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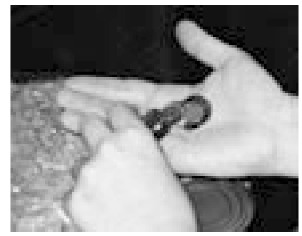
A BAD TIME TO BE POOR

Analyzing BC's new welfare policies

By Seth Klein and Andrea Long



In January 2002, the BC government announced that it intended to implement a dramatic program of welfare restructuring, and that it would be cutting the operating budget of the Ministry of Human Resources (responsible for social assistance) by a staggering $581 million (or 30%) over the next three years (this scheduled budget cut has since risen to $609 million). These budget savings are being achieved by a combination of cuts to welfare benefits and a further tightening of eligibility rules. The Ministry's staff is to be cut by 459 full-time equivalent positions, and 36 welfare offices across the province are being closed.

The welfare cuts and rule-changes came as a surprise for a number of reasons. First, the previous government had already cut welfare benefits in the mid 1990s to levels that were insufficient to meet even basic needs. Prior to the latest cuts, SPARC BC found that the maximum welfare income available to a single parent with one child covered only 65% of minimum living costs. With the new round of benefit reductions, these families are expected to make do with $43 less each month—a change that will make it practically impossible to make ends meet. In a 2002 paper, the Dietitians of Canada and the Community Nutritionists Council of BC warned that those on social assistance lack sufficient income to purchase a healthy diet, and that "undernourished children are more susceptible to illness, have diminished attention spans and are unable to perform at school as well as their nourished peers." In effect, BC's deplorably low welfare rates force people to choose between paying the rent and feeding the kids. They also make it very difficult to maintain a phone or buy bus fare, which makes job-search efforts very difficult and leads to social isolation.

A second reason why welfare cuts were a surprise is that they were not part of the BC Liberal campaign platform. The Liberal's New Era document said nothing about reforming or cutting welfare. When Premier Campbell was asked during the 2001 election campaign whether a new Liberal government would reduce welfare benefits, he replied with an unequivocal "We have no intention of reducing welfare rates."

Third, the new BC government cut welfare during a period of economic slowdown, and at a time when workers in resource-dependent communities across the province are struggling with the fall-out of the softwood lumber dispute and exhausting their Employment Insurance coverage. The 2002 BC Budget forecast reductions in social assistance caseloads based on an average unemployment rate over the next three years of 6.9%. Yet there is not a single year between now and 2007 in which the government is forecasting an unemployment rate below 7.2%.

Something is clearly not right. The government's own forecasts are in conflict. It is normal to expect welfare caseloads to decline as unemployment falls, but quite another matter to predict falling caseloads while unemployment stays stable or increases. In effect, the government's welfare reforms are undermining the ability of the welfare system to function as an "automatic stabilizer" within the economy when people and communities are facing hard times.

The greatest surprise about the government's welfare cuts, however, is the nature of the reforms themselves. **A number of the new welfare policies are radical and unprecedented in Canada.** The new two-year time limit rule (limiting "employable" welfare recipients without children to two years of support during any five year period), and the two-year independence test (requiring new welfare applicants to demonstrate that they have been financially independent for two consecutive years) in particular represent a fundamental shift in Canadian social policy—the denial of welfare as a basic human right. In addition, despite talk of assisting welfare recipients with the move into work, many new policies actually discourage work re-entry by taking away key supports. Most notable among these are the elimination of earnings exemptions, cuts to child care, cuts to transition-to-work assistance (such as money for work clothes and transportation), and the $6 training wage.

Many of BC's new welfare policies have been borrowed

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from the US welfare restructuring of the 1990s. However, the BC government has selectively imported many US policy "sticks" that push and keep people off welfare (such as time limits and tough sanctions), but none of the corresponding policy "carrots" or supports that help people make the transition to paid employment (such as enhanced child care, transportation support, increased minimum wages, enhanced training and educational opportunities, and expanded use of earnings exemptions). This decision highlights the fact that budget-cutting is the central objective of the welfare reform process in BC. In the US, welfare restructuring was not driven by a fiscal imperative to cut spending. Notwithstanding tough new rules, the US *increased* spending on programs for low-income people during the post-1996 welfare reform period.

