar of welfare benefits for every dollar of earnings in excess of $50.

Other programs have open-ended exemptions that allow recipients to keep a percentage of earnings. With an open-ended exemption of 25 percent of earnings, for example, people increase their incomes by 25 cents for every dollar they earn. The other 75 cents of earnings is effectively lost because welfare benefits are reduced by 75 cents. Although the loss of 75 cents on the dollar is high, welfare recipients still see their overall incomes increase. Eventually, they reach the point where they earn enough so that they no longer qualify for welfare.

The new emphasis on employability enhancement and more generous earnings exemptions were two positive steps by some governments during the 'eighties which offered people a better chance to break free of the welfare system. Sometimes, however, governments seemed to lose sight of welfare as a social safety net and came to regard it as just another place to save money.
Even the federal government decided to save money on welfare when it broke its commitment to 50-50 cost-sharing under the Canada Assistance Plan. In the 1990 and 1991 federal budget speeches, the government announced that it would restrict increases in its payments under CAP to Ontario, Alberta and British Columbia to five percent a year from the 1990-1991 fiscal year through 1994-1995. During the five-year period, increases beyond five percent must be borne by the three provinces on their own.

The National Council of Welfare criticized the new federal policy in our 1991 report The Canada Assistance Plan: No Time for Cuts. We also warned that the uncertainty created by the policy could deter provinces and territories from making further improvements in their welfare systems.
THE ATLANTIC PROVINCES

Ten or 15 years ago, it was no problem to find work. Within the last 15 years, it's real bad. Like you're lucky if you get work now, just enough to get your stamps. The only way I can find work now is through Social Services. Now I got no choice but to go on welfare for a couple of months until I'm eligible for the work they give you. Then I'll draw unemployment, and when that runs out, it's your own tough luck, you gotta go on welfare again. You got no choice. It gets you down pretty bad.4

Newfoundland

In 1985, the Newfoundland government established the Royal Commission on Employment and Unemployment headed by Dr. Doug House. Its mandate included assessing the ability of the income support system to offset the social and economic effects of unemployment.

In its report the following year, Building on Our Strengths, the Commission concluded that existing income support programs are inadequate in several respects. They do not guarantee beneficiaries a reasonable standard of living, they do not allocate funds in ways that encourage people to work, and the delivery system they use is cumbersome and complex.

To improve the system in the long term, the Commission broached the idea of using Newfoundland as the locale for pilot projects for two new federal-provincial programs for the poor. For people on welfare and others with little or no earned income, there would be a Guaranteed Basic Income equal to half the poverty line. For the working poor, there would be an Earned Income Supplementation plan that paid benefits equal to a percentage of earnings.

In the short term, the Commission recommended a number of improvements in the unemployment insurance program, a provincial supplement of up to $100 a child to the federal
refundable child tax credit for families with low or modest incomes, and an increase in welfare payments to "single, able-bodied people who are genuinely unable to find employment."

The provincial government has not acted on any of these recommendations, and it has made relatively few other changes in the welfare system.

One change, which took effect in March 1990, was an increase in liquid asset exemptions from $1,500 to $2,500 for unemployable single people and from $2,500 to $5,000 for unemployable families. Liquid asset exemptions refer to the amount of cash or assets readily convertible to cash, such as Canada Savings Bonds, that people may have and still be eligible for welfare.

Meanwhile, the exemptions for employable people remain very low, $40 for a single person and $100 for a family. People judged able to work must exhaust virtually all their liquid assets before they can receive assistance.

Increases in welfare rates in Newfoundland normally take effect in the spring when the budget is brought down. The 1991 budget speech ruled out across-the-board increases, but gave single parents an additional $55 a month. A winter fuel allowance of $50 a month from November through April was introduced for recipients in all areas of the island of Newfoundland who pay their utility bills separately rather than as part of their rent. Recipients in Labrador get a higher supplementary fuel allowance. There were also modest increases in the allowances granted for special needs, such as medically required diets, housekeeping services and funeral expenses.

Prince Edward Island

Prince Edward Island commissioned a review of its welfare system in 1987 in response to concerns that welfare recipients were being shortchanged with respect to training opportunities and job support services. In addition, there were concerns that certain policies, such as excessively restrictive earnings exemptions, were a disincentive for welfare recipients who wanted to work.
The Welfare Assistance Review Committee issued its report, *Dignity, Security and Opportunity*, in February 1989. The report put forward 67 recommendations, including long-term proposals for a guaranteed annual income for Canadians, a national income program for people with disabilities, and the expansion of the P.E.I. Children's Dental Program to cover adults as well as children. For the time being, the committee recommended a variety of increases in welfare benefits and proposals to help welfare recipients move into the labour force.

The provincial government accepted many of the report's welfare recommendations and put them into effect in stages beginning on April 1, 1989. It increased food, clothing, household and personal allowances. The ceilings used for calculating the shelter component of welfare were raised by 11 percent, and a homeowner allowance of $300 a year was introduced to cover minor repairs. The back-to-school allowance was increased from $50 to $75 a year for students between the ages of six and 12 and from $75 to $100 for students 12 and older. The special allowance for people caring for disabled adults in their own homes was raised from $40 to $150 a month.

There were further increases in benefits in 1990 and other important changes in policy. On April 1, 1990, the provincial government waived the requirement for employable people to wait three months before receiving a monthly clothing allowance. This had the effect of ending the traditional disparity between short-term and long-term welfare rates. It also made P.E.I. the only jurisdiction in Canada where benefits are based solely on need, not on employability or length of time on welfare.

On the same date, monthly earnings exemptions were increased to $50 for a single person and $100 for a family, plus 10 percent of the balance of net earnings in both cases. Previously, the exemption was 20 percent of net wages for the first six months on assistance, ten percent of net wages for the next six months, and no exemption at all thereafter. The review committee had found that the previous exemptions were so restrictive that only 27 percent of welfare recipients were able to claim them.

Under the new system, earnings exemptions can be used by people applying for welfare as well as those already on the welfare rolls. This is expected to be of particular help to working poor families. An earnings exemption at the application stage recognizes work-related costs such as child care, special clothing needs and transportation to and from work. Households
qualify for welfare if their wages minus work-related costs minus the normal earnings exemptions are less than their household needs.

The basic idea behind this change in policy is to provide a modest amount of support to working poor households as an incentive to keep the adults in the paid labour force. Without extra help, working poor people might be tempted to drop out of the labour force altogether and fall back entirely on welfare.

In September 1990, a new policy was introduced to ease the entry of welfare recipients into the labour force. When recipients get jobs or enter training programs, any income they receive does not affect their welfare cheques during the first month. In the second month, full shelter allowances are provided, but other welfare allowances are reduced because of the outside income. In the third and subsequent months, the normal earnings exemptions apply.

One important proposal from the review committee that the province did not accept in the course of welfare reform was a proposal to index welfare benefits. The committee had recommended automatic increases once a year on the basis of provincial surveys of the actual cost of food, clothing, household supplies and personal care products. The provincial government has made regular increases in benefits each year, but continues to shy away from indexation.

**Nova Scotia**

Nova Scotia has a "two-tier" welfare system with distinct provincial and municipal programs. The provincial program helps certain categories of people such as the disabled, the elderly and single-parent families. Municipal programs help other categories of people in need. Sixty-six municipalities operate welfare programs, each with its own set of rules and its own rates of assistance. The variation in rates from municipality to municipality is enormous. In 1990, for example, the normal assistance for a single employable person ranged from a low of $278 a month in Guysborough County to a high of $631 in Springhill.5

The Nova Scotia system was the subject of considerable scrutiny in the latter years of the 'eighties, but numerous critiques led to no substantial improvements.
The 1987 Report of the Task Force on Family and Children's Services commissioned by the provincial government highlighted the fact that many items essential for daily living, such as telephones, school allowances and transportation assistance, are considered to be special needs and are available only on a discretionary basis.

