

Making Ends Meet: Income Support in Alberta

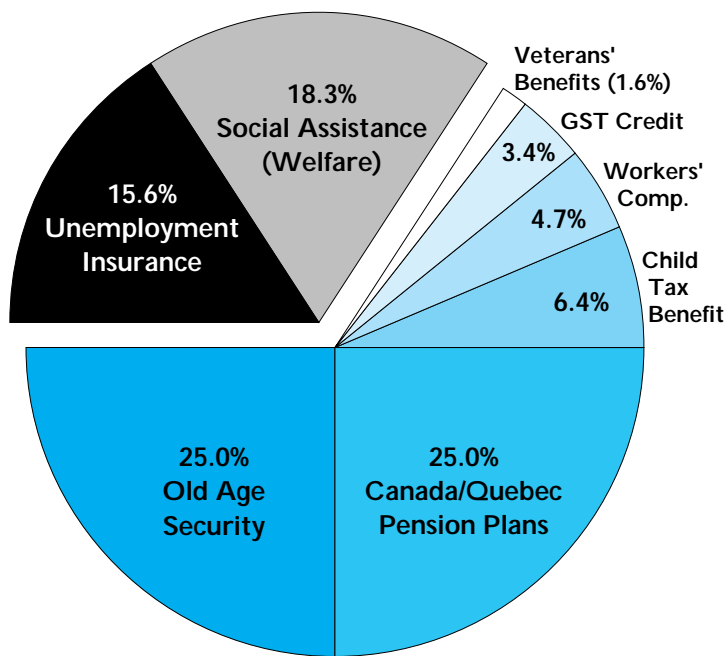
This is the first in a series of reports presenting snapshots of the social services available in Alberta. This report examines issues and programs relevant to the need for *income support* and endeavours to answer the following questions:

- What services are available, who delivers them, and how have they changed in recent years?
- How many people use the services?
- How much do the services cost?

This report focuses on two of the three main pillars of Canada's income security system: **Employment Insurance** (née Unemployment Insurance) and **social assistance** (welfare). UI and welfare benefits accounted for 33.9% of major government income support payments to persons in 1995 (see Figure 1). Elderly benefits – the third main pillar – are discussed in a separate report on seniors.

Figure 1

Government Income Support Payments to Persons by Program, 1995



Total: \$82.5 billion

Source: Derived from Statistics Canada, System of National Accounts, Catalogue 13-201 and Public Accounts of Canada

This report was written by Robert Roach and is part of the CWF *Social Services Project*. The Project was initiated and is being funded by the Kahanoff Foundation as one part of its program to expand the knowledge-base of Canadians about the non-profit sector.

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KEY FACTS ABOUT INCOME SUPPORT

"One of the fundamental distinctions between life today in an urbanized, industrialized society and life in a predominantly agricultural, rural-based society such as Canada was at the time of Confederation is the critical importance for the individual and family of a regular and adequate cash income."

Dennis Guest, *The Emergence of Social Security in Canada*, 1980

- Government supplements the income of millions of Canadians each month. Downloading this role to the non-profit sector or the "community" is not a viable option. Neither the non-profit sector nor the "community" have the resources to supply Canadians with ongoing cash income.
- Government income support payments have a dramatic influence on the distribution of wealth. In 1994, families at the top of the income scale earned \$22 for every \$1 earned by families at the bottom. After income taxes and government income support payments, the gap was \$5 for every \$1 (Statistics Canada, *The Daily*, March 28, 1996).
- In 1995, government income support payments accounted for 13.5% of household income. This is down from 14.1% in 1994, but is still more than double the 1971 figure of 6.6%.
- Households in the bottom 20% of the income scale received an average of 64.1% of their income from government income support programs in 1995.
- Despite a slight drop in the unemployment rate in recent years, unemployment remains a chronic problem affecting millions of Canadians each year. In 1993, for example, 6,666,000 people (23% of the population) experienced a period of unemployment either directly or as part of a family unit.
- The number of people on welfare (including dependents) increased from 7% of the population in 1990 to over 10% in 1995. These figures, however, are based on the number of people on welfare at the end of March of each year. If the situation in Alberta is any indication, the total number of different people on welfare is approximately double the March figure. This puts the proportion of the population on welfare at some point in 1995 at about 20%.
- Controlling for both inflation and population growth, the cost of welfare in Canada increased by 35% between 1990 and 1995.
- Alberta has been a hotbed of welfare reform since 1993. A combination of economic recovery and program changes has caused Alberta's welfare caseload to fall below pre-recession levels. As a result, spending on welfare in the province dropped by 46% between 1992/93 and 1995/96.
- Further research on the impact of the reforms on former and potential welfare recipients is required to fully understand the outcome of welfare reform in Alberta.
- The redirection of limited resources to help those "most in need" has emerged as a dominant trend in the area of income support. Some examples include additional Employment Insurance benefits for families with incomes below \$26,000 a year and relatively larger welfare benefits for Albertans unable to work.
- As is the case with health care, prevention is the best solution to the need for income support. The problem is that the factors that influence the need for income support are multiple: the economy, technological change, public policy, education, social problems, personal choice, etc. If we are to reduce the need for income support, government, the non-profit and private sectors, communities, and individuals will have to work together.

I. Income Support Programs

The network of income support programs available to Albertans includes a myriad of federal, provincial and municipal programs as well as services delivered by the non-profit sector (eg., food banks, homeless shelters, thrift stores) and the “informal” community (eg., relatives and neighbours). These programs are primarily intended to:

- *provide a level of security for the jobless, the ill, the infirm, and the elderly;*
- *redistribute wealth to less fortunate Canadians;*
- *stabilize the economy in times of recession; and*
- *help people adapt to a changing labour market.*

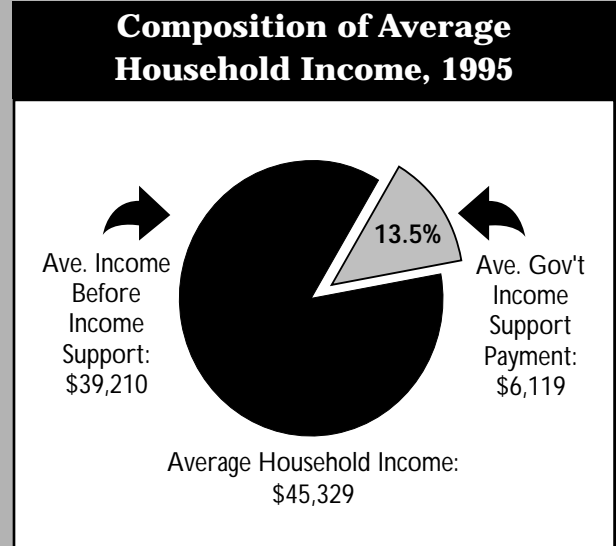
There are three main types of income support:

- *programs that provide direct cash benefits to recipients (eg., Employment Insurance, welfare, Old Age Security, the GST credit);*
- *non-refundable tax credits and other tax measures (eg., disability credit, non-taxation of Guaranteed Income Supplement); and*
- *social services that help those with insufficient income to meet their basic needs or improve their ability to earn an income (eg., subsidized housing, food banks, job training programs).*

Government income support payments accounted for 13.5% of household income in 1995 (see Figure 2). Figure 3 illustrates the relative importance of government income support payments to households in different income categories. Canada's poorest households (those in the lowest quintile) received 64.1% of their income from income support programs in 1995.

The magnitude of public spending on income support payments to persons points to the very different roles played by government and the non-profit sector in this area of social services. Only rarely does the non-profit

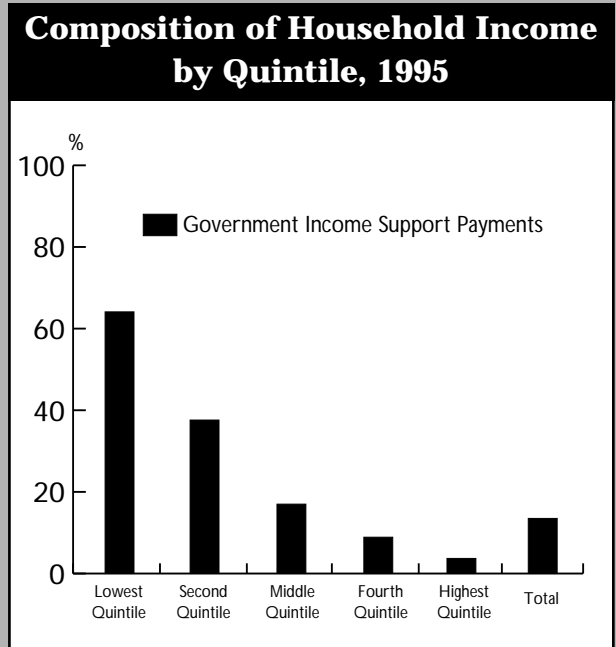
Figure 2



All amounts are gross (pre-tax)

Source: Statistics Canada, Survey of Consumer Finances, Catalogue 13-207

Figure 3



Source: Statistics Canada, Survey of Consumer Finances, Catalogue, 13-207

sector provide cash to people in need. Government, on the other hand, provides cash income supplements to millions of Canadians every year by virtue of its ability to raise massive amounts of money through taxation and compulsory social insurance plans.

This is not to suggest that income support services delivered by the non-profit sector are unimportant. On

the contrary, services delivered by non-profit organizations such as thrift stores and food banks make a great deal of difference to people in need. The point is that the non-profit sector does not have the capacity to provide **cash income** to Canadians in need.