The BC government hopes to see its welfare rolls substantially decline over the next three years. However, research indicates that the dramatic US welfare caseload declines of the 1990s were primarily a product of unprecedented economic growth (a condition that no longer exists). In addition, studies have shown that low-income Americans continued to experience persistent—and in some cases increased—hardship, and that many welfare leavers did not find employment despite the favourable economic conditions of the 1990s. Over the past year, as the US economy slowed and unemployment increased, US welfare rolls started growing again for the first time since 1994.

Many troubling questions about BC's new welfare policies remain: What happens to those who face significant barriers to employment, or who run up against the new time limits before the local economy produces adequate employment? What happens to those who are simply denied support under the new rules (such as young people who do not meet the two-year independence test)? What happens to those who need meaningful training opportunities, but find themselves in a new welfare system with a greatly reduced capacity to provide such training and education?

Over the coming years, it will be vital to monitor the social impacts of BC's new welfare rules. In particular, careful tracking of measures of critical hardship and poverty—homelessness, evictions, going without food—will be essential. Thus far, the Ministry of Human Resources' quarterly exit surveys fail to provide this essential information (see box: "How do we measure success?").

The government must be prepared to abandon those policies that are found to increase hardship and suffering, and must be prepared to thoughtfully and compassionately reconsider its new welfare rules.

Seth Klein is the BC Director of the Canadian Centre for Policy Alternatives. Andrea Long is a researcher with the Social Planning and Research Council of BC. This article is based on a forthcoming study by Seth and Andrea entitled A Bad Time to be Poor: An Analysis of British Columbia's New Welfare Policies, *which will be co-published by the CCPA and SPARC BC in early June.*

See box on page 4: *"How do we measure success?"* for a critique of the government's method of tracking those who leave welfare.

Cuts to BC welfare benefits

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

1. Amounts for families with children include the monthly BC Family Bonus ($107 in 2001, and $115 in 2002). The monthly income delivered by the federal government through the Canada Child Tax Benefit is not included in these calculations ($96 per month in 2002, compared to $92 in 2001).
2. Statistics Canada before-tax Low-Income Cut-Offs (LICOs) in 2002, for cities of 500,000+ people.
3. DBI now called Persons with Persistent Multiple Barriers to Employment (PPMB).
4. DBII now called Persons with Disabilities.

May is child care month, but BC has nothing to celebrate

By Rita Chudnovsky

After years on the back pages, child care is once again on the agenda. The federal government is talking about a national child care plan and the federal budget included $935 million for early learning and child care. On March 13th, federal/provincial/territorial Ministers agreed to spend these funds over the next 5 years to improve access to affordable, regulated, quality child care programs.

Here in BC, however, we are moving in the opposite direction, cutting money from child care and "restructuring" child care funding in ways that erode access.

Last year, the government reduced the income threshold at which families could qualify for a subsidy by $285 per month, and also reduced the size of partial subsidies available to those above the threshold. In response to public pressure, the provincial government raised the income threshold for the subsidy by $100 per month as of May 1, 2003. But the threshold is still $185 per month lower than it was in 2001 before the cuts were made in the first place. As the table shows, the financial impact for single parents are significant. Keep in mind that if a parent lives in Vancouver, she/he would be lucky to find full-time licensed group care for less than $550 per month.

The province has also cancelled the funding program that made over 15,000 licensed before- and after-school child care spaces available to families for no more than $7 a day. This program, introduced in September 2000, was widely used and showed that when parents can afford licensed quality care, they choose it.

The results of these cuts are already becoming clear. In the fall of 2002, more than 700 BC child care providers took part in a survey that took a snapshot of how funding cuts and changes in child care policy are playing out in communities and neighbourhoods. The picture they paint is disturbing.

Most noticeably, children from low- and modest-income families are being withdrawn from licensed and regulated child care at an alarming rate. Forty nine per cent of caregivers surveyed report that they have vacancies, often for the first time in more than a decade. And 57% now have fewer children who are eligible for subsidy in their programs.

The reason is clear. Due to cuts to the child care subsidy—which have already affected more than 10,500 BC families—many low- and modest-income families can no longer afford to pay for quality child care. They are leaving programs that meet basic health and safety standards and adhere to regulations—covering staff training, maximum group sizes and other factors that are associated with quality care and positive childhood outcomes—in favour of cheaper unregulated alternatives. As a result of cuts to the before- and after-school care program, caregivers report that many primary school-aged children are now being left on their own.

