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## Welfare in Saskatchewan: A Critical Evaluation

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## **Executive Summary**

This section provides an overview of the findings and recommendations of this study. Further details and more specific information can be found in the body of the report.

### **Welfare spending**

Saskatchewan spent nearly \$1.2 billion on social services, broadly defined, in 2001/02, representing a 22.9 percent real increase since 1993/94. The percentage of total expenditures consumed by social services also increased, from 9.7 percent in 1993/94 to 12.2 percent in 2001/02. Per capita social service spending increased from \$941 in 1993/94 to \$1,146 in 2001/02, representing a 21.8 percent real increase.

Between 1993/94 and 2001/02, Saskatchewan had the largest percentage increase in Canada in social services spending, both total and per capita. To put Saskatchewan's increase in social services spending in context, Alberta managed to decrease such spending by 42.9 percent, and neighbouring Manitoba constrained the spending increase to 2.2 percent.

Between 1993/94 and 2001/02, Saskatchewan's real social assistance spending (a more narrowly defined category of social spending that pertains more directly to welfare) dropped from \$364 million to \$356 million—a 2.2 percent decline. Real per capita expenditures on social assistance declined by 3.3 percent between 1993/94 and 2001/02, from \$362 to \$350.

Saskatchewan recorded the second smallest decline in social assistance spending between 1993/94 and 2001/02.

Saskatchewan's performance in containing expenditures in both social services and social assis-

tance spending generally lags the rest of the country—particularly the other Prairie provinces and Ontario.

### **Welfare caseload**

In 2000, there were 63,800 welfare beneficiaries in Saskatchewan, representing 6.2 percent of the provincial population. At its peak (1995), 8.1 percent of Saskatchewan's population received welfare benefits. Saskatchewan's welfare recipients have declined by 23.5 percent as a percentage of the population since the 1995 peak.

Saskatchewan's performance compares unfavourably with Ontario's 45.7 percent decline, Alberta's 70.0 percent decline, and British Columbia's 34.3 percent decline. Even Manitoba, which has done little to fundamentally reform welfare, saw the percentage of its population receiving welfare decline by 30.4 percent. Saskatchewan had the smallest drop in welfare recipients as a percentage of the population since its peak year, lagging behind all Canadian provinces except Newfoundland and Labrador.

### **Saskatchewan welfare reform: 1995 to 2002**

Saskatchewan has attempted a series of moderate welfare reforms, including the implementation of several programs aimed at reintegrating individuals into productive society, including the Provincial Training Allowance and Youth Futures and the JobStart/Future Skills Program. The centerpiece of reform thus far has been changes made under the Building Independence—Investing in Families initiative, a program which has been largely aimed at providing low-income families with income supplements and incentives

to return to work. Finally, the province has implemented a series of accountability controls and anti-fraud measures. Unfortunately, apart from the accountability initiatives, the programs have generally failed to achieve their stated objectives, resulting in the previously discussed results of increasing expenditures coupled with comparatively small caseload declines. Saskatchewan's welfare reforms are not, therefore, as fundamental as those made by Alberta, British Columbia, and many US states.

## US welfare reform

Saskatchewan, and indeed most Canadian provinces, have not implemented the type of fundamental welfare reform witnessed in the United States, which includes such changes as implementing benefit time limits, requiring work, instituting diversion programs, and harnessing the capabilities of the non-profit and for-profit sectors in augmenting (and in some cases supplanting) government provision and administration of welfare.

Since the 1996 US reforms, the number of welfare recipients in the country has declined by 57 percent. The effects of welfare reform on the employment and earnings of former recipients have been impressive. According to one study, between 61 and 87 percent of adults leaving welfare obtained employment. Another study determined that the average earnings of former recipients have risen steadily in the year following their departure. For instance, Temporary Assistance for Needy Families (TANF) administrative data demonstrates that the average monthly earnings of those employed increased by 43.3 percent between 1996 and 2000.

Similarly, concerns that welfare reform would detrimentally affect the most disadvantaged have been largely unfounded. Employment rates for women leaving welfare range from 62 to 90 per-

cent. Among single women with children, the number employed increased from 69 percent in 1993, to 83 percent in 1999, a 20 percent increase. A study by the Manhattan Institute concluded that the decline in welfare participation was largest for groups of single mothers commonly thought to be the most disadvantaged.

Poverty rates have simultaneously been improving. According to the US government, "As the dependency rate [for welfare] fell between 1996 and 1999, the poverty rate for all individuals fell also, from 13.7 percent in 1996 to 11.8 percent in 1999. The poverty rate fell again in 2000, declining to 11.3 percent, the lowest rate since 1979."

The combination of benefit time limits, diversion programs, work requirements and non-compliance sanctions, along with reorganizing the incentives that welfare recipients face so that it pays for them to work, and making use of for-profit and non-profit organizations to augment and in some cases supplant the government administration and provision of programs has been an overwhelming success in the United States. In a short 5-year period, through experimentation and focusing resources where they provide results, the US has been able to drastically reduce its caseloads, increase the employment and earnings rates of former and potential welfare recipients, and decrease the poverty rate. Canadian provinces, particularly those like Saskatchewan that have failed to implement more fundamental reforms, would do well to follow the lead of successful Canadian provinces and US states in reforming their welfare systems.

## Recommendations for Saskatchewan

### *1. End the entitlement to welfare*

Saskatchewan should implement some type of time limit on benefits for employable individuals,

possibly the 5-year lifetime limit on welfare common in the US, or British Columbia's recently enacted 2 years out of any 5-year limit.

## ***2. Diversion***

Saskatchewan has implemented programs that divert individuals away from welfare by helping them reconsider their situation in light of all other available resources. More needs to be done, however, including requiring initial job searches for unsubsidized employment. In addition, Saskatchewan should adopt "Job Access Loans"—one-time, lump-sum payments for employment-related needs. Diversion programs are critical since those who receive welfare benefits once are far more likely to receive them again than those who have never received benefits.

## ***3. Immediate work requirements***

Implementing immediate work requirements as a condition of receiving assistance is imperative for ending the sense of entitlement to social assistance and increasing the work participation rate among recipients. In enacting such requirements, Saskatchewan must recognize that certain recipient groups will be limited or unable to fulfill such requirements.

## ***4. Implement full-cheque sanctions***

By implementing tough sanctions on those who don't comply with welfare regulations, the US has been successful in encouraging work and moving recipients off of welfare. This aspect of reform is all the more important considering that Canadian research reveals that people on welfare who are looking for work tend to have shorter rather than longer spells on welfare. Saskatchewan should adopt reforms that sanction a portion or, preferably, the entire monthly welfare benefit after the first instance of non-compliance, taking into consideration the needs of any dependents.

## ***5. Focus on employment, not training and education***

Welfare-to-work programs aimed strictly at education and training are ineffective at reducing welfare caseloads, reducing government expenditures, or substantially raising the incomes of program participants. Despite substantial evidence, Saskatchewan continues to invest in programs that emphasize education and training. The province should eliminate government training and education programs, and refocus its efforts and financial resources on programs geared directly to assisting recipients obtain employment and employment-based training.

## ***6. Making work pay***

Saskatchewan should also focus its efforts on "making work pay" through the Saskatchewan Employment Supplement (SES) by targeting assistance exclusively to full-time employed social assistance recipients. This could be accomplished through an earnings supplement, as is currently the practice, or, more preferably, through an earned income disregard, which allows welfare recipients to earn a certain amount of income without losing or jeopardizing their welfare benefits.

## ***7. Allow private, for-profit welfare providers to operate***

Most Canadian provinces, including Saskatchewan, have yet to introduce private sector welfare-to-work programs similar to British Columbia's JobWaveBC. To date, private sector involvement in Saskatchewan welfare reform has almost exclusively taken the form of wage subsidies to private employers. If Saskatchewan is going to move recipients off the welfare rolls, then it must open the door to private, for-profit firms like JobWaveBC in order to make full use of all the opportunities available.

Furthermore, a proper incentives-based system is absent from Saskatchewan's provincial welfare administration. Many US states have saved money by following Wisconsin's lead in contracting out welfare intake, eligibility determination, and case management. Although Saskatchewan should be commended for its efforts at regionalizing and restructuring social services delivery by adopting efficient, "one-stop" access to services, the province should pursue additional administrative reforms, including the potential for privatization.

## **Conclusion**

Saskatchewan has made efforts, albeit limited ones, to reform its welfare system. However, it needs to do much more reduce caseloads, increase employment and earnings of former and potential recipients, reduce poverty, and reduce government expenditures on social services. Targeting resources and implementing the successful reforms developed in Alberta and BC and a number of US states can allow for the simultaneous achievement of both better and more compassionate services, while at the same time reducing caseloads and expenditures.

## **Introduction**

The provision of welfare and related services is one of the most sensitive activities government undertakes. Welfare recipients often face difficult situations involving serious problems—such as job loss, disability, marital breakdown—and they need assistance to tide them over for a short period until they are self-sufficient again. In many instances, individuals and families return to independence after a short duration on welfare. To extend assistance beyond this point may seem easier and more compassionate in the short-term, but it is detrimental in the long run. Those providing welfare and related services must ensure that those in need of assistance get it in a timely and supportive manner while ensuring

that the system does not become a permanent source of support. This is a difficult and trying balance at the best of times.

As jurisdictions around the world try to find a better balance between delivering welfare in a compassionate manner while not overburdening the public purse, it is critical for Canadians to evaluate social service delivery, both broadly and narrowly. This study evaluates welfare provision in Saskatchewan in light of successful reforms in Canada and the United States. It examines whether Saskatchewan's welfare system is meeting the needs of current and potential welfare recipients as well as society in general.

## **Organization of this Study**

This study is broadly divided into three sections. The first deals with welfare and welfare reform in Canada. Specifically, this section provides an overview of the provision of welfare in Canada and how federal changes enacted in 1996 permitted greater flexibility in providing welfare by the provinces. It also summarizes recent reforms in Ontario, Alberta, and British Columbia. The second section documents welfare provision in Saskatchewan. It pays particular at-

tention to reform initiatives in Saskatchewan since 1995. The final section presents information on the welfare reform experiments in the United States post-1996. Finally, a brief recommendations section is based on the comparison of how Saskatchewan currently provides welfare compared with successful reform programs in Canada and the United States.

## Welfare in Canada

Canada and the United States share similar experiences with the growth in the size of government and its involvement in providing social assistance. Historically, governments in both countries refrained from actively caring for the poor; during the late nineteenth and early twentieth centuries, this responsibility rested largely with religious organizations, the community, unions, and fraternal societies (see Olasky, 1992, 1996; Beito, 2000). In Canada, the federal government began to more actively attempt to mitigate poverty by introducing the Old Age Pension Act in 1927. This piece of legislation set the foundation for future shared-cost programs through which the federal government aimed to achieve national objectives in areas of provincial responsibility.

The construction of the Canadian welfare state began in the early part of the twentieth century and culminated in the rapid expansion of the welfare state in the 1960s and 1970s. According to Ken Battle (1998), the total expenditure by all governments in Canada on all social programs in 1945/46 was \$6 billion (inflation-adjusted 1996 dollars), or 4.7 percent of GDP. This grew to \$92 billion, or 14.3 percent of GDP by 1980, then to \$154 billion, or 21.1 percent of GDP in 1992/1993 when it reached its peak. It fell to \$153 billion or 19.5 percent of GDP in 1994/1995.

Federal reforms to social assistance that affected all levels of government were implemented in the 1990s. In 1990, an income-tested Child Tax Benefit (CTB) was introduced, which eliminated the family allowance, the refundable child tax credit, and the non-refundable child tax credit. In July 1998, the federal government introduced the National Child Benefit Program. This program terminated the old CTB and Working Income Supplement and replaced it with the Canada Child Tax Benefit (CCTB) and the National Child Benefit Supplement (NCBS).<sup>1</sup>

Nevertheless, under pressure from swelling welfare rolls across Canada (peaking at 3.1 million or 10.7 percent of the population in 1994; see tables 1 and 2) and the growing demand for fiscal restraint from the Canadian public, the federal government's 1990 budget introduced a "cap" on the Canada Assistance Plan (CAP).<sup>2</sup> The cap effectively terminated the previous agreement under which the federal government would reimburse the provinces for half of their expenditures on social assistance.

In the 1995 federal budget, the Canada Social Transfer replaced CAP and the Established Programs Finance (EPF) programs. The EPF consisted of federal transfers for health care and education. In the following year, the Canada Social Transfer was renamed the Canada Health and Social Transfer (CHST), so as to demonstrate that this single block transfer by the federal government consisted of cash payments and tax transfers in support of post-secondary education, health care, and social assistance. In exchange for the reduction in assistance to provinces under the CHST, the number of conditions attached to the transfer by the federal government was reduced.<sup>3</sup> It should also be noted that in order to maintain a degree of fiscal certainty for provincial treasuries, the federal government provided a cash floor of \$11 billion, which was raised to \$12.5 billion in 1997. The total CHST cash transfer to the provinces and territories through the CHST is \$18.3 billion in 2001/2002, and will be \$19.1 billion in 2002/2003 (Federal Department of Finance, 2002).

Although many jurisdictions, particularly Alberta, were in the process of reforming social assistance prior to the CHST as a result of the "cap on CAP," the CHST stands out in Canada as a significant development. Due to the reduced level of



funding available for provincial welfare programs and the resulting decline in influence now exerted by the federal government on provincial social assistance programs, provinces have used this freedom to varying degrees to attempt to re-

structure social services in an effort to address the fiscal shortfall confronting them.

## Provincial Welfare Reforms

This section highlights reforms in welfare on a provincial basis.<sup>4</sup>

### Alberta

In 1993, Alberta moved to divert potential welfare recipients from going on welfare. This reform marked a shift in emphasis in the administrative culture, away from eligibility determination and cheque distribution towards ensuring that all potential recipients exhausted all possible avenues of support and attempted to gain employment before any assistance was granted.

After this change was fully implemented, applying for welfare became a two-step process for individuals classified as employable. During the first stage, officials can deny assistance, although they can make exceptions in cases of hardship. The second stage only commences if the applicant can demonstrate that a concerted effort has been made to exhaust other avenues of support outside of welfare, such as looking for work. The impact of Alberta's efforts at diversion is impressive:

In Alberta, the reduction in the number of new cases was the most important cause of the falloff. In late 1992, they [opened cases, both new and repeat cases] had been about 18 percent of the caseload; by 1996, they had stabilized at 7 percent. (Boessenkool, 1997, p. 11)

This finding shows that a large proportion of the reduction in welfare use came from preventing young Albertans—at or under age 34—from getting onto welfare,<sup>5</sup> and more importantly, that the rise in employment rates for these same Albertans was large enough to explain the decline in welfare rolls (Boessenkool, 2002).

### Ontario

In 1998, the Ontario government introduced the Ontario Works Act (OWA), with the stated goal of identifying the “shortest route to paid employment,” and providing “temporary financial assistance to those most in need while they satisfy obligations to become and stay employed.” Ontario Works steers welfare recipients down three distinct paths: employment support (job-search assistance); community participation (work experience through mandatory public-sector placements, or “workfare”); and employment placement (wage-subsidy programs in the private sector and self-employment support). The program is mandatory for all “employable” adults collecting welfare and is optional for disabled or senior recipients. Recipients who refuse a referral, fail to attend workfare-related programs, or fail to meet job-related performance requirements are sanctioned. The sanctions consist of a three-month denial of assistance for the first offence, and a six-month denial for the next.

