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A Better Way to Set Welfare Rates

By Steve Kerstetter

There are many shortcomings in the BC welfare system, but none as fundamental or appalling as the meager amount of financial support it provides to people in need. In its most recent budget, the provincial government once again chose not to increase welfare benefit rates, even though rates have not increased in 12 years, and over that time inflation has eaten away at the real value of a welfare cheque.

In theory, welfare incomes are supposed to cover the cost of the necessities of life. In practice, welfare rates are set arbitrarily by the provincial cabinet with little regard for the actual cost of living.

The gross inadequacy of welfare incomes was highlighted once again in *Left Behind*, the latest review of BC Employment and Assistance rates by the Social Planning and Research Council of BC (SPARC BC). The study shows that welfare incomes remain far below the amount required for people to buy the goods and services they need for daily living and to participate in a meaningful way as members of their communities.

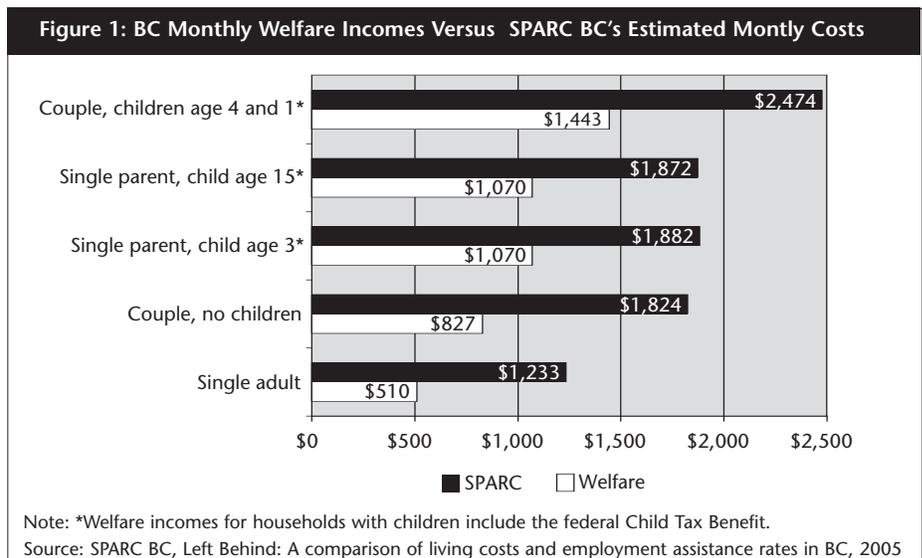
Figure 1 summarizes the main findings of the study. It shows, for example, that a couple with children ages four and one received 58 per cent of SPARC BC's estimated minimum living costs, while a single adult on welfare received only 41 per cent.

SPARC BC has long favoured setting welfare rates based on the cost of a basket of goods and services. Using the basket approach is no fool-proof guarantee that welfare rates would be adequate, but it would be worlds ahead of the present system of setting rates by government fiat.

The case for adequate welfare incomes can stand on its own as good public policy, respect for human rights, or evidence of a caring and compassionate society. All these arguments are even more compelling because of two essential realities about welfare: first, welfare is a program for people who have run out of options; and second, the people who receive welfare today tend to stay on welfare for relatively long periods of time (this was not the case historically, but as new rules have made welfare harder to access, the remaining caseload tends to have more barriers to employment).

Welfare is the social safety net of last resort, the program that provides income to people who have exhausted all other income sources. Many welfare recipients are entirely dependent on government for all of their income, most of it from welfare, and the rest from other government programs such as the GST credit or the Canada Child Tax Benefit.

Paid work is often described as one of the best ways out of welfare, but getting and keeping a decent job is



