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Poor need more than T.E.A.: Saskatchewan's Building Independence Program forces people into "low wage" traps

- by Garson Hunter and Kathleen Donovan

Introduction

The Saskatchewan government has drastically changed the manner in which it distributes financial help to people requiring social assistance. While the government claims it is *Building Independence* by moving people from the Social Assistance Program to the Transitional Employment Program (TEA), the truth is that the province is failing to support the interests of the poor and is compelling them to undertake low wage employment that traps them in a cycle of poverty. Shortsighted decisions like capping utility rates for assistance recipients is deepening poverty by creating even larger monthly budget shortfalls for families.

Restructuring of welfare programming

Social assistance (welfare) programming in Saskatchewan has undergone significant restructuring since the end of the national cost–shared Canada Assistance Plan (CAP) in 1996. The CAP program was replaced with the Canada Health and Social Transfer (CHST) program which included block funding to provinces for provision of welfare funding.

Important changes to welfare in Saskatchewan have occurred since the introduction of the CHST, under the program titled *Building Independence,* introduced in 1997. The first phase of restructuring was the introduction of eligibility for benefits for children tied to the labour force attachment of their parent(s). Examples of employment-tested programs in Saskatchewan include the Saskatchewan Child Benefit and the Saskatchewan Employment Supplement. The second major shift in welfare programming occurred with the creation of a separate welfare program called Transitional Employment Allowance (TEA). The TEA program was designed for applicants deemed to be employable, or those who would be on welfare for only a short period. TEA recipients were transferred to the provincial welfare program (SAP) after three to four months. Applicants and recipients of the TEA program received fewer financial benefits than recipients of SAP.

The latest restructuring occurred in May 2005. TEA is now the program for which most applicants for welfare qualify. Applicants include those unable to work at the time of application and people with disabilities. New applicants and recipients now remain on TEA for an indefinite period and receive fewer financial benefits. Indeed, the new TEA program represents a major policy shift with the introduction of flat rate utility payments.

Program forces people into "low wage" trap

Capping of utilities in Saskatchewan represents a significant departure from the utility policy instilled in 1994 wherein utility bills were paid in full. What makes the policy direction especially unsettling today is that due to high world oil prices, the oil corporation revenues and the provincial oil royalties far exceed projections.[1] Saskatchewan introduced flat rated utility benefits during 2003 as a component of the TEA welfare program and now has extended this program to include nearly all new applicants for financial assistance.

When it was introduced, the government of Saskatchewan stated that TEA was not a welfare program. Rather, Saskatchewan was to consider the program as providing people the supports they needed to get back to work and become "self-sufficient." But, the government position that TEA is not a welfare program appears to be somewhat disingenuous. The TEA program continues to operate in accordance with Regulations under *The Saskatchewan Assistance Act* (1979), which is the enabling legislation for welfare in the province. In essence, the province has two welfare programs: the existing welfare program governed by the SAP Regulations and the TEA program governed by the TEA Regulations. However, both programs continue to be delivered under the authority of *The Saskatchewan Assistance Act*.

The TEA is designed as a Labour Force Attachment (LFA) program, wherein the government considers any employment to be better than welfare provision. The TEA program reduces the already meagre benefits of the welfare system for recipients, presumably to recover some of the program costs and entrench welfare as even less an alternative than accepting any form of employment. The LFA approach is most conducive to the interests of the business community, as it fuels working poverty by swelling the conditional labour supply and depressing wages.

The province does not address the issue of forcing people into a "low wage trap", but LFA policies such as TEA, the Saskatchewan Child Benefit (SCB), Jobs First and diversion of applicants through the use of a province wide call centre perform this function. Any savings in welfare expenditures associated with the LFA model just shifts those costs to other areas:

> While a labour-force-attachment model may gain support due to its lower cost structure, the narrow basis on which such costs are calculated suggests that this path too, is likely to be problematic. 'Savings' on welfare costs, calculated on the basis of simply moving people off welfare, do not take account of externalities associated with working poverty or - worse yet - with complete loss of income (where claimants are simply sanctioned off welfare due to some administrative misdemeanour without a job to enter). Welfare 'savings' may consequently become simply displaced as 'new' costs in the form of increased homelessness, ill health, criminality, or foster care[2].

Although further research would be required to determine a direct correlation between lower assistance rates and more coercive programming and such externalities in Saskatchewan, we do know that child apprehension and organized crime have increased in recent years as has food bank use. At the same time the Department of Community Resources and Employment (DCRE) claims a 41% reduction in welfare caseloads[3].

Shelter and Utilities

Before 1994, the Saskatchewan Department of Social Services (as it was then known) combined rate payments for shelter, utilities [4] and laundry into a "Housing Maximum". The housing maximum represented the total amounts that a social assistance recipient would receive for these necessities, with the rates scheduled to family size and geographic region within the province.