**Table 1: Number of Welfare Beneficiaries, including Dependents, by Province and for Canada (in thousands)**

Year	NF	PE	NS	NB	QC	ON	MB	SK	AB	BC	Cda
2000	59.4	8.4	73.7	56.3	618.9	802.0	63.3	63.8	64.8	262.4	2,085
1999	59.9	9.8	80.9	61.8	661.3	910.1	68.7	66.5	71.9	275.2	2,279
1998	64.6	10.9	85.5	67.1	725.7	1,091.3	72.7	72.5	77.0	297.4	2,578
1997	71.9	11.1	93.7	70.6	793.3	1,149.6	79.1	79.7	89.8	321.3	2,775
1996	72.0	11.7	103.1	67.1	813.2	1,214.6	85.8	80.6	105.6	369.9	2,937
1995	71.3	12.4	104.0	67.4	802.2	1,344.6	85.2	82.2	113.2	374.3	3,071
1994	67.4	13.1	104.0	73.5	787.2	1,379.3	89.3	81.0	138.5	353.5	3,100
1993	68.1	12.6	98.7	78.1	741.4	1,287.0	88.0	68.2	196.0	323.3	2,975
1992	59.8	11.8	92.6	78.2	674.9	1,184.7	80.9	60.4	188.3	279.3	2,723
1991	51.8	10.3	86.2	71.9	594.9	929.9	71.7	53.4	156.6	244.0	2,282
1990	47.9	8.6	78.4	67.2	555.9	675.7	66.9	54.1	148.8	216.0	1,930
1989	44.8	8.3	75.6	67.7	559.3	588.2	63.0	57.2	151.7	230.0	1,856
1988	47.9	8.9	73.8	70.6	594.0	533.5	62.7	60.3	149.8	241.1	1,853
1987	50.5	9.3	73.0	73.7	649.6	518.4	60.6	62.1	150.5	247.7	1,905
1986	47.0	9.2	72.1	68.8	693.9	485.8	62.6	62.7	126.6	255.7	1,893
1985	49.1	9.6	73.6	69.1	708.7	485.8	62.8	64.0	124.1	267.6	1,923
1984	53.3	9.8	67.5	68.6	705.9	484.6	59.2	63.7	117.1	257.1	1,895
1983	51.9	11.3	69.0	70.1	675.8	471.2	55.9	59.7	130.6	228.8	1,833
1982	54.7	11.3	64.6	62.7	561.9	406.8	47.8	48.4	91.7	144.9	1,503
1981	50.4	10.1	62.4	67.4	532.9	389.8	46.9	43.8	78.1	128.0	1,418
1980	48.5	9.4	51.2	66.3	511.9	354.8	45.6	41.4	76.1	122.8	1,334
1979	39.3	8.5	50.1	65.0	478.3	382.2	47.6	42.1	80.8	146.9	1,347
1978	53.8	8.3	49.8	63.4	464.5	356.3	52.5	41.4	85.1	141.0	1,322
1977	52.4	8.7	55.9	67.1	457.1	338.9	55.3	38.8	86.5	162.0	1,328
1976	61.0	8.8	54.2	52.5	428.7	367.9	57.6	43.5	78.2	162.1	1,323
1975	63.1	8.4	52.4	55.6	416.6	336.4	56.6	45.3	78.0	162.3	1,280
1974	63.3	7.3	47.6	51.9	395.8	317.3	60.7	44.4	80.6	137.2	1,209
1973	70.9	7.2	52.9	58.6	406.5	307.9	70.4	56.7	85.5	104.0	1,221
Peak year	1996	1994	1995	1992	1996	1994	1994	1995	1993	1995	1994
# in peak	72.0	13.1	104.0	78.2	813.2	1,379.3	89.3	82.2	196.0	374.3	3,100
% change from peak*	(17.5)	(35.9)	(29.1)	(28.0)	(23.9)	(41.9)	(29.1)	(22.4)	(66.9)	(29.9)	(32.7)
# in 1990	47.9	8.6	78.4	67.2	555.9	675.7	66.9	54.1	148.8	216.0	1,930
% change from 1990*	24.0	(2.3)	(6.0)	(16.2)	11.3	18.7	(5.4)	17.9	(56.5)	21.5	8.0

Source: Cost-Shared Programs Division, Human Resources Investment Branch, Human Resources Development Canada.

**Table 2: Number of Welfare Beneficiaries, including Dependents,  
as a Percentage of Population by Province and for Canada**

Year	NF	PE	NS	NB	QC	ON	MB	SK	AB	BC	Cda
2000	11.0	6.0	7.8	7.4	8.4	6.9	5.5	6.2	2.2	6.5	6.8
1999	11.1	7.1	8.6	8.2	9.0	7.9	6.0	6.5	2.4	6.8	7.5
1998	11.9	8.0	9.1	8.9	9.9	9.6	6.4	7.1	2.6	7.4	8.5
1997	13.0	8.1	10.0	9.4	10.9	10.2	7.0	7.8	3.2	8.1	9.3
1996	12.8	8.6	11.1	8.9	11.2	10.9	7.6	7.9	3.8	9.5	9.9
1995	12.6	9.2	11.2	9.0	11.1	12.3	7.5	8.1	4.1	9.9	10.5
1994	11.7	9.8	11.2	9.8	10.9	12.7	7.9	8.0	5.1	9.6	10.7
1993	11.7	9.5	10.7	10.4	10.3	12.0	7.9	6.8	7.3	9.1	10.4
1992	10.3	9.0	10.1	10.5	9.5	11.2	7.3	6.0	7.1	8.0	9.6
1991	8.9	7.9	9.4	9.6	8.4	8.9	6.5	5.3	6.0	7.2	8.1
1990	8.3	6.6	8.6	9.1	7.9	6.6	6.0	5.4	5.8	6.6	7.0
1989	7.8	6.4	8.4	9.2	8.1	5.8	5.7	5.6	6.1	7.2	6.8
1988	8.3	6.9	8.2	9.7	8.7	5.4	5.7	5.9	6.1	7.7	6.9
1987	8.8	7.2	8.2	10.1	9.6	5.4	5.5	6.0	6.2	8.1	7.2
1986	8.2	7.2	8.1	9.5	10.3	5.1	5.7	6.1	5.2	8.5	7.3
1985	8.5	7.5	8.3	9.5	10.6	5.2	5.8	6.2	5.2	9.0	7.4
1984	9.2	7.7	7.7	9.5	10.6	5.3	5.5	6.3	4.9	8.7	7.4
1983	8.9	9.0	7.9	9.8	10.2	5.2	5.3	6.0	5.5	7.9	7.2
1982	9.5	9.1	7.5	8.9	8.5	4.6	4.6	4.9	3.9	5.0	6.0
1981	8.8	8.1	7.3	9.5	8.1	4.4	4.5	4.5	3.4	4.5	5.7
1980	8.4	7.6	6.0	9.4	7.8	4.0	4.4	4.3	3.5	4.5	5.4
1979	6.9	6.9	5.9	9.2	7.4	4.4	4.6	4.4	3.8	5.5	5.5
1978	9.5	6.8	5.9	9.0	7.2	4.1	5.0	4.3	4.2	5.4	5.5
1977	9.2	7.2	6.7	9.6	7.1	4.0	5.3	4.1	4.4	6.3	5.6
1976	10.8	7.4	6.5	7.6	6.7	4.4	5.6	4.7	4.2	6.4	5.6
1975	11.3	7.1	6.3	8.2	6.6	4.0	5.5	4.9	4.3	6.5	5.5
1974	11.5	6.3	5.8	7.8	6.3	3.9	5.9	4.9	4.6	5.6	5.3
1973	12.9	6.3	6.5	8.9	6.5	3.8	7.0	6.2	4.9	4.4	5.4
Peak year	1997	1994	1994	1992	1996	1994	1994	1995	1993	1995	1994
# in peak	13.0	9.8	11.2	10.5	11.2	12.7	7.9	8.1	7.3	9.9	10.7
% change from peak*	(15.3)	(38.2)	(30.4)	(28.9)	(24.8)	(45.8)	(30.6)	(23.3)	(70.5)	(34.5)	(36.3)
% in 1990	8.3	6.6	8.6	9.1	7.9	6.6	6.0	5.4	5.8	6.6	7.0
% change from 1990*	32.7	(7.9)	(9.2)	(18.1)	5.9	5.3	(8.8)	15.7	(62.9)	(1.3)	(2.4)

Source: Cost-Shared Programs Division, Human Resources Investment Branch, Human Resources Development Canada.

## British Columbia<sup>6</sup>

On May 30, 2002, British Columbia passed new welfare reform legislation. To underscore the province's commitment to *employment* under the BC Employment and Assistance program, new eligibility requirements, sanctions, and benefit time limits were introduced. For example, applicants 19 years of age or older are now required to be independent for two years after leaving their parents' or guardians' home to be eligible for assistance. Moreover, single parents with children over three years of age must seek employment or participate in job-related activities to remain eligible for assistance.<sup>7</sup> If, after two years, these single parents are not employed, their social assistance benefits are reduced 33 percent; only those single parents caring for a disabled child, or who are temporarily excused from seeking employment will escape this reduction (Reitsma-Street, 2002). Employable recipients who fail to meet a condition of their employment plan face a mandatory sanction of benefits.

British Columbia is the first province in Canada to experiment with benefit time limits. After April 1, 2002, each month that a welfare recipient receives assistance will count toward the 24-month time limit. Employable recipients are limited to a cumulative 24 months of welfare out of every 60 months (5 years). Upon the expiration of the time limit, rates are reduced.

On November 29, 2001, the Ministry of Human Resources issued a fast-tracked request for proposals to provide an "alternative service delivery model" for social assistance in the province.<sup>8</sup> The competition closed on January 10, 2002. The successful tender will deliver a strategy and plan for implementing new ways to deliver the ministry's core services (Employment and Assistance programs). The plan is expected to include a series of implementation projects leading to full imple-

mentation of the new service delivery model sometime in 2005.

An innovative element of BC welfare reform consists of JobWaveBC, one of several re-employment programs operated by WCG International Consultants Ltd., a private company based in Victoria.<sup>9</sup> JobWaveBC is based on a partnership between the private and public sectors. The BC Chamber of Commerce and 43 other community chambers use JobWaveBC as a free placement service to hire staff, and JobWaveBC staff provide face-to-face counseling, on-line seminars, e-coaching, and on-line search capabilities for local employment. According to Charles Belford, President of Management Smarts Inc., an Ottawa-based management consulting and training firm:

When JobWave succeeds in placing a person in a full-time job, everybody wins: JobWave's fee for service is based on savings derived through reduced income-assistance payments; small and medium-sized businesses find qualified employees through free job placement services; unemployed people are working; the government of British Columbia reduces payouts for income assistance; and taxpayer dollars are saved (2002, p. B12).

According to recent figures, JobWaveBC has "put more than 13,000 income-assistance recipients back to work in full-time jobs" (Belford, 2002, p. B12).

The emphasis of the new welfare reform legislation shifts away from unconditionally providing assistance towards the more qualified goals of "assisting people into employment," and providing "income assistance to those truly in need" (Government of British Columbia, 2002).

## Conclusion

Throughout the 1990s, incremental welfare reforms were made in jurisdictions across Canada.

However, at different times throughout the decade, welfare reform was a legislative priority, and the three provinces profiled in this section have all made concerted efforts to reform welfare. The impacts of the reforms are measurable for Alberta, Ontario, and Saskatchewan, although not yet in BC, where the results may not be measurable for some time.

## Saskatchewan

To better understand social assistance in Saskatchewan and proposals for its reform, this section examines the province's current expenditures on welfare, welfare beneficiaries, and the adequacy of welfare benefits.

### *The cost of welfare and welfare-related services*

There are two aspects of social spending germane to a discussion of welfare: total social services spending, and the more narrowly defined social assistance spending. Both categories of spending are delineated by Statistics Canada's Financial Management System (FMS). The FMS is a standardized system of accounting that allows for inter-provincial comparisons to a much greater extent than using budget information. Table 3 includes consolidated provincial and local spending on total social services for all the Canadian provinces. Table 4 contains information on consolidated provincial and local spending on social assistance.

As table 3 indicates, Saskatchewan spent a total of nearly \$1.2 billion on social services, broadly defined, in 2001/02. This represented a 22.9 percent real increase in total social services spending in Saskatchewan since 1993/94. In addition, the per-

Provincial administrations contemplating welfare reform, or in the process of reform, should take lessons from these innovative Canadian jurisdictions, which, in turn, have to a certain extent modeled their reforms along lines similar to those in the United States. The Americans have considerable experience with, and research on, welfare reform, which Canadian provincial administrations would do well to learn from.

centage of total expenditures allotted to social services has also increased, from 9.7 percent in 1993/94 to 12.2 percent in 2001/02. On a per capita basis, social services spending in Saskatchewan increased at a rate nearly identical with total social services spending. Specifically, real per capita spending on social services increased from \$941 in 1993/94 to \$1,146 in 2001/02, a 21.8 percent increase.

Table 4 contains spending information for the more narrowly defined category of social assistance. Saskatchewan experienced a 2.2 percent decline in the amount spent on social assistance between 1993/94 and 2001/02. Specifically, the inflation-adjusted amount spent on social assistance dropped from \$364 million in 1993/94 to \$356 million in 2001/02. However, the budgetary resources allocated for social assistance remained constant at 3.7 percent. Finally, real per capita expenditures on social assistance declined by 3.3 percent between 1993/94 and 2001/02, from \$362 to \$350.

Tables 3 and 4 also provide comparative information on how Saskatchewan performed relative to the other Canadian provinces. Saskatchewan experienced the largest percentage increase in both total social services spend-

**Table 3: Real (Inflation-Adjusted) Consolidated Provincial-Local Social Spending**

Province	Total Social Services Spending (1993/94)	Total Social Services Spending as a Percent of Total Spending (1993/94)	Total Social Services Spending (2001/02)	Total Social Services Spending as a Percent of Total Spending (2001/02)	Change in Total Social Services Spending from 1993/94 to 2001/02	Per Capita Social Spending (1993/94)	Per Capita Social Spending (2001/02)	Change in Per Capita Social Spending from 1993/94 to 2001/02
BC	4,286	14.4%	4,729	13.1%	10.3%	1,200	1,155	-3.8%
AB	4,813	17.8%	2,750	9.1%	-42.9%	1,802	897	-50.2%
SK	947	9.7%	1,164	12.2%	22.9%	941	1,146	21.8%
MB	1,309	12.9%	1,337	12.5%	2.1%	1,171	1,163	-0.7%
ON	17,483	18.1%	14,898	15.1%	-14.8%	1,636	1,255	-23.3%
QC	13,612	20.5%	14,756	20.4%	8.4%	1,900	1,991	4.8%
NB	640	10.7%	632	9.8%	-1.3%	853	835	-2.1%
NS	996	13.7%	680	8.9%	-31.7%	1,078	721	-33.1%
PEI	136	11.8%	77	6.4%	-43.4%	1,031	556	-46.1%
NF	573	12.4%	591	11.6%	3.1%	988	1,107	12.1%

Source: Statistics Canada, Public Institutions Division, Financial Management System (FMS), 2002; calculations by the authors.

ing and per capita social services spending between 1993/94 and 2001/02. By either measure, Saskatchewan's percentage increase nearly doubled that of the next closest provinces, BC (in total social services spending) and Newfoundland (in total social assistance spending). To put Saskatchewan's increase in social services spending in context, Alberta managed to decrease the same category of spending by 42.9 percent, Ontario achieved a 14.8 percent decline, and neighbouring Manitoba constrained the spending increase to 2.2 percent.

