

1999 FRASER INSTITUTE

CRITICAL

ISSUES

bulletin

**The Adequacy of
Welfare Benefits
in Canada**

*by Joel Emes
and Andrei Kreptul*



1974 • 1999

Critical Issues Bulletins

Critical Issues Bulletins are published from time to time by The Fraser Institute (Vancouver, British Columbia, Canada) as supplements to *Fraser Forum*, the Institute's monthly periodical. Critical Issues Bulletins are comprehensive studies of single issues of critical importance for public policy.

The authors have worked independently and opinions expressed by them are, therefore, their own, and do not necessarily reflect the opinions of the members or the trustees of The Fraser Institute.

For additional copies of Critical Issues Bulletins, any of our other publications, or a catalogue of the Institute's publications, call our toll-free order line: 1-800-665-3558 or visit our web site at <http://www.fraserinstitute.ca>.

For information about publications of The Fraser Institute and about ordering, please contact **Chris Howey**

via telephone: (604) 688-0221, ext. 580

via fax: (604) 688-8539

via e-mail: chrish@fraserinstitute.ca.

Copyright© 1999 by The Fraser Institute

Date of Issue: April 1999

Printed in Canada

Canadian Publications Mail

Sales Product Agreement #0087246

ISSN 1480-3666

Editing and design:

Kristin McCahon and

Lindsey Thomas Martin

Image for front cover copyright©

Antony Edwards, The Image Bank

The Fraser Institute

The Fraser Institute is an independent Canadian economic and social research and educational organization. It has as its objective the redirection of public attention to the role of competitive markets in providing for the well-being of Canadians. Where markets work, the Institute's interest lies in trying to discover prospects for improvement. Where markets do not work, its interest lies in finding the reasons. Where competitive markets have been replaced by government control, the interest of the Institute lies in documenting objectively the nature of the improvement or deterioration resulting from government intervention. The work of the Institute is assisted by an Editorial Advisory Board of internationally renowned economists. The Fraser Institute is a national, federally chartered, non-profit organization financed by the sale of its publications and the tax-deductible contributions of its members, foundations, and other supporters; it receives no government funding.

To learn more about the Institute, please visit our web site at <http://www.fraserinstitute.ca>.

For information about membership in The Fraser Institute, please contact via mail to

Sherry Stein, Director of Development

The Fraser Institute, 4th Floor

1770 Burrard Street

Vancouver, BC, V6J 3M1

via telephone: (604) 688-0221, ext. 590

or via fax: (604) 688-8539.

In Toronto, you may contact us toll-free

via telephone: (416) 363-6575

or via fax: (416) 601-7322.

The work of The Fraser Institute is assisted by an **Editorial Advisory Board** that includes Prof. Armen Alchian, Prof. Jean-Pierre Centi, Prof. Friedrich Schneider, Sir Alan Walters, Prof. J.M. Buchanan, Prof. Michael Parkin, Prof. L.B. Smith, and Prof. Edwin G. West.

Contents

Introduction	2	Methodology	20
Adequacy of Welfare Benefits	3	Appendix: List of Discretionary Benefits	24
Pre-Tax Wage Equivalence	11	References	27

About the authors

JOEL EMES is a research economist at The Fraser Institute. He is a regular contributor to the Fraser Institute's monthly magazine *Fraser Forum*, and co-author of *Tax Facts 10, Canada's All Government Debt (1996 edition)*, and *Tax Facts 11*. His articles have appeared in the *Globe and Mail*, the *Calgary Herald*, and the *London Free Press*. Mr. Emes is also the primary researcher for Tax Freedom Day and the Institute's Provincial and State-Provincial fiscal comparisons, the Budget Performance Index and the Fiscal Performance Index. He received his M.A. in Economics from Simon Fraser University in 1995.

ANDREI KREPTUL holds a Bachelor of Commerce degree with a specialization in Finance from the University of Alberta. Prior to joining the Fraser Institute as an intern during the summer and fall of 1998, he worked as a client services administrator with Sun Life of Canada. In the last few years, Mr. Kreptul has had extensive involvement in public policy issues as a participant in a number of seminars and colloquia sponsored by The Fraser Institute and the Institute for Humane Studies. His articles on public policy have been published in the The Fraser Institute's *Canadian Student Review*, *Fraser Forum* and the *Next City*.

Acknowledgments

The authors wish to thank the Donner Canadian Foundation for the financial assistance that made it possible for this study to be compiled and published. We are pleased to acknowledge the assistance of all the provincial Ministries of Social Services. We also wish to thank the study's reviewers for their comments, suggestions, and criticisms. The authors, of course, take full responsibility for any errors and omissions and, as they have worked independently, their views do not necessarily represent the views of the trustees and members of The Fraser Institute.



Introduction

In 1998, there were 2.6 million people receiving income assistance (IA) in Canada. Therefore, over eight percent of Canada's population was on welfare.

Many social groups continue to decry the level of benefits available to recipients of income assistance by comparing them to grossly inflated "poverty" lines. Even though the number of beneficiaries rises and the disincentive to work worsens when benefit levels increase, these groups implicitly or explicitly argue for higher benefits.

When one compares the total IA income to a reasonable calculation of what it costs to live in Canada, IA is more than adequate for its intended purpose of providing temporary assistance to the truly needy.

This study has two main purposes: (1) to provide a complete accounting of all the sources of income available to an IA recipient; (2) to provide the information necessary for an analysis of IA adequacy across Canada in 1998.

The first section of the main text is a discussion of the levels and adequacy of welfare benefits in Canada. The next section, Pre-Tax Wage Equivalence, explains how much a working person would have to earn to end up with the same annual "net income" as an income assistance (IA) recipient. The final section discusses the methodology used in this study. The appendix provides a list of many of the discretionary benefits available to IA recipients that are often overlooked when the value of the IA package is calculated.

Adequacy of welfare benefits

Year after year, social-action groups report that the total benefits available to welfare recipients are not enough to get these people above the “poverty line”: the implication is that recipients cannot cover the cost of the basic necessities of life. The claims that welfare incomes in Canada are inadequate are typically based on a comparison to Statistics Canada’s Low Income Cut-Offs (LICOs), often misrepresented as Canada’s poverty lines.

When compared to the Statistics Canada Low-income Cut-offs (LICOs), commonly referred to as poverty lines ... On average all categories of welfare recipients fall below the poverty line and in many areas far below. (Clark 1995: 3)

5,190,000 Canadian children, women and men lived in poverty. While the rest of the country enjoyed modest growth year after year, the overall poverty rate inched up to 17.6 percent. (National Council of Welfare 1998a)

A full accounting of the total income available to a recipient of Income Assistance (IA) compared to the cost of basic necessities reveals that IA in Canada is more than adequate for its intended purpose of providing temporary assistance to the truly needy.

Chris Sarlo, in his book *Poverty in Canada* (1996), explains why LICOs are not a good measure of poverty and points out that Statistics Canada consistently warns against their use as such. The main problem is that LICOs are relative measures: as average income rises, LICOs also rise. Using LICOs to define poverty makes it impossible to eliminate poverty because no matter how well off Canadians are, some will always fall below the average. Professor Sarlo offers an alternative to LICOs, the Basic Needs Lines (BNLs). Basic Needs Lines are determined by a painstakingly constructed measure of what it costs to buy the basic necessities in Canada. The Basic Needs Lines include what it costs to maintain long term physical well-being: a nutritious diet, shelter,

clothing, personal-hygiene needs, health care, transportation, and a telephone.

Tables 1 through 4 present the total value of the income assistance (IA) package and the BNL value for each client type plus a calculation of IA income less the BNL. In these tables, the provinces are ranked in descending order according to how much IA exceeds the BNL; amounts in parentheses indicate negative values.

Table 1 Welfare Adequacy Single Parent with Two Children, 1998 (\$CDN)

Province	Total IA	BNL	IA – BNL
Quebec	15,836	12,968	2,867
Saskatchewan	15,316	12,540	2,776
Newfoundland	16,920	14,243	2,677
Alberta	15,333	12,922	2,411
Prince Edward Island	15,663	13,474	2,189
New Brunswick	14,794	12,609	2,185
Nova Scotia	15,896	14,475	1,421
Manitoba	14,568	13,683	886
Ontario	16,847	16,126	721
British Columbia	17,354	16,952	402

Table 2 Welfare Adequacy, Single Employable, 1998 (\$CDN)

Province	Total IA	BNL	IA – BNL
Saskatchewan	5,844	6,226	(382)
Quebec	6,424	7,070	(646)
Manitoba	5,896	6,788	(892)
Prince Edward Island	5,860	6,929	(1,069)
Alberta	5,368	7,085	(1,717)
Ontario	7,167	8,921	(1,754)
Newfoundland	5,720	7,929	(2,209)
British Columbia	6,675	9,039	(2,364)
Nova Scotia	5,368	8,192	(2,824)
New Brunswick	3,712	6,819	(3,107)

Table 3 Welfare Adequacy, Single Disabled, 1998 (\$CDN)

Province	Total IA	BNL	IA – BNL
Alberta	10,488	7,085	3,404
Ontario	12,104	8,921	3,183
Saskatchewan	8,381	6,226	2,155
Quebec	9,130	7,070	2,060
Prince Edward Island	8,787	6,929	1,858
Manitoba	8,572	6,788	1,784
Nova Scotia	9,154	8,192	962
British Columbia	9,938	9,039	898
New Brunswick	7,264	6,819	444
Newfoundland	8,240	7,929	311

Table 4 Welfare Adequacy, Couple with Two Children, 1998 (\$CDN)

Province	Total IA	BNL	IA – BNL
Alberta	18,402	15,793	2,609
Saskatchewan	17,545	15,403	2,142
Prince Edward Island	17,839	16,610	1,228
Quebec	16,397	16,231	166
Newfoundland	16,954	17,033	(79)
Manitoba	16,874	17,001	(127)
New Brunswick	15,026	15,195	(169)
Nova Scotia	16,625	18,305	(1,681)
Ontario	17,684	20,032	(2,349)
British Columbia	17,846	20,898	(3,052)

Tables 5 through 8 present the detailed IA income available to the four client types: single parent with two children, single employable, single disabled, and employable couple with two children. All sources of income available to IA recipients, except the value of exempt employment income, are included in the total income column, labeled "Total IA." Total IA consists of general and supplementary assistance and child benefits and tax credits. General assistance is typically separated into a "basic" amount to cover food, transportation, and day-to-day costs and a "shelter" amount to cover housing expenses. Supplementary benefits include additional benefits that are paid automatically for things such as extra fuel and shelter and school clothes. Discretionary benefits are paid at the discretion of the case worker for such items as furniture, moving expenses, tuition, damage deposits, laundry, and dental and optical fees. Discretionary benefits available in each province are listed in Appendix 1. Details on each category of IA income are included in the Methodology section. Tables 9 and 10 present

the same information as table 6 (Single Employable) and table 8 (Couple with Two Children) except that exempt income is included in the total IA package.