Effective January 1994, the Department kept the same rates for shelter but, in a progressive social policy direction, introduced the payment of actual utility costs. These costs covered electricity, water and the various means (natural gas, fuel oil, propane and wood) of heating used in the province. In Saskatchewan, with its harsh winter climate, utilities are a necessity of life. It appears, however, that the provincial government is reversing its progressive policy of providing actual utility costs for the poor by extending flat rate utility payments to more of the poor through an expansion of the TEA program. This expansion will cover more applicants for welfare and increasingly deflect people eligible for SAP.

How do flat rate utilities affect the poor in Saskatchewan? A Saskatchewan government promotional campaign, titled *Saskatchewan: Our Future is Wide Open*, provides figures for the average residential utility costs for a family in Saskatoon[5]. According to these figures, Saskatchewan residents pay on average $1,342 for heat. If we divide these averages by twelve months, the average cost is $112 per home per month. Using these average utility costs, it is simple to compare the shelter payments and actual utility rates under SAP Regulations to the shelter payments and flat rate utility fees under the TEA (2003-2005) Regulations.

The TEA program does not contain separate amounts for 1) shelter and 2) a basic allowance, which includes food, clothing, travel, personal, and household costs, food, etc. Rather the rates are combined into one General Living Allowance. Although SAP provides separate rates for shelter and a basic allowance, it is not difficult to parcel out the combined rates under the TEA program into the shelter and basic allowance rates under SAP. For example, a single parent with one child on SAP would receive $385 a month shelter and $195 for a basic allowance. Together, these two payments total $580, which is the same rate of payment as the General Living Allowance amount for a single parent with one child under the TEA allowance.

A single parent with one child under the TEA program will receive $66 less per month or $792 less per year than under the SAP program, and a family of two adults and two children will receive $36 less per month or $432 less per year. The shelter rate portions of the General Living Allowance under TEA are similar to the maximum shelter rates before 1994, with a family of two now receiving only $15 per month more for shelter and utility costs and a family of four now receiving only $40 more per month. These small changes have not kept up with the Saskatchewan inflation rate.

It is also informative to look at the TEA shelter rates in comparison to market rental costs. What is of particular interest is the match between shelter rates and the rental market rates. With flat rate utilities under TEA, a single parent with one child will experience a monthly shortfall of $137 (between what they receive under TEA shelter rates and the average actual shelter costs for a one-bedroom apartment). A family of four on the TEA program will experience a shortfall of $162 per month based on the average actual shelter costs for a two-bedroom apartment. Budget shortfalls must be made up somewhere, and the mostly likely source will be cuts to food spending and increased use of food banks.

Although both TEA and SAP recipients are not provided with enough money to cover actual market monthly rental charges, the impact on the TEA recipient is greater than on the SAP recipient. Under TEA, insufficient provision for utilities, including heat and water, will be added to insufficient funds for rent. Under SAP, utilities, at least, are fully covered. A policy of providing only flat rate utilities can only deepen poverty by creating even larger monthly budget shortfalls for families.

It is also useful to examine what portion of welfare budgets families devote to shelter and utility costs. During 2002, a single-parent family on social assistance (SAP) with no other source of income would have received $12,850 for the year from the provincial and federal government programs. A family of four with no other source of income would have received $18,330.[6] The average market price in Regina of a one-bedroom rental unit in 2002 was $480 and the average power cost, $79. This amounts to $6,708 for the year, representing 52% of the yearly budget of a single parent with one child devoted to shelter and power costs alone. In 2002, the family of four renting a two-bedroom apartment in Regina paid an average market price of $581 and an average monthly power cost of $79, totalling $7,920 for the year. This represents 43% of the yearly budget of two adults and two children devoted to shelter and power costs alone. Payment of actual utilities by the government would have offset some of the cost, but with flat rate utilities under the TEA program, that will no longer be the case.

The New Rental Housing Supplement Program

Additionally, in April 2005, Saskatchewan has introduced the new Rental Housing Supplement (RHS) program. This program will supply a monthly benefit to low-income families who rent accommodations. However, the receipt of payment of this benefit is dependent upon the condition of the rental property. If the rental accommodation is deemed to be substandard, then the low-income family will not receive this benefit. A subsidy program exists under the Saskatchewan Housing Corporation to help property owners improve the condition of their rental property. There are no checks and balances instilled within the RHS program to prevent property owners from increasing their rents and absorbing the benefit provided to low-income tenants (in 1992, Saskatchewan lifted all rent controls).