II. Employment Insurance

If you have been employed for an extended period of time, one of the core income support programs in place to help you if you lose your job is Employment Insurance (EI). EI replaced Unemployment Insurance (UI) July 1, 1996. Despite the new name and a number of significant changes, EI is not a substantially new program and references to UI in this report are, except where noted, equally applicable to EI.

UI is a wage-related social insurance program that provides temporary income to eligible recipients while they look for work. "Regular" benefits accounted for 72% (\$9.8 billion) of UI benefit expenditures in 1995 (Statistics Canada, personal communication). The next largest component in terms of cost was "training" at just under 12% (\$1.6 billion) of benefit expenditures. Although most UI beneficiaries receive regular benefits (see Figure 4), the program does much more than insure workers against temporary job loss (see Box 1).

Figure 4

Average Number of UI Beneficiaries by Type of Benefit, 1995

Type of Benefit	# of Beneficiaries	% of Total
Regular	736,580	77.0%
Sickness	35,720	3.7%
Maternity/Parental	86,280	9.0%
Fishing	10,360	1.1%
Training	68,740	7.2%
Work Sharing	3,370	0.4%
Job Creation	6,700	0.7%
Self-Employment Assist.	9,210	1.0%
Total	956,960	100%

Source: Statistics Canada, personal communication

Box 1 UI Benefit Types

Although the main objective of the UI program is to provide income protection for workers suffering temporary employment income interruptions, it is also used to deliver a variety of other benefits.

■ **Regular:** paid to claimants who have lost their job. Claimants must be ready and able to work, looking for a job, and willing to accept suitable employment;

■ **Sickness:** paid to claimants who stop working because of sickness or injury up to a maximum of 15 weeks;

■ **Maternity/Parental:** maternity benefits are available to natural mothers up to a maximum of 15 weeks. Natural or adoptive parents (mother or father) are eligible for 10 weeks of parental benefits;

■ **Fishing:** paid to fishers who do not qualify for regular benefits;

■ **Training:** paid to claimants taking approved courses;

■ **Job Creation:** paid to participants of the job creation program;

■ **Work Sharing:** paid to persons involved in work sharing arrangements to offset financial loss caused by reduced working hours;

■ **Self-Employment Assistance:** available to claimants who start a business;

■ **Retirement Benefits:** ended in 1990. Since then, employed persons aged 65 and over pay UI premiums and are eligible to receive regular benefits.

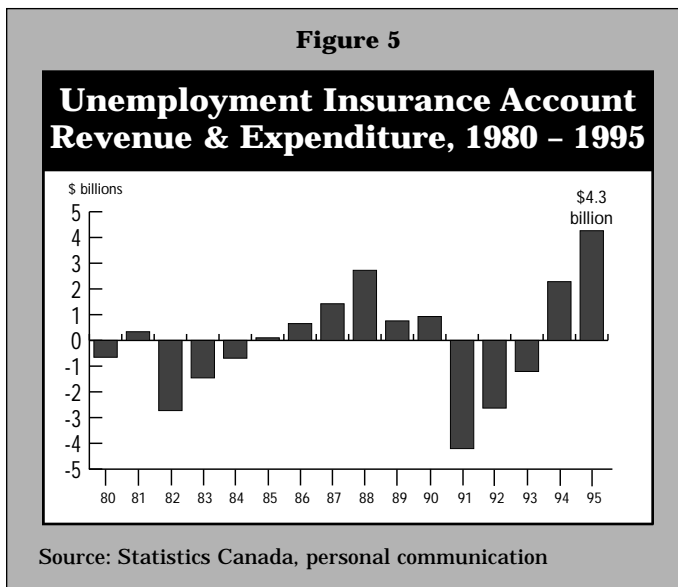
Benefit and premium rates, eligibility requirements, and other aspects of the UI program have been changed again and again since UI became an official federal program in 1940. For example, the original program insured only 42% of the labour force whereas 88% were covered in 1995. In an effort to cut costs, the government passed legislation in 1993 that reduced the benefit rate from 60% of insurable earnings to 57%. (The 60% rate had been in place since 1978.) The legislation also amended the voluntary quit provisions by denying benefits to claimants who are fired for misconduct or quit without "just cause." The benefit rate was reduced again in 1994 to 55%. This was offset by the reintro-

duction of a dependency benefit rate of 60% for claimants with dependents and low earnings.

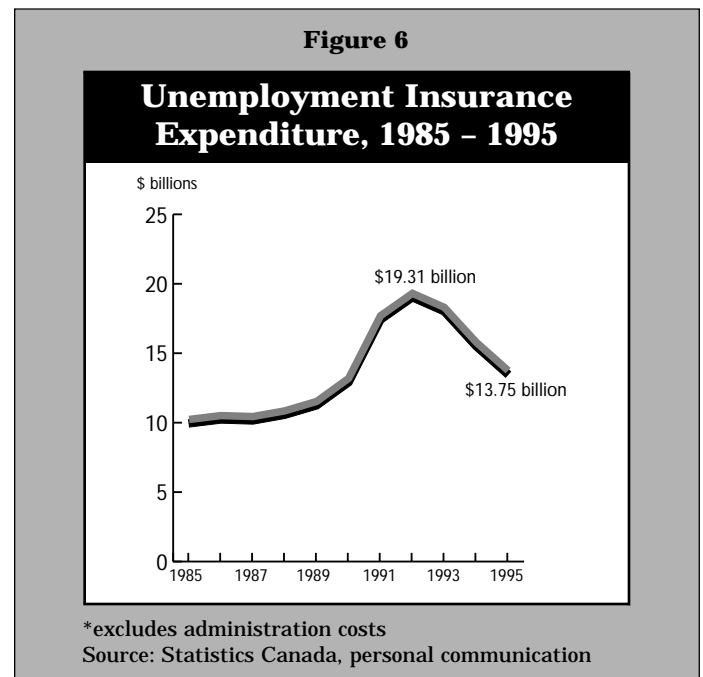
Expenditure

Employers and employees pay premiums into the UI Account and benefits and administration costs are paid out of this sum. (The federal government shifted the full cost of the UI program to employers and employees in 1991.)

The first annual surplus in the UI Account since 1990 was recorded in 1994 (see Figure 5). The UI Account's *accumulated* deficit peaked in 1993 at \$5.9 billion but has since moved into the black. The federal government expects a \$5 billion surplus to accumulate in the UI Account by 1997. This "rainy day reserve" will be used to avoid raising UI premium rates during future economic recessions as increased costs can be paid out of the reserve.



Recent reductions in UI spending are a function of two factors: (1) fewer claimants because of improved economic conditions or the exhaustion of benefits; and (2) changes to the UI program designed to cut costs (eg., reduced benefit rates, increased number of weeks needed to qualify). UI expenditure (excluding administration costs) peaked in 1992 at \$19.31 billion (\$1.36 billion in AB) and fell to \$13.75 billion (\$1.0 billion in AB) in 1995 (see Figure 6). Administration of the program



averaged \$1.26 billion a year between 1990 and 1995. Cost-cutting measures under the new EI system are expected to save \$1.2 billion a year by 2001/02.

Because of lower unemployment rates (explained in part by a relatively shorter average duration of unemployment), per capita UI expenditure in Alberta is consistently below the national average (\$102 less per Albertan in 1995).

Box 2

Federal Employment Programs

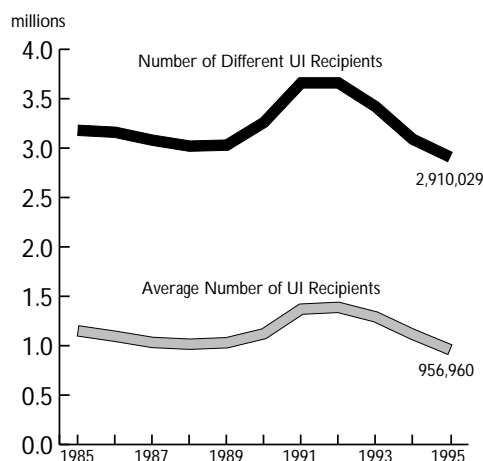
A portion of the UI budget referred to as Unemployment Insurance Developmental Uses (UIDU) is used to pay for employment programs such as work sharing and training. In 1993/94, UIDU programs cost \$1.85 billion. This spending is in addition to the non-UIDU spending on employment programs that is part of the Human Resources Development budget (\$1.25 billion in 1993/94) and other job creation initiatives such as the Infrastructure Works Program. The new Employment Insurance program places increased emphasis on helping the unemployed find jobs. Once EI is fully phased-in (2001/02), spending on employment programs is expected to reach \$2.7 billion a year. In keeping with its commitment to respect provincial responsibilities for education and labour market training, Ottawa has begun negotiations with the provinces to transfer responsibility for employment programs funded through the EI Account. Approximately \$2 billion will be made available to the provinces to deliver labour market programs.

Beneficiaries

The number of UI recipients in Canada has declined from the peak reached during the recent recession. An improved economy combined with tighter eligibility criteria and the exhaustion of benefits because of longer spells of unemployment have caused a 21% drop in the number of **different** UI recipients between the zenith reached in 1991 (3,662,964) and 1995. (The **average** number of UI recipients dropped by 30% during the same period – see Figure 7.) The number of different UI recipients in Alberta reached 278,018 in 1992 and fell 18.3% to 227,227 different recipients by 1995 (see Figure 8).