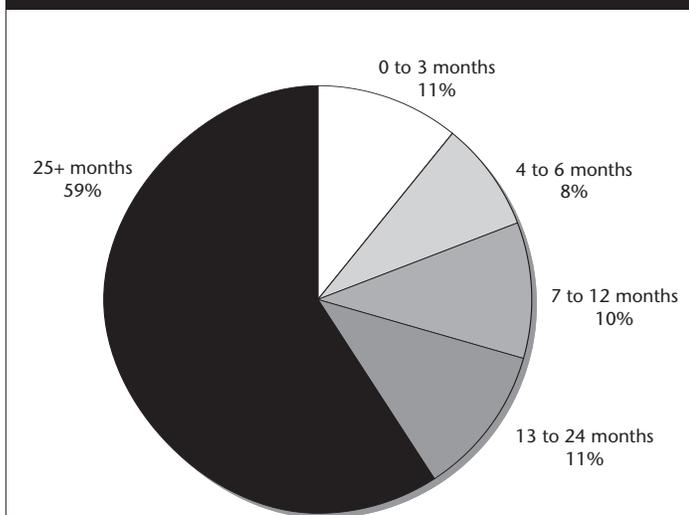
often easier said than done. There are too many confounding factors that lead people to be on welfare in the first instance—major job losses in the community, abysmally poor coverage by Employment Insurance, inadequate education or training, health problems, addictions, or family violence that made the home unsafe.

Contrary to its stated goal of moving more welfare recipients into the workplace, the BC government actually discourages people from working by not allowing earnings exemptions for recipients deemed to be employable. Without any earnings exemptions, every dollar earned is a dollar taken off the monthly welfare cheque. That's tantamount to a tax of 100 per cent on earned income.

Welfare is sometimes regarded as a short-term measure to carry people through temporary periods of hard times, and provincial politicians often talk about how quickly welfare recipients leave the system. In reality, people tend to be on welfare for many months, if not years.

Figure 2 shows the latest available BC caseload statistics, from March 2004, organized by current "spells" on welfare, or the length of time people have been on welfare continuously. The statistics show that 59 per cent of welfare cases had been on welfare continuously for 25 months or more. Only 11 per cent of cases had been on welfare continuously for three months or less. (In 1994, when there were many more "employable" people on welfare, spells on welfare of 25 months or more accounted for only 33 per cent of the total caseload.)

Figure 2: BC Welfare Cases by Length of Spell on Welfare as of March 31, 2004



Note: Totals do not add to 100 due to rounding
 Source: Social Development Canada, Social Assistance Statistic Report, 2004.

The length of spells on welfare varied with the reasons people required it, but long spells were common for all categories of recipients. In cases involving people with disabilities, 80 per cent of the cases had spells on welfare of 25 months or more. In cases involving "persistent multiple barriers to employment," cases temporarily excused from working, and a small number of miscellaneous other cases, 50 per cent had spells of 25 months or more. The comparable figure for "employable" cases was 29 per cent.

Knowing that welfare is a last resort and that people could be on welfare for relatively long periods of time, governments have two basic choices: they can choose to inflict pain and suffering on welfare recipients by continuing to set welfare rates at unrealistically low levels, or they can choose to provide incomes that are adequate.

How do governments ensure that welfare incomes are adequate? One way is by using the SPARC BC approach or a comparable approach that takes a realistic look at household needs and establishes the actual cost of needed goods and services in the local marketplace.

There are many items in the baskets of goods and services for each of the five family types in the SPARC BC report. They are grouped into two broad categories—support and shelter—that correspond to the support and shelter allowances in BC welfare programs.

The support category includes food, household supplies, clothing, personal care, transit, child care costs not covered by provincial subsidies, and a miscellaneous subcategory made up largely of recreation and leisure items. The shelter category includes the cost of rental housing in the lowest 25 per cent of the market, plus utility costs and basic telephone service.

Most of the subcategories in Table 1 are made up of specific items. For example, the subtotal for food consists of many individual items recommended by the Dietitians of Canada and also draws on extensive federal government research over the years on a "nutritious food basket."

While these and the other items are described in detail by SPARC BC, welfare rates are notable for the absence of detail. The province publishes tables with the amounts welfare provides for support and shelter, but it doesn't give any further details. How are the overall rates for support and shelter set? No one outside government knows for sure.

Baskets of goods and services developed by the BC government would probably be somewhat leaner than the baskets developed by SPARC BC. Governments that are particularly mean-spirited would be most likely to produce

less than adequate baskets. The baskets first developed some years ago by Christopher Sarlo and promoted by the Fraser Institute certainly reflect a miserly and uncharitable approach.

On the other hand, the very fact of having baskets and specifying what is inside in detail would allow people to judge for themselves whether welfare recipients are getting a fair shake from government.