Interestingly, though, even at 12.2 percent, Saskatchewan is in the middle of the Canadian provinces in terms of the percentage of total resources it allocates to social services spending. The provinces' spending on social services range from 6.4 percent of total resources in PEI to 20.4 percent in Quebec.

Saskatchewan's performance is similar in the more narrowly defined social assistance spend-

ing category (table 4). Saskatchewan records the second smallest decline in social assistance spending between 1993/94 and 2001/02, tying British Columbia with a 2.2 percent reduction. Only PEI, where social assistance spending did not change at all, showed a smaller decline. On a per capita basis, Saskatchewan's decline in social assistance spending was the smallest of any province at 3.3 percent. Again, to put Saskatchewan's decrease in social assistance spending in context, Alberta managed to decrease the same category of spending by 42.6 percent, Ontario achieved a 34.4 percent decline, and neighbouring Manitoba decreased its spending by 9.8 percent.

Saskatchewan's fiscal performance for both the broadly defined social services spending and the more narrowly defined social assistance spending generally lags the rest of the country—particularly the other Prairie provinces and Ontario.

**Table 4: Real (Inflation-Adjusted) Consolidated Provincial-Local Social Assistance\* Spending**

Province	Social Assistance Spending (1993/94)	Social Assistance Spending as a Percent of Total Spending (1993/94)	Social Assistance Spending (2001/02)	Social Assistance Spending as a Percent of Total Spending (2001/02)	Change in Social Assistance Spending from 1993/94 to 2001/02	Per Capita Social Assistance Spending (1993/94)	Per Capita Social Assistance Spending (2001/02)	Change in Per Capita Social Assistance Spending from 1993/94 to 2001/02
BC	2,074	7.0%	2,025	5.6%	-2.4%	581	494	-15.0%
AB	1,428	5.3%	940	3.1%	-34.2%	535	307	-42.6%
SK	364	3.7%	356	3.7%	-2.2%	362	350	-3.3%
MB	723	7.1%	671	6.3%	-7.2%	647	583	-9.9%
ON	9,500	9.9%	6,918	7.0%	-27.2%	889	583	-34.4%
QC	5,152	7.7%	4,430	6.1%	-14.0%	719	598	-16.8%
NB	361	6.0%	240	3.7%	-33.5%	482	317	-34.2%
NS	467	6.4%	337	4.4%	-27.8%	505	357	-29.3%
PEI	55	4.8%	55	4.6%	0.0%	417	397	-4.8%
NF	354	7.6%	247	4.9%	-30.2%	610	463	-24.1%

Source: Statistics Canada, Public Institutions Division, Financial Management System (FMS), 2002; calculations by the authors.

\*Social Assistance is a sub-category of spending included in Social Services Spending. It includes, but is not limited to, general welfare payments, refundable tax credits and rebates, family allowance payments, child tax benefits, rent supplements, and administrative costs associated with such programs.

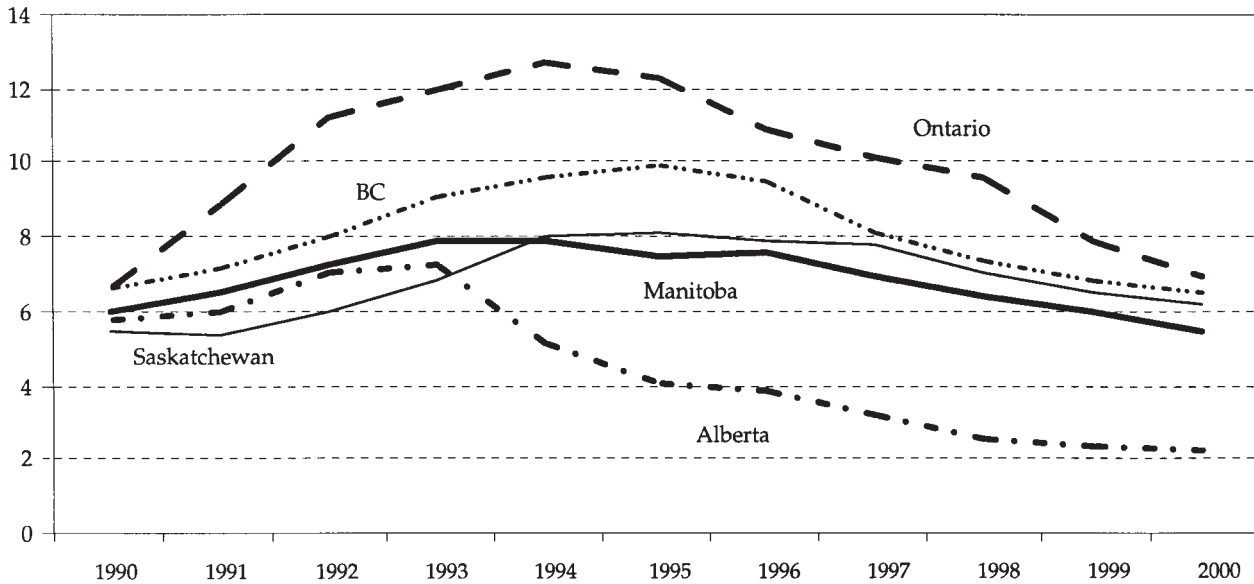
### *Welfare caseload*

In 2000, the most recent year for which data is available, there were 63,800 welfare beneficiaries in Saskatchewan,<sup>10</sup> representing 6.2 percent of the population. At its peak in 1995, 8.1 percent of the population of Saskatchewan received welfare benefits.

A comparison with leading welfare reform jurisdictions reveals that in Ontario, the number of welfare recipients as a percentage of the population in Ontario peaked in 1994 at 12.7 percent, in Alberta it peaked in 1993 at 7.3 percent, and in British Columbia it peaked in 1995 at 9.9 percent (figure 1). Although each of these provinces implemented their welfare reforms at different times throughout the 1990s, the percentage change from their respective peak years to the year 2000 reveals that in Ontario, welfare beneficiaries as a percentage of the population declined

45.7 percent; in Saskatchewan welfare beneficiaries as a percentage of the population declined 23.5 percent; and in Alberta beneficiaries declined 70.0 percent as a percentage of the population. Meanwhile, British Columbia experienced a decline of 34.3 percent.<sup>11</sup> In comparison with these and all other provinces, Saskatchewan had the smallest decline of welfare recipients as a percentage of the population since its peak year, lagging behind all Canadian provinces except Newfoundland and Labrador.

The welfare caseload in Saskatchewan is also revealing.<sup>12</sup> The family status of the caseload has changed over time (table 5). Between 1994/95 and 2001/02, two-parent families have declined by 52.0 percent, single-parent families have declined by 25.5 percent, childless couples have fallen by 22.2 percent, and single recipients have fallen by 9.2 percent. Meanwhile, the average age of the head of the household is increasing (table 6).

**Figure 1: Welfare Beneficiaries as a Percentage of the Population**

Source: Cost-Shared Division, Human Resources Investment Branch, Human Resources Development Canada.

From FY 1994/95 to 2001/02, all categories of recipients aged 34 or younger have declined significantly—ranging from a decrease of 45.8 percent for recipients under 20 to a decrease of 33.4 percent for recipients 25-34 years of age. On the other hand, recipients 35 to 44 years of age have fallen

by a mere 3.7 percent, and recipients aged 45 and older have increased by 6.8 percent. At the same time, the caseload consists of a greater number of disabled recipients (table 7). From FY 1994/95 to 2001/02, there has been a 31.2 percent increase in disabled recipients.

**Table 5: Saskatchewan Assistance Plan, Average Monthly Caseload by Family Type**

Year	Singles	Percent- age of Total	Childless Couples	Percent- age of Total	Single Parents	Percent- age of Total	Two Parents	Percent- age of Total	Total
1994/95	21,332	53.8	1,596	4.0	11,993	30.2	4,736	11.9	39,658
1995/96	21,175	53.5	1,583	4.0	12,279	31.0	4,535	11.5	39,571
1996/97	20,715	53.3	1,536	4.0	12,386	31.8	4,264	11.0	38,900
1997/98	20,030	53.9	1,472	4.0	11,775	31.7	3,913	10.5	37,190
1998/99	19,675	56.5	1,447	4.2	10,383	29.8	3,337	9.6	34,842
1999/00	20,103	58.7	1,469	4.3	9,747	28.5	2,930	8.6	34,249
2000/01	19,931	59.7	1,399	4.2	9,453	28.3	2,581	7.7	33,363
2001/02	19,368	60.9	1,241	3.9	8,941	28.1	2,272	7.1	31,821
Percentage change 1994/95 – 2001/02	-9.2		-22.3		-25.5		-52.0		-19.8

Source: Management Information, Income Security Division, Saskatchewan Social Services.



**Table 6: Saskatchewan Assistance Plan,  
Average Monthly Caseload by Age of Case Head**

Year	Under 20	Per- centage of Total	Age 20 to 24	Per- centage of Total	Age 25 to 34	Per- centage of Total	Age 35 to 44	Per- centage of Total	Age 45+	Per- centage of Total	Total
1994/95	3,438	8.7	7,626	19.2	11,848	29.9	7,804	19.7	8,943	22.6	39,660
1995/96	3,058	7.7	7,485	18.9	11,782	29.8	8,183	20.7	9,065	22.9	39,571
1996/97	2,625	6.8	7,164	18.4	11,609	29.8	8,373	21.5	9,130	23.5	38,900
1997/98	2,421	6.5	6,466	17.4	10,787	29.0	8,328	22.4	9,187	24.7	37,190
1998/99	2,222	6.4	5,765	16.5	9,649	27.7	7,980	22.9	9,227	26.5	34,842
1999/00	2,212	6.5	5,590	16.3	9,138	26.7	7,903	23.1	9,406	27.5	34,249
2000/01	2,144	6.4	5,363	16.1	8,615	25.8	7,758	23.3	9,484	28.4	33,363
2001/02	1,862	5.9	4,994	15.7	7,895	24.8	7,515	23.6	9,554	30.0	31,821
Percentage change 1994/95- 2001/02	-45.8		-34.5		-33.4		-3.7		6.8		-19.8

Source: Management Information, Income Security Division, Saskatchewan Social Services.

In terms of their case employment status, Saskatchewan divides its caseload into seven distinct categories of recipient: seeking work, job-ready, in training, sheltered workshop, employed, partially employable, and unemployable.<sup>13</sup> In FY 2001/02, 31.9 percent of the caseload was seeking work, 4.3 percent was in training, 5.3 percent was

employed full- or part-time, 24.6 percent was partially employable, and 24.9 percent was unemployable. From FY 1994/95 to FY 2001/02, the percentage of the caseload seeking work declined by 20.4 percent, the percentage in training fell by 16.2 percent, the percentage employed fell by 18.5 percent, the percentage partially employable increased by 42.2 percent and the percentage deemed unemployable increased by 6.4 percent (table 8).

**Table 7: Saskatchewan Assistance Plan, Average  
Monthly Caseload, by Disability Status of Case Head**

Year	Disabled	Percentage of Total	Not Disabled	Percentage of Total	Total
1994/95	9,039	22.8	30,621	77.2	39,660
1995/96	9,421	23.8	30,150	76.2	39,571
1996/97	9,714	25.0	29,187	75.0	38,900
1997/98	10,072	27.1	27,118	72.9	37,190
1998/99	10,356	29.7	24,486	70.3	34,842
1999/00	10,742	31.4	23,508	68.6	34,249
2000/01	11,317	33.9	22,046	66.1	33,363
2001/02	11,856	37.3	19,965	62.7	31,821
Percentage change 1994/95- 2001/02	31.2		-34.8		-19.8

Source: Management Information, Income Security Division, Saskatchewan Social Services.

### *Adequacy of welfare benefits*

The Saskatchewan Assistance Plan is the main program that provides social assistance recipients with their monthly, means-tested, cash support. Claims concerning the potential inadequacy of welfare benefits are almost always based on a comparison with Statistics Canada's Low Income Cut-Offs (LICOs),

**Table 8: Saskatchewan Assistance Plan, Case Employment Status**

Years	Seeking Work (1)	Percentage of Total	Job Ready (2)	Percentage of Total	In Training (3)	Percentage of Total	Sheltered Workshop (4)	Percentage of Total	Employed Full-time/Part-time (5)	Percentage of Total	Partially Employable (6)	Percentage of Total	Unemployable (7)	Percentage of Total	Total Cases
1994-95	15,887	40.1	127	0.3	1,462	3.7	3,442	8.7	2,586	6.5	6,876	17.3	9,267	23.4	39,660
1995-96	14,466	36.6	1,076	2.7	1,460	3.7	2,990	7.6	2,515	6.4	7,545	19.1	9,508	24.0	39,571
1996-97	13,958	35.9	1,377	3.5	1,448	3.7	2,581	6.6	2,567	6.6	7,807	20.1	9,144	23.5	38,900
1997-98	13,357	35.9	1,230	3.3	1,423	3.8	2,260	6.1	2,460	6.6	7,680	20.7	8,740	23.5	37,190
1998-99	12,263	35.2	1,022	2.9	1,367	3.9	2,239	6.4	2,072	6.0	7,459	21.4	8,399	24.1	34,842
1999-00	12,220	35.7	798	2.3	1,355	4.0	2,236	6.5	1,831	5.3	7,695	22.5	8,092	23.6	34,249
2000-01	11,619	34.8	584	1.8	1,365	4.1	2,339	7.0	1,753	5.3	7,723	23.2	7,959	23.9	33,363
2001-02	10,158	31.9	461	1.5	1,363	4.3	2,378	7.5	1,684	5.3	7,828	24.6	7,933	24.9	31,821
Percentage change 1994/95 - 2001/02	-36.1	-20.4	263.0	400.0	-6.8	16.2	-30.9	-13.8	-34.9	-18.5	13.8	42.2	-14.4	6.4	-19.8

Note: Saskatchewan has an eighth category, referred to as "Blank Code," which acts as a reconciliation category. It was omitted in this table.  
Source: Management Information, Income Security Division, Saskatchewan Social Services.

which are often misrepresented as Canada's poverty line.

In *Measuring Poverty in Canada* (2001), Chris Sarlo explains why LICOs are not a good measure of poverty, and points out that Statistics Canada constantly warns against their use as such.<sup>14</sup> The strongest and most recent warning against the use of LICO lines as poverty lines came from Chief Statistician Ivan Fellegi:

For many years, Statistics Canada has published a set of measures called the low-income cut-offs. We regularly and consistently emphasize that these are quite different from measures of poverty. They reflect a well-defined methodology, which identifies those who are substantially worse off than the average. Of course, being significantly worse off than the average does not necessarily mean that one is poor ... Statistics Canada does not and cannot measure the level of poverty in Canada. (1997)

According to Sarlo, the main problem is that "LICO is a 'relative' measure in the sense that it rises with increases in average spending. This 'relativism' means that LICO is really measuring inequality and not poverty" (2001, p. 5). He also points out another problem, stating: "the LICO measure has no relation to the actual costs that people must face in buying the necessities" (2001, p. 5). Hence, 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" (Emes and Kreptul, 1999, p. 3). Professor Sarlo has developed an alternative to LICOs: the Basic Needs Lines (BNLs). Basic Needs Lines are determined by using a thorough measure of what it costs to purchase the basic necessities in Canada. BNLs include what it costs to maintain long-term physical health and well-being: a healthy diet, shelter, clothing, personal-hygiene needs, health care, transportation, and a telephone.