Single Parent with Two Children, ages 2 and 4 (Tables 1, 5)

Welfare income for a single parent with two children exceeds the BNL in all provinces by at least \$402 (British Columbia) and at most \$2,867 (Quebec). (Precise ages for the children are used in this and later examples because benefits vary by age of the child in some provinces.)

Single Employable (Tables 2, 6, 9)

Welfare income for a single employable person falls short of the BNL in all provinces by at least \$382 (Saskatchewan) and at most \$3,107 (New Brunswick). The level of benefits available to single employable recipients reflects the fact that these people are not expected to collect welfare on a long term basis and that provincial governments have chosen to be less generous with groups they consider employable. In addition to benefits, the provinces allow recipients to earn some employment income before benefits are reduced. When earnings exemptions are included these gaps fall to between \$72 (Ontario) and \$2,224 (Nova Scotia) and are even reversed in Saskatchewan (\$643) and Quebec (\$1,562). If a single recipient were to work instead of collecting IA, he would have to work between 13 hours (New Brunswick) and 21 hours (Newfoundland and Prince Edward Island) per week at the minimum wage in order to earn the BNL. Part of the gap between the benefit package and the BNL can also be explained by the fact that accommodation expenses in the BNL are the average for an apartment in a large city in each province; less expensive accommodation such as a bed sitting room is also available. Being below the BNL does not mean one is starving, what it means is that the population at large would consider such a person to be living in poverty.

Single Disabled (Tables 3 and 7)

Welfare income for a single disabled person exceeds the BNL in every province by at least \$311 (Newfoundland) and by at most \$3,404 (Alberta).

Couple with Two Children, ages 10 and 12 (Tables 4, 8 and 10)

Welfare income for couples with two children falls short of the BNL in six provinces by at least \$79 (Newfoundland) and at most \$3,052 (British Columbia). Income assistance exceeds the BNL in four provinces by at least \$166 (Quebec) and at most \$2,609 (Alberta). When earnings exemptions are included, the gap is eliminated except for Nova Scotia (\$481) and British Columbia (\$747).

Table 5 Total Annual Value (\$CDN) of the Income Assistance (IA) Package—Single Parent with Two Children, 1998

	General		Supplementary		Child Benefits & Tax Credits				9 Total IA	10 BNL	IA minus BNL
	1 Basic	2 Shelter	3 Additional Benefits	4 Estimate of Disc. Benefits	5 GST/HST Credit	6 Federal Child Tax Benefit	7 Provincial Child Benefit	8 Provincial Tax Credit			
NF	6,456	4,464	1,716	545	768	2,971	—	—	16,920	14,243	2,677
PE	4,342	7,200	—	545	605	2,971	—	—	15,663	13,474	2,189
NS	4,042	7,308	216	545	605	2,971	209	—	15,896	14,475	1,421
NB	9,300	—	900	545	578	2,971	500	—	14,794	12,609	2,185
QC	7,080	810	636	545	544	2,971	3,250	—	15,836	12,968	2,867
ON	5,374	6,648	279	545	608	2,971	—	423	16,847	16,126	721
MB	4,450	5,160	859	545	583	2,971	—	—	14,568	13,683	886
SK	4,510	5,710	—	545	578	2,971	1,002	—	15,316	12,540	2,776
AB	5,844	5,640	—	545	503	2,801	—	—	15,333	12,922	2,411
BC	4,308	7,320	90	545	608	2,971	1,462	50	17,354	16,952	402

- Totals may not add up due to rounding.
 - Numbers beside the notes below indicate to which column of the table the benefit belongs.
- 10 The BNL figures are taken from Sarlo 1996. The 1994 figures are inflated by the Canadian All-Items Consumer Price Index.
- NF3** Additional Benefits composed of additional rent assistance, single parent supplement, and fuel supplement
5 GST/HST Credit includes an additional Harmonized Sales Tax credit for adults and children
- NS3** Additional Benefit composed of transportation allowance
7 Nova Scotia Child Benefit
7 the first NSCB payment of \$104.49 was made to families in October 1998 for the months of July, August and September 1998
- NB3** Additional Benefits composed of annual family income supplement
7 New Brunswick Child Tax Benefit of \$250 per year per child
- QC1** Basic includes the Quebec Sales Tax credit
3 Additional Benefits composed of supplementary single parent allowance for two children of \$29.33 per month for four months, \$31.16 per month for four months and a child supplement of \$100.42 per month for four months.
7 Provincial Child Benefit composed of family allowance plus additional benefit for children under 6 years of age.
- ON3** Additional Benefits composed of clothing allowance and school allowance
8 Property and Sales tax credits
- MB3** Additional Benefits composed of additional basic of \$48.80 per month per person under age 65 plus monthly \$12 single parent allowance plus monthly \$10.80 one-child allowance
- SK7** Provincial Child Benefit amount composed of Saskatchewan Child Benefit
- AB1** Basic benefits includes co-insurance supplement
- BC3** Additional Benefits composed of Christmas allowance
7 Provincial Child Benefit provided by BC Family Bonus Program
8 Sales tax credit

Table 6 Total Annual Value (\$CDN) of the Income Assistance (IA) Package—Single Employable, 1998

	General		Supplementary		Tax Credits		7 Total IA	8 BNL	IA minus BNL
	1 Basic	2 Shelter	3 Additional Benefits	4 Estimate of Discretionary Benefits	5 GST/HST Credit	6 Provincial Tax Credit			
NF	2,316	1,788	1,032	345	239	—	5,720	7,929	(2,209)
PE	2,196	3,120	—	345	199	—	5,860	6,929	(1,069)
NS	2,124	2,700	—	345	199	—	5,368	8,192	(2,824)
NB	3,168	—	—	345	199	—	3,712	6,819	(3,107)
QC	5,880	—	—	345	199	—	6,424	7,070	(646)
ON	2,340	3,900	—	345	199	383	7,167	8,921	(1,754)
MB	2,100	3,252	—	345	199	—	5,896	6,788	(892)
SK	2,340	2,960	—	345	199	—	5,844	6,226	(382)
AB	2,808	2,016	—	345	199	—	5,368	7,085	(1,717)
BC	2,146	3,900	35	345	199	50	6,675	9,039	(2,364)

• Totals may not add up due to rounding.
 • Numbers beside the notes below indicate to which column of the table the benefit belongs.
 8 The BNL figures are taken from Sarlo 1996. The 1994 figures are inflated by the Canadian All-Items Consumer Price Index.

NF 3 Additional Benefits composed of additional rent assistance and fuel supplement
QC 1 Basic includes the Quebec Sales Tax credit
ON 6 Property and Sales Tax credits
AB 1 Basic benefits includes monthly \$5 co-insurance supplement
BC 3 Additional Benefits composed of Christmas allowance
 6 Sales tax credit

Table 7 Total Annual Value (\$CDN) of the Income Assistance (IA) Package—Single Disabled, 1998

	GENERAL		SUPPLEMENTARY		TAX CREDITS		7 Total IA	8 BNL	IA minus BNL
	1 Basic	2 Shelter	3 Additional Benefits	4 Estimate of Discretionary . Benefits	5 GST/HST Credit	6 Provincial Tax Credit			
NF	4,812	1,788	1,032	345	263	—	8,240	7,929	311
PE	2,196	4,920	1,092	345	234	—	8,787	6,929	1,858
NS	2,124	6,228	216	345	241	—	9,154	8,192	962
NB	6,696	—	—	345	223	—	7,264	6,819	444
QC	8,544	—	—	345	241	—	9,130	7,070	2,060
ON	6,192	4,968	—	345	293	306	12,104	8,921	3,183
MB	3,058	3,420	1,519	345	230	—	8,572	6,788	1,784
SK	2,340	4,450	1,020	345	226	—	8,381	6,226	2,155
AB	9,876	—	—	345	267	—	10,488	7,085	3,404
BC	5,352	3,900	35	345	256	50	9,938	9,039	898

- Totals may not add up due to rounding.
 - Numbers beside the notes below indicate to which column of the table the benefit belongs.
- 8 The BNL figures are taken from Sarlo 1996. The 1994 figures are inflated by the Canadian All-Items Consumer Price Index.
- NF** 3 Additional Benefits composed of additional rent assistance and fuel supplement
- PE** 3 Additional Benefits composed of Special Care and Personal Comfort allowances
- NS** 3 Additional Benefits composed of transportation allowance
- QC** 1 Basic includes the Quebec Sales Tax credit
- ON** 6 Property and Sales Tax credit
- MB** 3 Additional Benefits composed of Income Assistance for the Disabled and additional allowance for the disabled
- SK** 3 Additional Benefits composed of monthly special care allowance (\$25), monthly disabled allowance (\$40) and a special transportation allowance (\$20).
- AB** 1 Basic benefit includes \$5 monthly co-insurance supplement.
- BC** 3 Additional Benefits composed of Christmas allowance
- 6 Sales Tax credit

Table 8 Total Annual Value (\$CDN) of the Income Assistance (IA) Package—Couple with Two Children, 1998

	General		Supplementary		Child Benefits & Tax Credits				9 Total IA	10 BNL	IA minus BNL
	1 Basic	2 Shelter	3 Additional Benefits	4 Estimate of Disc. Benefits	5 GST/HST Credit	6 Federal Child Tax Benefit	7 Provincial Child Benefit	8 Provincial Tax Credit			
NF	7,560	4,464	1,032	545	808	2,545	—	—	16,954	17,033	(79)
PE	6,046	7,920	175	545	608	2,545	—	—	17,839	16,610	1,228
NS	5,566	7,152	—	545	608	2,545	209	—	16,625	18,305	(1,681)
NB	9,828	—	1,000	545	608	2,545	500	—	15,026	15,195	(169)
QC	9,060	861	828	545	608	2,545	1,950	—	16,397	16,231	166
ON	5,902	7,224	348	545	608	2,545	—	111	17,684	20,032	(2,349)
MB	7,395	5,652	130	545	608	2,545	—	—	16,874	17,001	(127)
SK	6,430	6,245	170	545	608	2,545	1,002	—	17,545	15,403	2,142
AB	8,577	5,880	150	545	608	2,642	—	—	18,402	15,793	2,609
BC	4,596	7,800	190	545	608	2,545	1,462	100	17,846	20,898	(3,052)

- Totals may not add up due to rounding.