In another 1987 report entitled How Will the Poor Survive?, the Nova Scotia Association of Social Workers analyzed the inadequacies of benefits and the disparities that arise from the province's two-tier structure.

The Metro Food Bank Society expressed concern about the meagre amounts welfare provides for food in its 1987 study Beyond Food Banks. Concerns about proper nutrition were also heard the following year from the Nova Scotia Nutrition Council in How Do the Poor Afford to Eat?

In September 1988, the City of Halifax's Task Force on Approaches to Full Employment issued A Critical Review of Income Support Programs in Metro. It pointed to inadequate welfare benefits for food, shelter and clothing and echoed earlier complaints about special needs that should really be recognized as basic needs.

The provincially appointed Task Force on the Levels of Cost-Sharing of Municipal Assistance issued its report the following month. The 37 recommendations included a proposal for all municipalities to adopt standard rates of assistance. The group also said food allowances should be based on the cost of the Agriculture Canada "food basket" for Halifax.

Women and Children Last: Single Mothers on Welfare in Nova Scotia, a study by Halifax researcher Barbara Blouin published in 1989 with the support of the Women's Action Coalition of Nova Scotia, contained a number of personal accounts of the plight of women and children who depend on social assistance and made a number of recommendations to improve their lot.

Blouin followed up this study with a report in March 1992 entitled Below the Bottom Line: The Unemployed and Welfare in Nova Scotia. The report alleged that there are "a wide range of violations" of the Canada Assistance Plan by Nova Scotia municipalities. It recommended that the federal government monitor the plan closely and withhold funding from provinces that are not in compliance with CAP.
Despite this litany of shortcomings and repeated calls for action, there have been few improvements in the province’s welfare system. Recipients of provincial welfare lost the cost-of-living increases they used to get twice a year when the Nova Scotia government did away with indexation in 1989 in favor of an annual review of welfare rates. In terms of municipal welfare, the last general rate increase in the City of Halifax was in October 1988, although food allowances were increased in December 1990 and March 1992. Provincial welfare food rates for children were increased in October 1988 and August 1991, and there was a general increase of four percent in January 1992.

A nutritional allowance, currently $28 a month, was introduced in 1989 to assist pregnant women and new mothers on the provincial welfare rolls to have healthy babies. In the fall of 1989, people in need in receipt of Widowed Spouses Allowances became eligible for provincial welfare as well.

One minor improvement for provincial welfare recipients came in June 1990 in the form of changes to the earnings exemptions for those who participate full time in training programs. The 100-percent exemption of gross wages allowed to recipients during their first month of full-time work now is matched by a 100-percent exemption of vocational training allowances during the first month of full-time training. After the first month, the normal earnings exemptions apply to training allowances as well as earned income.

In the fall of 1991, all provincial welfare recipients gained access to prescription drugs through the Nova Scotia Pharmacare program. Recipients are expected to pay 20 percent of the cost of drugs to a maximum of $150 a year. However, those classified as disabled receive their prescriptions without the 20-percent charge.

**New Brunswick**

New Brunswick has not yet developed any systematic plans for welfare reform, but it has made changes in its programs from time to time with a view to getting more welfare recipients into paying jobs. Perhaps the most significant of these efforts was an increase in earnings exemptions for recipients. The change came in response to the federal government’s decision in 1986 to allow higher earnings exemptions under the Canada Assistance Plan.
The normal earnings exemptions in New Brunswick are $150 a month for a single person and $200 for a family. However, when a recipient is designated as having high employment potential, the exemptions are increased for a single person by an additional $250 a month for two months. The enhanced exemptions for a single-parent family are an extra $200 for two months and $100 for the third month. The longest increases are provided for two-parent families - an additional $200 exemption for six months, with the possibility of further extensions.

A total exemption of $400 a month, for example, means a person can work 20 hours a week in a job at the provincial minimum wage of $5 an hour and not lose welfare benefits because of the earnings.

New Brunswick also has special employment programs to help get welfare recipients into the work force, and its Youth Strategy is aimed in part at reducing the number of single young people on welfare.

In the spring of 1991, the provincial government announced plans for a long-term review to develop income security programs relevant to the ‘nineties. Apparently, little work has been done on the review, and there has been no organized effort to approach groups outside government for their suggestions on improving welfare programs.

Meanwhile, welfare rates in the province remain among the lowest in Canada. Welfare Incomes 1991 estimated that a single employable person on welfare for the entire year would have received only $3,000 in welfare payments. That is less than one-third of the $10,010 a year a person could have received working full time at the provincial minimum wage in 1991.6 It is also far below the poverty line of $13,132 for a single person living in Saint John.
Quebec

Attracted by the experience she could acquire, Manon goes to the job interview. There, she is told about the requirements of the work. She learns in particular that she would work mainly evenings and weekends.

Manon doesn't see how to reconcile her work schedule with her family responsibilities. Who takes care of the children when there is no day care available on weekends?

Quebec set the stage for major overhaul of its welfare system with the publication of a position paper, *Towards an Income Security Policy*, late in 1987. Like other provincial governments, it was alarmed by the sharp increase in the number of welfare recipients during the previous decade and the growing proportion of recipients who were deemed able to work.

The first part of the position paper mentioned the recession of the early 'eighties, high unemployment, changes in the job market and cuts in unemployment insurance benefits as reasons for the increase in the welfare rolls. Having said that, the rest of the paper largely ignored these economic factors and concentrated instead on disincentives to work and other problems that arose from within the welfare system and other provincial programs.

The programs outlined in the position paper were by and large adopted by Quebec in legislation which was passed in May 1988. The provincial government said the new system was more equitable and better able to respond to the varying needs of individual recipients, but the Opposition in the National Assembly, welfare rights groups and many welfare recipients thought otherwise. The process of reform was marked by mass protests and complaints that many welfare recipients were losing rather than gaining benefits.

One point was clear: the new Quebec system is complex, perhaps the most complex of any provincial or territorial welfare system.
Under the legislation, the old Social Aid program was replaced by two new programs, the Financial Support Program for people with severe disabilities and the Work and Employment Incentives Program for everyone else. New welfare recipients were covered by these programs beginning on August 1, 1989. Both new and current recipients came under the reformed system as of August 1, 1990. The legislation also created the Parental Wage Assistance Program for low-income families with children to replace the Work Income Supplement Program that covered low-income workers. This change was retroactive to January 1, 1988.

Overall, an estimated 80,000 people saw their benefits reduced as a result of welfare reform, while an estimated 127,000 people got increased benefits.

The Financial Support Program is for single adults or adults living in families who have physical or mental conditions that severely limit their ability to work. A disabling condition has to be long-term or permanent and must be verified by a doctor. Beneficiaries of the Financial Support Program may participate in employability enhancement programs, although they are not required to do so. If they participate, they are eligible for special allowances to cover the cost of participation.

Benefit levels for the Financial Support Program were higher than they would have been under Social Aid. The previous system of indexation was continued to ensure that increases in benefits would match increases in the cost of living. The indexation formula was changed for 1992 following the introduction of the Quebec sales tax credit. The province said the change was needed to avoid double compensation for recipients, and the modified system would apply only to 1992.

The second new welfare program, the Work and Employment Incentives Program, is designed to assist people who are considered able to work, but who are unemployed. The definition of employable in Quebec is considerably broader than in most other provinces. It includes single parents regardless of the age or number of children, people aged 55 through 64, and people suffering from short-term physical or mental problems.