Figure 7

Number of UI Recipients 1985 – 1995 (Canada)



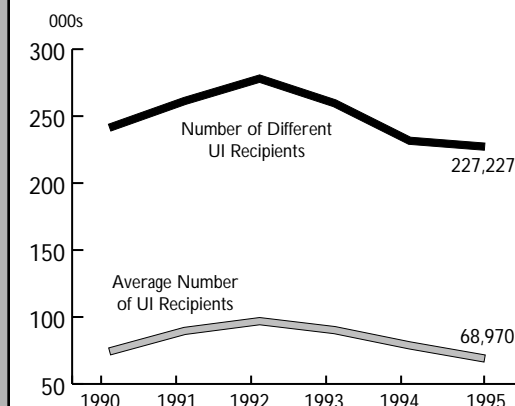
Source: Statistics Canada, personal communication

Trends and Issues

The 1995 unemployment rate for both the nation and Alberta remained high at 9.5% and 7.8% respectively. An average of 1.4 million members of the labour force were unemployed in 1995. However, because these figures are averages, they do not represent the total number of different people who were out of a job and looking for work in 1995 nor do they measure the number of people affected by unemployment (i.e., the number of people dependent on unemployed persons).

Figure 8

Number of UI Recipients 1990 – 1995 (Alberta)



Source: Statistics Canada, personal communication

The average number of unemployed people in a year is published regularly by Statistics Canada. However, because most people are unemployed for less than 52 weeks, the number of **different** people who experience a period of unemployment in a year is higher than the number unemployed at any one time during the same year (i.e., the average). The number of different people unemployed in 1993, for example, is more than double the average (see Figure 9). If family members are included, the number of people **affected by** unemployment in 1993 rises to 6,666,000 (23% of the population).

Figure 9

Number of People Affected by Unemployment, 1993

Average Number Unemployed in 1993	1,649,000
Number of Different People Unemployed at Some Point in 1993*	3,503,000
Total Number of People Affected by Unemployment (i.e., including family members) in 1993	6,666,000

*estimates of the number of different people unemployed at some point in a given year are not regularly published
Source: Statistics Canada, Catalogue 75-001, Spring 1996

Box 3 Unemployment Insurance Facts - 1996

■ There is a two-week "waiting period" similar to a deductible included in the total number of weeks a claimant is eligible to receive benefits (eg., if a claimant is eligible to receive 22 weeks of UI, he or she will receive 20 weeks of benefits). Actual time between applying for and receiving benefits may exceed the two week "waiting period."

■ Qualifying Period: the past 52 weeks, or the period since the start of the claimant's most recent UI claim, whichever is shorter.

■ To qualify for regular benefits a claimant must have worked 12 to 20 weeks (420 to 700 hours under the EI system) in his or her qualifying period depending on the regional unemployment rate. New entrants into the labour force must have 26 weeks (910 hours) of insurable employment regardless of the regional unemployment rate.

■ Benefit Rate: 55% of average insurable earnings; 60% for those who earn \$408 per week or less and support a dependent (the 60% rate is replaced by the "family income supplement" under the EI system – see Box 4); 50% for those who refuse a suitable job or refuse to apply for suitable work.

■ Maximum Benefit: \$413/week (reduced from \$448).

■ Maximum Weekly Insurable Earnings: \$750/week (reduced from \$815/week).

■ Premiums: 1996 employee premiums reduced from \$3.00/\$100 of insurable earnings (maximum of \$24.45/week) to \$2.95 (maximum of \$22.13/week); employer premiums reduced from \$4.20/\$100 of insurable earnings (maximum of \$34.23/week) to \$4.13 (maximum of \$30.98/week).

■ Entitlement: length of time a claimant can collect benefits varies from 14 to 45 weeks (reduced from 14 to 50) depending on the number of weeks of previous employment and the regional unemployment rate.

■ Allowable Earnings Rule: claimants can earn up to 25% of their weekly benefit (25%, or \$50, whichever is greater, under EI), without penalty. Earnings over this amount are deducted on a dollar for dollar basis.

■ Income Claw back Level: \$48,750/year for claimants who have collected 20 or fewer weeks of benefits in the previous 5 years (down from \$63,570/year); \$39,000/year for claimants who have received 21 or more weeks of benefits in the last 5 years.

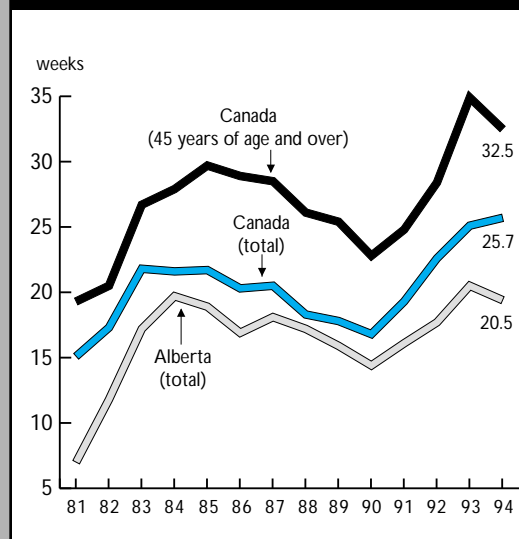
■ Benefits are taxable.

It is important to note that not everyone who is unemployed receives UI or receives it for the entire time they are out of work. There are a number of reasons why this is the case: (1) people who quit their job without just cause or fired for misconduct are not eligible; (2) many people fail to find a job before their UI runs out; (3) workers who do not pay UI premiums are not covered by the program; and (4) workers unable to amass enough weeks (hours under EI) of employment in a year do not qualify for benefits. The extent of the gap between need (the number of unemployed people) and the reach of the safety net (the number of unemployed people who receive UI for a sufficient period of time) is, however, difficult to determine from the available data.

Another area of concern is the growth in the length of time people are unemployed. The average duration of unemployment increased from 16.8 weeks in 1990 to 25.7 in 1994 (see Figure 10). Average duration of unemployment is sensitive to the business cycle and should decrease as the economy recovers from the recession. However, if we do not observe the expected drop in the average duration of unemployment, this will signal a new stress on what many see as an already fraying safety net.

Figure 10

Average Duration of Unemployment, 1981 - 1994



Source: Statistics Canada, Catalogue 71-529

Box 4

Employment Insurance (EI)

Bill C-12, the new Employment Insurance program came into effect on July 1, 1996. EI replaces the *Unemployment Insurance Act* and the *National Training Act*. The new program will be phased-in over six years.

Major Changes:

■ **Eligibility Based on Hours:** EI eligibility is based on hours rather than weeks worked. Depending on local unemployment rates, a total of 420 to 700 hours of insurable employment in the 52 weeks preceding a claim are needed to qualify. Claimants no longer have to work a minimum number of hours per week to qualify. This enables up to 500,000 part-time workers to be insured for the first time. It also means that up to 500,000 workers and their employers will have to pay premiums for the first time. Workers who earn \$2,000 or less in a year will have their EI premiums refunded.

■ **Intensity Rule:** A new intensity rule reduces benefits based on previous use of the program. For every 20 weeks of benefits after the first 20 weeks collected in a five-year period, claimants will see their regular benefit rate reduced by 1% up to a maximum of 5%. Claims before July 1, 1996 are not included. The intensity rule does not apply to claimants who earn less than \$26,000 a year and support at least one dependent.

■ **Family Income Supplement:** A new family income supplement tied to the Child Tax Benefit replaces the dependency benefit rate and provides additional benefits for families with annual incomes less than \$26,000 per year.

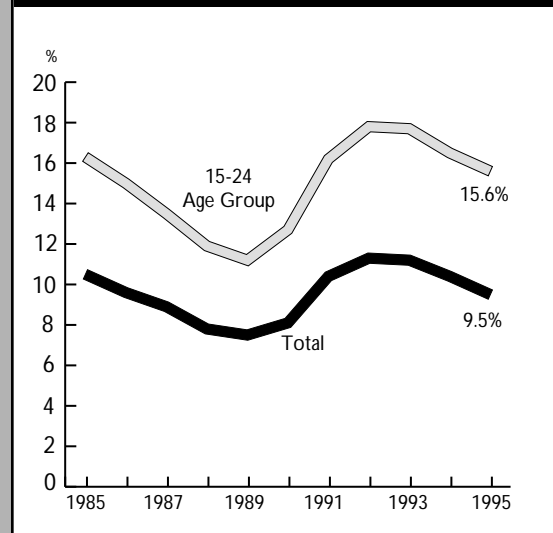
■ **More Employment Programs:** EI places additional emphasis on "active" employment programs.

■ **Transitional Jobs Fund:** A three-year \$300 million Transitional Jobs Fund has been created to support job creation in high unemployment regions.

A particularly alarming figure is the relatively longer duration of unemployment experienced by people 45 years of age and over. This suggests that older Canadians, in good times and bad, have a difficult time finding jobs. Training, counseling, and other forms of assistance for the 45 and over age group is an important area of concern.

