

# A Bad Time to be Poor in BC<sup>1</sup>

Andrea Long, SPARC  
BC

In January 2002, the BC government announced that it intended to implement a dramatic program of welfare restructuring. A 30% (\$609 million) cut to the operating budget of the Ministry of Human Resources was announced, along with significant reductions in numbers of local welfare offices and full time staff. These budget savings are being achieved by a combination of cuts to welfare benefits and a further tightening of eligibility rules, making it more difficult for people in need to access the welfare system.

## I. BC's southern inspiration

The inspiration for many of BC's new welfare policies came from US welfare restructuring. However, what was imported from our neighbours to the south was selective. BC only borrowed American welfare policy 'sticks' – measures with which to push and keep people off the system, such as time limits, tightened eligibility requirements, and tough sanctions for non-compliance. These are all policy moves introduced in the US in its 1996 overhaul of welfare legislation.

What BC has not imported are US-style supports – measures that help welfare recipients make the transition to paid employment, including enhanced child care, transportation support, training and educational opportunities, and earnings exemptions. Whereas the US increased funding for child care by \$3 billion, BC has scaled back provincial child care support.<sup>2</sup> Whereas the US expanded the use of earnings exemptions – measures that permit welfare recipients to keep a portion of earned income to promote workforce attachment and encourage skill development – BC has completely eliminated earnings exemptions for all welfare recipients except those with disabilities. Whereas the US expanded transition to work supports, BC has actually reduced or eliminated many of these programs, contradicting the government's often

stated intention of helping welfare recipients move into paid work.<sup>3</sup>

The decision to emulate only American welfare policy sticks highlights the fact that budget-cutting remains a central objective of BC's welfare reform process. More restrictive welfare policies that reduce the number of people receiving benefits are needed to achieve mandated cost savings, particular when provincial budgets for health and education are frozen. Conversely, 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.

## II. Surprise, surprise! Why BC's welfare changes were unexpected

There are a number of reasons why the adoption of punitive US style welfare measures came as a surprise in BC. 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 Liberal's new legislation, SPARC BC research found that the maximum welfare income available to a single parent with one child covered only 65% of minimum living costs.<sup>4</sup> With the new round of benefit reductions, these families are expected to make do with \$43 less each month. When this change in benefits is combined with the elimination of exemptions on earned income and child support payments, it will be practically impossible for many to make ends meet.

A second reason why welfare restructuring came as a surprise to BC residents is because a new welfare policy package was not a part of the campaign platform of the provincial Liberals. The party's *New Era* document said nothing about reforming or cutting welfare. When Gordon

Campbell was asked during the 2001 election campaign whether a new Liberal government would lower benefits, he replied with an unequivocal "We have no intention of reducing welfare rates."

Third, welfare changes were unexpected given that they were implemented during a period of economic slowdown. BC continues to struggle with persistently high unemployment in many parts of the province, with the result that there is considerable competition for scarce jobs. This is compounded by the fall out from the 2003 forest fires, and the fact that workers in resource dependent communities are still dealing with the implications of the softwood lumber dispute and exhausting their employment insurance coverage. According to the 2004 BC Budget, there are few bright spots on the horizon. Average unemployment is expected to remain above 7% until 2008, which effectively means that unemployment will not return to the level it was prior to the election of the Liberals until after their current mandate expires.<sup>5</sup>

## III. BC's employment focused welfare policies

Perhaps the greatest surprise of all about the welfare changes is the nature of the reforms themselves. BC has gone further than any other Canadian jurisdiction in linking welfare to employment, introducing policies like a two year time limit on the receipt of welfare, and a requirement for two years of financial independence to establish eligibility. This policy package marks a significant departure from historical commitments in Canadian social policy.

There are two facets to the way in which a focus on employment has been enshrined in BC's welfare policies: the imposition of direct job search or training conditions on the receipt of welfare benefits; and changes in eligibility requirements. With respect to the former, BC has not done anything par-

ticularly new or surprising. We do not have workfare in the Ontario sense – there is no mandatory participation at specific jobs in order to retain access to welfare benefits. However, all BC welfare applicants are required to complete an employability screen (to evaluate individual barriers to employment) and a client employability profile. These instruments are used to develop legally binding employment plans that address personal barriers to employment. Failure to meet the terms of one's employment plan results in a reduction or suspension of benefits.