The levels of assistance in the Work and Employment Incentives Program vary according to the willingness and the ability of recipients to take part in vocational training, job search assistance, work in community agencies or subsidized employment. Recipients are placed in one
of four categories: not participating, available, not available and participating. Couples on welfare may fall into a mixed category, where welfare rates are a hybrid of the other categories. For example, one spouse may be classed as available and the other as not participating.

People in the highest category of the Work and Employment Incentives Program got a slight increase in benefits under welfare reform, and everyone else got the same benefits or lost benefits. Recipients also lost a guarantee of automatic cost-of-living increases, although the province has continued to grant discretionary increases on a regular basis.

The 1992 rates for different types of households which fall into the four main categories are shown in the table on the next page.

The base category, and the category with the lowest rates, is "not participating." Most people are put in this category when they first go on welfare. The category also applies to recipients who refuse to take part in employability enhancement programs, withdraw from the programs or fail to seek work after completing their programs.

If welfare recipients who are "not participating" declare themselves ready to sign up for an appropriate program, they are classified as "available" and receive an additional $69 a month.

Recipients in the "not available" category are considered temporarily unavailable for work. This category includes a number of people who would be considered unemployable in other jurisdictions. They include people with physical or mental conditions that keep them out of the job market for at least one month but less than a year, women between the 20th week of pregnancy and the fifth week after giving birth, people over 55 years of age, parents with children below school age, and people who care for dependents with physical or mental disabilities. The rates in this category are the same as under the old welfare system in Quebec.

The highest benefits under the Work and Employment Incentives Programs go to people classified as "participating" by virtue of their participation in an employability enhancement program. Rates in this category are $45 a month higher than the "available" category. The higher rates are intended to offset work-related expenses.
### WORK AND EMPLOYMENT INCENTIVES PROGRAM
#### RATES OF ASSISTANCE, JANUARY 1992

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<th>Earnings Exemption**</th>
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* The rates do not include monthly adjustments that are made to harmonize welfare benefits with the Quebec tax system.

** Income must be derived from employment or a training program.

*** Possible income means the amount received if the household has enough outside income to make full use of the earnings exemption.
The table also shows how earnings exemptions vary from category to category. In all cases, however, the amount of income people can keep from outside sources is very small. An earnings exemption of $161 represents only 29 hours of work a month at the provincial minimum wage of $5.55 a hour. Moreover, because Quebec’s earnings exemptions are fixed rather than open-ended, welfare recipients have no incentive to work more than a few hours a month. They lose a dollar of welfare benefits for every dollar they earn over the exemption limits.

Aside from the new categories and new rates, several other features of the Work and Employment Incentives Program are worth a close look.

The new system eliminated the disparities in assistance for single employable people under and over the age of 30. The old system paid $195 a month in 1989 to people under 30 and $517 a month to people 30 and older. An estimated 30,000 recipients under age 30 got a huge increase in benefits because of welfare reform.

People still qualify for welfare through a needs test, but imputed income from two new sources now is part of the equation. One source is the "savings" that occur when people share accommodation, and the other is the benefits young people get from "parental contributions."

Welfare recipients who live with unrelated people are deemed to derive benefits because the costs of rent and utilities are shared. The size of their welfare cheques is reduced to reflect these supposed savings. The reduction in 1992 was $98 a month for each recipient.

The reduction for shared accommodation has been roundly criticized by welfare rights groups as a punitive measure, but it is difficult to assess how it compares with measures in other provinces. Quebec is one of the few jurisdictions which gives welfare recipients a global amount for all their needs and also provides families with a housing supplement. Most other provinces and territories do separate calculations for shelter costs, and they pay actual shelter costs up to certain ceilings. The ceilings for shelter in other provinces vary with the size of the household, but the maximum rent allowed for two people living together is not always twice as high as the maximum for one person. In other words, some other provinces and territories also presume that there are savings when people share accommodation.
An equally controversial feature of Quebec's new welfare system is the assumption that younger welfare recipients get help from their parents unless they have "independent" status. People who meet at least one of the following criteria are considered independent of their parents as far as the welfare system is concerned:

- They have provided for their own needs and have lived outside the parental home for at least two years, not including any time as a full-time student.
- They have held a job for at least two years or received unemployment insurance benefits.
- They are or have been married or living with someone for at least one year.
- They have a university degree.
- They have or are expecting a child.

In addition to the above, recipients are given a special dispensation from seeking a parental contribution if they can prove that their parents cannot be traced or their parents have consistently refused to help them.

Young people without independent status are deemed to receive help or income in kind from their parents, and they have their welfare cheques reduced accordingly. The value of the parental contribution is based on family income, the number of dependents and other family circumstances. The reduction may apply over a period of three years.

Calculations by the National Council of Welfare suggest that the policy has the effect of cutting young people off welfare if they come from families with even modest incomes. The child of a couple with no other children and income of $30,000 a year, for example, could effectively be denied any welfare benefits by virtue of the parental contribution requirement. On the other hand, Quebec is the only province that allows single employable people who live in the same home with their parents to get a modest amount of welfare assistance in their own right - even when the parents are not on welfare. The province also maintains that the parental...
contribution is needed so that welfare is not more attractive than student loans and bursaries for post-secondary education.

In addition to the Financial Support Program and the Work and Employment Incentives Program, there is the Parental Wage Assistance Program for low-income families with children. This is really a wage supplement rather than a welfare benefit. It was originally designed to encourage low-income workers to avoid welfare or to help people after they get off welfare. Recent changes in the program, however, allow recipients in the Work and Employment Incentives Program to qualify for benefits under certain conditions.

Benefits may consist of an income supplement, an amount to cover up to half the cost of day care and a housing allowance. The program is so highly individualized that it is difficult to describe in brief the way that benefits are calculated. Even the Quebec government says people should fill out applications to find out if they qualify for benefits and how much the benefits should be.

In 1992, for example, a single parent with one child and $2,500 in day care expenses could receive $5,298 a year in benefits if her gross earnings were $11,337. That would have the effect of increasing her income by 47 percent to $16,635.

Early reports about the wage supplement suggest it has not lived up to expectations. The average payment was $125 a month in 1990, a total of 17,000 families were covered and the total cost of the program was $18.9 million. All these figures are lower than originally predicted by the province. Preliminary figures for 1991 shown an increase of 40 percent in the clientele of the program and estimated total benefits of $35.6 million.

Unlike the former Work Income Supplement Program which covered low-income workers age 30 and over regardless of family status, the Parental Wage Assistance Program is only for families with children. It is no longer available as an incentive for single people to get off welfare and stay off.

Throughout the process of welfare reform in Quebec, there were repeated protests against the proposals and later against the actual legislation. Complaints to the Provincial Ombudsman increased sharply, and the Ombudsman called for changes in the legislation in November 1990.
He said welfare recipients who take the initiative to look for jobs should be classed as participating, the category with the highest benefits. He also suggested that the size of the cuts in welfare cheques for people sharing accommodations be reduced and that special consideration be given to women aged 45 to 55 who have little real hope of entering the labour market.\(^{10}\)

The government took no immediate action on the recommendations, but it announced the creation of a special committee in the spring of 1991 to advise it of the needs and concerns of welfare recipients.

A continuing source of controversy has been the mandate given to welfare agents. When the province announced a crackdown on welfare abuse and more visits to the homes of welfare recipients in 1986, welfare agents were derisively dubbed the "boubou-macoutes." Figures over the years show that about 13 percent of the visits led to welfare benefits being denied, cancelled or reduced, while about one percent led to increases in benefits.\(^{11}\) From the beginning, however, critics said the inspections and home visits fuelled public prejudice against welfare recipients, and they complained that overzealous welfare agents could harass recipients and violate their civil rights.