Figure 11

The Generation Gap: Youth Unemployment Rates, 1985 - 1995

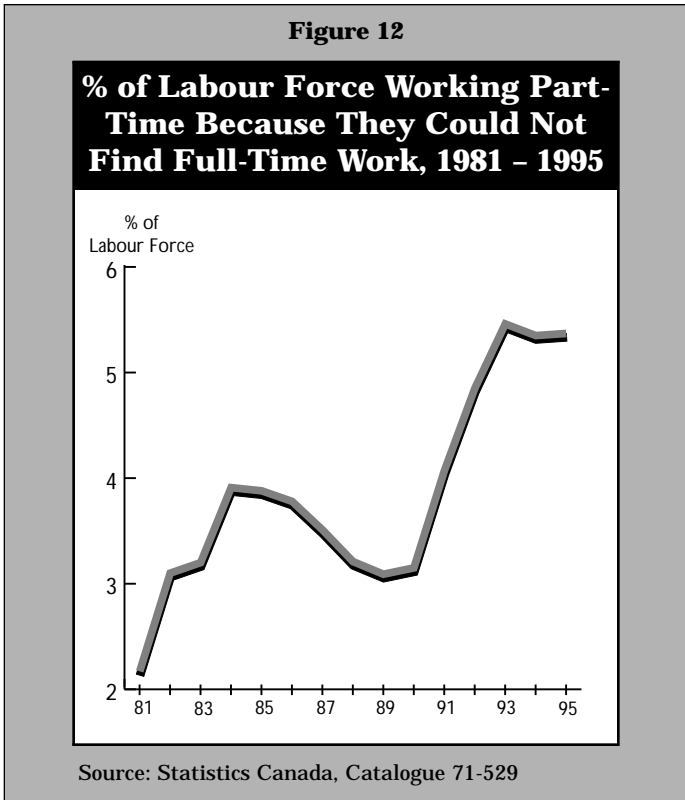


Source: Statistics Canada, Catalogue 71-201

At the other end of the age continuum is the problem of youth unemployment. Establishing a stable presence in the labour market is a difficult task. As Figure 11 illustrates, there is a chronic "generation gap" between the unemployment rate of youths aged 15 to 24 and the labour force as a whole. The federal government is developing a new "youth strategy" and plans to spend an additional \$315 million on the problem over three years. Despite the additional funds, the employment problems faced by Canada's youth are not likely to be solved in the near future.

The availability of adequate employment is also a concern. Figure 12 depicts the number of involuntary part-time workers in Canada. Although working part-time does not necessarily indicate insufficient income, the fact that the number of people working part-time

because they could not find full-time work has increased substantially since 1990 suggests that there is a large number of people unable to fully integrate themselves into the Canadian job market. This statistic signals a fundamental shift in the Canadian labour market. The data indicate that part of the decline in the unemployment rate is the result of people taking part-time jobs that may leave them in vulnerable economic situations.



It is crucial to note the strong link between education and employment. Not surprisingly, education is strongly correlated with participation in the labour force and the ability to find steady work (see Figure 13). This is a good example of how policy in areas other than income support have a significant influence on the need for, and cost of, income support services. An investment in the educational services Canadians need to compete in today's labour market will help reduce the need for income support. As is the case with youth unemployment, however, the changes needed to foster a more intimate link between the educational system and the labour market go beyond merely throwing money at the problem; what is required is a comprehensive plan combined with concerted effort *across*

policy areas that realizes both the magnitude of the changes required and the importance of carrying them out.

Figure 13

Unemployment & Education, 1994

<i>Educational Attainment</i>	<i>Labour Force Participation</i>	<i>Unemployment rate</i>
0-8 years	30.0%	15.7%
some secondary	53.7%	16.4%
graduated high school	70.9%	10.0%
some post-secondary	70.7%	10.8%
post-secondary certificate or diploma	77.4%	8.9%
university degree	83.8%	5.4%

Source: Statistics Canada, Catalogue 71-529

III. Social Assistance

Social assistance, or welfare, is Canada's income support program of "last resort." It is intended to provide income to individuals and families to meet their basic needs when all other financial resources (with some exceptions) have been exhausted.

Welfare is the constitutional responsibility of the provincial level of government and each province and territory has its own unique welfare program. The federal government is responsible for the cost of social assistance paid to Native Canadians living on a reserve or in a band. Native Canadians not living on a reserve or in a band are eligible for provincial social assistance.

In the past, Ottawa used its spending power to play an active role in the development of provincial welfare policy. Enacted in 1966, the Canada Assistance Plan (CAP) authorized the federal government to help pay for provincial welfare programs. In order to receive CAP funding, the provinces were required by Ottawa to base eligibility for assistance on financial need and

Major Federal and Provincial In

<i>Program</i>	<i>Description</i>	<i>Expenditure</i>	<i>Beneficiaries</i>
Employment Insurance <i>Federal</i> (Human Resources Development Canada)	Provides cash benefits to eligible workers experiencing temporary employment income interruptions.	Funded by employee/employer contributions.	1995 Number of Beneficiaries (not including dependents): • Canada - 956,960 (average); 2,910,029 (total) • AB - 68,970 (average); 227,227 (total)
	Employment Insurance replaced Unemployment Insurance on July 1, 1996. <i>Benefits are taxable.</i>	1995 Benefit Payments: • Canada - \$13.75 billion • AB - \$1.0 billion	
Workers' Compensation <i>Provincial</i> (Workers' Compensation Board)	Provides compensation and rehabilitation services to workers injured on the job. <i>Benefits are not taxable.</i>	Funded by employer premiums. 1995 Claim Costs: \$303 million (includes \$71 million for health services)	1995 Total Claims Administered: 154,995
	Social Assistance		
Supports for Independence <i>Provincial</i> (Family & Social Services)	Provides cash, dental, and medical benefits to individuals and families unable to meet their basic needs. <i>Benefits are not taxable.</i>	1995/96 Expenditure: \$482.2 million* *excludes spending on "employment initiatives" and "personal support services"	1995 Caseload (not including dependents): • 50,620 cases (average) • 103,750 cases (total)
	Income-tested financial benefit program for permanently and severely disabled adults whose capacity to earn a living is substantially limited. <i>Benefits are not taxable.</i>	1995/96 Expenditure: \$169.6 million	1995/96 Average Monthly Caseload: 17,085
Assured Income for the Severely Handicapped <i>Provincial</i> (Family & Social Services)	Employment Programs		
	Federal Employment Programs (does not include Unemployment Insurance Account programs)	1994/95 Expenditure: • Canada - \$1.6 billion • AB - \$90.0 million	1994/95 Number of Participants: • Canada - 585,809 • AB - 56,693
Employment Programs <i>Provincial</i> (Family & Social Services)	Job training programs: Alberta Community Employment, Employment Skills Program, Alberta Job Corps (this list does not include programs delivered by Alberta Advanced Education and Career Development).	1994/95 Expenditure: \$27.7 million	• 1994/95 Positions Completed: 3,905 • Portion No Longer Receiving SFI: 71%
	Subsidies		
Child Care <i>Provincial</i> (Family & Social Services)	Child Care Subsidy: assists lower-income Alberta families with the cost of child care for preschool children.	1995/96 Subsidy Payments: \$32.8 million	1995/96 Average Number of Families Subsidized per Month: 9,335
	• Canadian Mortgage and Housing Corporation (Federal) • Alberta Social Housing Corporation (Provincial)	• 1994/95 CMHC Expenditure (Canada): \$2.0 billion • 1994/95 ASHC Social Housing Program Costs (AB): \$106.6 million	• 1995 Number of Social Housing Units (Canada): 664,235 • 1994/95 ASHC Social Housing Units (AB): 40,800
Subsidized Housing <i>Federal & Provincial</i>			
Health <i>Provincial</i> (Alberta Health)	Premium Subsidy Program: pays all or part of Alberta Health Care Insurance premiums based on income levels.	na	Number of Beneficiaries of Full/Partial Subsidy at March 31 1996: 567,575

e Support Programs in Alberta

<i>Program</i>	<i>Description</i>	<i>Expenditure</i>	<i>Beneficiaries</i>
Veterans' Financial Benefits <i>Federal</i> (Veterans Affairs)	<ul style="list-style-type: none"> War Veterans Allowance (WVA) - provides income-tested benefits to persons meeting service requirements. Disability Pensions (DP) - payable to members/former members of the Canadian Forces who suffer from a disability or disease attributable to service. <i>Benefits are not taxable.</i>	1994/95 WVA & DP Benefit Payments: <ul style="list-style-type: none"> Canada - \$1.2 billion AB - \$87.4 million 	1994/95 Number of WVA & DP Beneficiaries: <ul style="list-style-type: none"> Canada - 181,620 AB - 13,568
Taxation Assistance			
Child Tax Benefit <i>Federal</i> (Human Resources Development)	Income-tested refundable tax credit payable to eligible families with children under 18 years of age. <i>Benefits are not taxable.</i>	• 1994/95 Benefit Payments: <ul style="list-style-type: none"> Canada - \$5.1 billion AB - \$523.1 million 	1994/95 Average Number of Families Receiving Benefits: <ul style="list-style-type: none"> Canada - 3,049,740 AB - 297,210
Taxation Assistance <i>Federal & Provincial</i>	<ul style="list-style-type: none"> non-refundable tax credits (eg., federal Age Credit, federal Disability Credit, Alberta Selective Tax Reduction) refundable tax credits (federal GST Credit and Alberta Employment Tax Credit) *The Employment Tax Credit began in January 1997	1994 GST Credit Payments: <ul style="list-style-type: none"> Canada - \$2.8 billion AB - \$244 million The Alberta Employment Tax Credit is expected to cost \$70 million/year by 1998/99.	1994 GST Credit Beneficiaries: <ul style="list-style-type: none"> Canada - 8.9 million AB - 751,960 Over 130,000 low- and middle-income working families are expected to benefit from the fully phased-in Alberta Employment Tax Credit.
Elderly Benefits			
Old Age Security (OAS) <i>Federal</i> (Human Resources Development)	Flat rate, indexed pension payable to all persons 65+ who meet residency requirements. There is no income test, but since 1989, payments have been clawed back above a specified income level. <i>Benefits are taxable.</i>	1994 Benefit Payments: <ul style="list-style-type: none"> Canada - \$15.4 billion AB - \$1.1 billion 	1994 Number of Beneficiaries: <ul style="list-style-type: none"> Canada - 3.4 million AB - 246,000
Guaranteed Income Supplement (GIS) <i>Federal</i> (Human Resources Dev.)	Income supplement payable to OAS recipients whose income is below a specified level. Benefits are indexed. <i>Benefits are not taxable.</i>	1994 Benefit Payments: <ul style="list-style-type: none"> Canada - \$4.6 billion AB - \$328 million 	1994 Number of Beneficiaries: <ul style="list-style-type: none"> Canada - 1.3 million AB - 95,000
Spouse's Allowance <i>Federal</i> (Human Resources Dev.)	Income supplement payable to low income persons between 60 and 64 years of age who are either widowed or spouses of GIS recipients. Benefits are indexed. <i>Benefits are not taxable.</i>	1994 Benefit Payments: <ul style="list-style-type: none"> Canada - \$431 million AB - \$33 million 	1994 Number of Beneficiaries: <ul style="list-style-type: none"> Canada - 109,000 AB - 8,000
Canada/Quebec Pension Plans (C/QPP) <i>Federal & Provincial</i>	A "pay-as-you-go" (current workers pay for current pensioners), earnings-related retirement income program. Provides a measure of protection to contributors & their families against loss of earnings due to retirement, disability, or death. Benefits are indexed. <i>Benefits are taxable.</i>	1994 Benefit Payments: <ul style="list-style-type: none"> Canada - \$19.7 billion AB - \$1.5 billion 	1994 Number of C/QPP Beneficiaries (not including death benefits): <ul style="list-style-type: none"> Canada - 3.95 million Alberta - 293,743
Alberta Seniors Benefit <i>Provincial</i> (Community Development)	Income-tested supplementary assistance program for lower-income Albertans 65 years of age and over.	1995/96 Benefit Payments: \$121.7 million	1995/96 Number of Cash Benefit Beneficiaries: 136,436 <i>(over 49% of Alberta's seniors)</i>
Widows' Pension <i>Provincial</i> (Family & Social Services)	Income-tested pension program for widows and widowers residing in Alberta between 55 and 64 years of age who have limited financial resources.	1995/96 Benefit Payments: \$10.3 million	1995/96 Average Monthly Caseload: 2,949