Any policy change that pushes children out of regulated child care flies directly in the face of an overwhelming body of research showing that training and regulation are central to the quality of child care and to children's well-being. The evidence is unequivocal: high quality child care supports healthy childhood development, while poor quality care can have a lifelong negative effect. Yet the provincial government's changes threaten to reduce what is already an inadequate supply of licensed child care spaces. Nineteen per cent of surveyed caregivers say they may have no choice but to close their doors in the near future, and 52% are concerned about their future viability.

Perhaps the most disturbing thing to emerge from the survey of child care providers is that we appear to be headed for a two-tiered child care system in BC. This is because programs that serve families who can afford to pay have been affected least by the recent cuts, and will in fact benefit most from the province's new method of determining funding. In stark contrast to the number of licensed caregivers who say they may have to close their doors as a result of the cuts, many others report increasing enrollment or have increased their fees. These programs tend to serve higher income families who can afford to pay and who have not been affected by changes to the subsidy.

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Changes to the child care subsidy

(for a single parent with a 4-year-old in licensed group care)

Gross yearly income	Hourly wage[1]	Old annual subsidy	New annual subsidy	Subsidy change
$12,672	$6.96	$4,416	$4,416	$0
$16,056	$8.82	$4,416	$4,416	$0
$20,184	$11.09	$4,416	$3,674	-$742
$24,300	$13.35	$3,408	$1,874	-$1,534
$28,404	$15.61	$1,908	$74	-$1,834
$32,652	$17.94	$408	$0	-$408
$37,368	$20.53	$0	$0	$0
$41,796	$22.96	$0	$0	$0

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

How do we measure success? The BC Welfare Exit Surveys

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

This mis-measuring of success is evident in the Ministry of Human Resources' "Service Plan". The Plan outlines the "performance measures" by which the Ministry is to be judged over the coming years. It sets out various targets and goals, such as ensuring all clients have signed "Employment and Assistance Agreements," providing job search and other skills training, reducing caseloads, and tracking employment among welfare leavers.

Conspicuously absent from the Ministry's "performance measures," however, are any references to the quality of the training provided or employment found by former welfare recipients. Nothing is said about poverty, or the goal of reducing poverty. There are no performance measures or targets related to fighting extreme poverty, such as reducing (let alone eliminating) the use of food banks or reducing homelessness and evictions.

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

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

However, there are two important reasons to be cautious about these results. First, the surveys had great difficulty reaching people. The first exit survey managed to attain a response rate of only 33%, while both the second and third surveys achieved response rates of only 32%. Forty percent, 46% and 48% respectively of those who were sought for the surveys did not have a phone number in service. Thus, we simply do not know what has happened to a majority of welfare leavers (and the high number of people without working phones does not bode well).

Second, by only surveying people who have stayed off welfare for six months, the government's exit polls automatically miss all those who have cycled back onto welfare in less than this time. In many respects, the surveys merely state the obvious—of course most of those who leave welfare and stay off do so because they have found some form of paid employment.

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

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This trend towards a two-tiered system will be further entrenched by the new Child Care Operating Funding Program, which began on April 1, 2003. The amount of money that licensed family and group child care programs receive will be based on their actual enrollment. Perversely, the result will be that programs with full enrollment—which usually serve areas where families can afford to pay for child care—will receive more money. Programs with vacancies—because the families they serve can't afford to pay—will receive less funding, making a bad situation worse.

The tragic irony is that a government that ran on a platform of targeting child care funding to those who need it most is creating a system of quality care for those who can pay, and substandard care for the rest. Surely our children deserve better.

Rita Chudnovsky is a long-time child care advocate and a research associate with the Canadian Centre for Policy Alternatives.

BC Commentary is produced by the BC Office of the Canadian Centre for Policy Alternatives. Editor: Marc Lee; Layout: Shannon Daub
1400–207 West Hastings Street • Vancouver • BC • V6B 1H7 • Tel: (604) 801-5121 • Fax: (604) 801-5122 • info@bcpolicyalternatives.org

www.policyalternatives.ca