One other development worth noting was an agreement in November 1989 between the province, the City of Montreal and two community groups to provide welfare to homeless people. Previously, homeless people did not qualify because they did not have mailing addresses where their welfare cheques could be sent. Under the agreement, they can pick up cheques at local welfare offices, the Native Friendship Centre or Project Genesis. They are eligible for two months of welfare, and this period is renewable indefinitely.\(^{12}\)
ONTARIO

The word "welfare" should in fact be changed to "warfare," psychological warfare. To illustrate this, let me tell you about how one day, after returning from a doctor's appointment, I found the worker's card under my door with this message on the back, "If you don't call the office by 5:00 p.m. today, your benefits will be terminated." No appointment had been made by this worker, no phone call received telling me she was visiting, and because I was not at home at the moment she decided to call on me, the small income I was now receiving was now in jeopardy.  

In July 1986, the Ontario Ministry of Community and Social Services announced the appointment of the Social Assistance Review Committee to undertake a comprehensive review of welfare and related services. The review was long overdue, as the General Welfare Assistance Act of 1958 and the Family Benefits Act of 1967 had not changed substantially since they first came into effect.

The two acts govern Ontario's two-tier welfare system. Under the Family Benefits Act, the province provides income support to people considered unable to work, including people with disabilities and many single parents and their children. Under the General Welfare Assistance Act, municipalities have primary responsibility for supporting employable people and referring them to the appropriate job training and placement services.

Unlike the current two-tier systems in Nova Scotia and Manitoba, the system in Ontario has uniform rates throughout the province for basic welfare assistance, although municipalities have considerable discretion in the provision of special assistance.

After extensive public consultations and special studies by experts in the field, the Social Assistance Review Committee issued its report Transitions in September 1988. There were 274 recommendations that ranged from radical changes in a number of social programs to modest changes to improve the welfare system alone.
The most radical proposals were aimed at making social assistance a much more targetted program of last resort. Some of them were proposals for national initiatives that would require the approval of the federal government and other provinces. Children and people with disabilities would be removed from the welfare rolls altogether and supported through a new child benefits system or disability insurance. There would be income supplements for the working poor. New or improved programs in areas such as child care, housing and dental care would look after the needs of low-income people much better than in the past.

For the foreseeable future, the committee focused on modest improvements in the status quo and better arrangements for getting welfare recipients into paying jobs. One prominent recommendation was integrating provincial and municipal welfare programs into a unified system. Various recommendations were made for improving benefits, including the use of a "market basket" approach to determine allowances aside from shelter. All benefits would be indexed at least once a year to increases in the Consumer Price Index. A new welfare staff function called "opportunity planning" would help individuals assess their work-related strengths and weaknesses, provide them with information about relevant programs and services, and develop action plans appropriate to their needs.

Transitions was published less than a year after Quebec's position paper on welfare reform, but public reaction in the two provinces was as different as night and day. The Ontario proposals seemed to hit a responsive chord from the beginning among welfare rights groups and opposition politicians in the Provincial Parliament. The few public demonstrations at the dawn of welfare reform in Ontario were not complaints about the blueprint for the future, but pleas to get on with the job. Even prominent business leaders were pressing for action as the province appeared hesitant about what to do in the early months of 1989.14

Ontario raised its welfare rates by five percent on January 1, 1989, but the first formal response to Transitions came in May 1989, with the announcement of a package of proposals for short-term improvements that corresponded roughly to the first stage of reform recommended in the report. The changes, with an estimated price tag of $415 million the first year alone, were phased in between October 1, 1989, and January 1, 1990.

There was a general increase in basic welfare rates of six percent effective January 1, 1990. An improved system of shelter allowances was put into place, with a base allowance
provided regardless of actual shelter costs and a supplementary allowance to cover actual costs up to designated ceilings.

The age categories for benefits for children of welfare recipients were reduced from three to two: one for children up to age 12 and the other for children 13 and older. Most children received increases in benefits at the same time the categories were simplified.

Payments for children under the General Welfare Assistance Act were increased to the levels under the Family Benefits Act. A back-to-school child allowance was made mandatory for families with school-age children on general welfare. By 1992, the amounts had risen to $68 a year for children under 12 and $126 for teenagers. A winter clothing allowance, worth $104 a year in 1992, was also made mandatory.

Single, separated and divorced men in need aged 60 through 64 became eligible for Family Benefits for the first time at the same rates already available to women in that age group. Recipients 65 and older who do not qualify for the federal Old Age Security pension or Guaranteed Income Supplement got an increase to bring them up to the same level as people 60 through 64.

One of the reforms with a relatively small initial price tag of $22 million was the Supports to Employment Program (STEP), a package of changes dealing with the way the province treats the earned income of welfare recipients. Under STEP, earnings are calculated on the basis of net income rather than gross income. Payroll deductions for Canada Pension Plan contributions, unemployment insurance and income taxes are deducted from gross earnings, as are child care expenses up to specified limits.

Earnings exemptions were improved substantially. In October 1989, recipients got new flat-rate exemptions on net earnings plus 20 percent of any additional earnings. This was less generous than the earnings exemption of 33 1/3 percent recommended in Transitions, but more generous than previous exemptions.

People who no longer qualify for welfare because their incomes are slightly larger than their needs no longer immediately lose provincial supplementary health benefits, such as subsidized prescription drugs. The "120-hour rule" that made single parents ineligible for
Family Benefits if they worked full-time for four consecutive months was eliminated. STEP also provided special exemptions for training allowances, provisions to cover the first month's cost of child care, and start-up benefits of up to $250 for people starting new jobs.

A special project team established to evaluate STEP found a significant rise in employment activity and earnings between September 1989, the month prior to the start of the program, and March 1991. The percentage of Family Benefits cases which reported earnings rose from 11 percent to 15 percent of all cases, and average gross earnings were up from $320 a month per case to $595. The most significant increases were among single-parent families. Similar results were found in General Welfare Assistance caseloads. The percentage of cases with earnings jumped from seven to nearly 13 percent, and average earnings climbed from $345 a month to $678.

Immediately following the 1990 provincial election, the new Ontario government improved welfare benefits and programs further. Basic allowances went up seven percent on January 1, 1991, instead of the five percent originally announced. Shelter allowances increased by ten percent instead of five.

In March 1991, the provincially appointed Advisory Group on New Social Assistance Legislation produced its first report, Back on Track, with 88 proposals and an estimated price tag of $450 million a year. Most of the proposals came originally from Transitions, and all of them had one common feature: they were steps the government could take right away without waiting for the promised legislation to revise the two-tier welfare system.

The province deferred action on many of the recommendations on the grounds they were too costly during the recession, but it did accept some of them. Among the most important were improvements in STEP that took effect on October 1, 1991. Earnings exemptions were increased to 25 percent of net earnings after the flat-rate exemptions, up from 20 percent. The definition of net income was expanded to allow the deduction of union dues and contributions to occupational pension plans. The calculation of child care expenses was changed in a way that allows single parents to keep a larger portion of their actual earnings before the earnings exemptions come into play.
Also as of October 1, 1991, transportation required for medical treatment, surgical supplies and dressings, and diabetic supplies were reclassified as "special necessities." The change in designation means that the items must be given to all welfare recipients who qualify - even recipients in municipalities which do not normally provide this kind of benefit. The provincial government agreed to pick up a larger share of the cost of these items from municipal governments.

Finally, the province got rid of its minimum "boarder charge" of $40 a month. Like the much larger similar charge in Quebec, the boarder charge reduced the welfare cheques of single welfare recipients who shared accommodation.

The on-going work of the advisory group is being assisted by six project teams that were established to study selected issues related to new legislation. The project team on First Nations communities issued a separate document in March 1991. It made a number of recommendations for promoting control of welfare by aboriginal peoples and making the system more sensitive to their economic, social and cultural concerns. The province set aside $16 million to implement the recommendations in this report.