- Numbers beside the notes below indicate to which column of the table the benefit belongs.

10 The BNL figures are taken from Sarlo 1996. The 1994 figures are inflated by the Canadian All-Items Consumer Price Index.

NF3 Additional Benefits composed of additional rent assistance and fuel supplement

PE3 Additional Benefits composed of school allowance

NS7 Nova Scotia Child Benefit - maximum benefit is \$418 per year for two children, up to an income of \$16,000 per year (table shows only \$209 because program started in the middle of 1998)

7 the first NSCB payment of \$104.49 was made to families in October 1998 for the months of July, August and September 1998

NB3 Additional Benefits composed of school allowance and annual family income supplement

7 New Brunswick Child Tax Benefit of \$250 per year per child

QC1 Basic includes the Quebec Sales Tax credit

3 Additional Benefits composed of school allowance, child supplement, and child tax benefit supplement for children aged 12-17

7 Provincial Child Benefit composed of family allowance over and above Federal Child Benefit of \$81.25 per month per child

ON3 Additional Benefits composed of Winter Clothing Allowance, school allowance

8 Property and Sales Tax credits

MB3 Additional Benefits composed of monthly additional spouse amounts of \$10.80

SK3 Additional Benefit composed of school allowance

7 Saskatchewan Child Benefit

AB1 Basic benefit includes monthly \$5 co-insurance supplement

3 Additional Benefits composed of back to school allowance

BC3 Additional Benefits composed of Christmas allowance and school allowance

7 Provincial Child Benefit provided by BC Family Bonus Program

8 Sales Tax credit

Table 9: Total Annual Value (\$CDN) of the Income Assistance (IA) Package (Earnings Exemptions Included)—Single Employable, 1998

	GENERAL		SUPPLEMENTARY		TAX CREDITS		7 Exempt Earnings	8 Total IA	9 BNL	IA minus BNL
	1 Basic	2 Shelter	3 Additional Benefits	4 Estimate of Disc. Benefits	5 GST/HST Credit	6 Provincial Tax Credit				
NF	2,316	1,788	1,032	345	239	—	480	6,200	7,929	(1,729)
PE	2,196	3,120	—	345	199	—	600	6,460	6,929	(469)
NS	2,124	2,700	—	345	199	—	600	5,968	8,192	(2,224)
NB	3,168	—	—	345	199	—	1,800	5,512	6,819	(1,307)
QC	5,880	—	—	345	199	—	2,208	8,632	7,070	1,562
ON	2,340	3,900	—	345	199	349	1,716	8,849	8,921	(72)
MB	2,100	3,252	—	345	198	—	600	6,495	6,788	(293)
SK	2,340	2,960	—	345	199	—	1,025	6,869	6,226	643
AB	2,808	2,016	—	345	199	—	1,380	6,748	7,085	(337)
BC	2,146	3,900	35	345	198	50	900	7,574	9,039	(1,465)

- Totals may not add up due to rounding.
 - Numbers beside the notes below indicate to which column of the table the benefit belongs.
- 9 The BNL figures are taken from Sarlo 1996. The 1994 figures are inflated by the Canadian All-Items Consumer Price Index.
- NF3** Additional Benefits composed of additional rent assistance and fuel supplement
- QC1** Basic includes the Quebec Sales Tax credit
- ON6** Property and Sales Tax credits
- AB1** Basic benefits includes monthly \$5 co-insurance supplement
- BC3** Additional Benefits composed of Christmas allowance
- 6 Sales Tax credit
- 7 Earned Income Exemption estimated at \$75 per month, actual exemption is a sliding scale of 25% of net income

Table 10 Total Annual Value (\$CDN) of the Income Assistance (IA) Package (Earnings Exemptions Included)— Couple with Two Children, 1998

	General		Supplementary		Child Benefits & Tax Credits				9 Earnings Exemptions	10 Total IA	11 BNL	IA minus BNL
	1 Basic	2 Shelter	3 Additional Benefits	4 Estimate of Other Supp.	5 GST/HST QST Credit	6 Federal Child Tax Benefit	7 Provincial Child Benefit	8 'Provincial Tax Credit				
NF	7,560	4,464	1,032	545	808	2,545	—	—	1,800	18,754	17,033	1,721
PE	6,046	7,920	175	545	608	2,545	—	—	1,200	19,039	16,610	2,428
NS	5,566	7,152	—	545	608	2,545	209	—	1,200	17,825	18,305	(481)
NB	9,828	—	1,000	545	608	2,545	500	—	2,400	17,426	15,195	2,231
QC	9,060	861	828	545	608	2,545	1,950	—	2,772	19,169	16,231	2,938
ON	5,902	7,224	348	545	608	2,545	—	429	4,152	21,753	20,032	1,720
MB	7,395	5,652	130	545	608	2,545	—	—	1,200	18,074	17,001	1,073
SK	6,430	6,245	170	545	608	2,545	1,107	—	2,200	19,850	15,403	4,447
AB	8,577	5,880	150	545	608	2,642	—	—	1,380	19,782	15,793	3,989
BC	4,596	7,800	190	545	608	3,050	1,462	100	1,800	20,151	20,898	(747)

• Totals may not add up due to rounding

• Numbers beside the notes below indicate to which column of the table the benefit belongs.

11 The BNL figures are taken from Sarlo 1996. The 1994 figures are inflated by the Canadian All-Items Consumer Price Index.

NF3 Additional Benefits composed of additional rent assistance and fuel supplement

PE3 Additional Benefits composed of school allowance

NS7 Nova Scotia Child Benefit - maximum benefit is \$418 per year for two children, up to an income of \$16,000 per year

7 the first NSCB payment of \$104.49 was made to families in October 1998 for months of July, August and September 1998

NB3 Additional Benefits composed of school allowance and annual family income supplement

7 New Brunswick Child Tax Benefit of \$250 per year per child

QC1 Basic includes the Quebec Sales Tax credit

3 Additional Benefits composed of school allowance, child supplement, and child tax benefit supplement for children aged 12-17.

7 Provincial Child Benefit composed of family allowance over and above Federal Child Benefit of \$81.25 per month per child

ON3 Additional Benefits composed of Winter Clothing Allowance, school allowance

8 Property and Sales Tax credits

MB3 Additional Benefits composed of monthly additional spousal amounts of \$10.80

SK3 Additional Benefit composed of school allowance

7 Provincial Child Benefit amount composed of Saskatchewan Child Benefit and Saskatchewan Employment Supplement

AB1 Basic benefit includes monthly \$5 co-insurance supplement

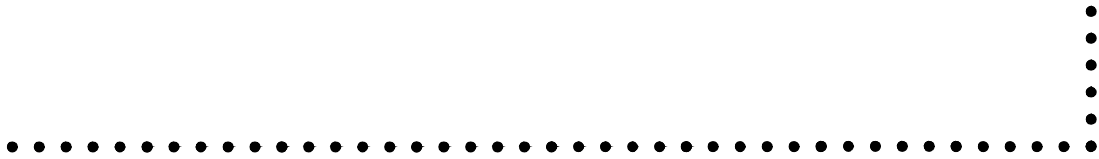
3 Additional Benefits composed of back to school allowance

BC3 Additional Benefits composed of Christmas allowance and school allowance

7 Provincial Child Benefit provided by BC Family Bonus Program

8 Sales Tax Credit

9 Earned Income Exemption estimated at \$150 per month, actual exemption is a sliding scale of 25% of net income



Pre-tax wage equivalence

Tables 11 through 14 and 15 through 18 highlight a subtle, but crucial, point in the discussion of welfare benefits and the disincentive to work. When a single mother on welfare faces the choice between working and staying on welfare, she must consider not only what amount of income she will have for the year but the number of hours she must work to get that income. The choice that a single parent in Quebec makes is not between the income on IA and the equivalent income from working 25 hours a week (see table 15). Rather, the choice is between spending all her time with her children and working for 25 hours a week for the same net income.

Tables 11 through 14 show how much income each of the client types would have to earn in order to end up with the same amount someone on IA would receive. Tables 15 through 18 show how many hours per week one would have to work in a minimum wage job to earn the same amount that someone on IA would receive. In tables 16 through 19, if the value in the column headed “Amount Above (Below) Minimum Wage” is positive and the value in the column headed “Number of Hours at Minimum Wage Required” is 40, the recipient would have to earn more than the minimum wage to earn the pre-tax wage equivalent of the welfare benefit package.

Single Parent with Two Children, ages 2 and 4 (Tables 11, 15)

A working person earning between \$3,226 (Newfoundland) and \$7,051 (Quebec) less than someone on IA receives would have the same net income. To end up with the same net income as an IA recipient, a working person would have to work between 25 (Quebec) and 40 hours per week (New Brunswick, Ontario, and Manitoba) at the minimum wage. In Newfoundland, Prince Edward Island, Nova Scotia, and Alberta, a working person would have to earn above the minimum wage in a 40 hour per week job to end up with the same net income as an IA recipient.

Single Employable (Tables 12, 16)

In all provinces, a working person would have to earn roughly the same amount of money someone on IA receives to have

the same net income. To end up with the same net income as an IA recipient, a working person would have to work between 13 (New Brunswick) and 21 hours per week (Newfoundland and Prince Edward Island) at the minimum wage.