In 2000, a comparison of total social assistance income<sup>15</sup> in Saskatchewan with the BNL reveals that income assistance is generally adequate to meet its intended purpose of providing temporary assistance for those in need, while not acting as a disincentive towards employment (see table 9). Although LICO points towards inadequacy of benefits for all Saskatchewan households on social assistance in 2000 by as much as \$11,891 for a couple with two children, the BNL suggests that for most households, social assistance is adequate. For example, social assistance exceeds the basic needs line for disabled persons by \$359, but falls below the BNL by \$254 for a couple with two children and by \$662 for a single parent with one child. This shortfall is most likely as a result of the fact that provinces decrease social assistance benefit payments for families with children because in most instances, these families are capable of work. However, the "negative poverty gap" for single employable social assistance recipients (-\$2,279) is significant. This represents a shift away from the sort of modest "surplus" over basic needs that existed in welfare benefits for this group in earlier periods, and most likely is a recognition on the part of the province that single employables on welfare ought to receive a lower incentive-based benefit rate to encourage them to find employment.

## Summary

Saskatchewan has generally experienced larger increases or smaller declines in welfare-related spending over the better part of the last 8 years relative to the rest of the country. The province has lagged other Canadian jurisdictions in its ability to reduce the percentage of its citizens receiving welfare benefits. There also seems to be some shifting of potential welfare recipients from welfare to other programs such as Saskatchewan's Building Independence (see next section). Overall, it seems that there is a great deal of room for improvement in welfare in Saskatchewan.

**Table 9: Adequacy of Welfare Benefits in Saskatchewan, 2000**

<b>Single Employable, 2000 (\$CDN)</b>						
	<b>Total IA*</b>	<b>BNL (1997)</b>	<b>BNL adjusted for inflation</b>	<b>Total IA – Adjusted BNL</b>	<b>Poverty Line (LICO)</b>	<b>Poverty Gap (according to LICO)</b>
Ontario	6,825	9,103	9,602	(2,777)	18,371	(11,546)
Manitoba	5,554	8,177	8,625	(3,071)	18,371	(12,817)
Saskatchewan	5,852	7,709	8,131	(2,279)	15,757	(9,905)
Alberta	5,026	7,813	8,241	(3,215)	18,371	(13,345)
British Columbia	6,383	9,377	9,891	(3,508)	18,371	(11,988)
<b>Couple with two Children, 2000 (\$CDN)</b>						
	<b>Total IA*</b>	<b>BNL (1997)</b>	<b>BNL adjusted for inflation</b>	<b>Total IA – Adjusted BNL</b>	<b>Poverty Line (LICO)</b>	<b>Poverty Gap (according to LICO)</b>
Ontario	18,214	20,167	21,272	(3,058)	34,572	(16,358)
Manitoba	17,006	18,115	19,108	(2,102)	34,572	(17,566)
Saskatchewan	17,762	17,080	18,016	(254)	29,653	(11,891)
Alberta	18,268	17,309	18,258	10	34,572	(16,304)
British Columbia	18,051	20,773	21,911	(3,860)	34,572	(16,521)
<b>Disabled Person, 2000 (\$CDN)</b>						
	<b>Total IA*</b>	<b>BNL (1997)</b>	<b>BNL adjusted for inflation</b>	<b>Total IA – Adjusted BNL</b>	<b>Poverty Line (LICO)</b>	<b>Poverty Gap (according to LICO)</b>
Ontario	11,761	9,103	9,602	2,159	18,371	(6,610)
Manitoba	7,657	8,177	8,625	(968)	18,371	(10,714)
Saskatchewan	8,490	7,709	8,131	359	15,757	(7,267)
Alberta	7,587	7,813	8,241	(654)	18,371	(10,784)
British Columbia	9,672	9,377	9,891	(219)	18,371	(8,699)
<b>Single Parent with one child, 2000(\$CDN)</b>						
	<b>Total IA*</b>	<b>BNL (1997)</b>	<b>BNL adjusted for inflation</b>	<b>Total IA – Adjusted BNL</b>	<b>Poverty Line (LICO)</b>	<b>Poverty Gap (according to LICO)</b>
Ontario	13,758	14,285	15,068	(1,310)	22,964	(9,206)
Manitoba	10,748	12,831	13,534	(2,786)	22,964	(12,216)
Saskatchewan	12,099	12,098	12,761	(662)	19,697	(7,598)
Alberta	11,527	12,260	12,932	(1,405)	22,964	(11,437)
British Columbia	13,823	14,714	15,520	(1,697)	22,964	(9,141)

\*Total IA includes basic social assistance, additional benefits (if any), Canada Child Tax Benefit (if applicable), Provincial/Territorial Child Benefits (if applicable), Federal Goods and Services tax (GST) credit, and Provincial/Territorial Tax Credits (if any). Source: National Council of Welfare, 2002.

Sources: Estimated 2000 Annual Welfare Income by Type of Household and Poverty Line and LICO data provided by the National Council on Welfare (2002), *Welfare Incomes, 2000-2001*, Ottawa, ON: National Council on Welfare; Basic Needs Line (BNL) data provided by Christopher A. Sarlo (2001), *Measuring Poverty in Canada*, Vancouver, BC: The Fraser Institute.

## Saskatchewan Welfare Reform: 1995 to 2002

All Canadian provinces have attempted to varying degrees to reform their social assistance programs.

In 1995, the government of Saskatchewan, after conducting public consultations under the banner of “Preparing for the New Century: Making Choices for Today and Tomorrow,” released a discussion paper in January 1996 entitled, *Redesigning Social Assistance: Preparing for the New Century*. In this document and the February throne speech of the same year, the government outlined the challenge of putting “forward a fundamental redesign of social assistance” (Government of Saskatchewan, 1996). However, “the discussion paper’s proposals were thin on detail and had no price tags, but they pointed to major changes down the road” (National Council of Welfare, 1997).

The details and proposed changes were subsequently outlined in a discussion paper released in March 1997 entitled, *Children, Families, and Independence: Social Assistance Redesign*. The paper focused largely on directing criticism towards the federal government for its decision, outlined in its February 1997 budget, to delay the start of the new federal child benefit until July 1998. Consequently, the Saskatchewan government forged ahead with a “transition to the child benefit” package of initiatives. The province committed \$6 million in new spending, with the largest portion of it directed at increasing the income supplement for low-income families under the Saskatchewan Family Income Plan (FIP), which provided non-taxable cash assistance for eligible families with dependents under the age of 18 and income below \$9,000. The increased spending enabled FIP to increase from \$105 to \$120 a month per child in May 1997, and improved the benefit reduction rate, so that benefits would decrease by

40 cents for every dollar of income over \$850 a month, compared with 50 cents for every dollar over \$725 a month under the old system.

### Provincial Training Allowance and Youth Futures

Further attempts to redesign social assistance resulted in the introduction of the Provincial Training Allowance (PTA) and the Youth Futures (YF) pilot projects in August and September of 1997, respectively. The PTA provides a monthly allowance based on family size, which enables individuals and families with lower incomes to access adult basic education courses or skills training. As a result, the PTA is more like an income support program than a training program, and “as an income support program, the PTA is not primarily intended to move people into immediate employment” (PRA Inc., 2000, p. I). Prior to the introduction of the PTA, social assistance recipients who were enrolled in provincial training programs received social assistance for their basic living needs, or were sponsored by one of a variety of programs. Combining these programs into the PTA enabled the government to ensure that income assistance rates for individuals and families in training programs would be consistent. The YF initiative provides a variety of services to about 350 youths 22 years of age or younger, who are currently receiving social assistance or who are likely to go on welfare. Services range from counseling and education, to training and opportunities for work experience.

An evaluation of the PTA by Prairie Research Associates Inc. revealed that 93 percent of PTA clients have received social assistance at some time before entering the PTA, and some 65 percent of PTA recipients came from social assistance di-

rectly, meaning that they were on welfare the month before going on the PTA for the first time. In addition, the PTA has been unsuccessful in assisting its participants make the transition from the program to the labour force (PRA Inc., 2000). Thus, the ability of the PTA to serve as an effective transition program from government assistance to employment is questionable.

The evaluation also raises questions about the possible “cycling” of welfare recipients off social assistance under the Department of Social Services and into the PTA under the Department of Post-Secondary Education and Skills Training. Such cycling may enable provincial politicians to claim that welfare caseloads have declined, since PTA participants are not considered welfare recipients. However, these participants actually collect more financial assistance from the government than do recipients on welfare.

### **JobStart/Future Skills Program**

An evaluation of the JobStart/Future Skills Program revealed more positive results for program participants. The JobStart/Future Skills program consists of the Quick Skills program and Work-Based Training programs. Quick Skills links training to employment by focusing not on “training for training’s sake,” but rather on providing training that leads to employment (PRA Inc., 2001, p. 32). As part of this program, staff attempt to secure employment for participants after training, while encouraging trainees to do the same. Work-Based Training programs offer subsidies to employers (equal to about 50 percent of the cost) to train program participants. Employers are encouraged to hire the participants upon program completion.

Thirty-seven percent of those in the Quick Skills program reported being on welfare prior to starting the program, as did 23 percent of those in the

Work-Based Training program. Evaluation of both programs reveals that 75 percent of Quick Skills graduates find work within 3 months of finishing the program, while 77 percent of those who complete the Work-Based Training program remain at the location of their subsidized employer. However, for welfare recipients in both programs, “completion rates are lower, fewer find or retain work upon completion, and more are likely to go on Social Assistance following program completion” (PRA Inc., 2001, p. 50).<sup>16</sup>

### **Accountability controls and anti-fraud measures**

Around the same time as the above initiatives were launched, the government moved to strengthen its accountability controls. This element of reform has been common across all Canadian jurisdictions. Accountability controls range from matching the welfare caseload with other systems, such as Employment Insurance Benefits; hiring 30 verification workers who audit approximately 12,000 client files annually; and systems controls to prevent the duplication of welfare cheques. Nevertheless, according to the provincial auditor’s 2001 *Fall Report*:

The Department [Social Services] did not adequately follow its established rules and procedures to ensure that only eligible persons received the correct amount of assistance [and]... the Department’s annual verification of each recipient’s continued eligibility was not adequate. (2001, p. 323)

The Social Services bureaucracy has pursued commendable ends by attempting to reduce welfare fraud and ensure taxpayer dollars flow to recipients in need. However, in the future, efforts must be made within the ministry to ensure that internal bureaucratic welfare casework procedures do not erode the effectiveness of various measures aimed at accountability and reducing fraud.

## **Building Independence— Investing in Families**

The “Building Independence—Investing in Families” strategy is Saskatchewan’s most recent full-scale attempt at redesigning social assistance in the province. Its aim is to further assist low-income families with the cost of raising children and to help with training and employment opportunities.

### *Phase I*

In 1997, the first phase of the Building Independence—Investing in Families strategy commenced. The Saskatchewan Assistance Amendment Act of 1997 enabled the Ministry of Social Services to develop new programs (such as the Saskatchewan Child Benefit) to link with federal programs such as the National Child Benefit. On March 26, 1998, Lorne Calvert, the then Minister of Social Services, officially launched a series of programs that included the Saskatchewan Employment Supplement (SES), the Family Health Benefits (FHBs), and the Saskatchewan Child Benefit (SCB).<sup>17</sup>

The SES is a monthly payment that supplements the income earned by lower income parents from self-employment, wages, and child/spousal maintenance payments. The goal of SES is to support participation in the labour force by low-income parents while reducing the demand for social assistance by supplementing earned income and offsetting the child-related costs of working, such as daycare.<sup>18</sup> The supplement amount depends on the number of children, and the amount of monthly income or maintenance income garnered by the family. The supplement commences once earned income reaches \$126 per month. For the year ended March 31, 2001, SES payments totaled \$11.5 million (Provincial Auditor of Saskatchewan, 2001, p. 329).

Family Health Benefits is a program that provides supplementary health benefits to lower income working families. Its purpose is to prevent working families from falling onto the welfare roll because of their children’s health needs, and to assist families making the transition from welfare to employment. The program provides additional children’s coverage for dental, optometry, and chiropractic services, as well as prescription drugs, ambulance transportation, and medical supplies. More limited coverage for eye care, drugs, and chiropractic services is also provided to parents.

### *Saskatchewan Assistance Plan*

As a result of the introduction of the above programs, the Saskatchewan Assistance Plan (SAP) underwent reform. The SAP is the main program commonly referred to as “welfare” in Saskatchewan. The restructuring of SAP mainly affected the children’s basic allowance for food, clothing, household, and personal needs that existed prior to the introduction of the Canada Child Tax Benefit. The restructuring eliminated this allowance and replaced it with funding available through the federal National Child Benefit Supplement (NCBS) and the Saskatchewan Child Benefit (SCB). Eligibility for both the NCBS and the SCB are determined through the tax system rather than through an application for welfare. The SCB is a top-up to the NCBS, which is paid by the province of Saskatchewan. Families eligible to receive the NCBS are automatically eligible to receive the SCB. Consequently, the reach of the SCB goes beyond welfare families to include working families with low incomes. The SCB is phased out as the federal government increases its NCBS contribution over time.

Outside of this structural change, SAP continues to operate much as it did in the past. Social assistance and services are delivered at the regional and local level. The province is divided into six

geographic regions: Regina, Saskatoon, Southeast, Southwest, Northeast, and Northwest. Located within these regions are 22 local offices that deliver a varying range of programs and services. However, these regions, like those in British Columbia, have no decision-making capability, and as a result operate solely to deliver services.<sup>19</sup>

Under SAP, caseworkers and clients work together to determine the latter's needs and to establish case plans that move clients towards being independent. SAP requires all employable recipients to develop "transition plans" for independence, with the expectation that welfare recipients become self-supporting as soon as they are able. The welfare client and caseworker develop the transition plan by taking into consideration the client's age, education, work history, motivation, family circumstance, number and age of children,<sup>20</sup> and the barriers to independence that exist for the family. Benefits for these recipients may be withheld by caseworkers if opportunities for independence are not pursued.<sup>21</sup>

Clients who are unsuccessful in finding employment are referred to the Saskatchewan Training Strategy (STS): Bridges to Employment program or to the nearest Canada-Saskatchewan Career and Employment Services office. STS programs include the following: JobStart/Future Skills, basic education and literacy, the PTA, and the Provincial Youth Allowance.

## *Phase II*

On December 13, 2000, the second phase of the Building Independence—Investing in Families strategy commenced. The minister outlined the strategic plan for the future of social assistance and services in the province. The plan is built around an "income security redesign" consultation process and the concepts of "citizenship" and "inclusion." The concepts convey the ministry's belief that "each individual has the right to a rea-

sonable opportunity to be self-supporting and to contribute to the fullest extent of one's capabilities" (Canadian Council on Social Development, 2001).