New social assistance legislation to reform the two-tier system is expected in the foreseeable future. The advisory group issued another report, *Time for Action*, in 1992 with a blueprint for the new legislation.

Despite the progress made in recent years, Ontario has been hampered in its efforts at welfare reform by an extraordinary rise in caseloads and cuts in federal funding under the Canada Assistance Plan. Ontario was hurt more than any other province by the downturn in the economy that eventually became the recession of 1990-1991. In the fiscal year that ended on March 31, 1991, the number of Ontarians on the welfare rolls jumped 38 percent to a record 929,900.

The increase in welfare dependence came about the same time that the federal government abandoned its commitment to 50-50 cost-sharing with all provinces under the Canada Assistance Plan. Federal transfers under CAP to Ontario, Alberta and British Columbia are being held to increases of five percent a year through the 1994-1995 fiscal year. Ontario was particularly hard hit by the limitation, and the provincial government estimated its losses at $1.1 billion for the
1991-1992 fiscal year alone. The federal contribution to CAP is expected to decline to 28 percent of the total cost in the 1992-1993 fiscal year. Prior to the cap on CAP, the federal contribution was 50 percent.

One result was that the increases in welfare rates announced for January 1, 1992, were the smallest in several years, although still higher than the rate of inflation. The increase for basic necessities was two percent. Increases in shelter allowances were three percent on January 1, 1992, and another three percent on July 1.

Municipalities also felt the squeeze, and even large regional governments such as Metropolitan Toronto and Ottawa-Carleton tried to trim benefits. Both regional governments initially proposed sharp cuts to help balance their budgets, but ended up backing away from radical surgery. However, it took a second vote by the Metro Toronto Council to ensure that welfare recipients with special medical problems would continue to get essential items such as wheelchairs, oxygen and artificial limbs.16
THE WEST

Marina had to keep her three children home from school today. The only thing she had to send with them for lunch was cold macaroni. Instead of embarrassing the kids in front of their peers, she will try to do schoolwork with them at home. Marina is stressed out. Her children risk falling behind the rest of the class and being accused of "faking" their sickness, since the same thing happened at the end of last month. What else can she do to hide her poverty?17

Manitoba

After years of inaction by successive governments, Manitoba finally appears intent on addressing the major shortcomings of its two-tier welfare system. The province announced in January 1992 that it would standardize welfare rates and eligibility requirements in its 202 municipalities. Details of the changes were promised during the 1992 session of the legislature.

Manitoba’s two-tier system operates on the premise that able-bodied persons are the responsibility of the local community while unemployable persons are the concern of the province. Unlike the Ontario system, benefits vary widely from one jurisdiction to another. In 1989, for example, it was reported that the normal municipal welfare rate in the Village of Powerview for a single-parent family with two children was $195 a month or $2,340 a year. The comparable provincial welfare rate was reported to be $10,332.18

Problems with the two-tier system were discussed as early as 1983 in the report of the Task Force on Social Assistance appointed by the provincial government. The changes accepted in 1992 were recommended in the 1989 report of the Social Assistance Review Committee, a group also appointed by the province and made up of representatives of local governments.

Other changes in the Manitoba welfare system in recent years were modest and not always progressive.
One positive change was legislation in 1986 to restrict the ability of municipalities to place liens against the property of recipients on welfare assistance. The change came only after a warning from the federal government that Manitoba would lose its federal cost-sharing for welfare unless the practice was stopped.

Another improvement was the equalization of treatment between single-parent mothers and fathers. Single-parent fathers once were eligible for municipal assistance only. The threat of a court challenge under the Charter of Rights and Freedoms may have had something to do with this change and similar changes in other provinces.

Earnings exemptions were improved in 1989 with a change in provincial policy affecting dependent children in welfare households who go to school full time. Under the change, any earnings by the children are not considered in the calculations used to determine their families’ eligibility for welfare or benefit levels.

Meanwhile, the City of Winnipeg had made substantial improvements in its own exemptions on outside income and indexed the exemptions to increases in food allowances. Among the items now exempt from consideration are treaty money received by status Indians, child and spousal support payments up to $205 a month, and up to $100 a month of benefits received from criminal injuries compensation boards, workers’ compensation or motor vehicle and public liability insurance that are designated for lost wages.

Winnipeg also provides a special food allowance, now $160 a month, to parents of infants under one year old to defray the cost of formula and baby food. The allowance was introduced in 1987, based on nutritional information supplied by the city health department and the Manitoba Medical Association.

As of January 1, 1990, Manitoba permitted separated or deserted single parents to apply directly to the provincial Social Allowances program for assistance. Before this, newly separated parents had to apply to their municipalities for help during the first 90 days following separation or desertion. The change meant higher initial benefits for many of the families eligible.

Beginning January 1, 1992, the province agreed to provide an additional $60 a month to welfare recipients who have long-term disabilities.
Provincial exemptions on liquid assets, which were among the lowest in Canada, were raised as of March 1992, making it easier for people to qualify for welfare without depleting virtually all their savings or other financial assets. The normal exemption was raised from $400 to $1,000 for the first person in a family, and the family maximum was set at $3,000. For people with disabilities, the exemption for the first person in a family went from $400 to $2,000, with a family maximum of $4,000.

The City of Winnipeg has increased its Christmas allowances for recipients of municipal assistance. While the allowances are small ($13.60 per single person or family head and $8.25 per dependent in 1991), they are better than nothing. British Columbia and Yukon are the only other jurisdictions that provide Christmas benefits. Winnipeg also provides money to cover the cost of basic telephone service and telephone installation charges for women who are pregnant and up to the end of the second month following the birth of a child.

On the negative side, Manitoba reduced welfare benefits in July 1991 by $30 a month for student recipients taking high school, college or university courses. A similar cut of $30 was imposed on employable recipients who live in remote areas of the province not served by municipal governments, but these cuts applied only to a person’s first three months on welfare. The reduction period was later increased to six months.

Also in July, the legislature approved changes in the way the province’s Cost of Living and Property Tax Credits are provided to welfare recipients. Starting in 1992, recipients receive the payments as an increase in their monthly cheques rather than as a lump sum when they file their income tax returns. The province said it was concerned that some of the benefits were being lost because recipients went to tax discounters with their returns.

The Manitoba Anti-Poverty Organization was fighting to have the old method of payment retained. The group said welfare recipients prefer lump-sum payments because they make it easier to pay for larger purchases. It also viewed the change as an insult to welfare recipients, because it implied that recipients couldn’t be trusted with larger sums of money.

Finally, Manitoba has been at the centre of a court battle involving overpayments to welfare recipients. A Winnipeg welfare recipient named Jim Finlay had received outside income in 1974, 1975 and 1976 which he did not report to welfare officials and which would have
reduced his welfare entitlements. The provincial government cut his welfare cheques by five percent for 46 months to recover the overpayments. Finlay went to court to fight the recovery on the grounds that his cheques were only $213 a month to begin with and the cuts denied him the basic necessities of life.

The Federal Court of Canada ruled in Finlay’s favor in 1989, saying that the recovery of overpayments is not allowed under the Canada Assistance Plan if it would deny a person the necessities of life. The ruling was upheld by the Federal Court of Appeal in 1990. The federal government, with the support of Manitoba, decided to pursue the case before the Supreme Court of Canada. The final word on the case was expected before the end of 1992.

Saskatchewan

Most of the welfare reform in Saskatchewan took place between 1984 and 1987, following a study commissioned by the province in 1982. The main objective of reform was the movement of employable recipients off the welfare rolls through a process commonly known as "work for welfare" or "workfare." By the end of the ‘eighties, critics of government policy said the province had gone too far and was pursuing policies that effectively forced many recipients into menial or dead-end jobs against their will.