If a government basket followed the nutritional recommendations of the Dietitians of Canada, for example, so

much the better. If it didn't, the minister of employment and income assistance might be compelled to explain why he ignored the advice of professionals and set a lower figure. British Columbians could then make up their own minds as to whether the government is acting reasonably. They might ask their MLAs whether they expect single parents on welfare to skip meals to feed their children, or whether feeding children a less than nutritious diet for 25 consecutive months or more is really the best way to give the next generation the best possible start in life.

Table 1: SPARC BC's Estimated Minimum Monthly Incomes

	Single adult	Single parent, child 3	Couple, no children	Single parent, child 15	Couple, children 4 and 1
Support					
Food	\$197.79	\$189.19 \$88.47	\$189.19 \$189.19	\$189.19 \$188.55	\$171.99 \$171.99 \$107.86 \$74.62
Total food	\$197.79	\$277.66	\$378.38	\$377.74	\$526.46
Household supplies	\$15.00	\$27.04	\$27.04	\$27.04	\$51.12
Clothing	\$71.94	\$71.94 \$22.41	\$71.94 \$71.94	\$71.94 \$62.11	\$71.94 \$71.94 \$28.89 \$19.73
Total clothing	\$71.94	\$94.35	\$143.88	\$134.05	\$192.50
Personal care	\$22.42	\$22.42 \$6.74	\$22.42 \$22.42	\$22.42 \$20.97	\$22.42 \$22.42 \$6.74 \$3.39
Total personal care	\$23.04	\$29.97	\$46.08	\$44.59	\$56.49
Transit	\$95.00	\$95.00	\$95.00 \$95.00	\$95.00 \$30.00	\$95.00 \$69.00
Total transit	\$95.00	\$95.00	\$190.00	\$125.00	\$164.00
Child care		\$195.00			
Other costs	\$196.22	\$313.96	\$313.96	\$313.96	\$549.44
TOTAL SUPPORT	\$598.99	\$1,032.98	\$1,099.34	\$1,022.38	\$1,540.01
Shelter					
Apartment type	bachelor	two bedrooms	one bedroom	two bedrooms	three bedrooms
Basic rent	\$580.00	\$790.00	\$670.00	\$790.00	\$875.00
Utilities	\$22.60	\$27.88	\$23.51	\$27.88	\$27.88
Telephone	\$31.53	\$31.53	\$31.53	\$31.53	\$31.53
TOTAL SHELTER	\$634.13	\$849.41	\$725.04	\$849.41	\$934.41

Source: SPARC BC, Left Behind: A comparison of living costs and employment assistance rates in BC, 2005

If a government basket included non-prescription drugs, haircuts, bus passes and other items that go beyond the so-called essentials of food, shelter and clothing, so much the better. If it didn't, people would be entitled to ask why. Surely good health, good grooming and basic transportation are important for everyone. Some might argue they are particularly important for people going to job interviews.

The basket approach might also make governments think twice about further cuts to welfare benefits. The cuts of recent years, such as the cuts in shelter allowances for households

of three or more persons, could not be justified if the basket approach was the norm. Everyone in BC knows that housing prices have been rising, not falling.

All in all, the basket approach would bring a degree of rationality to the way welfare rates are set in BC and would allow for informed public debate about the choices made by government. Perhaps, in turn, that could lead to a more rational debate about the many other problems that dog BC welfare programs.

Guidelines for Using a Basket Approach

The following guidelines should be followed in any switch by the BC government to a basket approach for setting welfare rates:

- Work on the baskets should be done by a committee appointed by the provincial government that includes low-income people. Members of the committee who are not government employees would retain the right to criticize the decisions taken by the majority.
- The components of the baskets should be published in detail, not just summarized as "support and shelter."
- There should be an "other" category in each basket to cover miscellaneous expenses too difficult to enumerate for different family types, though this category

should be relatively small to avoid any accusation of "padding."

- The committee should establish procedures for how the items are costed in the marketplace, or what data is to be used in the case of government statistics on housing costs. The goal should be to set realistic costs and avoid skewed results due to items on sale, unrealistically large bulk sizes, or items available at warehouse stores with membership requirements.
- All costing done in the marketplace should be conducted by way of contracts with non-profit organizations or anti-poverty groups.
- The baskets should be recalculated every year to keep abreast of actual costs. If this is not done, welfare rates should be fully indexed to the Consumer Price Index for Vancouver.

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