The goal of Phase II and its consultative process is to find ways to help welfare recipients move into employment by making work a more realistic choice than welfare for Saskatchewan citizens. The ministry proposes that:

these goals be met, not by tightening eligibility criteria, reducing rates, or limiting the time a person may collect welfare, but by providing Saskatchewan families with a realistic opportunity to break the cycle of poverty and dependence for themselves and their children. (Saskatchewan Social Services, 2001, p.1)

To begin to achieve this goal, pilot projects were started in Yorkton and Regina in May 2001. The purpose of these pilot projects was to introduce new services and administrative procedures for SAP, to focus on "service delivery renewal," and to strengthen supports outside of what is generally considered welfare. Some of the new services include a call centre located in Regina as a first point of access for welfare applicants (callers are encouraged to pursue alternatives to welfare); Jobs First, a new service managed in cooperation with Post-Secondary Education and Skills Training (PSEST); and First Step. The call centre staff provide program information, referrals to non-welfare options, such as student loans and the PTA, and assessments of eligibility and employment readiness. Staff also book appointments for Jobs First or First Step, and may issue short-term financial assistance in some instances.<sup>22</sup> The call centre, Jobs First, and First Step are the central components of Saskatchewan's new Service Delivery model.

Jobs First is intended for individuals who are job ready but need to be connected to a job, which is



**Table 10: Overview of State Welfare Reforms**

State	Time Frame for Work Upon Receipt of Benefits	Earnings Disregard*	Up-front Diversion**
Alabama	Immediate	100% for 3 months, 20% in subsequent months	No
Alaska	24 months	\$150 and 33% of the remainder for 12 months, then \$150 and 25% of the remainder for 12 months, then \$150 and 15% of the remainder for 12 months, and then \$150 and 10% of the remainder for 12 months	2 months of benefits
Arizona	Immediate	\$90 and 30% of the remainder	3 months of benefits
Arkansas	Immediate	20% and 60% of the remainder	3 months of benefits
California	Immediate	\$225 and 50% of the remainder	County Option
Colorado	24 months	\$120 and 33.3% of the remainder for 4 months, then \$120 for the next 8 months, and \$90 in subsequent months	County Option
Connecticut	Immediate	100% until earnings exceed federal poverty level	No
Delaware	Immediate	\$120 and 33.3% of the remainder for 4 months, then \$120 for the next 8 months, and \$90 in subsequent months	No
Florida	Immediate	\$200 and 50% of the remainder	2 months of benefits
Georgia	24 months	\$120 and 33.3% of the remainder for 4 months, then \$120 for the next 8 months, and \$90 in subsequent months	Yes
Hawaii	24 months	20%, then \$200, then 36% of the remainder	No
Idaho	Immediate	60%	3 months of benefits
Illinois	Immediate	67%	\$1,000
Indiana	Immediate	\$120 and 33.3% of the remainder for 4 months, then \$120 for the next 8 months, and \$90 in subsequent months	No
Iowa	Immediate	20% and 50% of the remainder	No
Kansas	24 months	\$90 and 40% of the remainder	No
Kentucky	6 months	100% for 2 months (one time only), then \$120 and 33.3% of the remainder for 4 months, then \$90 in subsequent months	Yes
Louisiana	24 months	\$120 plus \$900 for 6 months, then \$120 in subsequent months	No
Maine	24 months	\$108 and 50% of the remainder	3 months of benefits
Maryland	Immediate	35%	Up to 12 months of benefits
Massachusetts	2 months	\$120 and 50% of remainder for non-exempt, \$120 and 33.3% of remainder for exempt	No
Michigan	2 months	\$200 and 20% of the remainder	No
Minnesota	24 months	38%	4 months of benefits
Mississippi	Immediate	100% for 6 months for some families, \$90 in other months	No
Missouri	24 months	\$90, plus 33.3% of remainder if employed when approved for assistance, then 67% and \$90 of the remainder for 12 months, and \$90 in subsequent months	No

*continued ...*

**Table 10: Overview of State Welfare Reforms**

State	Time Frame for Work Upon Receipt of Benefits	Earnings Disregard*	Up-front Diversion**
Montana	Immediate	\$200 and 25% of the remainder for 24 months, and \$100 in subsequent months	3 months of benefits
Nebraska	Immediate	20%	No
Nevada	24 months	100% for 3 months, 50% for the next 9 months, and greater of \$90 or 20% in subsequent months	No
New Hampshire	Immediate	50%	No
New Jersey	Immediate	100% for 1 month and 50% in subsequent months	No
New Mexico	3 months	\$125 and 50% of the remainder for single parent households, and \$225 and 50% of the remainder for two parent households	No
New York	Immediate	\$90 and 49% of the remainder	No
North Carolina	3 months	100% for 3 months, and 27.5% in subsequent months	3 months of benefits
North Dakota	Immediate	Greater of \$90 or 27%, and 50% of the "employment incentive limit" for 8 months, then greater of \$90 or 27% and 30% of the "employment incentive limit" for 2 months, then greater of \$90 or 27% and 10% of the "employment incentive limit" for 2 months, then greater of \$90 or 27% in subsequent months	No
Ohio	24 months	\$250 and 50% of the remainder	County Option
Oklahoma	Immediate	\$120 and 50% of the remainder	No
Oregon	Immediate	50%	Yes
Pennsylvania	24 months	50%	No
Rhode Island	2 months	\$170 and 50% of the remainder	3 months of benefits
South Carolina	Immediate	50% for 4 months and \$100 in subsequent months	No
South Dakota	2 months	\$90 and 20% of the remainder	2 months of benefits
Tennessee	Immediate	\$150	No
Texas	Immediate	\$120 and 90% of the remainder for 4 months and \$120 in subsequent months	\$1,000
Utah	12 months	\$100 and 50% of the remainder	3 months of benefits
Vermont	30 months***	\$150 and 25% of the remainder	No
Virginia	3 months	\$120 and 33.3% of the remainder for 4 months, then \$120 for the next 8 months, and \$90 in subsequent months	4 months of benefits
Washington	Immediate	50%	\$1,500
West Virginia	Immediate	60%	3 months of benefits
Wisconsin	Immediate	None	\$1,000
Wyoming	Immediate	\$200	No

\* "Earnings disregard" is the amount that can be earned by welfare recipients without penalty.

\*\* As of March 1999.

\*\*\* State is operating under an approved section 1115 waiver.

Source: US Department of Health & Human Services, Administration for Children & Families (2002), *Temporary Assistance for Needy Families Program (TANF): Fourth Annual Report to Congress*. Digital document available on the Internet at [www.acf.dhhs.gov/programs/opre/ar2001/indexar.htm](http://www.acf.dhhs.gov/programs/opre/ar2001/indexar.htm).

done in collaboration with Canada-Saskatchewan Career and Employment Services (CSCES) so that individuals receive an integrated service. In group sessions at CSCES offices, participants are informed of local job opportunities that suit their particular skills and experiences. Staff provide job information, such as how to apply, whom to contact, and the rate of pay. Participants who are unable to secure employment through the group sessions may be instructed in how to use other CSCES services, such as workshops on job search techniques, resume writing, and interviewing skills.

First Step is designed for new applicants proceeding to the social assistance intake process. New applicants are required to participate in group orientation sessions that are designed to orient individuals to their rights and responsibilities on welfare, while at the same time provide information about other programs and services that may help them become self-sufficient and independent. First Step then directs applicants into one of three areas: transition planning, short-term support, and long-term support.

According to Ministry research, approximately 50 percent of new contacts phoning the call centre are diverted to other resources or Jobs First sessions, and of those participating in Jobs First, 30 to 40 percent secure employment. Consequently, the regional intake of welfare applicants onto the

welfare rolls has been reduced by 25 to 30 percent over pre-pilot levels.<sup>23</sup>

## Conclusion

Through its Building Independence—Investing in Families welfare reform initiative, the Saskatchewan government has focused on providing “carrots” in the form of the Saskatchewan Employment Supplement, Family Health Benefits, and Saskatchewan Child Benefit. The emphasis of Saskatchewan’s current welfare reform efforts is clearly on “making work pay,” not solely for welfare recipients but for the general low-income population of the province. At the same time, training and education has been an area where the province continues to spend financial resources.

In taking this route, Saskatchewan politicians have chosen not to more fundamentally reform the welfare system, as other Canadian jurisdictions have. Specifically, workfare arrangements do not exist for employable welfare recipients unable to find work, caseworkers are under no obligation to impose a sanction after a client violates a provision relating to social assistance receipt, and entitlement to welfare for employable beneficiaries still exists. In addition, Saskatchewan has eschewed alternative service delivery models for welfare, such as privatization or faith and/or charity-based provision of welfare-related services.

## US Welfare Reform

In August 1996, the US Congress passed national welfare reform legislation, referred to as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This reform marked a change of direction and philosophy for welfare provision in the United States.

### Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) is the American government’s most groundbreaking

attempt to date to dismantle and replace its flawed welfare system. PRWORA consolidated funding for the Job Opportunities and Basic Skills (JOBS) training program, Emergency Assistance (EA), and child-care assistance into the Temporary Assistance for Needy Families (TANF) block grant, which replaced Aid to Families with Dependent Children (AFDC).

Under AFDC, state welfare expenditures were matched by the federal government on an open-ended basis. However, federal funding for the TANF block grants is essentially fixed for six years at \$16.4 billion annually through 2002, which is roughly equivalent to the real 1994 level of federal funding for the programs eliminated by PRWORA.<sup>24</sup> Federal funding under TANF is also restricted in numerous other ways. Under PRWORA, states must meet demanding federal “participation” standards (a large proportion of welfare recipients must be in work or work-related activities) and limit assistance for most families to a maximum of 5 years in order to receive their full TANF grant. States failing to satisfy work requirements or comply with the 5-year limit on assistance face a 5 percent penalty which increases by 2 percent per year for each consecutive work requirement failure, and a one-time 5 percent penalty for the latter infraction.<sup>25</sup>

At the same time, PRWORA gives states new flexibility in designing welfare rules, in deciding how to allocate funds, and in determining which families receive assistance and under what circumstances. Consequently, the incentive structure of welfare delivery in the United States has been transformed. Although states currently possess vast new flexibility to spend TANF funds “in a manner reasonably calculated to accomplish the purposes of the block grant” (ACF, 2001) while reaping the savings from moving recipients off welfare and into jobs, states will also bear most of the increased cost if spending rises. Thus, unlike under AFDC, the fixed nature of the TANF block

grant accompanied by federal conditions specifying work-related participation requirements and a benefit time limit create the appropriate incentives to encourage this state-based experimentation and innovation with welfare delivery to move welfare recipients off of welfare and into work.

## **Highlights of Temporary Assistance for Needy Families (TANF)**

### *Work requirements*

With few exceptions, states must move welfare recipients into work after a maximum of 24 months of assistance. Table 10 shows the time frame for work requirements state by state.<sup>26</sup> In FY 1997, states had to have 25 percent of all families participating in specified work activities. The threshold increases by five percentage points a year, reaching 50 percent by FY 2002. Minimum participation rates for two-parent families started at 75 percent in FY 1997 and rose to 90 percent by 2001. If a state reduces its welfare caseload while not restricting eligibility, it can receive a caseload reduction credit, which reduces the minimum participation rates that state must achieve.

Many states have used the flexibility granted to them under PRWORA to legislate immediate work requirements. Failure on the part of a recipient to participate in a work-related activity can result in a reduction or a termination of benefits to the family. States have the option of excluding parents of children under the age of one from any work-related requirements. States vary in terms of their specific sanction policies. Some states employ a “delayed full-cheque” sanction as compared to a “full-cheque” sanction. States that have chosen under PRWORA to implement delayed full-check sanctions generally apply sanctions that grow progressively more severe. Only after several months of non-compliance or repeated infractions will the full TANF cheque be sanc-

tioned. States that have chosen to implement full-cheque sanctions have the option of sanctioning the full TANF cheque after the first instance of non-compliance with required work or other provisions. Hence, “in short, TANF established *what* states must do (require work), but largely left to them the question of *how* to do it (Brodkin et al., 2002, p. 4).

### *Five-year time limit*

Under PRWORA, states must impose a 5-year lifetime limit on TANF-funded benefits. States may extend assistance beyond 5 years to up to 20 percent of their caseload, and may opt to extend assistance further by using state-only funds, or they may provide services to families that reach the time limit through the Social Services Block Grants. Many states have used the flexibility granted to them under PRWORA to legislate time limits shorter than 5 years.

### *“Maintenance of Effort” (MOE) clause*

As mentioned earlier, the federal government set funding for the new block grants at \$16.4 billion annually through 2002. Other grants above and beyond those normally available under TANF are available under certain conditions, such as above-average population increases.

As a result of this federal commitment, the “maintenance of effort” (MOE) clause prevents states from substantially reducing their total welfare expenditures by imposing stiff penalties on the amount of future federal block grants. Under this clause, states are required to maintain their own spending on welfare at 80 percent or more of their 1994 fiscal year level. However, states may reduce their MOE funding level to 75 percent of “historic state expenditures”<sup>27</sup> by meeting specific work requirements under PRWORA.

Under the entitlement nature of Aid to Families with Dependent Children (AFDC), federal funding matched state expenditures on welfare, both of which increased automatically with the increase in welfare caseloads. However, with the introduction of a block grant under PRWORA, federal government funding for state welfare provision is fixed. Consequently, there is much more volatility in regards to state welfare spending under PRWORA than was the case under AFDC. Although states must spend their MOE funds in a given fiscal year, they have the flexibility to place some of their block grant aside for potential necessary future increases in welfare spending resulting from economic downturns and/or caseload growth.

### *“Charitable Choice” clause*

TANF enables states to contract with charitable, religious, or private organizations for the delivery of welfare. Section 104, otherwise known as the Charitable Choice clause, eliminated barriers that in the past prevented states from entering into partnerships with either secular or faith-based organizations to provide welfare-related services to AFDC recipients. The clause is designed to protect the religious character of faith-based organizations that opt to accept federal funds to help the poor.

### *State-earned income disregards and the federal EITC*

The wide latitude given to states in implementing PRWORA has led to the development of many welfare-to-work programs throughout the country that aim to “make work pay.” Prior to 1996 (and since 1982), a working welfare recipient lost one dollar of welfare-related assistance for each dollar of earnings after four months of earnings.<sup>28</sup> The high marginal tax rate of 100 percent or more created a powerful disincentive to work. Beginning with waivers granted under AFDC and accel-

erated after PRWORA, states introduced earned income disregards that excluded a certain amount of earnings when calculating welfare benefits.<sup>29</sup> According to Robins and Michalopoulos, by September 2001, 47 states had adopted some form of an earnings disregard (2001).

At the same time, the US federal government makes work pay through its Earned Income Tax Credit (EITC). In 1975, Congress enacted the EITC with to offset the adverse effects of Social Security and Medicare payroll taxes on working poor families and to improve work incentives by allowing these families to retain more of their income. Essentially, it is a refundable federal tax credit for eligible individuals and families who work. To qualify for the credit, both the earned income and the modified adjusted gross income for 2001 must be less than \$28,281 for a taxpayer with one qualifying child, \$32,121 for a taxpayer with more than one qualifying child, and \$10,710 for a taxpayer with no qualifying children. The EITC reduces the amount of tax you owe, and it may result in a refund for some individuals when it exceeds the amount of taxes owed for those who claim and qualify for the credit.

The following section deals specifically with the type of reform implemented. That is why the state of Wisconsin, long an innovative and successful welfare reformer, is repeatedly discussed in each of the specific reform areas outlined below.