Following a change in government in the fall of 1991, the province put work for welfare on hold. The programs remained on the books, but the new Minister of Social Services said they would be reviewed to determine whether they are actually helping welfare recipients to get permanent, full-time jobs.

The Saskatchewan approach of the ‘eighties started with a system for identifying persons considered to be employable, streaming them into training and work programs, and providing different levels of benefits based on employability.

One study of welfare reform in Saskatchewan estimated that single employable people had to endure cuts in benefits that amounted to a reduction in purchasing power of 54 percent between 1981 and 1988. Single-parent families and couples with children suffered losses in
purchasing power estimated at about 30 percent. More recent calculations by the National Council of Welfare indicate the losses continued through 1991.19

Under welfare reform, employable recipients were encouraged to take jobs provided through programs such as the Saskatchewan Employment Program or the New Careers Corporation or participate in training through the Saskatchewan Skills Development Program. These work-related schemes were financed by redirecting expenditures. Recipients got an additional $30 a month as a training allowance if they participated in an approved program.

The employability programs were supported through an agreement with the federal government. While the principle of voluntary participation is incorporated in the agreement, some welfare recipients claimed they lost benefits because of non-participation. Recipients who failed to show up for Job Search Training had their benefits cancelled or their files "frozen."

Welfare rights groups were convinced that the province was pursuing a workfare policy that was contrary to both the federal-provincial agreement and the federal legislation that set up the Canada Assistance Plan. In March 1991, in response to numerous complaints, the federal government said it had investigated every allegation and found no supporting evidence.20

However, a 1989 study of welfare reform claimed there were at least 18 different eligibility tests in Saskatchewan that violated either the letter or the spirit of the Canada Assistance Plan and had the effect of denying welfare benefits to people who were genuinely in need. One of the main complaints was that work and training programs were really not voluntary. "On a number of fronts, the evidence is compelling that Saskatchewan’s public safety net is no longer capable of responding to the basic income requirements of thousands of men, women and children who have legitimate entitlements to receive adequate benefits," the study said.21

No detailed changes in policy have been announced by the new government pending the review of workfare. Neither have there been announcements by the government affecting other features of the welfare system. Earnings exemptions, for example, remain extremely modest. The maximum exemption for a single person is $75 a month, and the maximum for a family of five or more is $250. There is no exemption at all for employable persons until they have been
on assistance for three consecutive months. However, there are enriched exemptions for people with disabilities.

One noteworthy change in Saskatchewan welfare policy came about as a result of a court case challenging the differential in basic allowances for single and married recipients. Murray Chambers, a single employable recipient from Saskatoon, said he had been discriminated against because he received $55 a month less than a married recipient. In June 1988, the Saskatchewan Court of Appeal overturned a lower court ruling and declared the practice a violation of the province’s human rights code. Rather than raising benefits for an estimated 10,000 single recipients, the government responded by cutting benefits for a small number of married recipients without children. The province did provide compensation to single people to cover the period before the change in policy, but the payments only went to recipients who applied for them.

**Alberta**

In November 1990, Alberta announced plans to replace existing welfare programs with a new income plan called Supports for Independence. The name of the plan reflects its focus: encouraging the greatest possible degree of self-sufficiency among recipients.

Supports for Independence is actually an umbrella term for four programs which are designed to respond to the needs of four different groups: people unable to work, people able to work, people able but currently unavailable to work, and family heads who are working but not earning enough to meet family needs. This was a departure from the previous system, where the only distinction was between employable and unemployable.

People unable to work at all as a result of permanent disabilities or multiple barriers to employment such as old age, poor health and lack of education may qualify for assistance under the Assured Support Program.

People deemed able and available for work or school or those already enrolled in a training or educational program may receive financial assistance under the Employment and
Training Support Program. Under this program, a plan of action is developed for each recipient. If recipients fail to follow their plans, they may have their benefits reduced or withdrawn.

Applicants who are temporarily unavailable for work because of health problems or pregnancy or because they are caring for a child under age two or a dependent who is ill or disabled may be eligible for assistance under the Transitional Support Program.

The Supplement to Earnings Program is directed toward welfare recipients with part-time or full-time employment. If their wages from employment are not sufficient to meet the needs of their families, assistance may be provided up to the level that the household would have received had the family head not been employed.

Once people are accepted into a given program, a financial benefits worker monitors their circumstances and changes their levels of assistance as appropriate. Employment and client support services workers provide support to encourage participation in education, training and work programs. Eligibility and benefits verification workers review cases on a random basis to determine whether there have been significant changes in personal and financial circumstances.

Under the new regime, there are three types of benefits: a standard benefits package, a participation benefits package and a supplementary benefits package.

Recipients of all four programs are entitled to a standard package of benefits to cover individual needs, household needs and health needs. The benefit for individual needs includes food, clothing, personal requirements and transportation. A transportation benefit of $25 a month is provided for adults only. Previously, transportation was a discretionary benefit, but the amount was larger - enough to cover the full cost of a monthly bus pass.

The second component of the standard package applies to household needs such as rent or mortgage payments, household supplies, laundry, utilities and telephone. The household benefit varies by family size. The inclusion of a telephone within the standard package is new. Most provinces grant telephone allowances only for employment or health-related reasons.
The health needs component of the standard package includes coverage of prescription drugs, dental care and eye care. The benefits are not provided as cash but as goods or services. Recipients "pay" for them with a medical services card issued by the province.

In addition to the standard benefits package, individuals who are working or attending school are eligible for a participation benefits package. It is intended to offset costs, such as child care and additional transportation expenses, associated with participation in the work force or training programs. Subsidies for child care that were formerly paid only upon the recommendation of an appeal panel now are covered as a regular participation expense.

Finally, the supplementary benefits package provides extra assistance for individuals who have ongoing special needs, such as a diet related to a medical condition. The province expects to see a reduction in special needs, in part because some items once considered special needs now are included in the standard benefits package.

There will be new restrictions applied to certain types of assistance, such as furniture and appliances. The laundry allowance, included as part of the household needs component of the standard benefits package, is intended to eliminate the need for purchasing a washer and dryer.

The child recreation allowance that had been provided on a discretionary basis has been incorporated within the individual needs component of the standard benefits package, but the amount of the benefit has been sharply reduced. Previously, it was $220 a year for each child and was paid as a lump sum to defray the cost of larger items such as bicycles, swimming or dance lessons, and summer camp. Under welfare reform, the benefit dropped to $108 a year and is paid at the rate of $9 a month.

Supports for Independence is being phased in between February 1991 and March 1993. Several other policy changes are also being introduced as part of welfare reform.

Under the former social allowances program, single-parent mothers could remain at home only if they had one child less than four months old or two children under age six. Under the new programs, they can choose to stay at home until the youngest child is two.
The former social allowances program provided a shelter benefit equivalent to commercial room rates to recipients who lived with their families. Under Supports for Independence, people who live with their parents or with adult children will qualify for a $64 monthly shelter benefit in recognition of the cost of a bedroom and household expenses.

At the same time the Supports for Independence package was unveiled, the province announced modest increases in food and shelter allowances, including the first increases in shelter allowances since 1982. However, when the first cheques under the new system went out in February 1991, some recipients found they were getting less than before. Alberta’s Minister of Social Services estimated that 80 percent of welfare recipients would get more under welfare reform, while the other 20 percent would lose money.

One reason for the losses is that certain allowances, notably the child recreation allowance, were reduced when they were made more widely available. Supporters of the changes said they mean greater equity among welfare recipients. Critics said it is more a matter of equal poverty than equity.

"In this case," said the Edmonton Social Planning Council, "the differences among people receiving government benefits are minimized. Everyone gets roughly the same amount of a pretty paltry pie. An equal piece of this pie for the poor is not the same as equity."