ote: This table is **not** intended to be a comprehensive list of every income support program available in Alberta.

were not allowed to set minimum residency requirements. Eager for the federal dollars, the provinces met Ottawa's conditions. Despite these "standards," however, significant variation remained (eg., the provinces were still free to set their own welfare rates).

CAP funding ended April 1, 1996. Ottawa combined Established Programs Financing (EPF) funds with CAP dollars into a single block grant called the Canada Health and Social Transfer (CHST). Equalization payments (which Alberta does not receive) are not affected by the changes.

Total CHST funding (cash transfers plus the value of tax points ceded by Ottawa to the provinces) is expected to be \$2.8 billion less in 1996/97 than combined 1995/96 EPF and CAP funding; CHST funding will be reduced another \$1.8 billion in 1997/98 for a total cut of about 15.5% (Source: 1995 Federal Budget).

Ottawa's historical infiltration of provincial welfare policy will be reduced as the provinces are free to spend the CHST as they wish as long as they do not impose residency requirements and as long as they adhere to the regulations outlined in the *Canada Health Act*.

Ottawa's partial retreat from the delivery of social assistance, continued pressure at the provincial level to control spending, and longstanding calls for welfare reform will engender numerous changes to provincial welfare programs in the years ahead. These changes will add to and – hopefully – be informed by the changes made in Alberta since 1993.

National Trends

The 1990s have seen marked increases in both the number of social assistance recipients in Canada and the cost of benefit payments. Controlling for both inflation and population growth, social assistance spending tripled between 1970 and 1995 (see Figure 14).

The number of people living in households receiving social assistance has mirrored the rise in spending – increasing from 6.0% of the population in 1969 to 10.4%

The Human Dimension

While it is true that some people abuse "the system" and collect welfare when they could get by without it, this is not norm. Some people are victims of unfortunate circumstances (eg., an abusive relationship) and some may have made poor decisions (eg., dropping out of school); either way, **why** someone is in need does not change the fact that they are in need.

The following scenarios point out two of the many reasons people apply for welfare and remind us that the debate over social programs is a debate about people not just dollars and statistics:

April dropped out of school when she was 16 to look after her daughter Kristin. April lived with her mother for two years after Kristin was born, but was asked to leave when her mother remarried. With no job, no skills, and a two-year old daughter to take care of, April turned to Alberta's welfare program for help.

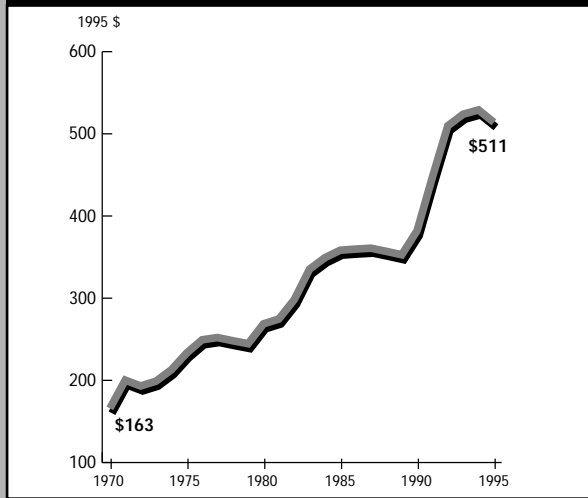
April was told that because Kristin was over 6 months old, she would have to look for work. After some diligent searching, she found a job at a fast food restaurant. Her income, however, was not enough to meet her needs, so Alberta Family and Social Services supplemented her earnings and paid to keep Kristin in day care while April worked.

Jim & Sarah are married with two children – Timothy and Nicole. Two years ago, Jim lost his job when the company he worked for went out of business. This placed Jim and Sarah in a tough spot. Complications after the birth of Nicole made it difficult for Sarah to return to work. Jim applied for UI as soon as he lost his job. The UI combined with their savings was enough to get by on but ran out before Jim could find a job that paid enough to support his family. With no income to pay the bills, Jim and Sarah applied for welfare.

After being on welfare for three months, Jim found a job at a warehouse and now earns enough money to support his family without help from welfare. Jim's new job, however, does not pay very well and Jim and Sarah continue to struggle to make ends meet.

Figure 14

Per Capita Social Assistance Payments in 1995 \$ (Canada)



Source: Derived from Statistics Canada, System of National Accounts

in 1995 (see Figure 15). These figures do not reflect the number of *different* social assistance recipients in a year but the number of recipients as of March of each year. (Comparative interprovincial data on the number of *different* recipients in a year are not available.)

Social Assistance in Alberta

Supports for Independence (SFI) is Alberta's social assistance program. SFI is administered by the Department of Family and Social Services (FSS).

SFI clients are classified into one of four sub-programs:

EXPECTED TO WORK

(1) Supplement to Earnings – for employed recipients whose earnings are insufficient to cover their needs;

(2) Employment and Training – for recipients who are seeking employment or available for/participating in a training program;

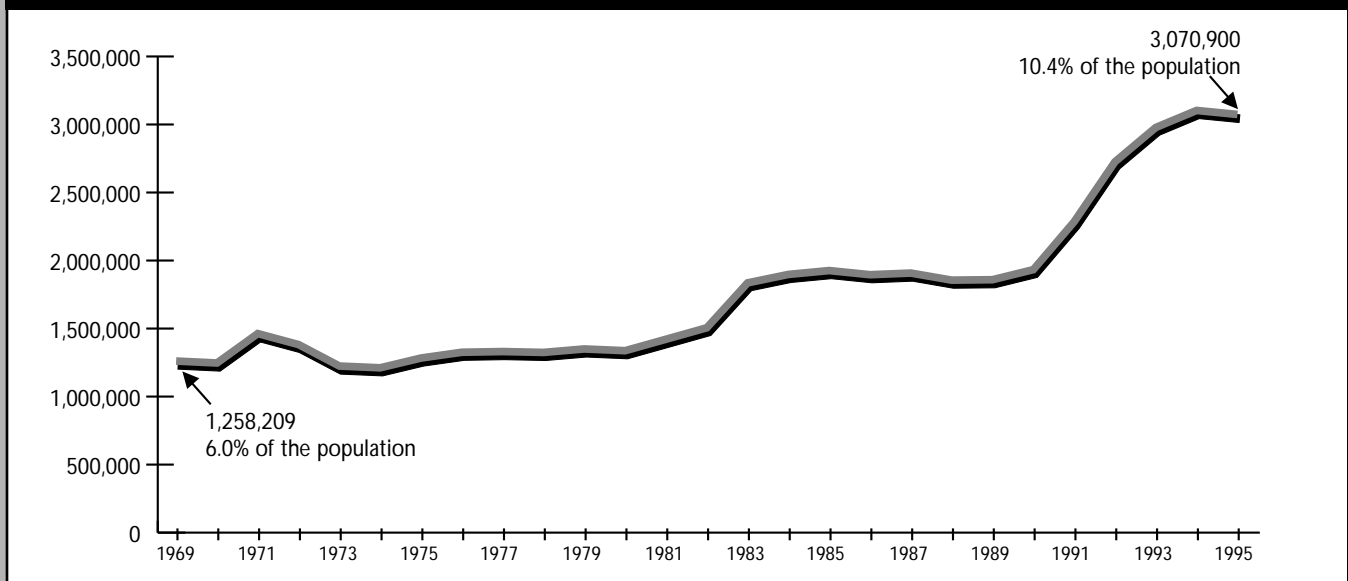
(3) Transitional Support – for employable recipients temporarily unavailable for work or training;

NOT EXPECTED TO WORK

(4) Assured Support – for recipients assessed as unemployable because of a handicap or other barriers to employment.