Single Disabled (Tables 13, 17)

A working person would have to earn between \$244 (New Brunswick) and \$2,126 (Ontario) more than someone on IA receives to have the same net income. To end up with the same net income as an IA recipient, a working person would have to work between 26 (New Brunswick) and 40 hours per week (Ontario) at the minimum wage. In Alberta, a working person would have to earn above the minimum wage in a 40 hour per week job to end up with the same net income as an IA recipient.

Couple with Two Children, ages 10 and 12 (Tables 14, 18)

A working person would have to earn between \$1,943 (Prince Edward Island) and \$6,736 (Quebec) less than someone on IA receives to have the same net income. To end up with the same net income as an IA recipient, a working person would have to work between 27 (Quebec) and 38 hours per week (Saskatchewan) at the minimum wage. In six provinces, a working person would have to earn above the minimum wage in a 40 hour per week job to end up with the same net income as an IA recipient.

Recipient Trends in Canada (Tables 19 through 22)

The number of welfare recipients in Canada peaked in 1994 at 3.1 million, or 10.6 percent of the population. Estimates for 1998 indicate that the number has dropped to 2.6 million, or 8.5 percent of the population. Fifty-five percent of the drop between 1994 and 1998 is due to 288,000 fewer Ontarians collecting income assistance. Reduction in the number of welfare recipients has varied significantly from a low of 4.2 percent in Newfoundland to a high of 44.4 percent in Alberta. Quebec and Alberta each had 61,500 fewer people on income assistance in 1998 than in 1994, even though Quebec has roughly ten times the population of Alberta.

This recent drop in the number of IA recipients looks positive until one considers that there are over 90 percent more people on IA than there was in 1970. In 1970, 6.3 percent of the population was on IA; today, the figure is 8.5 percent. Figure 1 shows the number of beneficiaries from 1970 through 1998; figure 2 shows the number of beneficiaries as a percent of the population. The percent of the population

on IA was reasonably constant from the mid-1970s to 1981. During and after the recession of the early 1980s, there was an increase that peaked in 1985, began to fall, only to see a sharp increase from 1990 through 1994, then a sharp decline to 1998. The ratio is still above that which occurred at the peak of the recession in the 1980s and well above that observed during much of the 1970s.

Figure 1: Canadian Welfare Beneficiaries, 1970–1998

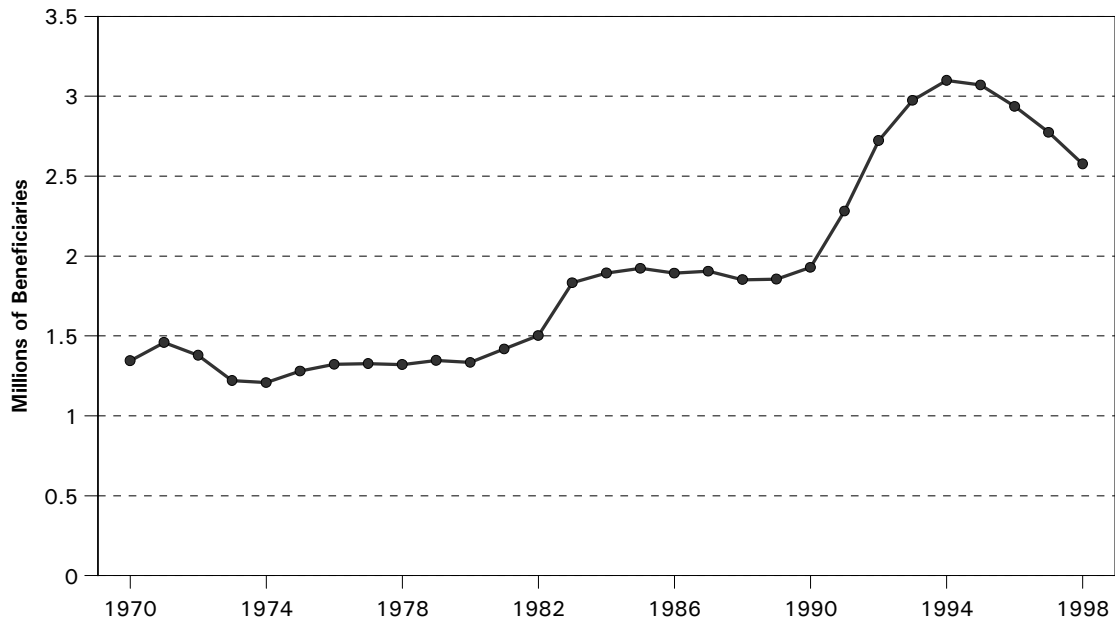


Figure 2: Welfare Beneficiaries as a Percent of Population for Canada, 1970–1998

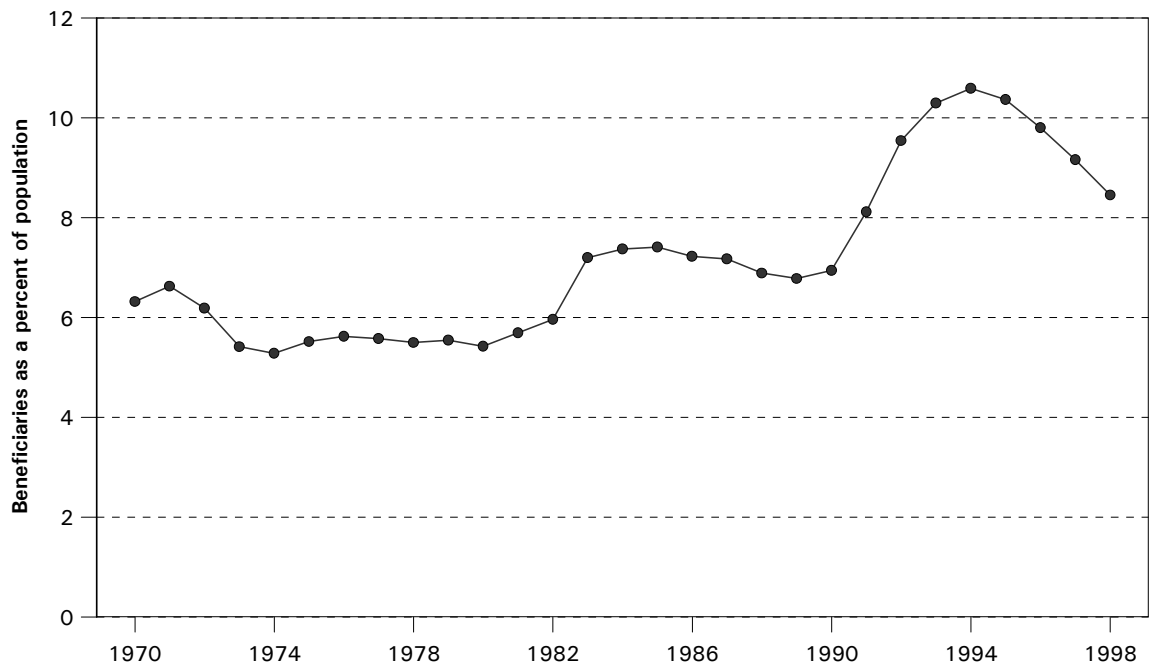


Table 11 Pre-Tax Wages (\$CDN) Required to Yield the Equivalent of the Income Assistance (IA) Package—Single Parent with Two Children, 1998

	1	2	3	4	5	6	7	8		
	Pre-Tax Wage Income	CPP/QPP Contributions	EI Contributions	Income Tax	GST/HST QST Credit	Federal Child Tax Benefit	Provincial Child Benefits	Provincial Tax Credits	Net Wages	Welfare Total
NF	13,694	(326)	(370)	(192)	768	3,346	—	—	16,920	16,920
PE	12,324	(282)	(333)	—	608	3,346	—	—	15,663	15,663
NS	12,350	(283)	(333)	—	608	3,346	209	—	15,896	15,896
NB	10,627	(228)	(287)	—	586	3,346	750	—	14,794	14,794
QC	8,785	(169)	(237)	—	704	3,260	3,493	—	15,836	15,836
ON	13,193	(310)	(356)	(33)	608	3,346	—	399	16,847	16,847
MB	10,411	(221)	(281)	—	591	3,346	—	722	14,568	14,568
SK	8,346	(155)	(225)	—	536	3,346	3,469	—	15,316	15,316
AB	11,711	(263)	(316)	—	608	3,176	—	417	15,333	15,333
BC	11,447	(254)	(309)	—	603	3,346	2,472	50	17,354	17,354

• Numbers beside the notes below indicate to which column of the table the benefit belongs.

Federal Child Tax Benefits

6 The federal child tax benefit amount is based on six months of Child Tax Benefit and Working Income Supplement payments and six months of National Child Benefit payments

Provincial Child Benefits and Tax Credits

NS 7 Nova Scotia Child Benefit (NSCB): maximum benefit is \$418 per year for two children, up to an income of \$16,000 per year

7 the first NSCB payment of \$104.49 was made to families in October 1998 for months of July, August and September 1998

NB 7 New Brunswick Child Tax Benefit: \$250 per child per year

7 New Brunswick Working Income Supplement: maximum \$250 annually per family

QC 7 Quebec Integrated Child Allowance

7 Parental Work Assistance Program: benefit formula is 25% to 30% of annual income in excess of \$1,200

ON 8 Property and Sales Tax credit

MB 8 Cost-of-Living and Property Tax credit

SK 7 Saskatchewan Family Income Plan: \$1,440 per year per child to low-income families; program terminated July 1998

7 Saskatchewan Child Benefit (SCB):- basic benefit is \$2,004/year

7 Saskatchewan Employment Supplement benefit formula is 30% of monthly income in excess of \$125, up to a maximum of \$210 for two children.

AB 8 Alberta Family Employment Tax Credit: benefit formula is 8% of working income in excess of \$6,500, up to a maximum of \$1,000 per year.