## **Internal government reforms**

Internal government reforms focus on the nature and provision of welfare and welfare-related services by government. The most successful US states have implemented five types of internal government reforms: ending the entitlement to welfare, diversion programs, immediate work requirements coupled with sanctions for non-compliance, employment-focused work programs, and targeted programs that are designed to “make work pay.”

## **Ending the entitlement to welfare**

### *Wisconsin*

In January 1995, Work-Not-Welfare (WNW) was introduced in Wisconsin as a pilot program in two counties. This program was the first in the US to require work and place a time limit (24 months) on individual welfare recipients, effectively ending welfare as an entitlement. Other states have introduced similar time limits, although still other states have chosen to simply adopt the 5-year federal time limit maximum outlined under PRWORA. By introducing time limits, especially stricter time limits as in Wisconsin’s case, states have effectively ended people’s right to welfare benefits and, by doing so, changed the tone of welfare provision in their states.

## **Diversion**

### *Wisconsin*

An important element of the Wisconsin Works (W-2) program is diversion. Upon applying for welfare, applicants must meet with program staff for an up-front “self-sufficiency planning interview.” This interview is designed to deter individuals from applying for welfare by helping them to reconsider their personal situation in light of all other available resources. All W-2 participants are required to search for unsubsidized employment. Besides this initial interview and job search, the applicant must meet with a “resource specialist” after applying for TANF. This specialist helps the applicant identify alternative resources and, if necessary, will make referrals to other public or private agencies that provide assistance and services. As a result, Wisconsin’s effort to divert potential welfare recipients towards alternative resources is one of the most aggressive in the United States.

Wisconsin also offers Job Access Loans. These loans require that TANF applicants have an employment-related need that when solved (with the Job Access Loan), will enable the applicant to either maintain or obtain employment. Like Wisconsin, all other states that operate various lump-sum payment programs impose some form of penalty for diverted families who receive the payment if they apply for TANF benefits in the future. Wisconsin is one of the few states to aggressively ensure it receives full repayment of any Job Access Loan it provides.

### *Florida*

The state of Florida has also aggressively pursued strategies to divert people from going on welfare. In December 1999, Florida implemented its Early Exit Diversion program. This program allows TANF recipients to accept a one-time, lump-sum payment of \$1,000. Upon acceptance of the cash payment, TANF benefits are terminated, and the state's 48-month lifetime limit stops. Recipients who, for some reason, need to return to welfare, must repay a pro-rated portion of the lump sum within eight months.

When it comes to alternative resources, the state's caseworkers are expected to be knowledgeable about the resources available in the community. Florida emphasizes reserving the time-limited TANF benefits for difficult situations.

## **Immediate work requirements and sanctions**

### *Wisconsin and Wyoming*

Under Wisconsin's W-2 program, applicants sign a contract promising to begin work or training for employment within 30 days. After one year, in order to be eligible to continue receiving benefits, recipients must be working or assigned to a community-service workfare position. Similarly, in Wyoming, under the Pay-After-Performance pro-

gram, a welfare recipient must begin a job search immediately upon filing an application for assistance. After three weeks of searching for a job, a case manager with a local Employment Resources Division assesses the recipient to determine if, for example, he or she needs community work experience or basic education. Much like Wisconsin, in Wyoming failure to cooperate with the specified work requirement for even one day within a performance period will result in the recipient's entire performance payment being withheld. An immediate work requirement coupled with strong sanctions for failure to participate has been one of the most fundamental reforms to welfare in the US.

## **Strong employment focus**

### *Wisconsin*

In Wisconsin, all welfare participants are placed in the Wisconsin Works (W-2) program, which offers job placement assistance to parents with dependent children as well as similar assistance for non-custodial parents. W-2 participants report to job centers where employment planners direct them to full-time jobs.

Those unable to find private-sector employment are expected to participate in subsidized trial jobs, where the employer receives a subsidy to hire a welfare recipient for a full-time job at minimum wage or higher. The employer is expected to make a "good faith effort" to retain the subsidized worker as a permanent member of staff on a non-subsidized basis.

For those welfare recipients who lack the necessary skills or demeanor to become part of the workforce, Wisconsin provides transitional placements. These placements provide up to 28 hours a week of work and other activities (such as counseling), including 12 hours a week of educational training, while paying a flat monthly benefit.

*Oregon*

Oregon's program has a strong employment focus, with staff communicating that the primary program goal is to help people move into jobs. Job search is the most common activity. However, in contrast to many employment-focused programs like Wisconsin's W-2 program, participants are encouraged to look for and take "good" jobs—full time, paying above the minimum wage, with benefits and potential for advancement. Moreover, this program uses a more mixed services strategy than do strictly employment-focused programs. Program staff assign many participants to short-term education, vocational training, work experience, and life skills training in order to improve their employability.

**“Making Work Pay”**

In rebuilding welfare in the United States around work and self-sufficiency, work requirements coupled with sanctions for non-compliance and time limits were implemented to combat dependency. At the same time, states also used the flexibility granted to them to initiate programs involving financial incentives for welfare recipients to encourage and reward work.

Several projects and programs are being tested across the United States (and Canada) to test the effects of financial incentive programs on welfare recipients, low-income individuals and families, earnings, poverty, and children. Although each program is slightly different, all attempt to make low-wage employment pay by providing work incentives in the form of either monthly cash payments or generous earned income disregards (earnings exemptions) to supplement the earnings of low-income workers or welfare recipients.

*Minnesota*

The Minnesota Family Investment Program (MFIP)<sup>30</sup> is directed exclusively at welfare recipients, as compared to the EITC or Seattle/Denver's Income Maintenance Experiment of the early 1970s.<sup>31</sup> MFIP is a welfare-to-work demonstration program that seeks to make work pay by offering enhanced financial incentives to working families, as well as mandating employment and training workshops. MFIP's strategy consists of mandated employment-focused activities, requiring long-term welfare recipients to participate in employment and training activities unless they are working 30 hours a week or have children under the age of one. Participants receive welfare benefits until their income is 40 percent above the poverty line.

**Administrative privatization**

PRWORA removes restrictions that in the past prevented states from contracting out welfare intake, eligibility determination duties, and other administrative duties associated with welfare. Prior to PRWORA, only state employees could make benefit determinations under AFDC. States now have the flexibility, if they so desire, to administer TANF and other assistance programs through vouchers and by awarding contracts to private for-profit and non-profit organizations.

*Wisconsin*

Wisconsin has been a leader in the area of privatization, as it was the first state to privatize entire areas of its welfare delivery system. Under W-2, Wisconsin opened up the contract process to competitive bidding for eligibility determination, case management, and delivery of other welfare-related services. However, in 1996, Wisconsin allowed publicly-operated centers that could meet certain specified performance standards and wished to continue providing welfare ser-



vices the opportunity to do so under the “right of first selection.” Wisconsin’s contracting reforms also contain important incentives for contractors. According to Jason Turner, who ran the welfare program for the state from 1993 to 1997, “Once the organization’s compensation is tied to its performance [under a policy of “capitation”], messages about desired outcomes and the actions necessary to achieve them are reinforced constantly, by every level of management, all the way down to the line worker” (Dodenhoff, 1998).

As a result of W-2 and its privatization and competition provisions, Wisconsin taxpayers saved at least \$10.25 million during the first two years of this privatization effort (Dodenhoff, 1998). Dodenhoff also points out that privatization protects taxpayers in other ways because, unlike public companies, for-profit firms pay taxes on any profit and are prevented from turning to the public purse in the event of cost overruns (Dodenhoff, 1998).

## **Program delivery privatization**

### *New York City, NY*

Perhaps one of the most innovative privatization experiments was undertaken by New York City, which entered into a contract with America Works,<sup>32</sup> a for-profit company, to place long-term unemployed New York City welfare recipients in jobs. America Works operates on the basis of a pay-for-performance standard that removes any responsibility on the part of the state for assisting welfare recipients to find private-sector employment. In terms of private-sector employers, it provides professional placement and support services to those companies that offer unemployed people entry-level positions.

America Works assists long-term welfare recipients through “supported work,” which seeks to

remove barriers that prevent otherwise employable individuals from finding and keeping jobs. This approach, aimed at those hardest to employ, consists of four main stages: orientation, training, trial work period, and recruitment. To begin, participants are prepared for the discipline necessary for working life, such as the necessity of arriving on time with a good attitude during the week-long orientation. The training portion consists of about five weeks, and covers a range of work-related skills, such as proper behaviour during interviews, and lessons on appropriate workplace attire. Next, the trial work period involves placing the participant in the work environment, initially employed through America Works and supported by its staff who visit the job site regularly to assist the participant and employer. At the end of the four-month trial period, the employer hires the participant on a full-time basis. The America Works staff remains involved, periodically intervening if problems arise.

America Works receives no payment until the welfare recipient is placed in employment. At this point, the company receives an initial payment of 18 percent of the total value of the \$5,490 received for a fully-assisted recipient. If the employer hires the recipient as a permanent employee after a four-month trial period, the company receives a further 70 percent. If the recipient remains employed for the next three months, America Works receives full payment. However, if the recipient drops out of employment at any time during the seven-month window, America Works refunds to the state its intermediate payments. Studies of America Works have found that of those placed by the company in jobs over the past three years, 88 percent were still off the welfare rolls (New York State Department of Labor, 1997). This finding was confirmed by the Social Market Foundation, which noted in its study of America Works that it had been “successful in helping the long-term unemployed to find jobs and at saving public money” (Harding, 1998). Furthermore, the National Center for Policy Analysis found that

America Works is capable of training workers for \$5,490 per recipient, substantially less than the estimated \$24,000 price tag for a comparable program run by New York City (National Center for Policy Analysis, 2000).

### **Faith-based reforms: partnerships with faith-based agencies**

#### *Mississippi*

Mississippi was one of the first states to use religious congregations in its welfare reforms. The state created "Faith and Families of Mississippi," around the belief that "religious organizations will be more effective providers of social services than government agencies because of both the grass-roots character of congregations and the unambiguous moral values they embrace" (Bartkowski and Regis, 1999, p. 7). As a result, Faith and Families pairs members of congregations with welfare recipients in their area.

The networks of volunteers that assist welfare families provide such assistance as transportation, life skills, counseling, child-care, employment advice, and moral support. In March 1999, the program had 338 churches developing direct relationships with 504 families (Welfare Peer Technical Assistance Network, 1999). This initiative was immensely influential in shaping other similar state faith-based welfare reforms.

#### *Texas*

Texas modeled its program, "Family Pathfinders," after Mississippi's program. Family Pathfinders brings together a wide range of community volunteers, including religious ministers and civic activists, in teams of 3 to 8 to "adopt" welfare families. Like the Mississippi program, similar types of assistance are available depending on the need of the recipient or recipient's family. Team

members complete monthly mentoring reports that are reviewed by Pathfinders staff, who are on call to assist with concerns that may arise. Moreover, regular meetings in the local community are held in order for different teams to get together to share resources and exchange success stories. Team leaders often keep in regular contact with welfare recipients to offer encouragement and advice. The June 1999 figures for the Family Pathfinders program reveal that of 527 program participants, 399 or 75.7 percent of total participants were off TANF, and 287 or 54.4 percent of total participants were employed and off TANF (Williams and Garcia, 1999).<sup>33</sup>

### **Faith-based contracting**

#### *Michigan*

Following the Texas lead, Michigan implemented a six-county pilot program called "Project Zero" on April 1, 1996. Project Zero is unique among faith-based programs operating in the nation. The state's Family Independence Agency contracts with the Campfire Boys and Girls in one county to develop childcare to cover awkward hours of employment.

However, what truly makes Project Zero stand out from other faith-based programs is its contract with Good Samaritan Ministries, a founding organization of a national network called Love, Inc. (which stands for "Love In the Name of Christ"). Upon receiving a referral from a county welfare office, Good Samaritan Ministries assesses the needs of the family and connects them with a local church. Government officials in Ottawa County, Michigan (the first county in the nation to reduce its welfare caseload to zero) have credited much of the success of the program to the \$99,000 contract they established with Good Samaritan to recruit, train, and monitor churches that "adopt" families receiving welfare. Good Sa-

maritan was able to mobilize over 50 churches in only a couple of months (Hein, 1999).

### *Maryland*

State laws have enabled non-profit agencies to accept payments on behalf of welfare recipients who are receiving three months or less of transitional assistance before being taken off the welfare rolls. The non-profit agencies, many of which are religious congregations, use the recipients' transitional assistance to provide counseling, childcare, and other non-financial aid.

Anne Arundel County in Maryland initiated a pilot project called the Community-Directed Assistance Program (C-DAP), which offers welfare recipients the option of having their cash benefits transferred to a community agency that spends the money on the recipient's behalf. To date, most of the agencies involved are congregations, which work with the recipient to teach them responsible

financial practices, and provide counseling and other related assistance.

### **Conclusion**

Over the past several years, the US states have acted as a laboratory where experiments with different types of welfare reform, including institutional changes, bureaucratic and administrative changes, provisional changes, and privatization have taken place. The results of those experiments are now available; Canadian jurisdictions can now use the results to determine what combination of reforms will best suit their needs as they work towards improving their own welfare systems. However Canadian jurisdictions rework their welfare programs, the core foundation for successful reforms seems to involve a combination of limited benefit periods with strong work requirements and sanctions, coupled with proactive diversion programs along with innovative approaches to program support and delivery.

## **The Results of PRWORA and State Welfare Reforms**

The US welfare system is being transformed into a work-focused temporary assistance program for families in need. As a result of the reforms described earlier, potential welfare applicants have an increased incentive to avoid welfare. Welfare recipients are being strongly encouraged to work, using the system as a temporary support program, not as a long-term crutch. The following section assesses the results of welfare reform in the US using several criteria: caseload reductions; earnings and employment; and poverty rates.

### **Welfare caseload reductions**

Since the introduction of PRWORA at the federal level, and TANF at the state level, the number of

welfare recipients has declined nationally by 57 percent from 12,241,489 in August 1996 to a low of 5,284,711 in December of 2001 (table 11) (USHHS, 2002b). Over three-quarters of the reduction in the US average monthly number of recipients since March 1994 occurred after the introduction of TANF. These are the largest caseload declines in the history of US public assistance programs. According to the Office of Planning, Research and Evaluation for the Administration for Children and Families, "Over the last five years, 46 states have reduced their caseloads by at least 40 percent; nine by over 70 percent. Post-TANF declines range from 21.9 to 92.3 percent, with a median of 53.2 percent; over two-thirds of the declines were in the 40-70 percent range" (USHHS, 2002b, p. II-1).