An examination of the TEA (2005) Regulations suggests that the revamped TEA program has become the *dē factō* main welfare program in the province, with the original SAP program relegated to minor status. On the surface, the new RHS and TEA 2005 programs appear to provide more money to the poor. To qualify for the RHS supplement, clients (those on welfare or low-income[7]) must meet minimum qualifying rents depending upon the number of children and the Category[8] of rent. In the following example, the single parent with one child must pay a minimum of $414 monthly rent and the two-parent and two-children family must pay a minimum of $479 monthly rent to qualify for the RHS. The RHS program does at first appear to assist poor families, especially lone-parent families. However even with RHS, recipients on TEA will receive less than they would have on SAP. Additionally, if there is an income the amount of the RHS is reduced.

In the following examples, the single parent family would not qualify for TEA due to a monthly income but could still qualify for RHS. If a single parent with one child had a monthly income of $1100, they would receive RHS in the amount of $24 per month; that is, 12% times the monthly income minus an income turning point amount (12% x ($1100 - $900) = $24. The two-parent, two-children household with a monthly income of $1100 would be ineligible for RHS (12% x ($1100 – $1100) = $0 per month.

The RHS benefit can be terminated if the program manager is of the opinion that the rental accommodation presents a serious hazard to the health or safety of the recipient. The recipient's benefit can therefore be cancelled if DCRE, or its representatives, deem that the rental accommodation does not meet what DCRE determines as minimum health and safety standards. This section of the Regulations raises an interesting policy direction. Benefits are not contingent upon anything that the recipient can do; rather, benefits are contingent upon the actions of third parties over which the recipient has no control – in this case, property owners. Receipt of the RHS benefit is tied to the actions of the property owners and not the recipients.

Provincial government saving millions of dollars while the poor get poorer

It needs to be underscored that this is not new money being put into social programs. Instead, this is money that the federal and provincial government would have spent under the old CAP agreement. Further, the provincial government is saving millions of dollars through federal expenditure increases for children under the federal/provincial National Child Benefit (NCB) program, which are not passed on to poor families in Saskatchewan without workforce attachment[9]. The federal government refers to these savings as NCB reinvestment funds, and estimates that Saskatchewan would have had $26.3 million dollars available in savings for low-wage supplement programs for the year 2002-2003.

In some instances the newer TEA Regulations are closer to the SAP Regulations than to the previous TEA (2003-(005) Regulations. This is especially true in the section of the 2005 Regulations dealing with the reason for terminating benefits and the introduction of what is referred to as the provision of benefits in "special circumstances." Most of the poor in Saskatchewan, including the disabled, will no longer qualify for SAP. But they will qualify for TEA with its significantly reduced benefits and flat rated utility payments.

Current welfare programs are increasingly unliveable, with grossly inadequate benefits, time limits and workfare or constant work-search requirements. Essentially, they are designed to keep people from social assistance by forcing them off welfare into low-income, insecure employment and providing enough of an income supplement so that families do not qualify for welfare. This has thereby assured business the "flexible" labour force presently most desired for profit in service sector and temporary employment. In effect, current welfare programming is subsidized workfare for the low-income labour force.

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[1] John Warnock, "Natural Resources and Government Revenues: Recent Trends in Saskatchewan," *Canadian Centre for Policy Alternatives*, June 16, 2005.
[2] Jamie Peck, *Workfare States.* (New York: The Guildford Press, 2001), 234-235.
[3] Saskatchewan Community Resources and Employment, *At A Glance*, October (2004); available from: http://www.dcre.gov.sk.ca/publications/pdfs/DCRE_at_a_glance.pdf; Internet; accessed 30 May, 2005.
[4] For this report, only power and energy are included as utilities. Provincial and federal taxes are not included in the rates. It was not possible to get a consistent rate on water costs throughout the province. For water utility the TEA program allows $30 a month for person as a base Tier 1 amount, with an additional $6 for each person in the household to a maximum of $54 dollars. There is no allowance for water utility deposit under the TEA regulations.
[5] The *Saskatchewan: Our Future is Wide Open* promotional campaign cites figures from Saskatchewan Finance, March 2004.
[6] "November 2004 Report Card on Child Poverty in Saskatchewan," *Social Policy Research Unit*, (Faculty of Social Work, University of Regina, 2004): 8.
[7] For people not receiving SAP or TEA, the rent-to-income ratio of the family unit must exceed 35% if the rent includes heating costs and 30% if the rent does not include heating costs.
[8] The RHS program has different categories of clients. Category A clients rent in Regina, Saskatoon, and Lloydminister. Category B clients rent in Prince Albert, Creighton, LaRonge, La Loche, Yorkton, Lumsden, Melville, Weyburn, Macklin, Martinsville, Kindersley, Rosetown, Warman and Estevan. Category C clients rent in Moose Jaw, Swift Current, North Battleford/Battleford, Melfort, Fort Qu'Appeelle, Humbolt, Meadow Lake, Watrous and Dalmeny. Category D clients are people who rent anywhere else in Saskatchewan not listed in the other categories.
[9] Hunter and Miazdyck, "Current Issues Surrounding Poverty and Welfare Programming in Canada: Two Reviews.

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