BC 7 BC Family Bonus (BCFB)

7 BC Earned Income Benefit (BCEIB): maximum available benefit is \$1,010 for earned income between \$3,750 and \$20,921

8 Sales Tax credit

Table 12 Pre-Tax Wages (\$CDN) Required to Yield the Equivalent of the Income Assistance (IA) Package—Single Employable, 1998

	1 Pre-Tax Wage Income	2 CPP/QPP Contributions	3 EI Contributions	4 Income Tax	5 GST/HST QST Credit	6 Provincial Tax Credits	Net Wages	Welfare Total
NF	5,706	(71)	(154)	—	239	—	5,720	5,720
PE	5,897	(77)	(159)	—	199	—	5,860	5,860
NS	5,374	(60)	(145)	—	199	—	5,368	5,368
NB	3,614	(4)	(98)	—	199	—	3,712	3,712
QC	6,333	(91)	(171)	—	353	—	6,424	6,424
ON	6,883	(108)	(186)	—	208	370	7,167	7,167
MB	5,365	(60)	(145)	—	199	537	5,896	5,896
SK	5,880	(76)	(159)	—	199	—	5,844	5,844
AB	5,374	(60)	(145)	—	199	—	5,368	5,368
BC	6,705	(103)	(181)	—	204	50	6,675	6,675

• Numbers beside the notes below indicate to which column of the table the benefit belongs.

ON6 Sales Tax credit

MB6 Cost-of-living and Property Tax credit

BC6 Sales Tax credit

Table 13 Pre-Tax Wages (\$CDN) Required to Yield the Equivalent of the Income Assistance (IA) Package—Single Disabled, 1998

	1 Pre-Tax Wage Income	2 CPP/QPP Contributions	3 EI Contributions	4 Income Tax	5 GST/HST QST Credit	6 Provincial Tax Credits	Net Wages	Welfare Total
NF	8,889	(172)	(240)	(524)	288	—	8,240	8,240
PE	9,688	(198)	(262)	(705)	264	—	8,787	8,787
NS	9,822	(202)	(265)	(467)	266	—	9,154	9,154
NB	7,508	(128)	(203)	(133)	220	—	7,264	7,264
QC	9,513	(192)	(257)	(416)	348	—	9,130	9,130
ON	14,230	(343)	(384)	(1,702)	304	—	12,104	12,104
MB	8,427	(158)	(228)	(261)	252	540	8,572	8,572
SK	9,029	(177)	(244)	(478)	250	—	8,381	8,381
AB	11,707	(263)	(316)	(944)	304	—	10,488	10,488
BC	11,178	(246)	(302)	(1,036)	293	50	9,938	9,938

• Numbers beside the notes below indicate to which column of the table the benefit belongs.

MB6 Cost-of-Living and Property Tax credit

BC6 Sales Tax credit

Table 14 Pre-Tax Wages (\$CDN) Required to Yield the Equivalent of the Income Assistance (IA) Package—Couple with Two Children, 1998

	1	2	3	4	5	6	7	8		
	Pre-Tax Wage Income	CPP/QPP Contributions	EI Contributions	Income Tax	GST/HST QST Credit	Federal Child Tax Benefit	Provincial Child Benefits	Provincial Tax Credits	Net Wages	Welfare Total
NF	14,326	(346)	(387)	(367)	808	2,920	—	—	16,954	16,954
PE	15,896	(397)	(429)	(759)	608	2,920	—	—	17,839	17,839
NS	13,700	(326)	(370)	(115)	608	2,920	209	—	16,625	16,625
NB	11,303	(250)	(305)	—	608	2,920	750	—	15,026	15,026
QC	9,661	(197)	(261)	—	916	2,886	3,392	—	16,397	16,397
ON	14,715	(359)	(397)	(283)	608	2,920	—	480	17,684	17,684
MB	13,439	(318)	(363)	(73)	608	2,920	—	661	16,874	16,874
SK	11,016	(241)	(297)	—	608	2,920	3,539	—	17,545	17,545
AB	15,236	(376)	(411)	(369)	608	3,015	—	699	18,402	18,402
BC	12,363	(284)	(334)	—	608	2,920	2,472	100	17,846	17,846

• Numbers beside the notes below indicate to which column of the table the benefit belongs.

Federal Child Tax Benefits

6 The federal child tax benefit amount is based on six months of Child Tax Benefit and Working Income Supplement payments and six months of National Child Benefit payments

Provincial Child Benefits and Tax Credits

NS 7 Nova Scotia Child Benefit (NSCB): maximum benefit is \$418 per year for two children, up to an income of \$16,000 per year

7 the first NSCB payment of \$104.49 was made to families in October 1998 for the months of July, August and September 1998

NB 7 New Brunswick Child Tax Benefit: \$250 per child per year

7 New Brunswick Working Income Supplement: maximum \$250 annually per family

QC 7 Quebec Integrated Child Allowance

7 Parental Work Assistance Program: benefit formula is 25% to 30% of annual income in excess of \$1,200

ON 8 Property and Sales Tax credit

MB 7 Cost-of-Living and Property Tax credit

SK 7 Saskatchewan Family Income Plan: \$1,440 per year per child to low-income families; program terminated July 1998.

7 Saskatchewan Child Benefit (SCB): basic benefit is \$2,004 per year

7 Saskatchewan Employment Supplement benefit formula is 30% of monthly income in excess of \$125 up to a maximum of \$210 for two children.

AB 8 Alberta Family Employment Tax Credit: benefit formula is 8% of working income in excess of \$6,500 up to a maximum of \$1,000 per year.

BC 7 BC Family Bonus (BCFB)

7 BC Earned Income Benefit (BCEIB): maximum available benefit is \$1,010 for earned income between \$3,750 and \$20,921

8 Sales Tax credit

Table 15 Hours of Minimum Wage Work Required to Yield The Equivalent of the Income Assistance (IA) Package—Single Parent with Two Children, 1998

	Minimum Wage (dollars/hour)	Pre-Tax Income Required to Match IA (dollars/year)	Hourly Wage (dollars/hour)	Amount Above (Below) Minimum Wage (dollars/hour)	Number of Hours at Minimum Wage Required* (hours/week)
NF	5.25	13,694	6.58	1.33	40
PE	5.40	12,324	5.93	0.53	40
NS	5.50	12,350	5.94	0.44	40
NB	5.50	10,627	5.11	(0.39)	37
QC	6.83	8,785	4.22	(2.61)	25
ON	6.85	13,193	6.34	(0.51)	37
MB	5.40	10,411	5.01	(0.39)	37
SK	5.60	8,346	4.01	(1.59)	29
AB	5.10	11,711	5.63	0.53	40
BC	7.11	11,447	5.50	(1.61)	31

* A value of 40 means that one would need to earn more than the minimum wage in a full-time job to match the IA package.

Table 16 Hours of Minimum Wage work Required to Yield The Equivalent of the Income Assistance (IA) Package—Single Employable, 1998

	Minimum Wage (dollars/hour)	Pre-Tax Income Required to Match IA (dollars/year)	Hourly Wage (dollars/hour)	Amount Above (Below) Minimum Wage (dollars/hour)	Number of Hours at Minimum Wage Required (hours/week)
NF	5.25	5,706	2.74	(2.51)	21
PE	5.40	5,897	2.84	(2.56)	21
NS	5.50	5,374	2.58	(2.92)	19
NB	5.50	3,614	1.74	(3.76)	13
QC	6.83	6,333	3.04	(3.79)	18
ON	6.85	6,883	3.31	(3.54)	19
MB	5.40	5,365	2.58	(2.82)	19
SK	5.60	5,880	2.83	(2.77)	20
AB	5.10	5,374	2.58	(2.52)	20
BC	7.11	6,705	3.22	(3.89)	18

Table 17 Hours of Minimum Wage Work Required to Yield the Equivalent of the Income Assistance (IA) Package—Single Disabled, 1998

	Minimum Wage (dollars/hour)	Pre-Tax Income Required to Match IA (dollars/year)	Hourly Wage (dollars/hour)	Amount Above (Below) Minimum Wage (dollars/hour)	Number of Hours at Minimum Wage Required* (hours/week)
NF	5.25	8,889	4.27	(0.98)	33
PE	5.40	9,688	4.66	(0.74)	35
NS	5.50	9,822	4.72	(0.78)	34
NB	5.50	7,508	3.61	(1.89)	26
QC	6.83	9,513	4.57	(2.26)	27
ON	6.85	14,230	6.84	(0.01)	40
MB	5.40	8,427	4.05	(1.35)	30
SK	5.60	9,029	4.34	(1.26)	31
AB	5.10	11,707	5.63	0.53	40
BC	7.11	11,178	5.37	(1.74)	30

* A value of 40 means that one would need to earn more than the minimum wage in a full-time job to match the IA package.

Table 18 Hours of Minimum Wage Work Required to Yield The Equivalent of the Income Assistance (IA) Package—Couple with Two Children, 1998

	Minimum Wage (dollars/hour)	Pre-Tax Income Required to Match IA (dollars/year)	Hourly Wage (dollars/hour)	Amount Above (Below) Minimum Wage (dollars/hour)	Number of Hours at Minimum Wage Required* (hours/week)
NF	5.25	14,326	6.89	1.64	40
PE	5.40	15,896	7.64	2.24	40
NS	5.50	13,700	6.59	1.09	40
NB	5.50	11,303	5.43	(0.07)	40
QC	6.83	9,661	4.64	(2.19)	27
ON	6.85	14,715	7.07	0.22	40
MB	5.40	13,439	6.46	1.06	40
SK	5.60	11,016	5.30	(0.30)	38
AB	5.10	15,236	7.33	2.23	40
BC	7.11	12,363	5.94	(1.17)	33

* A value of 40 means that one would need to earn more than the minimum wage in a full-time job to match the IA package.