**Table 11: Number and Percentage of Individuals and Families Receiving Aid to Families with Dependent Children (AFDC) and Temporary Assistance to Needy Families (TANF), 1936-2000**

Year	Recipients	Families	Recipients as a percentage of the population	Families as a percentage of the population	Year	Recipients	Families	Recipients as a percentage of the population	Families as a percentage of the population
1936	534,000	147,000	0.4	0.1	1971	10,241,000	2,762,000	4.9	1.3
1937	674,000	194,000	0.5	0.2	1972	10,947,000	3,049,000	5.2	1.5
1938	895,000	258,000	0.7	0.2	1973	10,949,000	3,148,000	5.2	1.5
1939	1,042,000	305,000	0.8	0.2	1974	10,864,000	3,230,000	5.1	1.5
1940	1,182,000	349,000	0.9	0.3	1975	11,165,185	3,498,000	5.2	1.6
1941	1,319,000	387,000	1.0	0.3	1976	11,386,371	3,579,000	5.2	1.6
1942	1,317,000	387,000	1.0	0.3	1977	11,129,702	3,588,000	5.1	1.6
1943	1,050,000	304,000	0.8	0.2	1978	10,671,812	3,522,000	4.8	1.6
1944	910,000	260,000	0.7	0.2	1979	10,317,902	3,509,000	4.6	1.6
1945	907,000	259,000	0.6	0.2	1980	10,597,445	3,642,380	4.7	1.6
1946	1,112,000	312,000	0.8	0.2	1981	11,159,847	3,870,765	4.9	1.7
1947	1,394,000	393,000	1.0	0.3	1982	10,430,960	3,568,781	4.5	1.5
1948	1,595,000	449,000	1.1	0.3	1983	10,659,365	3,650,746	4.6	1.6
1949	1,918,000	541,000	1.3	0.4	1984	10,865,604	3,724,864	4.6	1.6
1950	2,205,000	644,000	1.4	0.4	1985	10,812,625	3,691,610	4.5	1.6
1951	2,134,000	621,000	1.4	0.4	1986	10,996,505	3,747,531	4.6	1.6
1952	2,022,000	583,000	1.3	0.4	1987	11,065,027	3,784,018	4.6	1.6
1953	1,970,000	560,000	1.2	0.3	1988	10,919,696	3,747,948	4.5	1.5
1954	2,076,000	580,000	1.3	0.4	1989	10,933,980	3,770,960	4.4	1.5
1955	2,214,000	612,000	1.3	0.4	1990	11,460,382	3,974,322	4.6	1.6
1956	2,239,000	611,000	1.3	0.4	1991	12,592,269	4,373,883	5.0	1.7
1957	2,395,000	645,000	1.4	0.4	1992	13,625,342	4,768,495	5.3	1.9
1958	2,719,000	724,000	1.6	0.4	1993	14,142,710	4,981,248	5.5	1.9
1959	2,920,000	774,000	1.6	0.4	1994	14,225,591	5,046,263	5.5	1.9
1960	3,005,000	787,000	1.7	0.4	1995	13,652,232	4,876,240	5.2	1.9
1961	3,354,000	869,000	1.8	0.5	1996	12,648,859	4,553,339	4.8	1.7
1962	3,676,000	931,000	2.0	0.5	1997	10,936,298	3,946,304	4.1	1.5
1963	3,876,000	947,000	2.0	0.5	1998	8,770,376	3,179,167	3.2	1.2
1964	4,118,000	992,000	2.1	0.5	1999	7,202,639	2,648,137	2.6	1.0
1965	4,329,000	1,039,000	2.2	0.5	Dec. 2001*	5,284,711	2,098,930	1.9	0.7
1966	4,513,000	1,088,000	2.3	0.6					
1967	5,014,000	1,217,000	2.5	0.6					
1968	5,705,000	1,410,000	2.8	0.7					
1969	6,706,000	1,698,000	3.3	0.8					
1970	8,466,000	2,208,000	4.1	1.1					

\*US population data is preliminary and is subject to change.

Source: US Department of Health and Human Services, Administration for Children and Families; U.S. Census Bureau; calculations by author.

However, significant variations in caseload reductions exist among states. From January 1993, when states began experimenting with welfare reform through demonstration waivers obtained under AFDC, to June 2000, figures from the Department of Health and Human Services (HHS) show that while the nationwide reduction in welfare caseloads was 59 percent, the reduction was only 21 percent in Hawaii, 27 percent in Rhode Island, and 32 percent in the District of Columbia (USHHS 2001a). Other states like Wyoming and Wisconsin had reduction rates (94 percent and 84 percent, respectively) well above the national average for this period (USHHS, 2001a).

The reason for the caseload decline continues to be the subject of much debate. The president's Council of Economic Advisers (CEA) estimated that between 26 percent and 36 percent of the reduction in caseloads between 1993 and 1996 was due to the strong economy (CEA, 1999). However, the CEA's analysis also concluded that only 8 to 10 percent of the reduction in caseloads between 1996 and 1998 were due to the economy, with welfare reform under TANF being crucial to reducing caseloads in that time (CEA, 1999).

The finding that welfare reform, and not the strong American economy, has led to dramatic caseload reductions has been corroborated by other studies. Rector and Youssef, using historical data, demonstrate that during 8 previous periods of economic growth, substantial and sustained AFDC caseload reduction was largely nonexistent (1999). In other words, in past periods of economic growth, welfare caseloads did not decline substantially. The researchers go on to explain that during periods of economic growth in the 1960s and '70s, caseloads remained either relatively stagnant or, in some cases, increased. A recent study by O'Neill and Hill concurs, finding that TANF accounts for more than half of the decline in welfare participation since 1996, with the economy accounting for less than 20 percent of the decline (2002).

The question then arises: considering that welfare reform has a disproportionately stronger affect on caseload declines than the economy, why has there been such a wide variation among American states in the reduction of welfare caseloads? The answer lies in key aspects of welfare reform that are given more emphasis in some states than others. In molding their individual state welfare reforms from the flexible guidelines provided by PRWORA, some states have chosen to enforce more rigorously than others items like sanctions and work requirements.

In their 1999 study *The Determinants of Welfare Caseload Decline*, Rector and Youssef found that the two most crucial attributes of successful welfare reform contributing to declining caseloads are strong sanctions and immediate work requirements.<sup>34</sup> The conclusion from Rector and Youssef's study is that states with an initial full-cheque sanction, on average, achieve caseload reductions that are 25 percent higher than states with weak sanctions. Furthermore, states with a formal, immediate work requirement, on average, achieve caseload reductions that are 11 percent higher than states without such a requirement (Rector and Youssef, 1999). In drawing the latter conclusion, the authors outline five "principal mechanisms" that explain why work requirements reduce dependence: they uncover unreported earnings, reduce the incentive for idleness on the part of the recipient (i.e., a "pay-after-performance" benefits system), prepare the recipient for employment, eliminate fraud, and send a clear message to current and potential recipients that society expects them to work for assistance.

Another recent study by Michael New concurs with Rector and Youssef: "the strength of state sanctioning policies had the largest impact on caseload declines between 1996 and 2000" (2002, p. 9). Each year, a state with an initial full-check sanction will experience a welfare caseload de-

cline 5 percentage points greater than states with delayed full-cheque sanctions.

The evidence presented above finds that an improved economy was not the key factor responsible for caseload declines across the US in the 1990s. Rather, as the experiences of Wyoming and Wisconsin reveal, for states serious about reducing their welfare caseloads, reforms consisting of, at the very least, initial full-cheque sanctions coupled with immediate work requirements appear to be necessary.

### **Employment and earnings of current and former recipients**

Caseload decline is only one measure of the success of welfare reforms. Others are evidence of improving financial status and self-sufficiency of former welfare recipients. To determine these latter measures, it is necessary to examine the employment, income, and poverty status of welfare leavers.

The effects of welfare reform on the employment and earnings of former recipients have been impressive to date. According to a study completed by the US General Accounting Office (GAO) in 1999, between 61 and 87 percent of adults leaving welfare obtained employment (GAO, 1999a). Similarly, in a comprehensive study focusing on 10 state-related work-first programs, the Office of the Assistant Secretary for Planning and Evaluation (ASPE) revealed that from 45 to 65 percent of former TANF recipients were working after leaving the program. Furthermore, in every state examined, average earnings of former recipients rose steadily in the year following their departure from TANF (Issacs and Lyon, 2000). Moreover, the *2001 TANF Annual Report to Congress* outlines that of those recipients who are employed, "in Fiscal Year (FY) 2000, 33 percent... were working, compared to 11 percent in FY 1996 [and] that the average monthly earnings of those employed increased" (USHHS, 2002a, p. 3).

The Current Population Survey (CPS) data reveals significant earnings increases for female-headed families in the bottom two income quintiles between 1996 and 2000. In the lowest income quintile, earnings for female-headed families rose from \$315 in 1996 to \$1,646 in 2000 (both in constant 2000 dollars and averaged over all families in the quintile). In the second lowest quintile, real average earnings approximately doubled, from \$6,304 in 1996 to \$11,509 in 2000. Moreover, TANF administrative data (which report only on those recipients who remain on welfare) demonstrate that the average monthly earnings of those employed increased from \$466 per month in FY 1996 to \$553 in 1998, \$598 in FY 1999, and \$668 in FY 2000; increases of 19, 28, and 43 percent respectively. The fact that welfare reform has played a role in earnings increases is supported by evaluations of broad welfare reform programs and programs that emphasize mandatory welfare-to-work activities (see Freedman, 2000; Martinson, 2000; and Michalopoulos *et al.*, 2000).

Concerns that the most "job-ready" people left welfare first, leaving behind recipients who face increasingly greater barriers to work, are being addressed. Of those recipients who left welfare between 1997 and 1999, as compared to those who left between 1995 and 1997, a lower percentage in the more recent group returned to welfare, and the more recent group has similar levels of work, earnings, and income (Loprest, 2001). Nevertheless, research continues to show that welfare recipients have relatively unstable work patterns, with many former recipients returning to the welfare rolls after short-term employment (Strawn and Martinson, 2000). In addition, successive studies reveal that most working former recipients are employed in jobs with low wages, few benefits, and little opportunity for advancement. As a result, states are directing efforts towards assisting individuals secure and maintain long-term employment.

Similarly, concerns that welfare reform would detrimentally affect the most disadvantaged in American society have largely been unfounded. Employment rates for women leaving welfare range from 62 to 90 percent (USHHS, 2001b). Among single women with children, the number employed increased from 69 percent in 1993 to 83 percent in 1999, a 20 percent increase (Grogger, 2001). The most recent research available is an in-depth analysis by O'Neill and Hill entitled, *Gaining Ground: Women, Welfare Reform and Work*. The authors conclude that

The decline in welfare participation was largest for groups of single mothers commonly thought to be the most disadvantaged: young mothers (18 to 29 years old), mothers with children under 7 years of age, high school dropouts, black and Hispanic single mothers, and those who have never been married.

Employment gains have also been the largest among disadvantaged single mothers, and TANF accounts for much of these gains: 40 percent of the increase in work participation among single mothers who are high school dropouts, 71 percent of the increase in work participation among 18-29 year old single mothers, and 83 percent of the increase in work participation among black single mothers (O'Neill and Hill, 2002, p. 2).

## Poverty

According to the federal US Department of Health and Human Services, "As the dependency

rate [for welfare] fell between 1996 and 1999, the poverty rate<sup>35</sup> for all individuals fell also, from 13.7 percent in 1996 to 11.8 percent in 1999. The poverty rate fell again in 2000, declining to 11.3 percent, the lowest rate since 1979" (USHHS, 2002c).<sup>36</sup>

Moreover, as the welfare caseload has declined since the introduction of PRWORA and TANF, so has the overall child poverty rate (as measured by the US Census Bureau), reaching 16.2 percent in 2000, the lowest rate since 1978. The 2001 TANF Annual Report to Congress reports that "this is a 21 percent decrease from the 1996 rate of 20.5 percent... [and that] between 1996 and 2000, the African American child poverty rate dropped from 39.9 percent to 30.9 percent—the lowest level on record. Over the same period, the Hispanic child poverty rate dropped from 40.3 percent to 28.0 percent—the largest four-year drop on record" (USHHS, 2002a, pp. 3-4). Consequently, approximately 4.2 million fewer people, including 2.3 million children, live in poverty today than in 1996, and hunger among children has been reduced by about 50 percent since the introduction of welfare reform (US Bureau of the Census, 1999; Andrews *et al.*, 2000).

## Conclusion

Contrary to the expectations of those opposed to welfare reform, the evidence overwhelmingly supports the success of such reforms in reducing welfare caseloads, increasing the earnings and employment of former welfare recipients, and reducing poverty rates. Across all three evaluative criteria, welfare reforms in the US have been a resounding success.

## Recommendations for Saskatchewan

Since the early 1990s, successful approaches to welfare delivery have been developed in the United States and to a more limited extent in Canada. There is now a wealth of American research on the impact of reforms on current and former welfare recipients in the United States.<sup>37</sup> If Saskatchewan is going to take the next step—and even lead the way with its welfare reforms in Canada—then it should consider the diverse reform experiences south of the border as a menu of possible initiatives it can explore.<sup>38</sup>

### End the entitlement to welfare

One important reason that reforms in the United States have produced positive results is that people no longer presume that they are entitled to welfare. Saskatchewan needs to follow the US lead by implementing a 5-year (or less) lifetime limit on welfare, or at the very least follow British Columbia's lead, as that province recently implemented a benefit time limit of 2 years out of every 5. The most recent research available shows that almost 50 percent of the Saskatchewan welfare caseload spends 25 months or more on assistance during a "spell" on welfare (National Council of Welfare, 1998). A lifetime limit of 5 years or less, including provincial exemptions for the percentage of the population that is unavoidably in need of assistance, would establish an effective incentive for recipients to become self-sufficient.

### Divert potential recipients: Require Job Search and Implement Job Access Loans

One of the first moves by any provincial administration should be to reduce the number of individuals and families joining the welfare roll for

the first time. According to Vobejda and Havemann:

The new tactic [diversion programs] is critical to understanding the remarkable decline in the number of Americans receiving welfare over the past two years. While many poor families have moved off public assistance and into jobs, many others simply have never gone on the rolls. (1998, p. A01)

Similarly, Boessenkool concluded: "The significant reduction [in the number of welfare beneficiaries in Alberta] came from a sharp decrease in individuals who were applying for welfare for the first time" (1997, pp. 11-12).

In Phase II of its Building Independence initiative, Saskatchewan has implemented programs that divert individuals away from welfare by helping them reconsider their situation in light of all other available resources. For these efforts it should be commended. However, if the province is serious about diverting potential welfare recipients, then it must make an initial job search for unsubsidized employment mandatory for all able-bodied welfare applicants.

In addition, Saskatchewan should adopt "Job Access Loans"—one-time, lump-sum payments for employment-related needs that, when resolved, will enable the applicant to either maintain or obtain employment.<sup>39</sup>

### Implement immediate work requirements

Conclusions from US studies demonstrate that states with formal, immediate work requirements achieve greater caseload reductions than states



without such requirements. In the US, work requirements range from unsubsidized employment, to subsidized private and/or public sector employment, to limited vocational and educational opportunities. Immediate work requirements as a condition of receiving assistance are imperative for ending the sense of entitlement to social assistance and increasing the work participation rate among recipients because they

Eliminate the recipient's option to receive a free income from welfare; this in turn reduces the economic utility or attractiveness of welfare for the recipient in comparison to other alternatives, such as obtaining a private-sector job or relying on family and friends for support. (Rector, 2000, p.13)

Thus, to encourage employment and reduce welfare caseloads, immediate work requirements are important.

Unfortunately, Saskatchewan has not implemented any type of workfare program. Under its current First Step program, Saskatchewan could maintain its "streaming" of welfare recipients, with the addition of work experience through community service or subsidized trial jobs, much like Wisconsin and Ontario do. After an unsuccessful initial job search as outlined above under "Diversion programs," Saskatchewan could require the applicant to begin work immediately in a workfare-style program to ensure that for employable welfare recipients, only work is compensated. For those willing to work but requiring additional assistance, aid would be available.