Alberta welfare recipients lost considerable ground to inflation between 1986 and 1991, as we document in our report Welfare Incomes 1991. Most people were slightly better off under the new system in 1991. However, the 1991 increases did not offset the heavy losses from the latter part of the ‘eighties. Many welfare recipients were noticeably worse off in 1991 than they were in 1986.

Aside from the sweeping reforms associated with Supports for Independence, two other issues involving provincial welfare policy are worth noting.

One is the decision by the Alberta government to trim welfare cheques in 1987 and 1988 because of the introduction of the federal government’s refundable sales tax credit. The credit was specifically designed to offset the impact of federal sales taxes for low-income people. Alberta chose to regard the credit as outside income and reduced the welfare cheques of
recipients accordingly. The province finally stopped the practice in October 1988, but it refused to compensate recipients for their earlier losses.

Secondly, there is the issue of alleged welfare abuse. Alberta hired extra full-time staff in 1988 in an effort to crack down on fraud. In the first year of the program, the program uncovered rampant errors in welfare entitlements, and numerous accounts that could not be verified. However, only four percent of the cases audited were suspected fraud. The provincial Auditor General estimated net overpayments in the 1988-1989 fiscal year at $10.4 million.23

British Columbia

British Columbia has not gone through any formal process of welfare reform, but it has made a number of changes to increase the employment potential of welfare recipients. It also made changes because of a court challenge or because of protests by B. C. residents. Still further changes are expected in the months ahead under the new government elected in the fall of 1991.

The province found itself in court in the ‘eighties because it was paying $25 a month less to single employables under age 26 than to those over 26. In 1987, the B.C. Supreme Court ruled that lower rates of assistance for younger singles violated the Charter of Rights and Freedoms. The province eliminated the discrimination by lowering benefits for employables 26 and older by $25 a month.

The following year, the province had negative reaction to its proposed new system for classifying individuals as employable or unemployable. At the nub of the controversy was a plan to classify single parents with one child employable as soon as the child was 15 weeks old. The change in classification meant a loss in benefits of $50 a month. Within two weeks, the government retreated and raised the threshold to 24 weeks. By the end of the year, it had relented entirely and said no single parent would lose the $50 a month. As of January 1992, single parents are not considered either employable or unemployable. They have their own rate tables that are based on the number of children in the family.
Also in 1988, several measures were introduced to assist the movement of single parents into the labour market, including a transportation allowance of up to $90 a month, a day care allowance of up to $150 a month and continued coverage of certain medical and dental costs for a year after a single parent gets full-time employment.

As part of its efforts to encourage work-related activity, British Columbia took advantage of the federal offer to allow higher earnings exemptions. The 1991 exemption for single employable people was $50 a month plus 25 percent of net earnings exceeding that amount. Single disabled people as well as families with an employable member were eligible for a monthly exemption of $100 plus 25 percent of additional net earnings. Single unemployable people were eligible for only $50 a month, but they could choose to be reclassified as employable if they could take advantage of a larger exemption. Unemployable families were eligible for an earnings exemption of $100 a month.

In late 1991, the province announced that the flat-rate portion of these earnings exemptions would be doubled in 1992.

Toward the end of 1989, the province made several name changes in its welfare programs. Welfare assistance now is available under the umbrella Programs for Independence. One program called Income Assurance provides ongoing financial support to elderly people and people with disabilities. The other program, Temporary Assistance, provides benefits to meet the short-term needs of people who are unemployed and who have exhausted all other sources of income. It also involves planning to help them achieve greater independence. Single parents and people ages 60 through 64 are among those who come under the Temporary Assistance Program.

Small increases have been introduced to certain special needs items. In August 1991, school start-up fees were increased to $37 a year for children between the ages of five and 11 and $52 for children 12 and older.

The last general increase in welfare rates in British Columbia came at the beginning of 1992. Actual increases varied by household type, but all were higher than the increase in the cost of living.
B. C. anti-poverty groups were disappointed the increases were not larger. On the other hand, one of the limiting factors appeared to be the federal government’s continuing restraints on CAP payments to the province. The impact of the federal policy has been estimated at a loss of $147.8 million for the 1992-1993 fiscal year.
THE NORTH

Both Inuit and Indian people were greatly concerned over the future of their children, their ability to feed their families adequately and to give their children basic foods that other, more affluent families in their communities could afford. Many spoke of the anxiety and emotional stress working families are now experiencing in their attempts to respond to relatives and neighbours, constantly asking for food.24

Yukon

There have been relatively few changes to the welfare system in Yukon aside from some modest improvements in special assistance. In 1989, a winter clothing allowance of $125 a year for people aged 14 and over and $75 for younger beneficiaries was introduced. A monthly allowance of $50 now is payable to an adult beneficiary who is a full-time student.

The Christmas allowance was increased from $22 for each person in a household in 1988 to $30 per person in 1989. While the increase was very modest, it was generous in a relative sense. Yukon, British Columbia and the City of Winnipeg are the only jurisdictions that provide Christmas allowances.

Northwest Territories

Throughout 1989 and 1990, the Northwest Territories conducted a major review of its welfare program. The proposed reforms that resulted from the review were fairly comprehensive, but many of them were not adopted because of their cost. There were no areas where spending increases were approved with the exception of food allowances.
Food allowances for all recipients were increased by eight percent as of April 1, 1991. The increase is significant for two reasons. First of all, the last increase had taken effect in April 1987. It had been four full years since food allowances had changed. Secondly, access to nutritious food at affordable prices has always been a problem in the North.

The problem can be illustrated by taking the cost of the "northern food basket" of Agriculture Canada and the Medical Services Branch of Health and Welfare Canada and comparing it to the income of a family on social assistance. In 1989, the cost of a nutritionally adequate diet for a family of four ranged from 92 to 108 percent of after-shelter income in Labrador, 74 to 86 percent in northern Ontario, 78 to 88 percent in northern Quebec and 103 to 133 percent in the Northwest Territories. Welfare incomes were also inadequate to meet the additional nutritional needs associated with pregnancy.25

"Hunger is particularly severe during the spring breakup and fall freeze-up, when people are unable to get out on the land and, in winter, for those families on social assistance," said a 1990 study entitled Food for the North. "The food price survey confirms that Indian and Inuit families on social assistance or working at minimum wage are currently unable to purchase a diet which meets minimum nutrient requirements."

The ability of welfare recipients in the North to buy nutritious food at reasonable prices was set back further by recent increases in shipping costs. In 1986, the federal government made a commitment to grant a subsidy to Canada Post when it provides a service for a public policy purpose. As part of this commitment, an "air stage subsidy" was introduced to defray the cost of shipping fresh food to the North. The original subsidy was $19 million for 1986-1987, and it was set to decline by $1 million a year thereafter.

Canada Post increased its postal rates by about 25 percent in January 1990. The sharp increases in shipping costs, combined with the subsidy reductions, have serious implications for northern residents. The increases in the food allowances for welfare recipients in the Northwest Territories mitigate the effects of these increases, but they do not offset them entirely.
WELFARE REFORM IN PERSPECTIVE

The preceding chapters of this report describe the welfare reforms instituted by provincial and territorial governments during the last several years. Some of the reforms are modest, while others reflect fundamental shifts in direction. Whether large or small, most of the changes were made within the welfare system and left larger issues unresolved.

The National Council of Welfare believes it is time these larger issues are addressed. Welfare reform should mean more than changes in liquid asset requirements, improvements in earnings exemptions, or even increases in benefits. The ultimate test of reform is whether welfare becomes a true safety net of last resort or remains a dumping ground for our other social and economic policy failures.

It seems strange to talk about welfare as a last resort at a time when 2.3 million Canadians or more are on the welfare rolls. Many of these people are young single people who would rather be working, single-parent mothers and their children, or people with disabilities. They find themselves on welfare because we lack better employment policies, adequate supports for young families and a comprehensive system of disability insurance.

