

RESEARCH - ANALYSIS - SOLUTIONS

# CCPA REVIEW

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## Poverty Reduction and the Politics of Setting Social Assistance Rates

Over the past ten years we have begun to see provincial governments across the country implement poverty reduction plans in various forms. Manitoba is the most recent to introduce anti-poverty legislation. *The Poverty Reduction Strategy Act* includes requirements for the government to take its poverty reduction and social inclusion strategy into account when preparing budgets each fiscal year.

The *Act* does not include the kinds of timelines and targets community groups have called for, but it requires that the government of the day “prepare a yearly statement, to be tabled in the Legislative Assembly along with the budget, which will explain how the strategy is implemented by the budget, what the financial implications of the strategy will be, and what indicators (as prescribed in regulation) will be used to measure the progress of the strategy.”

Although *The Poverty Reduction Strategy Act* is far from perfect, it moves Manitoba in the right direction. However, until the Manitoba government improves the inadequate income supports for individuals and families on social assistance, the poorest Manitobans will continue to fall behind.

In a report to the Manitoba Legislature in 2008, the Office of the Auditor General (OAG) identified a

number of issues regarding Employment and Income Assistance (EIA) rates, including how rates are set. The report recommended that “the Department institute a formal documented process for reviewing and making recommendations for periodically updating basic and shelter rates, income and asset exemptions, and other income assistance allowances in a logical and equitable manner.”

In 2010, the Manitoba Ombudsman *Report on Manitoba’s Employment and Income Assistance Program* endorsed the OAG recommendation, adding that “in that process, program staff be consulted” and that “the rate-setting process be documented and made available to the public.”

Later in 2010, the Manitoba Government put forward the *All Aboard Strategy*, which highlighted a series of measures taken by the Province to improve the social and economic outcomes of low-income individuals and families. It did not deal with the fundamental issue that social assistance rates are severely inadequate.

In a 2011 paper titled *Improving the Adequacy of Social Assistance Budgets: A rationale for making current rates more adequate*, retired Manitoba Family Services senior policy analyst Harvey Stevens makes a case for clearly defining and pricing budgets for a market basket of goods and the

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setting of social assistance (SA) rates at levels adequate to purchase those goods. Social justice advocates may have trouble with Steven's methodology and final costing that leads to thresholds that are significantly below the Market Basket Measure (MBM), which he uses as a base. However, few would disagree with the basic premise of his argument—that we need a systematic process to create adequate social assistance budgets.

The MBM was developed in 2000 by the Government of Canada in consultation with provincial governments. Prior to 2000, the Statistics Canada before- and after-tax Low Income Cut Offs (LICOs) were the most commonly used measures of poverty in Canada, although they have never been accepted as official measures and have not been used to set income assistance rates. The MBM is based on a budget for a reference family of two parents and two children and includes food, clothing and footwear, shelter, transportation and 'other' items such as personal and household items, recreation and education expenses. The MBM is priced annually for 49 regions across Canada. While provincial and territorial governments are increasingly using the Market Basket Measure to measure poverty there is currently no standard process in which the MBM is used to set social assistance rates.

Provincial and territorial governments in Canada are responsible for the delivery of SA programs. Legislation creating SA programs sets out lists of basic needs that SA budgets will provide funding for. But the manner in which provincial governments construct SA budgets is a bit of a mystery and the result has been that SA budgets continue to be far less than what is necessary to cover the basic needs set out in legislation. For example, Stevens (2011) describes the current pricing of social assistance budgets in Manitoba as dating back to a basket of goods including basic necessities identified in the 1970s. The items included were last re-priced in 1996.

As a program of 'last resort,' social assistance allowances have never been generous. They declined further in the mid-1990s when the federal government eliminated national standards with the abolishment of the Canada Assistance Plan (CAP), giving the provinces greater flexibility with the Canada Health and Social Transfer (CHST).<sup>1</sup> As social justice advocates predicted, flexibility did not result in improved incomes for recipients.

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1 The CHST was later separated into two programs – the Canada Health Transfer (CHT) and the Canada Social Transfer (CST).

The Filmon government began their attack on social assistance through a process of cutbacks starting in 1993 that later escalated when the federal Liberal government eliminated CAP. The Amendments to the *Social Allowances Act* in 1993 included (MacKinnon, 2000):

- Reduction in exemptions from \$240 a month to \$130 for families and from \$125 to \$95 a month for single people (exemptions refer to the amount of money social assistance recipients are able to earn in addition to their assistance. Money earned beyond the exemption limit is deducted in full from the recipient's social assistance payment.)
- Elimination of the \$205 monthly exemption on child support payments received during their first three months on welfare.
- Elimination of income tax refunds from the list of exempt income.
- Elimination of provincial income supplements of up to \$30 a month per child in low income families and a provincial supplement of more than \$100 every three months for people 55 and older from the list of exempt income.

Also in 1993, supplemental health insurance coverage for welfare recipients was cut back; medication and services previously covered for recipients were trimmed; major restorative dental services were subject to new dollar limits and new welfare recipients had a three month waiting period imposed on them for non-emergency dental and vision care. Special welfare programs for students ended, resulting in the return of over 1,000 people to social assistance.

Cutbacks continued to mount in 1994. Shelter allowances were cut by \$14 a month for employable single people; the \$30 supplement received monthly by single people and childless couples was cut; the income definition used to determine tax credits was broadened to include incomes previously exempt (including Social Assistance). In effect, tax credits for welfare recipients were reduced and therefore the supplement paid directly to Social Assistance clients through Family Services was reduced. Grants to welfare organizations, day care facilities and nurseries were cut; special needs policies which included newborn allowances, assistance to purchase appliances, moving

expenses, school supplies, household start up needs, bedding, beds and other extraordinary expenses were eliminated; there were further cuts to the range of prescription medication covered by social assistance.