### **Implement full-cheque sanctions**

By implementing tough sanctions against those who don't comply with welfare regulations, the US has been successful in encouraging work and moving recipients off of welfare. American stud-

ies suggest that states with full-cheque sanctions (as compared to states with delayed full-cheque sanctions) achieve greater caseload reductions. This aspect of reform is all the more important considering that Canadian research reveals that "people on welfare who are looking for work tend to have shorter rather than longer spells on welfare" (National Council of Welfare, 1998, p. 26). If Saskatchewan is serious about reforming welfare, it should adopt reforms that sanction a portion or, preferably, the entire monthly welfare benefit after the first instance of non-compliance, taking into consideration the needs of any dependents.

### **Focus on employment, not training and education**

Welfare-to-work programs aimed strictly at education and training are not effective at reducing welfare caseloads, reducing government expenditures, or substantially raising the incomes of program participants. Numerous studies, including one by the US Department of Labor of its Job Training Partnership Act program indicate a lack of substantive results relative to the large expenditures these programs require (US Department of Labor, 1993). Despite the substantial evidence, the Saskatchewan government continues to invest increasing amounts in programs that emphasize education and training strictly. Saskatchewan should eliminate all government training and education programs (including the PTA) and refocus its efforts and financial resources on programs and initiatives geared directly to assisting recipients obtain employment. One program combining Wisconsin's W-2 program and Oregon's welfare-to-work program could be implemented, which would combine a strong employment focus with very limited short-term education, vocational training, work experience, and life skills training for those who need it.

## **Making work pay**

Ideally, Saskatchewan should also refocus its effort to “make work pay” through the SES by targeting assistance exclusively to full-time employed social assistance recipients who have been on the welfare rolls for at least a year.<sup>40</sup> This could be accomplished through an earnings supplement, as is currently the practice, or through an earned income disregard distributed through the tax system. Studies suggest that targeted programs produce the largest gains in employment and earnings at lower net costs than similar programs aimed at all low-income earners. One-year restrictions limit both delayed exits from, and new-applicant entries to the welfare rolls.

## **Allow private, for-profit welfare providers to operate**

During the 1990s, the Canadian non-profit sector emerged as an important instrument of welfare reform, while the for-profit sector was ignored. Whatever the reason, Saskatchewan has ignored opportunities to reform social assistance programs and the welfare bureaucracy.

Most Canadian provinces, including Saskatchewan, have yet to introduce private-sector welfare-to-work programs similar to America Works or JobWaveBC to encourage and assist long-time welfare recipients to find employment. To date, private-sector involvement in Saskatchewan welfare reform has almost exclusively taken the form of wage subsidies to private employers. If Saskatchewan is going to move recipients off the welfare rolls, then it must open the door to private, for-profit firms like America Works.

Furthermore, a proper, incentives-based system is absent from Saskatchewan’s provincial welfare administration. Many states have accrued

savings by following Wisconsin’s lead in contracting out welfare intake, eligibility determination, and case management. Although Saskatchewan should be commended for its efforts at regionalizing and restructuring the delivery of social services by adopting efficient “one-stop” access to services, the province should issue a request for proposals for an “alternative service delivery model” for the provision of its social assistance. By opening up the contract process to competitive bidding, the government would be reinforcing the importance of achieving desired outcomes throughout the welfare bureaucracy.

## **Encourage the involvement of non-profit organizations**

The delivery of social services by non-profit organizations throughout Saskatchewan and Canada has been limited. This is unfortunate as non-profit organizations have large networks of people capable of mobilizing volunteers to fulfill the often explicitly stated goal of serving others and assisting the needy. This is particularly true with respect to the faith community. Research has demonstrated that “religiously active volunteers make up 43 percent of volunteers in Canada and account for half of all hours volunteered” (Brown, 2000, p. 2).

Limited American research has demonstrated that faith-based welfare reforms have been successful. The research shows that these reforms have made collaboration between church and state more acceptable to public officials and religious congregations. More importantly, the research reveals that as a result of faith-based reforms, congregations have moved towards focusing on working with individual recipients through mentoring and face-to-face contact instead of simply providing the poor with commodities. This change in social service delivery has produced positive results.

Saskatchewan has the capability to provide welfare through religious and welfare-based charities (Clemens, 2000). Saskatchewan is more able than other Canadian provinces to provide welfare through such charities because of its relatively lower ratio of welfare recipients and welfare cases to charities. The province has the charitable infrastructure in place to begin considering experimentation with the charitable delivery of social assistance. Based on the outcomes to date in the United States, Saskatchewan would be wise to begin discussions with the various faith communities and private charitable organizations with the future goal of adopting reforms similar to those in the United States.

## Notes

<sup>1</sup>The CCTB is a means-tested, tax-free monthly payment to families to assist them with the costs of rearing children 18 years of age or younger. The NCBS provides low-income families with additional child benefits on top of the CCTB base benefit. Consequently, provinces, territories, and First Nations have made adjustments to income support by reinvesting savings and making additional new investments in National Child Benefit (NCB)-related programs and services for low-income families with children. The various provincial reinvestment programs generally focus on child/day care, early childhood services, children at-risk services, child benefits, earned income supplements, and supplementary health benefits.

<sup>2</sup>The cap imposed a 5 percent limit on annual increases in federal cost-sharing under CAP for social assistance and social services for the three “have” provinces of Ontario, Alberta, and British Columbia from 1990/1991 through 1994/1995.

## Conclusion

The recommendations for welfare reform in Saskatchewan outlined in this study come from American, and to a lesser extent Canadian, reforms that have demonstrated a high level of success on numerous fronts. The United States appears to be well on its way to transforming its welfare system into a work-focused and temporary assistance program.

Provincial administrations in Alberta and Ontario have used the flexibility to reform welfare on a number of fronts. More recently, British Columbia has moved in the direction of adopting welfare reforms that most closely parallel reforms in the US. The government of Saskatchewan would be wise to consider the experiences of British Columbia, Alberta, and Ontario—and especially those of our southern neighbours.

<sup>3</sup>With respect to social assistance, the only remaining condition is the ban on provincial legislation establishing residency requirements for eligibility.

<sup>4</sup>For a more detailed analysis of provincial welfare reform across Canada and the United States, see Schafer *et al.*, 2001.

<sup>5</sup>Individuals who enter the welfare system are far more likely to reuse it than similar individuals who avoid the system in the first place.

<sup>6</sup>For a comprehensive review of welfare reform in British Columbia, see Schafer and Clemens (2002), *Welfare Reform in British Columbia: A Report Card*.

<sup>7</sup>Under previous legislation, single parents with children over 7 were required to seek work.

<sup>8</sup>In Ontario, Andersen Consulting was contracted for the “Business Transformation Project,” an attempt to redesign

the technological supports and business practices of the welfare system.

<sup>9</sup>Currently, for-profit welfare reform similar to JobWaveBC exists almost exclusively in British Columbia, except for a small experimental program in Manitoba.

<sup>10</sup>Welfare beneficiary tabulations include dependents.

<sup>11</sup>The figure for British Columbia does not factor in the 2002 welfare reforms, and as a result, one might expect the number of welfare beneficiaries as a percentage of the population to fall in coming years.

<sup>12</sup>Comparison with other Western provinces and Ontario was not included due to a lack of comparable provincial data or unavailability of comparable provincial data at the time of publication.

<sup>13</sup>Welfare recipients seeking work or who are job ready are considered fully employable, whereas those in training consist of fully employable and not fully employable welfare recipients. Recipients in sheltered workshops are considered not fully employable, employed recipients are considered either fully employable or not fully employable on a full-time or part-time/casual basis, partially employable recipients are deemed not fully employable, and unemployable recipients are considered not fully employable on a short-term or long-term basis.

<sup>14</sup>This study is available on the Fraser Institute website: [www.fraserinstitute.ca](http://www.fraserinstitute.ca)

<sup>15</sup>Total social assistance income includes basic social assistance, additional benefits (if any), Canada Child Tax Benefit (if applicable), Provincial/Territorial Child Benefits (if applicable), Federal Goods and Services tax (GST) credit, and Provincial/Territorial Tax Credits (if any). See National Council of Welfare, 2002.

<sup>16</sup>The Quick Skills program and Work-Based Training Programs consist of a wide range of unemployed individuals, including but not exclusively, former and/or current social assistance recipients.

<sup>17</sup>Although launched in March, these new programs were not fully implemented and operational until July 1998.

<sup>18</sup>The US Earned Income Tax Credit (EITC) is similar to the Saskatchewan Employment Supplement (SES) in that they both supplement the earned income of low-income families. The EITC accomplishes this through the US tax system

whereas the SES operates as a wage supplement deposited monthly in the bank accounts of low-income families by the provincial government.

<sup>19</sup>On the other hand, in Alberta, regional authorities are responsible for the implementation of policy and responding to the needs of their particular areas (Alberta Family and Social Services, 1999).

<sup>20</sup>Under SAP, there is no set age for children after which the employable parent/guardian welfare recipient must seek work. Specifying the age of children after which the adult recipient must seek work is largely the case in the US and increasingly so in Canadian provinces.

<sup>21</sup>According to the Saskatchewan Assistance Plan policy manual, "When clients are unwilling to participate in pursuing self-sufficiency, eligibility is reviewed and benefits may be cancelled" (Saskatchewan Social Services, 2002a). Thus, the decision to withhold benefits when clients are unwilling to participate in pursuing self-sufficiency lies with the social assistance caseworker. In Ontario and British Columbia, employable clients that fail to meet conditions of their welfare receipt are subject to mandatory sanctions, such as Ontario's sanction of three months of assistance for the first offence, and a six-month sanction for the next.

<sup>22</sup>To support clients financially during their participation in job linkage services and until their first paycheck, call centre staff are authorized to issue a short-term allowance. The allowance may be issued to Jobs First participants for up to three weeks. The benefit is simpler than that provided for on-going social assistance cases, in that it is a flat rate and does not provide for special needs or other items available to on-going social assistance cases.

<sup>23</sup>Information provided through personal correspondence with Linda Martin, Assistant Manager, Management Information, Income Security Division, Saskatchewan Social Services and Chris Schafer (July 3, 2002). It should be noted that this finding was not corrected for other changes, such as changes in the economy, etc.

<sup>24</sup>Under limited circumstances, states experiencing a recession or economic downturn may qualify for additional federal funding through a contingency fund. The fund was set at a total of \$2 billion from Fiscal Year (FY) 1997 through to FY 2001.

<sup>25</sup>Under PRWORA, other penalties exist. Failure to meet state Maintenance of Effort requirements, submit required

data reports, etc., all result in penalties. For a more detailed breakdown, see: [www.acf.dhhs.gov/news/facts/tanfpr.htm](http://www.acf.dhhs.gov/news/facts/tanfpr.htm).

<sup>26</sup>The rules concerning when a recipient is “engaged in work” are complex. In general, “work” consists of the following: unsubsidized employment, subsidized private sector employment, subsidized public sector employment, work experience, on-the-job training, community service, vocational educational training, job search, and job readiness. PRWORA stipulates that no more than 12 months of vocational training, no more than 6 total weeks of job search, and no more than 4 consecutive weeks of job search are permissible.

<sup>27</sup>Historic state expenditures are calculated as the portion paid by the states for AFDC, EA, JOBS, and AFDC-related child-care expenditures for the fiscal year 1994.

<sup>28</sup>In some cases, the loss was greater due to the loss of other welfare-related benefits like Medicaid, etc.

<sup>29</sup>In Canada, earned income disregards are known as earnings exemptions.

<sup>30</sup>For more information on the MFIP, see: [www.dhs.state.mn.us/ecs/Program/mfipminn.htm](http://www.dhs.state.mn.us/ecs/Program/mfipminn.htm)

<sup>31</sup>The Canadian Self-Sufficiency Project (SSP) is similar to the MFIP. Canada’s SSP offers recipients who leave welfare and who work for at least 30 hours per week a generous, but time-limited, earnings supplement. SSP is being tested in New Brunswick and British Columbia and research will continue until 2002, following individuals for up to six years. For more information, see: [www.canadiansocialresearch.net/ssp.htm](http://www.canadiansocialresearch.net/ssp.htm).

<sup>32</sup>For more information, see: [www.americaworks.com](http://www.americaworks.com).

<sup>33</sup>The June 1999 figures for the Family Pathfinders program do not represent an attribution analysis. Hence, the figures do not necessarily suggest that the Texas program in and of itself caused the successful outcome.

<sup>34</sup>The study examined states with initial full-cheque sanctions, delayed full-cheque sanctions, moderate sanctions, and weak sanctions. States with full-cheque sanctions have the option of sanctioning the entire TANF benefit after the first instance of non-compliance with work requirements. Those with delayed full-cheque sanctions employ sanctions that become progressively more severe, usually over a period of several months. States with moderate sanctions opt to sanction more than a third of the TANF cheque, but some-

times the full cheque in certain circumstances. States with weak sanctions withhold only the adult portion of the TANF benefit, except in unusual circumstances. This enables recipients to retain most of the benefit even when they fail to perform required work activities.

<sup>35</sup>The official US poverty rate may not accurately reflect real levels of poverty. Some believe the poverty rate measures the wrong thing—income, rather than material desire—and income tends to be an especially unreliable predictor of true living standards because reported income often understates true available resources. For example, student loans can affect the apparent poverty status of a household when using income as an indicator. Hence, some argue that inadequate consumption rather than inadequate income may be a more reliable indicator of poverty. For further discussion see Sarlo, 2001.

<sup>36</sup>The primary data sources for this report were the Current Population Survey (CPS), the Survey of Income and Program Participation (SIPP), the Panel Study on Income Dynamics (PSID), and administrative data for the AFDC/TANF, Food Stamp, and Supplemental Security Income (SSI) programs.

<sup>37</sup>PRWORA directs the Secretary to conduct research in a range of areas related to welfare reform and its impact on different variables, and provides funding for this research. In Canada, social assistance legislation generally does not contain explicit legislative requirements for research into the impacts of welfare reform. Such legislative requirements would go some distance to aiding in the evaluation of current efforts at welfare reform in Saskatchewan and across Canada.

<sup>38</sup>Some US welfare reforms will not be applicable to Canada. The welfare caseload composition of Canadian provincial welfare rolls and US state welfare rolls vary on a number of different levels. While female single-parent families comprise the bulk of US welfare caseloads, in Canada that figure is approximately 29 percent (Canadian Council on Social Development, 1998). In addition, Canadian caseloads also consist of disabled persons, whereas in the US disabled persons fall under alternative support programs not categorized as “welfare.” This caseload reality presents obstacles in attempting to reduce welfare dependency in Canada.

<sup>39</sup>On the surface, Saskatchewan’s short-term allowances may appear to be similar to Job Access Loans. Short-term allowances are on-going payments for up to three weeks, which are designed to support a welfare applicant during their participation in a job linkage service, whereas Job Ac-

cess Loans are one-time payments designed to assist applicants with a cash need that, when solved, will enable the applicant to maintain or obtain employment.

<sup>40</sup>Under the terms and conditions of the NCB initiative, the reinvestment of monies saved as a result of the federal increase in benefits for low-income families with children has to be done in a manner consistent with the objectives of the NCB. According to Derek Parady, a Research Officer Consul-

tant with the Programs Division of Saskatchewan Social Services, "We believe that SES benefits could be targeted exclusively to existing SA [social assistance] clients without contravening the terms of the [Social Union] agreement." Nevertheless, if a targeted SES contravenes the Social Union that established the NCB, the SES could be made available to all low-income families with children (on or off of welfare) that meet minimum full-time work requirements.

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