Table 19 Estimated Number of Recipients on Income Assistance for 1990 to 1998

	1990	1991	1992	1993	1994	1995	1996	1997	1998	Change since 1994	% Change since 1994
CAN	1,930,100	2,282,200	2,723,000	2,975,000	3,100,200	3,070,900	2,937,100	2,774,900	2,577,500	(522,700)	(16.9)
NF	47,900	51,800	59,800	68,100	67,400	71,300	72,000	71,900	64,600	(2,800)	(4.2)
PE	8,600	10,300	11,800	12,600	13,100	12,400	11,700	11,100	10,900	(2,200)	(16.8)
NS	78,400	86,200	92,600	98,700	104,000	104,000	103,100	93,700	85,500	(18,500)	(17.8)
NB	67,200	71,900	78,200	78,100	73,500	67,400	67,100	70,600	67,100	(6,400)	(8.7)
QC	555,900	594,900	674,900	741,400	787,200	802,200	813,200	793,300	725,700	(61,500)	(7.8)
ON	675,700	929,900	1,184,700	1,287,000	1,379,300	1,344,600	1,214,600	1,149,600	1,091,300	(288,000)	(20.9)
MB	66,900	71,700	80,900	88,000	89,300	85,200	85,800	79,100	72,700	(16,600)	(18.6)
SK	54,100	53,400	60,400	68,200	81,000	82,200	80,600	79,700	72,500	(8,500)	(10.5)
AB	148,800	156,600	188,300	196,000	138,500	113,200	105,600	89,800	77,000	(61,500)	(44.4)
BC	216,000	244,000	279,300	323,300	353,500	374,300	369,900	321,300	297,400	(56,100)	(15.9)

- Note: the numbers for Canada include the Territories.
- Source: Human Resources Development Canada

18

Table 20 Estimated Number of Recipients on Income Assistance from 1970 to 1998

	1970	1975	1980	1985	1990	1995	1998	Change since 1970	% Change since 1970
CAN	1,341,857	1,280,441	1,334,330	1,923,300	1,930,100	3,070,900	2,577,500	1,235,643	92.1
NF	85,698	63,127	48,500	49,100	47,900	71,300	64,600	(21,098)	(24.6)
PE	9,404	8,401	9,367	9,600	8,600	12,400	10,900	1,496	15.9
NS	47,662	52,358	51,220	73,600	78,400	104,000	85,500	37,838	79.4
NB	54,343	55,604	66,312	69,100	67,200	67,400	67,100	12,757	23.5
QC	477,440	416,558	511,925	708,700	555,900	802,200	725,700	248,260	52.0
ON	354,913	336,415	354,798	485,800	675,700	1,344,600	1,091,300	736,387	207.5
MB	58,667	56,616	45,600	62,800	66,900	85,200	72,700	14,033	23.9
SK	55,578	45,332	41,390	64,000	54,100	82,200	72,500	16,922	30.4
AB	84,386	77,970	76,105	124,100	148,800	113,200	77,000	(7,386)	(8.8)
BC	113,766	162,349	122,848	267,600	216,000	374,300	297,400	183,634	161.4

- Note: the numbers for Canada include the Territories (except for 1970).
- Source: Human Resources Development Canada

Table 21 Estimated Number of Cases on Income Assistance from 1990 to 1998

	1990	1991	1992	1993	1994	1995	1996	1997	1998	Change since 1995	% Change since 1995
CAN	1,056,000	1,239,000	1,471,900	1,616,200	1,675,900	1,659,200	1,582,000	1,494,700	1,401,600	(257,600)	(15.5)
NF	21,700	23,500	25,600	32,200	35,400	35,400	36,000	36,000	32,300	(3,100)	(8.8)
PE	4,300	5,100	5,700	6,200	6,400	6,100	5,800	5,600	5,600	(500)	(8.2)
NS	39,600	44,000	46,800	50,200	53,100	53,200	52,900	48,400	44,300	(8,900)	(16.7)
NB	34,800	37,800	41,500	42,100	40,000	36,500	35,500	36,200	34,300	(2,200)	(6.0)
QC	343,900	366,200	413,400	450,700	473,000	479,400	483,100	470,400	439,300	(40,100)	(8.4)
ON	349,200	474,900	600,800	656,900	696,800	678,400	611,900	578,300	549,800	(128,600)	(19.0)
MB	36,800	39,400	45,600	49,800	50,400	48,000	46,200	41,800	38,700	(9,300)	(19.4)
SK	26,800	26,700	30,500	35,000	40,200	40,400	39,800	39,100	36,100	(4,300)	(10.6)
AB	69,300	72,500	89,600	93,600	64,500	54,100	50,500	41,700	36,000	(18,100)	(33.5)
BC	125,700	144,500	167,700	193,800	210,400	221,800	214,700	191,200	179,700	(42,100)	(19.0)

• Source: Human Resources Development Canada • Note: the numbers for Canada include the Territories.

19

Table 22 Estimated Number of Cases on Income Assistance from 1981 to 1998

	1981	1985	1990	1995	1998	Change since 1981	% Change since 1981
CAN	734,300	1,058,000	1,056,000	1,659,200	1,401,600	664,500	90.8
NF	20,400	20,900	21,700	35,400	32,300	11,900	58.3
PE	4,500	4,300	4,300	6,100	5,600	1,100	24.4
NS	27,700	34,300	39,600	53,200	44,300	16,600	59.9
NB	29,600	35,400	34,800	36,500	34,300	4,700	15.9
QC	302,300	424,400	343,900	479,400	439,300	137,000	45.3
ON	203,100	264,900	349,200	678,400	549,800	346,700	170.7
MB	23,600	33,100	36,800	48,000	38,700	15,100	64.0
SK	22,600	31,600	26,800	40,400	36,100	13,500	59.7
AB	31,500	52,600	69,300	54,100	36,000	4,500	14.3
BC	66,300	153,400	125,700	221,800	179,700	113,400	171.0

• Source: Human Resources Development Canada • Note: the numbers for Canada include the Territories.



Methodology

General Assumptions

Annual income assistance benefit levels were calculated using four different welfare categories: single employable, single disabled, single parent with two children, ages 2 and 4, and a couple with two children ages 10 and 12. All welfare recipients in this study were on income assistance for all of 1998 and living in a major city in each province. All single persons and couples were deemed to be employable according to each province's definition. The employability of single parents varies by province.

None of the profiled recipients in the study were assumed to have received an overpayment in their allowable benefits. In the event that a recipient is overpaid by the welfare system, the provincial social services department typically recovers or takes back a certain percentage of the benefits. For example, in Newfoundland, the income assistance department would take back \$27 from an overpaid single parent with two children on regular assistance, based on a monthly benefit of \$538.

Any changes made in welfare benefit levels in any jurisdiction were incorporated in the calculations. For instance, Alberta and Saskatchewan revised their income assistance rate schedules during the phase-in of the enhanced Canada Child Tax Benefit, part of the National Child Benefit program implemented in July 1998.

Income Assistance Benefits

The total annual benefit calculation is composed of the basic allowance, the shelter allowance, additional benefits that are paid automatically, an estimate of discretionary benefits, federal child tax benefits, the Goods and Services Tax Credit, and any applicable provincial child benefits or tax credits. All annual benefits are calculated using the maximum monthly rates available in each jurisdiction.

General Categories

Basic Allowance

Every province and territory in Canada provides a basic allowance to recipients on income assistance to cover items such as food, clothing, utilities, personal care, and household maintenance. Amounts vary among provinces and types of recipient. The basic amounts used in this study were for long-term welfare recipients not active in a provincial work incentive program.

Shelter Allowance

All Canadian provinces and territories provide their recipients with a level of shelter allowance designed to cover rent or mortgage payments. Shelter amounts also vary by province and by type of recipient. Shelter allowance amounts for New Brunswick and Quebec are included with basic assistance.

Supplementary Benefits

Additional Benefits

Amounts for additional benefits include those benefits which recipients of income assistance are automatically qualified to receive. For single disabled individuals, these benefits include items like additional disabled and personal-comfort allowances. For single-parent families and couples, school and extra single-parent allowances are delivered without any prior approval from the social service department. In certain provinces with special economic and geographic circumstances such as Newfoundland, extra benefits such as rent assistance and fuel and clothing allowances are provided.

Estimate of Discretionary Benefits

All Canadian jurisdictions also provide benefits that are granted to welfare recipients at the discretion of caseworkers and directors. These benefits may include such health-related items as medical services, prescription drugs, and dental and optical coverage. Other types of discretionary al-

allowance include job-related expenses, child-care, day care, moving expenses, extraordinary expenses for utilities and transportation, and furniture expenses. A comprehensive list of discretionary supplementary benefits by province can be found in the Appendix: List of Discretionary Benefits.

Recipients of income assistance are eligible to receive any number of supplementary benefits. An estimate of these supplementary benefits for all four categories of recipient was included as part of their total annual welfare-benefit calculations. Due to incomplete reporting by provincial governments of detailed benefit-expenditure information, more precise estimates of supplementary benefits could not be made.

The estimated value of supplementary benefits for the single individual and single disabled recipients was assessed at \$345 per year. The estimated value of supplementary benefits for both family types was assessed at \$545 per year. The values are calculated as an average of available estimates from the provincial ministries of social services.

Federal and Provincial Child Benefits

The Canada Child Tax Benefit and National Child Benefit Supplement

Effective July 1998, the Canada Child Tax Benefit (CCTB) and the National Child Benefit Supplement (NCBS) replaced the old Child Tax Benefit as part of the implementation of the National Child Benefit Program (NCB).

The CCTB and NCBS combine to provide a maximum of \$1,625 for the first child and \$1,425 for each additional child to families with incomes of up to \$20,921.

For families with one child and with incomes between \$20,921 and \$25,921, the CCTB/NCBS is reduced by 12.1 percent. For families with incomes between \$25,921 and \$66,721, the CCTB is reduced by a further 2.5 percent.

For families with two children and with incomes between \$20,921 and \$25,921, the CCTB/NCBS is reduced by 20.2 percent. For families with incomes between \$25,921 and \$66,721, the CCTB is reduced by 5 percent.

The CCTB/NCBS stops being paid to families when their net income reaches \$66,721.

Since the single parents and couples in this study all have incomes from welfare below \$20,921, they all receive the maximum available CCTB/NCBS benefit.

Provincial Child Benefits

In addition to the federal CCTB, five provinces provide refundable child benefits to eligible low-income families.