Figure 15

Estimated Number of Social Assistance Recipients in Canada



Source: Human Resources Development Canada. These figures represent the number of people (head of the household plus dependents) receiving social assistance as of March of each year. They do not represent a yearly average or the total number of *different* recipients in a given year. Programs, definitions, and reporting systems vary considerably among provinces and within provinces over time; data should be used as estimates only.

Box 5

Eligibility Criteria

The CAP required that welfare be granted to "persons who are found to be unable to provide adequately for themselves and any dependents on the basis of a needs test" and this is not likely to change in the near future. It has, however, been suggested by some that the needs test should be replaced by a less intrusive and more straightforward income test.

The following list provides a description of the methods used to determine eligibility for income support in Canada:

Needs-Tested Programs: A needs test or "budget deficit test," compares an applicant's budgetary requirements to his or her financial resources. If expenses exceed income, the applicant is eligible for assistance. The calculation of need typically excludes a number of financial resources (eg., a home, furniture, a car worth under a specified amount, tools required to practice a trade, Child Tax Benefit payments, etc.).

Income-Tested Programs: Income-tested programs pay graduated benefits to families or individuals whose incomes are below specified levels. Examples include the GST credit, the Guaranteed Income Supplement, and the Child Tax Benefit.

Social Insurance Programs: Social insurance programs are financed by payroll taxes paid by employers alone (eg., workers' compensation) or by both employers and employees (eg., Employment Insurance and Canada and Quebec Pension Plans). Assistance is provided to workers who become unemployed, suffer a work-related injury or retire.

Universal Programs: Universal programs pay benefits to all members of a group (eg., families with children, the elderly) regardless of need or income. A number of universal programs have either been replaced (eg., Family Allowance) or transformed into income-tested programs through the introduction of a claw back which requires recipients with incomes above a specified level to return some or all of their benefits (eg., Old Age Security).

Persons with disabilities may be granted assistance under the SFI program or the Assured Income for the Severely Handicapped (AISH) program. AISH was created as an alternative to welfare for permanently and severely disabled Albertans aged 18 and over whose capacity to earn a living is substantially limited. AISH provides recipients with free health and dental benefits and a maximum of \$810 per month. Recipients must have permanent disabilities and must have exhausted all opportunities for rehabilitation, training and work. Unlike SFI, eligibility for AISH is not determined by a needs test. As a result, AISH does not provide extra benefits to meet additional needs.

In 1994/95, the average AISH caseload was 16,383 (265 more than the previous year). The AISH budget for 1994/95 was \$161.6 million. AISH has not been a target of cuts and both the caseload and spending are expected to increase over the next few years (for more information, see Darko Kulas, *Social Services for Persons With Disabilities*, Canada West Foundation, 1997).

The Supports for Independence program has undergone substantial reform since 1993. The reforms were implemented to reduce costs and change "welfare from a passive system of support into an active employment program emphasizing: the temporary nature of assistance; self-sufficiency and family responsibility; and the creation of training and employment opportunities for recipients" (Alberta Family and Social Services).

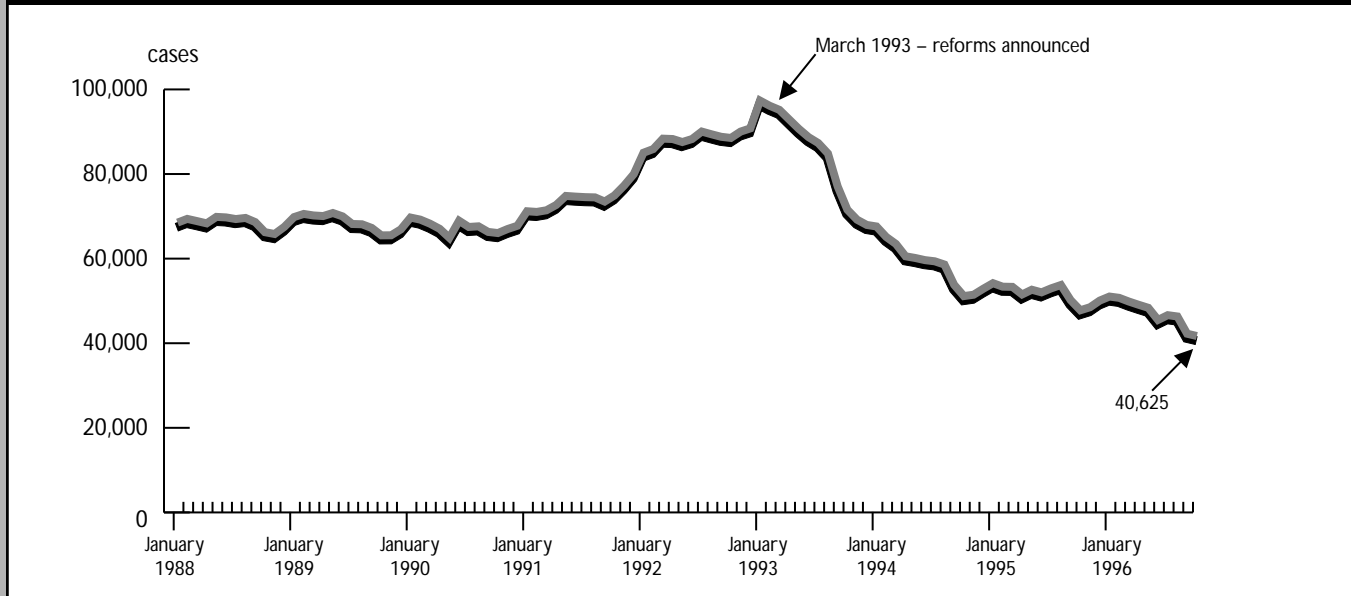
Caseload

Both the SFI caseload and expenditure have dropped dramatically since the reforms began. The SFI caseload (this does not include the AISH caseload) fell from the government's benchmark level of 94,087 in March 1993 to 40,625 in October 1996 (see Figure 16). The average SFI caseload in Alberta fell from 83,831 in 1993 to 50,620 in 1995. This means that at any one time in 1995, there were 33,211 fewer cases receiving SFI than in 1993.

The SFI caseload increased significantly during the economic downturn of the early 1990s and, although it is not possible to determine why people left the welfare rolls since the reforms began in 1993 without conducting a survey of former clients, some of the reduction is attributable to the natural decline expected during an upturn in the economy. The relatively sharp decline in Alberta's caseload compared to pre-recession levels (see Figure 16), however, indicates that other factors have been at work in Alberta. Canada West Foundation began interviewing a sample of former SFI clients in early 1997 to find out what has happened to them since they stopped receiving assistance. The results of the survey will help both policy-makers and the public to evaluate the outcome of the reforms.

Figure 16

Monthly SFI Caseloads, January 1988 – October 1996



Starting in January 1993, figures refer to the caseload at the end of the month. Figures prior to 1993 are mid-month counts.
Source: Alberta Family & Social Services, personal communication

The *composition* of the SFI caseload has also changed. The number of clients in the Assured Support category increased between March 1993 and March 1996 both in real terms and as a proportion of the total SFI caseload (see Figure 17).

“shifting resources to high needs areas” (in this instance, SFI clients deemed by Alberta Family and Social Services to be “unemployable”).

Again, it is important to note the difference between the average SFI caseload and the total number of people who receive SFI over the course of a year (see Figure 18). The average number of SFI cases in 1995 was 50,620 whereas the number of unique cases was 103,750. Both statistics are useful, but the latter is not regularly reported. It would also be useful to know the number of unique cases from year to year. This would tell us how many *different* Albertans received SFI over an extended period of time rather than in a single year. Unfortunately, these statistics are not available.

The SFI caseload is marked by constant turnover (see Figure 19 on page 17). On average, 6,842 cases were opened and 7,052 cases closed each month in 1995. Most SFI clients are single, live in urban centres, and are between 18 and 64 years of age (see Figures 20 and 22 on pages 17 and 18 respectively). About 45.4% of people living in households that received SFI in February 1996 were children under 18 years of age. This translates into approximately 49,000 children.

Figure 17

SFI Caseload Composition by Program Category, 1992/93 versus 1995/96

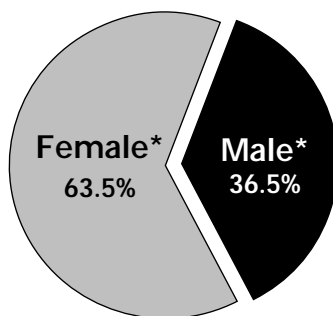
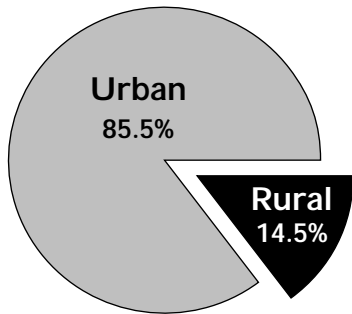
Program Category	March 1993 # of cases	March 1996 # of cases	Caseload Change
Supplement to Earnings	13,630 14.5%	10,337 21.2%	(3,293)
Employment & Training	47,646 50.7%	19,779 40.6%	(27,867)
Transitional Support	23,649 25.1%	7,497 15.4%	(16,152)
Assured Support	9,162 9.7%	11,160 22.9%	1,998
Total	94,087	48,773	(45,314)

Source: Alberta Family & Social Services, personal communication

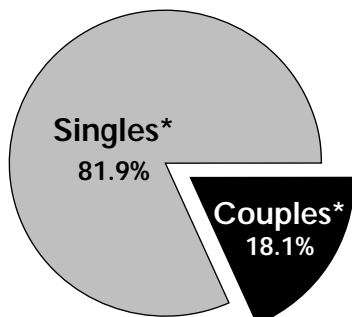
The number of clients in the “expected to work” categories, on the other hand, dropped by 47,312. These outcomes are in keeping with the government’s goal of