The long list of cutbacks to an already meagre program was highly criticized by anti-poverty activists as being punitive and mean-spirited. The Conservative government's perception of the poor became most evident with the creation of the Welfare Fraud Line in 1994—a 'service' designed to encourage the reporting of suspected fraudulent welfare clients as if welfare fraud rather than the severe cuts was the problem.

The NDP government terminated the Welfare Fraud Line soon after they were elected in 1999. They also ended the clawing back of the National Child Benefit (NCB) supplement, which improved the income of recipients with children. They have implemented minor increases for persons with disabilities and Northern recipients; however they have not responded to CCPA-MB and Make Poverty History Manitoba's requests that EIA rates be restored to inflation-adjusted 1992 levels and systematically assessed annually.

Both the previous Conservative government and the current NDP government would argue that their actions have served to reduce SA caseloads. However welfare caseload fluctuations are a function of various factors, an important one being economic performance. An increased focus on labour market training programs has likely helped as well, though a longitudinal assessment of the social and economic outcomes of individuals participating in short-term training and employment programs has yet to be done.

### **Building a Basket Toward Social Inclusion**

A closer examination of current EIA caseloads shows a trend that requires a policy shift if we are to tackle poverty and social exclusion.

Stevens' paper provides data to show that the composition of the SA caseload today is very different than it was in the mid-1990s. A significant number of individuals on social assistance are long-term recipients for whom quick-fix approaches are not suitable. Stevens shows that:

- In six of the ten provinces in 2007, 24 percent of those without a disability had been on SA for more than 2 years during their current spell, while 75 percent of those with a

disability have been on for more than 2 years. When all spells on SA recounted over the previous six years, the proportion who have been on SA for more than 2 years rises to 46 percent of single persons without a disability, 60 percent of two parent families, 70 percent of lone parents and 85 percent of those with a disability in Manitoba.

The reality, as Stevens states, is that long-term dependency is "now the rule and not the exception."

In light of this evidence Stevens proposes a policy focus on improving benefits for those incapable of finding employment; improving the SA program to ensure that basic needs budgets for long-term recipients include access to a broader range of everyday goods and services like replacement of household goods, entertainment, recreation, education supplies and services; and building capacity to adequately assess recipients with barriers to employment who do not 'fit' the existing suite of employment training programs which are focused mainly on the employable. Stevens takes the position that recipients of assistance for less than one year need less than those on assistance for extended periods. This sets in motion a policy proposal and costing method that comes with some challenges but nonetheless offers a useful contribution to the policy debate.

Developing an adequate social assistance budget using a market basket approach requires two important elements. First, it requires that the basket of goods include items that individuals and families need not only to survive, but also to participate fully in society. Second, it must be accurately costed and adjusted regularly. As Stevens points out, this has not been the case and the result is that "SA budgets bear little or no relationship to actual cost of purchasing the basic needs items they contain."

### **Who decides, who deserves, and what should the rate be?**

There is a political challenge when it comes to costing welfare budgets that dates back to the inception of income support for the unemployed. The policy tradition has been to keep rates meager, especially for those who are deemed 'employable,' to ensure that social assistance remains a program of last resort.

Stevens proposes that Manitoba adopt systems similar to those in place in Alberta and British Columbia, which differentiate between long-term, short-term

and disabled recipients. BC, for example, has a three-tier structure that includes one rate for 'employables,' one for people designated with Persistent Multiple Barriers to Employment (PPMB), and one for people with disability status. BC anti-poverty advocates are critical of the model, which sets the rate for people with PPMB marginally higher than the basic rate. The three-tier categorization also raises concerns that those deemed to be 'employable' or 'undeserving' become further marginalized and not awarded the dignity that all individuals have a right to. So while the three-tier approach might seem pragmatic, it also moves away from a social justice approach to income security, toward the less humane model introduced through the British Poor Laws in the early 19<sup>th</sup> century, which were designed to punish people who were poor.

Although the idea of further categorization muddies the debate, the compromise that Stevens puts forward is an honest attempt to seek ways to reduce the number of Manitobans living in poverty. The OAG and the Manitoba Ombudsman concur that welfare budgets in general have not been regularly reviewed and revised. For example, rental allowances for all EIA recipients are far below market rental rates. The basic housing allowance for individuals in the single employable category is \$243.00 per month while the current median market rental rate in Winnipeg is \$665.00. EIA recipients who rent in the private market commonly frequent food banks and soup kitchens because they need to draw on their food budgets to cover the cost of rent. It should also be noted that many of these individuals are in the short-term category and are vulnerable to eviction, as are long-term recipients, especially in markets where the vacancy rate is less than 1 percent, as is the case in all Manitoba cities. When people lose their homes they are at greater risk of becoming dependent on social assistance. And this, as shown in the report *The Cost of Poverty in BC*, ends up costing us much more in the long-term.

It should also be noted that the three-tier approach begins with the assumption that providing a livable social assistance allowance is a deterrent to work. While this is a commonly held assumption, it is not clear that it is based on anything more than ideology. In fact a recent

analysis of the 1970s basic income experiment in Manitoba (Forget 2009) shows that providing people with a basic livable income does not deter them from working.

Aside from the concerns with recipient categorization and concerns with the contents and costing of the basket that Stevens assembles (what it includes and how prices are determined) he, the OAG, the Ombudsman and social justice advocates agree that a process and method must be established to regularly price social assistance budgets. The Government of Manitoba has made positive steps forward with the *All Aboard Strategy* which has now been further enhanced by the *Poverty Reduction Strategy Act*. The next step will be to work closely with advocates for those living in poverty to ensure that income assistance rates are brought back to a level that allows all individuals to live in dignity.

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