Nova Scotia

As part of the National Child Benefit program, Nova Scotia introduced the Nova Scotia Child Benefit (NSCB) beginning in July 1998. All qualifying low-income families with children are eligible to receive annual payments of \$250 for the first child and \$168 for the second child. The first NSCB payment of \$104.50 (covering the three-month period from July to September 1998) was made to Nova Scotia families with two children in October 1998.

New Brunswick

Since April 1997, New Brunswick has offered the New Brunswick Child Tax Benefit (NBCTB), a refundable \$250 yearly tax credit for each child in a household. To qualify, families with incomes below \$20,000 must have dependent children under 18 years of age. For working families with incomes between \$3,750 and \$25,921, the New Brunswick Working Income Supplement (NBWIS) provides an additional \$250 benefit on top of the NBCTB.

Quebec

Since September 1997, Quebec has offered low-income families an integrated family allowance program. The integrated family allowance combines the Quebec family allowance, the allowance for younger children and takes into account amounts payable under the Canada Child Tax Benefit.

The amount of the Quebec family allowance varies according to the level of family income, family type (single parent or two-parent), and the number of children (one to four). Families with net incomes of \$15,000 or less receive annual allowances of between \$975 and \$4,046 depending on the family type and the number of children. Families with net incomes between \$20,000 and \$50,000 are eligible to receive annual allowances in the range of \$131 and \$1,101. For families with incomes equal to or greater than \$53,000, the annual allowance is between \$0 and \$951.

Quebec also pays its low-income working families through the Parental Work Assistance program (PWA). PWA is intended to help working families with low earnings, thereby keeping them in the labour force. Qualifying working families with two children are eligible to receive PWA equal to 30 percent of their annual income in excess of \$1,200 per year. PWA was counted as a part of the Quebec single-parent and couple pre-tax wage calculations.

Saskatchewan

As part of its contribution to the new NCB program, Saskatchewan introduced the Saskatchewan Child Benefit (SCB) for all low-income families and the Saskatchewan

Employment Supplement (SES) for eligible low-income working families. The basic SCB amount is \$2,004 per year for a family with two children, reduced by 30.1 percent starting at an annual income of \$15,921. The SES calculation for a family with two children is equal to 30 percent of its working income over \$1,500 per year, up to a maximum annual benefit level of \$2,520. The SCB reaches zero at an income level of \$25,921 for a family with two children.

Prior to the SCB and the SES, the Saskatchewan Family Income Plan (SFI) offered a benefit of up to \$120 per child per month to low-income working families and families on welfare. If monthly family income exceeded \$850, the benefit was decreased by 40 percent until it reached zero at an annual income of \$15,600 for a one-child family and \$19,200 for a two-child family. The Saskatchewan welfare profiles in this study were not allocated any SFI benefits because basic assistance is reduced by the amount of any SFI payments received, which results in a net change to overall income of zero. Though SFI benefits were not counted as part of income assistance income, they were accounted for in the Saskatchewan single-parent and couple pre-tax wage calculations.

British Columbia

In British Columbia, the Family Bonus Program (BCFB) was implemented in 1996 to replace welfare benefits for families with children. Until July 1998, the program provided families a maximum benefit of \$1,236 per year for each child between the ages of 2 months and 18 years. The bonus is decreased by 8 percent of net income for one-child families and 16 percent for two-child families. The \$33,540 income level is the zero-benefit point for both family types.

With the launch of the BC Earned Income Benefit (BCEIB) as part of the National Child Benefit program, the available BCFB for a two-child family was reduced to \$1,462. However, the addition of the maximum BCEIB of \$1,010 to the BCFB does not result in a net decrease in the overall BCFB level.

Federal and Provincial Tax Credits

Federal Tax Credits

The Goods and Services Tax Credit (GSTC) is a refundable credit made by the federal government to help low-income families offset the impact of paying the GST on purchases. A basic annual benefit of \$199 is paid to the head of the household, with an additional \$199 payable to the spouse or to an equivalent-to-spouse claimant aged 19 and under. Households receive an annual benefit of \$105 for any additional children age 19 and under. The credit also provides a supple-

ment to single adults, which is phased in at a rate of 2 percent of net income in excess of \$6,456 to a maximum of \$105. The credit is reduced by 5 percent of net income for families over the threshold level of \$25,921 and is eliminated at an income of \$38,500 for families with two children.

Newfoundland, Nova Scotia, and New Brunswick have harmonized their provincial sales taxes with the GST to create the Harmonized Sales Tax Credit (HSTC). For Newfoundland families, the HSTC includes an extra benefit of \$60 per child per year and \$40 per adult per year.

Provincial Tax Credits

Five provinces provide refundable tax credits to low-income households.

Quebec

In addition to the GSTC, all residents of Quebec except for dependent children qualify for the Quebec Sales Tax Credit (QSTC), a refundable tax credit paid twice a year. It is calculated using two criteria, income level and family size. Individuals receive a maximum benefit of \$154 per year and couples receive a maximum of \$308 per year. Individuals and families with gross incomes greater than \$26,000 have their QST credit reduced by 3 percent. The QSTC is included as part of basic assistance.

Ontario

The Ontario Sales and Property Tax Credits Program provides annual sales tax benefits of \$50 to \$100 per person. Renters can claim the Property Tax credit based on rent paid. A \$250 property tax credit is available to non-seniors and a \$500 property tax credit is available to seniors. The maximum sales and property tax credit is \$1,000 per household per year. For non-seniors, the sales tax credit is decreased at a threshold income of \$4,000 at a tax-back rate of 2 percent and is eliminated when annual net income reaches \$14,000. For senior citizens, the sales tax credit is decreased at a threshold income of \$22,000 at a tax-back rate of 4 percent and is eliminated when annual net incomes reaches \$24,500.

Manitoba

In Manitoba, taxpayers can claim refundable cost-of-living and property tax credits. Renters can claim the Property Tax credit based on rent paid. Individuals and spouses receive a basic cost-of-living credit of \$190 each, and spousal credits of \$110 based on age or disability. A \$25 credit is given to families for each dependent child. Property tax basic credit amounts are \$525 per household and an extra \$100 for senior citizen homeowners. The total cost-of-living credit amount is reduced by 1 percent on net family income over

\$15,032 and is eliminated at an annual income of \$40,500. As well, individuals and families in Manitoba who collect the maximum amount of income assistance are not eligible for the cost-of-living and property tax credits.

Alberta

All low-income working families in Alberta are eligible to receive the Alberta Family Employment Tax Credit (AFETC). Fully implemented in January 1998, the AFETC provides an 8 percent refundable income tax credit on annual family earned income in excess of \$6,500. Qualifying families are able to receive a maximum annual credit of \$1,000. Families with incomes over \$25,000 have their benefit reduced by 4 percent. When families reach an annual income of \$50,000, the credit is phased-out.

British Columbia

British Columbia provides annual sales-tax credits up to a maximum of \$50. Either spouse can claim an additional \$50 credit. For single persons, the credit is taxed-back at 2 percent beyond a net income of \$15,000. For spouses, the credit is taxed-back at 2 percent beyond a net income of \$18,000. Single persons with incomes greater than or equal to \$17,500 lose their eligibility for the credit. Families lose their credit eligibility when they reach an income of \$23,000.

Methodology for Calculating Federal and Provincial Child Benefits and Tax Credits

All calculations of federal and provincial child benefits and tax credits were based on the actual payments each welfare recipient would have received from January to December 1998. For example, from January to June 1998, single parent and family profiles were allocated monthly payments under the old federal Child Tax Benefit program. However, from July to December 1998, they were allocated monthly payments under the new Canada Child Tax Benefit.

The income assistance amount used to base the calculations of child benefits and tax credits for each welfare profile consisted of the following cash-based welfare income components: basic assistance, shelter allowance, and additional benefits.

Exempt Earnings

Each province allows welfare recipients to exempt, on a monthly basis, a portion of any employment income earned without any reduction in income assistance. In this study, earnings exemptions were excluded from the welfare income totals because of low usage rates. According to data

collected by the National Council of Welfare in March 1997, only about 14 percent of cases in Canada earned any employment income, from a low of 3 percent in Newfoundland to a high of 23 percent in Alberta. The impact of earnings exemptions on welfare income is presented for the single employable category in Table 9 and for the couple with two children in Table 10.

Adequacy

Total welfare incomes are compared to the Basic Needs Lines (BNLs) to determine adequacy. The BNLs provide an accurate measure of the total cost of food, shelter, clothing, as well as other basic requirements of life, such as household supplies, transportation, and health care services. BNL values vary by size of family and city of residence.

The BNL numbers used in this study were taken from the second edition of Christopher Sarlo's *Poverty in Canada* (1996). In order to make a more accurate comparison for 1998, the BNL figures for each province were inflated to a 1998 value using the All-Items Consumer Price Index.

Despite their widespread use by social-welfare groups, Statistics Canada's Low-Income Cut-Off (LICO) lines are not used in this study to measure the adequacy of welfare income because they are not poverty lines. Statistics Canada discourages their use as such. Chris Sarlo lays out several reasons for not using LICO lines as a poverty measure in his book, *Poverty in Canada* (1996; see pages 17–34). The main problem is that LICO lines, because they rise as average incomes increase, provide only a relative measure that cannot account for the contribution of higher incomes to the reduction in poverty.

Pre-Tax Wage Equivalence Calculations

Income assistance payments are non-taxable. The "pre-tax wage equivalence" is the amount of pre-tax income an individual or family would have to earn to end up with the same after-tax income as an individual or family on income assistance.

All applicable income taxes, deductions, and tax credits were factored into the wage-equivalency calculations. Applicable deductions from gross income include contributions to the Canada Pension Plan (CPP) or the Quebec Pension Plan (QPP), Employment Insurance premiums (EI) and personal income taxes (PIT). The Federal child tax benefit and any applicable provincial child benefits and tax credits were added to net incomes.