Figure 22

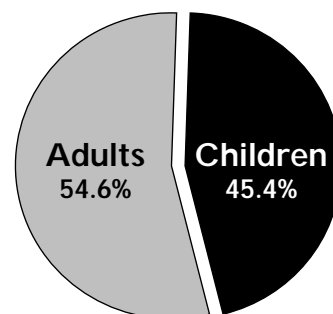
SFI Caseload Demographics



* heads of households



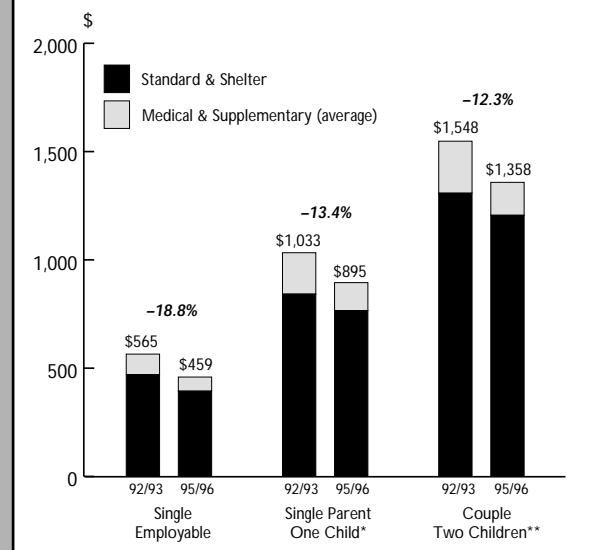
* with & without children



February 1996 caseload – Source: Alberta Family & Social Services, personal communication

Figure 23

SFI Rates – Monthly Totals 1992/93 versus 1995/96



Rates are maximum amounts – *0-11 years

**1 child less than 12 years, 1 child more than 12 years

Source: Alberta Family & Social Services

Summary

Alberta's welfare program has changed significantly since 1993. The changes are part of a general restructuring of the public sector in the province and in the country as a whole and should be placed in this context. As is the case with UI reform, a number of general themes are evident: (1) increased emphasis on targeting those most in need; (2) spending reductions; and (3) the creation of an "active" rather than a "passive" program.

The generosity of SFI has been reduced as benefits have been cut rather than increased. Contrary to some characterizations, Albertans are not getting rich collecting welfare.

It is important to note that the drop in SFI expenditure is not typical of all Alberta Family and Social Services spending. In fact, the financial leeway created by the drop in SFI expenditure has made funds available to maintain or increase spending in a number of other areas (eg., child welfare, persons with disabilities, and seniors) and still meet the government's fiscal restraint targets.

It has been argued that the downsizing of Alberta's welfare program has not been accompanied by a commensurate reduction in the need for welfare services and, as a result, that gaps have formed in Alberta's safety net. It is also argued that the non-profit sector and/or the "community" should "pick up the slack" created by the reforms.

There are, however, a number of problems with these arguments:

(1) we do not know the degree to which changes to welfare and other government programs have altered the need for income support and other social services;

(2) it has proven difficult to accurately measure the influence of economic and social trends on the need for income support and other social services; and

(3) we do not know the degree to which the non-profit sector can "pick up the slack" that may or may not be created by government restructuring.

We should, therefore, be as careful as possible before we jump to conclusions regarding the future role of the non-profit sector in this area of social services.

One thing that does seem certain is that the non-profit sector does not have the wherewithal to replace the large-scale income support programs that form the core of Canada's income security system. Government will remain the main provider of cash income support for the foreseeable future. It is in the grey area between what these programs provide and what people need that the non-profit sector has a role to play. With more information and a lot of imagination and effort, we can emerge from the 1990s with a **better** safety net than the old one; we can reweave the net rather than unravel or patch it. ■

For more discussion on these topics, please see the Social Services Project's main report: *Issues and Options for Change: Social Services for the 21st Century*, by Dr. Jackie Sieppert, Canada West Foundation, 1997.

Suggestions for Further Reading

Rachel Bernier, "The Labour Force Survey: 50 Years Old!" *Canadian Economic Observer*, March 1996, Statistics Canada.

Gerard Boychuk, "Reforming the Canadian Social Assistance Complex: The Provincial Welfare States and Canadian Federalism," *Canada: The State of the Federation* 1995, edited by Douglas M. Brown and Jonathan W. Rose, Institute of Intergovernmental Relations, 1995.

Patricia Boynton, "Program Review in Alberta and the Special Case of Welfare Reforms," *Hard Choices or No Choices: Assessing Program Review*, Monographs on Canadian Public Administration – No. 17, edited by Amelita Armit and Jacques Bourgault, co-published by The Institute of Public Administration of Canada and Canadian Plains Research Centre, 1996.

Harvey Krahn, "Non-Standard Work on the Rise," *Perspectives*, Winter 1995, Statistics Canada.

Alice Nakamura, John Cragg and Kathleen Sayers, "The Case for Disentangling the Insurance and Income Assistance Roles of Unemployment Insurance," *Canadian Business Economics*, Fall 1994.

A 21st Century Employment System for Canada: Guide to the Employment Insurance Legislation, Human Resources Development Canada, 1995. (Human Resources Development Canada Internet Site: <http://www.hrdc-drhc.gc.ca>)

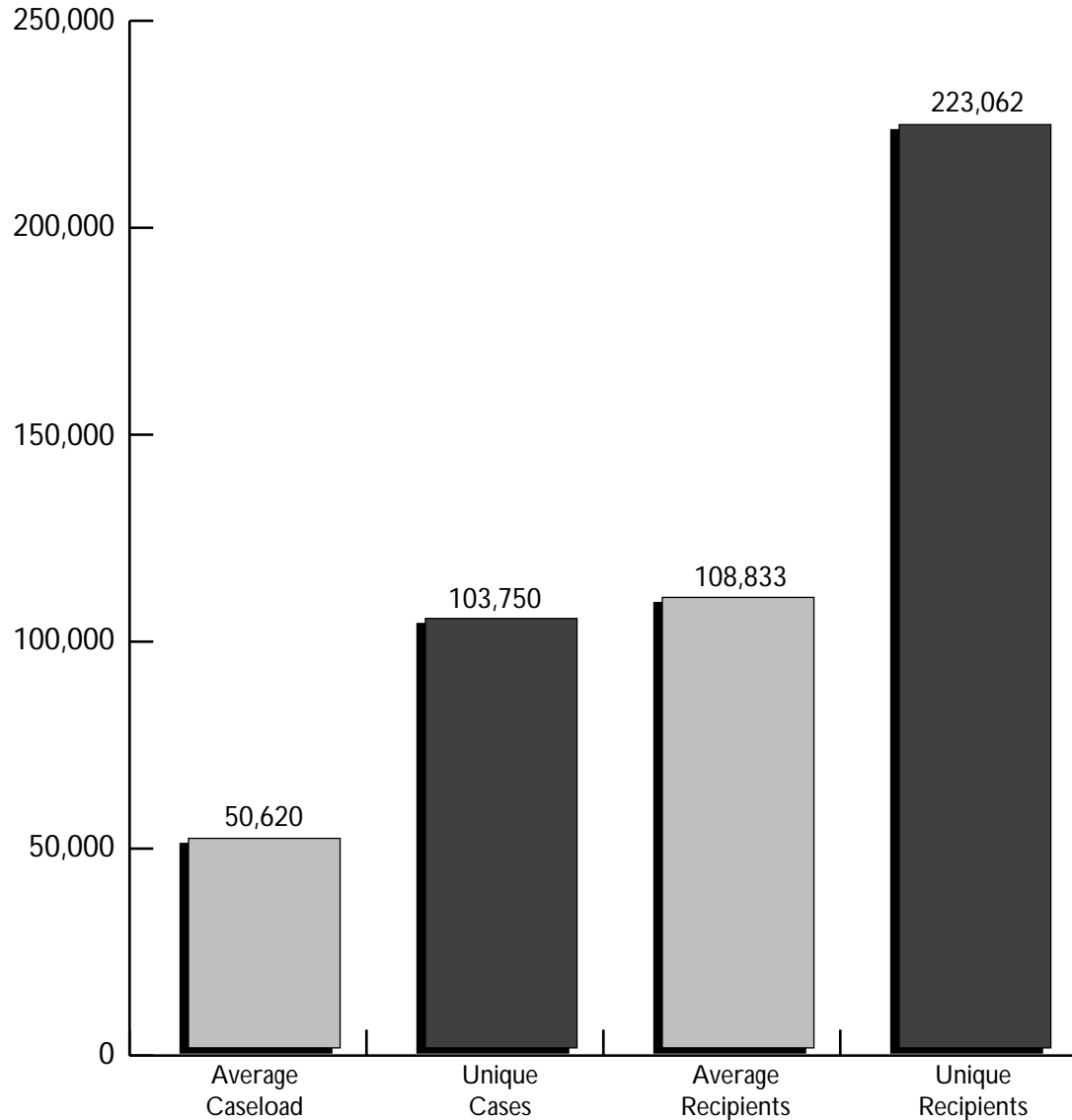
"National Standards," *Policy Options*, Institute for Research on Public Policy, June 1996.

The Other Welfare Manual: A Survival Guide to Supports for Independence, Edmonton Social Planning Council, 1994.

Welfare Incomes 1995, National Council of Welfare, 1997.