Finding solutions to these challenges will be difficult. It will require the combined efforts of the federal, provincial and territorial governments and a commitment by all governments to act as well as talk.

The biggest challenge lies in employment. Earlier in this report, we showed a link between the number of people on welfare and the number of unemployed people that dates back to the early years of the Canada Assistance Plan. The welfare rolls were relatively small when the overall national unemployment rate was three or four percent in the late 'sixties. They grew rapidly during the 'eighties, when the jobless rate was as high as 11.8 percent.

The best efforts of governments to move employable people off welfare will continue to be limited by the number of jobs available. This indicates a need for governments, especially the federal government, to review their economic priorities. More effective ways to create new jobs are urgently needed.
The search for better policies to promote employment in the long run need not detract from changes in the short run to improve our system of unemployment insurance. Although precise figures are not available, it is clear that a number of employable people on welfare are people who fell through the unemployment insurance safety net.

Changes that took effect on November 18, 1990, have reduced unemployment insurance coverage. The maximum period of work needed to qualify for benefits was increased from 14 to 20 weeks in some parts of the country. Benefits now are paid for periods of 35 to 50 weeks rather than the previous range of 46 to 50 weeks.

The net effect of these changes has been to shift some employable people who are temporarily out of work from the UI rolls to the welfare rolls. In other words, changes in unemployment insurance by the federal government are working at cross-purposes to the welfare reforms of provincial and territorial governments.

Assisting single-parent families is a second major challenge. Approximately one-third of all welfare recipients are single parents and their children. Many single-parent mothers wind up on welfare because their ex-husbands are unwilling or unable to pay adequate child support. Single-parent mothers with young children are deterred from paying jobs by the lack of adequate, affordable child care.

Ottawa and the provinces have been working together on better enforcement of court maintenance orders, partly because of their desire to reduce welfare costs. While there has been some progress, existing arrangements are far from satisfactory. In our 1990 report Women and Poverty Revisited, the National Council of Welfare recommended that all provinces have advance maintenance systems to guarantee proper child support. Under these systems, governments would make maintenance payments directly to single parents with children, and they would recover the amounts from the non-custodial parents.

The lack of high-quality, affordable day care for children was the subject of our 1988 report Child Care: A Better Alternative, and the situation has not changed much since that time. As of 1990, there were nearly 2.2 million children under the age of 13 who needed care because their parents worked or studied outside the home, but there were only enough licensed child care spaces for 15 percent of those children. With the demand for services running so far ahead of
the supply, mothers on welfare have little chance of finding the care they need for their children to enable them to work outside the home.

To ease a bit of the financial pressure on parents, the federal government added an annual supplement of $200 a child to the refundable child tax credit, increased the tax breaks available through the child care expense deduction and improved the maternity benefits paid through unemployment insurance.

However, there has been no action on measures to increase the number of spaces available in licensed day care centres and family homes or companion measures to improve day care subsidies for children from low-income families. The proposed Canada Child Care Act failed to become law before Parliament was dissolved for the 1988 federal election. Election promises that day care legislation would be reintroduced early in the next Parliament were abandoned in 1992.

Another way to improve the lot of children in low-income families is to improve federal child benefits. The federal government proposed a major overhaul of the system in a White Paper issued on February 25, 1992. It proposed increases in benefits of up to $500 a year for working poor families with children, but no increases at all for families that rely on welfare, unemployment insurance or other government programs for much of their income. Clearly, further increases in benefits are needed if the new system is to have any significant impact on poverty.

The third challenge facing governments is creating a comprehensive national disability insurance plan that would replace welfare as the main source of government income support to people with disabilities. The heads of roughly one quarter of all welfare households have disabilities and are on welfare because they cannot work and are not adequately protected by existing disability insurance schemes.

Workers disabled by injuries on the job are normally covered by workers’ compensation. Contributors to the Canada or Quebec Pension Plans may qualify for disability pensions if they have severe and permanent disabilities. Other people receive disability benefits from programs for war veterans, public or private automobile insurance plans, personal or employer-sponsored disability insurance plans, or special provincially run programs for the disabled. Still, there are
people with disabilities who fall outside all these programs or do not receive benefits high enough to meet their needs.

Governments have talked on and off for many years about a comprehensive program outside of the welfare system that would ensure adequate support for all people with disabilities. Alberta and Ontario already have programs which could be seen as first steps in this direction, and Prince Edward Island and Ontario both endorsed the idea of a national disability insurance plan in their reviews of the welfare system.

Without major improvements in programs and policies to help unemployed people, single-parent families and people with disabilities, the welfare rolls that have burdened governments for most of the last decade are certain to remain unacceptably high. Millions of Canadians will continue to fall into the tangled safety net of the welfare system through no fault of their own. They will be scrutinized, stigmatized and perhaps even victimized by governments and society at large.

A generation ago, governments proved their ability to make life vastly better for Canadians by creating programs such as medicare and the Canada and Quebec Pension Plans. The National Council of Welfare hopes that the same spirit of initiative and co-operation that made these programs possible can be directed to solving the larger problems of our welfare system.

It is no secret that federal-provincial relations have been less than cordial in recent years. One reason for this is cuts in federal financial support for welfare, health care and higher education. The National Council of Welfare believes improving relations among governments requires a renewed expression of good faith by Ottawa. Once again, we urge the federal government to abandon its policy of limiting Canada Assistance Plan payments to Ontario, Alberta and British Columbia. We see little hope of true welfare reform without that first step by the federal government.
## APPENDIX A

**ESTIMATED NUMBER OF PEOPLE ON WELFARE BY PROVINCE AND TERRITORY**

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</table>

APPENDIX B: WELFARE TRENDS, 1980-1991

Newfoundland

Thousands of Recipients

Prince Edward Island

Thousands of Recipients
Nova Scotia

Thousands of Recipients

New Brunswick

Thousands of Recipients
Northwest Territories

Thousands of Recipients


800 1000 1200 1400 1600

Yukon

Number of Recipients

FOOTNOTES


2. The estimates of people on welfare are for March 31 of each year and were supplied by Health and Welfare Canada. The unemployment figures are annual averages as reported by Statistics Canada in *Historical Labour Force Statistics* (Catalogue No. 71-201).

3. Earnings exemptions for each province and territory are summarized in Table 6 of *Welfare Incomes 1990*.


6. The estimate of $10,010 is based on a minimum wage of $4.75 an hour until October 1, 1991, and a minimum wage of $5 afterward.


8. The parental contribution for a family with income of $30,000 was calculated by the National Council of Welfare using the formulas set by the Quebec government. Quebec allows families a deduction of $11,060 from their gross income for the parents in a two-parent family and a deduction of $2,440 for the first dependent child. That leaves an adjusted family income of $16,500. The parental contribution is deemed to be 40 percent of adjusted income - or $6,600 a year. The highest welfare rate under the Work and Employment Incentives Program for a single employable person in 1990 was $6,624 a year, so the parental contribution effectively keeps the person off the welfare rolls in this case.


15. Ontario municipalities pay half the cost of Special Assistance under the General Welfare Act, and the federal government pays the other half. In the case of particular items of assistance which are classified as "special necessities," local governments pay 20 percent, the province 30 percent and Ottawa 50 percent.


21. Riches and Manning, p. 35.


25. Food for the North, pp. 36-37. The quote in the next paragraph comes from p. 42.

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*******************************

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

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

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

On peut se procurer des exemplaires en français de toutes les publications du Conseil national du bien-être social, en s'adressant au Conseil national du bien-être social, Pièce 1876, Immeuble Jeanne Mance, Ottawa K1A 0K9.