Appendix: list of discretionary benefits

(All rates are maximum allowable on a monthly basis unless otherwise stated)

Newfoundland

- Housekeeper Services (Relatives) \$239/month
- Housekeeper Services (Non-relatives) \$298/month
- Labrador Fuel, \$45/month
- Cost-of-Living Allowance for Coastal Labrador, \$150/month
- Board and Lodging and Clothing and Personal Care for Adults with Special Needs, \$731/month
- Comforts allowance, \$110/month
- Special Child Welfare Allowance \$424/month
- Blind Persons Allowance, \$89/month
- Mother/Baby Food Allowance \$45/month
- Diabetic Food Allowance \$45/month

Nova Scotia

- Family Benefits Program
- Pharmacare Program approximate expenditure per recipient of \$500/year
- Healthy Baby Program
- Family Maintenance Income Support Program
- Municipal Social Assistance
- Special employment
- Funeral and burial expenses
- Medical, dental services not covered under Hospital Insurance or Medical Services Insurance Plans
- Family counselling, day care
- Rehabilitation services

Prince Edward Island

- Optical assessment fees, \$42 per assessment
- Basic frames and single vision lenses, \$115/year
- Basic frames and bifocal lenses, \$145/year
- Transport to employment and job training, \$25/week
- Transportation for medical services, \$25/month
- Disabled Allowances (monthly): special care, \$40; medical supplies, \$40; personal comfort, \$51; house-keeping/homecare \$51; Disability Allowance from \$50-\$150 respite care, 21 days
- Homeowners Allowance, up to maximum of \$300/year
- Continuing Special Needs range from \$500–\$5,000/month
- Non-continuing Special Needs range from \$500–\$5,000/year

New Brunswick

- Youth attending secondary school, up to \$300/month
- Single parent under age 19 with child and attending a secondary school, up to \$700/month
- Single parent under age 19 with at least one child but not attending a secondary school, up to \$300/month
- Rehabilitation Services
- Casework and counselling services
- Housekeeper services
- Health and Medical Supply Allowance
- Allowance for job upgrading
- Training fees and supplies
- Tools and materials
- Special clothing

- Union Dues
- Transportation Allowance
- Legal Aid expenses
- Emergency shelter, household repairs, basic needs, and property taxes for the current year
- Funeral and Burial assistance
- Special Care Assistance: nursing homes, hospital units, etc.

Quebec

A comprehensive list of discretionary benefits was not readily available.

Ontario

- Family Benefit Allowance (FBA): Medical Report Payment \$15–\$25 per report
- Children In Need of Treatment
- Hearing Aids and Batteries: Grant 1 - behind the ear = \$217; Grant 2 - in the ear = \$175; Grant 3 - ear canal = \$217; Grant 4 - special = \$265; Dispenser (Rate 1) = \$267.50; Dispenser (Rate 2) = \$248.00; Authorizer/Dispenser (Rate 3) = \$240; Hospital (Rate 4) = \$56
- Vision Care: \$0–\$5,000 (supervisor's approval); \$5000+ (area manager's approval)
- Ontario Drug Benefit
- Dental Benefits
- Personal Needs Allowance
- Special Diet \$50–\$60/month
- Minimum Cheque Amount, Extended Health Benefits \$50 per person, \$100 per family
- Dog Guide Allowance \$64/month
- General Welfare Allowance (GWA): Special Assistance which includes: prescribed drugs; surgical supplies and dressings; travel and transportation; moving expenses; funerals and burials; dental services; prosthetic appliances; vocational training; home oxygen therapy; renal dialysis/alimentation
- Mandatory Special Necessities: diabetic supplies; surgical supplies and dressings; medical transportation
- Ontario Drug Benefit

Manitoba

- Natal Assistance: \$250 for first born child; \$75 for each additional child
- Household purchase or repair allowance
- One-time household start-up allowance of \$500
- Replacement cost for household bedding furniture once every seven years
- Moving expenses for unusual situations: uninhabitable residence, change in family size, etc.
- Annual School supplies allowance for children: up to \$40 for grades K to 6; up to \$60 for grades 7 to 8; up to \$80 for grades 9 to 12
- Special need funding for extenuating circumstances of up to \$250 per year per case, subject to approval of District Director

Saskatchewan

- Extra Clothing Allowance
- Travel Expenses
- Telephone Allowance
- Household Items
- Job and Training Start Up Costs
- Home Care Payments
- Baby-sitting
- Laundry Costs
- Moving Costs
- Home Repairs
- Back bills for rent and utilities
- Funeral Expenses
- Child Day Care Subsidy

Alberta

- Additional Shelter Allowance: \$300/month maximum
- Special Diet Allowance: \$12–\$54/month depending on condition/family size
- Infant Diets
- Baby-sitting
- Day Care

- Medical Transportation
- Employment Expenses maximum \$300 per month
- Transportation to Facilities
- Natal Allowance: \$350 for first child; \$125 for additional child
- Damage Deposit
- Utilities
- Non-emergency, irregular travel
- Moving Expenses
- Alberta Alcohol and Drug Abuse Commission (AADAC) Allowance \$15 per day
- Health Benefits
- Emergency Allowances: additional Food \$22 per adult per month; \$14 per child per month
- Additional Shelter
- Additional Child Care
- Additional Clothing: \$214 per adult; \$160 per child
- Transportation: \$0.09 per km by private vehicle; public transportation
- Major Appliance Repairs
- House Repairs

British Columbia

- Day Care Expenses
- Special Diet allowance: \$10–\$50/month depending on condition
- Homemakers allowance
- Crisis grants
- Medical and Pharmacare
- Natal allowance: \$35/month; \$70/month for multiple pregnancy; \$70 per month for multiple birth
- Guide Dog Allowance: \$62/month
- Comforts Allowance: \$82/month
- Security Deposits
- Camp Fees
- Clothing Allowance
- Identification Fees
- Medical Coverage
- Emergency Moving allowance
- Burial Allowance
- Transportation Allowance



References

Articles, books and reports

- Anderson, Martin (1978). *Welfare: The Political Economy of Welfare Reform in the United States*. Palo Alto, CA: Hoover Institution on War, Revolution, and Peace.
- Azmier, Jason, and Robert Roach (1997). *Where Are They Now? Welfare Reform in Alberta: A Survey of Former Recipients* (September). Calgary, AB: Canada West Foundation.
- Battle, Ken, and Michael Mendelson (1997). *Child Benefit Reform in Canada: An Evaluative Framework and Future Directions* (November). Ottawa, ON: Caledon Institute of Social Policy.
- Becker, Kristin A., and Merrill Matthews (1997). *Making Welfare Work: Lessons from the Best and Worst State Welfare Reform Programs*. Policy Background Number 143 (December 4). Dallas, TX: National Center for Policy Analysis.
- Boessenkool, Kenneth J. (1997). *Back to Work: Learning from the Alberta Welfare Experiment*, C.D. Howe Institute Commentary (April). Toronto, ON: C.D. Howe Institute.
- Card, David *et al.* (1998). *When Financial Incentives Encourage Work: Executive Summary* (September). Ottawa, ON: Social Research and Demonstration Corporation.
- Clark, Christopher (1995). *Work and Welfare: Looking at Both Sides of the Equation*. Perception 19, 1. Ottawa, ON: Canadian Council on Social Development.
- Davies, James B (1998). *Marginal Tax Rates in Canada: High and Getting Higher*. Commentary (No. 103, March), Toronto, ON: C.D. Howe Institute.
- Emes, Joel, and Michael Walker (1996). Are Canadians Less Compassionate than Americans? *Fraser Forum* (April): 5–17.
- Gunderson, Morley, and W. Craig Riddell (1993). *Labour Market Economics: Theory, Evidence and Policy in Canada*. 3rd ed. Toronto, ON: McGraw-Hill Ryerson.
- Sarlo, Christopher A. (1996). *Poverty in Canada*. 2nd ed. Vancouver, BC: The Fraser Institute.

- (1998). *Canadian Living Standards: 1998 Report*. Fraser Institute Critical Issues Bulletin.
- Tanner, Michael (1996). *The End of Welfare: Fighting Poverty in the Civil Society*. Washington, DC: Cato Institute.
- Tanner, Michael, Stephen Moore, and David Hartman (1995). *The Work vs. Welfare Trade-Off: An Analysis of the Total Level of Welfare Benefits by State*. Policy Analysis Number 240 (September 19). Washington, DC: Cato Institute.
- Treff, Karin, and David B. Perry (1997). *Finances of the Nation*. Toronto, ON: Canadian Tax Foundation.

Government Sources

Canada

- Canada (1998a). Summary of 1998/99 New Spending Plans under the National Child Benefit (NCB). http://socialunion.gc.ca/ncb/reinvest_e.html.
- (1998b). The National Child Benefit—Questions and Answers. http://socialunion.gc.ca/ncb/ncbfaq_e.html.
- (1998c). Update on Reinvestments under the National Child Benefit. http://socialunion.gc.ca/ncb/update_e.html.
- Finance Canada. *Budget 1997: Working Together Towards a National Child Benefit System*. Ottawa, ON: Ministry of Supply and Services.
- National Council of Welfare (1993). *Incentives and Disincentives to Work* (Autumn). Catalogue Number H68-33/1993E. Ottawa, ON: Ministry of Public Works and Government Services Canada.
- (1997a). *Another Look at Welfare Reform* (Autumn). Ottawa, Catalogue Number H68-43/1997E. ON: Ministry of Public Works and Government Services Canada.
- (1997b). *Welfare Incomes 1996* (Winter). Catalogue Number H68-27/1996E. Ottawa, ON: Ministry of Public Works and Government Services Canada.

——— (1998a). *Poverty Profile 1996* (Spring). Catalogue Number. H67-1/4-1996E. Ottawa, ON: Ministry of Public Works and Government Services Canada.

——— (1998b). *Profiles of Welfare: Myths and Realities* (Spring). Catalogue Number H68-44/1998E. Ottawa, ON: Ministry of Public Works and Government Services Canada.

Statistics Canada (1997). *Survey of Labour and Income Dynamics: Crossing the Low Income Line*. Catalogue Number 97-11.

Internet

Administration for Children and Families (1998). Change in Welfare Caseloads. <http://www.acf.dhhs.gov/news/caseload.html>.

Administration for Children and Families (1998). TANF Report to Congress Introduction. <http://www.acf.dhhs.gov/news/welfare/congress/tanfintr.html>.

Cato Institute (1996). No Welfare Reform for the District. <http://www.cato.org/dailys/9-16-96.html>.