Figure 18

Supports for Independence Usage Statistics – 1995



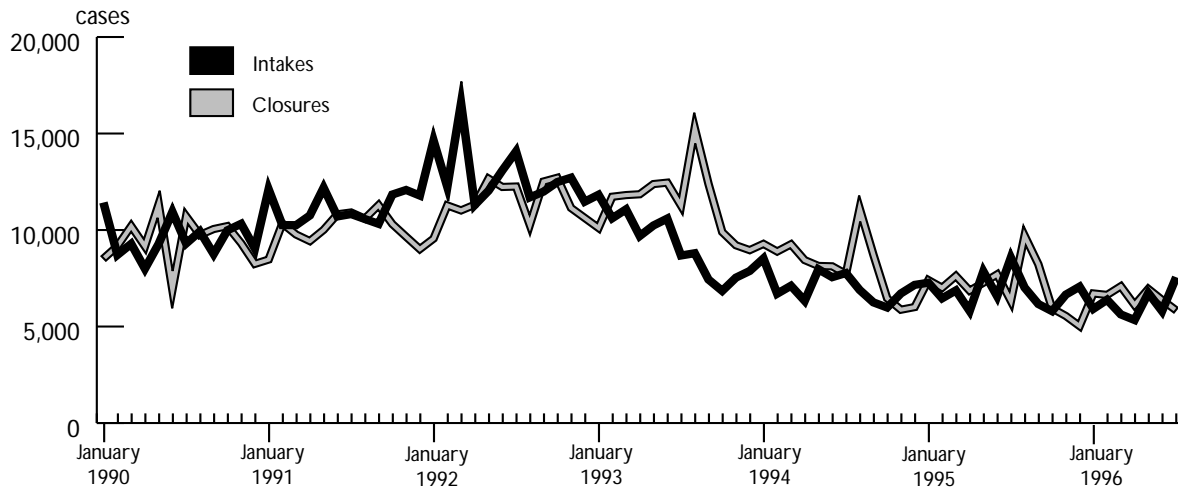
Source: Derived from Alberta Family & Social Services, personal communication

Figure 18 illustrates the need to carefully examine social assistance statistics. There are four different ways of looking at how many people receive social assistance in a year:

- (1) The **average caseload** refers to the average number of people **not including dependents** that receive assistance each month (50,620 people – about 1.8% of the population).
- (2) The number of **unique cases in a year** refers to the number of **different** people **not including dependents** that receive assistance at least once in a year (103,750 people – about 3.8% of the population).
- (3) The **average number of recipients** refers to the average number of people **including dependents** that receive assistance each month (108,833 recipients – about 4.0% of the population).
- (4) The number of **unique recipients in a year** refers to the number of **different** people **including dependents** that receive assistance at least once in a year (223,062 people – about 8.1% of the population).

Figure 19

SFI Caseload - Intakes & Closures



Source: Alberta Family & Social Services, personal communication

Figure 20

SFI Caseload by Age

Age	# of Cases	% of Total
16 - 17	57	0.1%
18 - 24	8,882	17.9%
25 - 34	15,773	31.8%
35 - 44	12,885	25.9%
45 - 54	6,955	14.0%
55 - 64	4,460	9.0%
65+	634	1.3%
Total	49,646	100%

February 1996 caseload

Source: Alberta Family & Social Services, personal communication

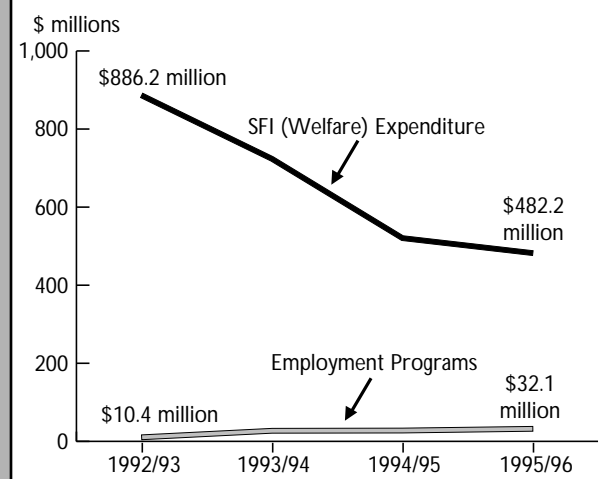
Expenditure

Reduced SFI expenditure is the chief reason for the drop in Alberta Family and Social Services spending from \$1.722 billion in 1992/93 to \$1.368 billion in 1995/96 (Source: 1996 Alberta Budget). The SFI budget fell \$404 million between 1992/93 and 1995/96 (see Figure 21). The decrease in SFI spending can be attributed to several factors: (1) the reduction in the average caseload – fewer cases per month means less expendi-

ture; (2) reduced benefit rates (see Figure 23); (3) the elimination or reduction of a number of supplementary benefits; and (4) several changes to the delivery of the program designed to reduce costs (eg., non-replacement of lost or stolen benefit cheques). The cuts to the SFI program, however, have been accompanied by increased spending in a number of other areas (eg., employment programs and AISH).

Figure 21

SFI Expenditure Comparison, 1992/93 - 1995/96

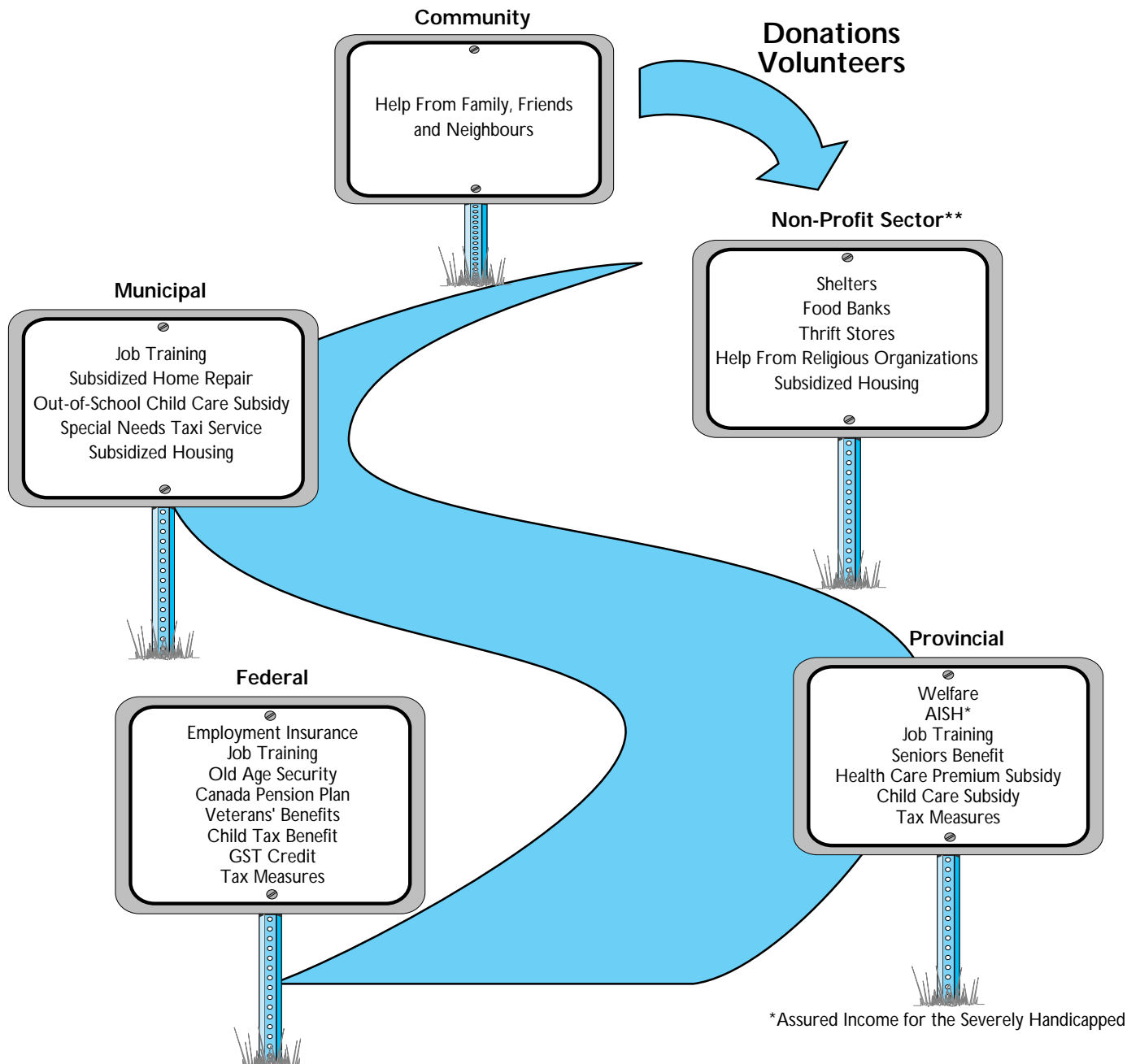


Welfare expenditures include grants to individuals and delivery costs. Employment program expenditures do not include spending by Advanced Education and Career Development.

Source: Alberta Family & Social Services and Public Accounts

Navigating the System

Canada's income support system is composed of numerous programs delivered by government and the non-profit sector as well as help provided by family, friends and neighbours. The non-profit sector tends to be the locus of good samaritanism (eg., donating food to food banks, giving money to the Salvation Army at Christmas, volunteering at a homeless shelter). All three levels of government help fund services provided by the non-profit sector. *This graphic summarizes some of the main income supports available in Alberta.*



**The list of non-profit services available to people in need of income support is much longer than can be presented in this graphic.