While BC may not be on the cutting edge in terms of imposing job search as a condition of receiving income assistance, the second way in which welfare policy has been reoriented towards employment is unprecedented in Canada. This second channel is about redefining eligibility.

The provincial government's rationale for tightening of eligibility rules is that restricting access to the system ostensibly provides new 'incentive' for benefit recipients to look for work. There is a whole spectrum of policies that contribute to this end. Four particularly surprising moves are discussed below: the two year time limit; the two year independence test; the three week wait period; and changes to lone parent work exemptions.

#### *Two year welfare time limit*

The time limit policy states that 'employable' welfare recipients are now only eligible to receive welfare benefits for a cumulative total of 24 months (two years) within a 60 month (five year) period. Once the two year limit is reached, recipients either have their benefits reduced or suspended. In effect, this means that welfare can be denied to people who may lack any other source of income based on an arbitrary time period. This is an unprecedented move in Canada's social landscape. No other jurisdiction has adopted a policy of this kind, including Alberta and Ontario where there has been significant welfare restructuring.

The time limit policy is set to come into effect in BC on April 1, 2004. In response to considerable public outcry concerning the number of people who will incur additional hardship, the BC

government has expanded the list of people exempted from the time limit rule.<sup>6</sup> Of particular note is the new exemption that persons complying with their employment plans are exempt from the time limit. This exemption effectively makes the time limit policy redundant, since non-compliance with employment plan obligations can already lead to the reduction or suspension of benefits. With this new exemption, the number of people facing time limit sanctions is significantly reduced. However, the fact that these persons will still be left with limited or no support makes the time limit policy a dangerous precedent to keep on the books in BC. To this end, the BC Public Interest Advocacy Centre is pursuing a constitutional challenge of the time limit policy.<sup>7</sup>

#### *Two year independence test*

The two year independence test policy states that welfare applicants age 19 and over must demonstrate that they have been financially self-sufficient for two consecutive years in order to be eligible to apply for welfare. This includes any time spent receiving employment insurance benefits. The independence test rule represents another first for Canadian social policy. It is particularly burdensome for young people, many of whom may not have had sufficient time to accrue the required two years of independence when leaving home or completing an educational program. While comprehensive evidence is difficult to collect, anecdotal data suggests that this policy has already resulted in increases in the number of young adults using emergency drop in and shelter facilities.

#### *Three week wait period*

Persons who turn to BC's welfare system for assistance can no longer receive benefits right away under most circumstances. They are given 'Reasonable Work Search Guidelines', instructed to attend a pre-application orientation session, and told to return in three weeks with evidence of an employment search. Before persons are deemed eligible to actually apply for welfare, their job searches must be completed to the satisfaction of Ministry of Human Resources workers.

Although the minimum wait period is three weeks, we know that in practice, it can last as long as six weeks. Since persons who turn to welfare for assistance have typically already exhausted available resources, the wait period is creating significant additional hardship. It is difficult to look for work without money to pay for food, accommodation, child care, or transportation.

#### *Lone parent work exemptions and child care*

The treatment of lone parents has changed significantly under new welfare rules. Lone parents were previously exempted from work-related obligations until their youngest child reached age seven. This age exclusion has been reduced. Lone parents are now subject to all 'employability' requirements when their youngest child reaches age three. This change affected approximately 8,900 lone parent families whose status changed from 'temporarily excused from work' to 'expected to work'.<sup>8</sup> This move has particular implications for women, since they still constitute the majority of lone parents.

What is particularly startling about this change is that it was accompanied by a move away from support for child care. Maximum child care subsidy rates for the lowest income families remain unchanged, although the full subsidy falls far short of the actual costs of care.<sup>9</sup> However, the total monthly income that a family may have to be eligible for the child care subsidy has been reduced by \$185. In addition, the province now claws back more of the subsidy from modest income families. Together, these changes mean that the value of the subsidy has been substantially reduced for many families.<sup>10</sup>

The simultaneous increase in lone parent work requirements and decrease in provincial support for child care is surprising given that research has repeatedly demonstrated that child care is a key employment support for lone parents, and low income families more generally. The provincial government repeatedly claims that the motivation for its welfare restructuring is to promote self sufficiency through employment, and to create incentives for people to leave the welfare system for work. In the case of lone parents, the

effect of the new welfare policies is contradictory to this stated aim.

#### IV. (Mis)measuring success

Whereas the first way that the government of BC is reorienting welfare towards employment punishes benefit recipients for not fulfilling their job search obligations, the second reorientation around eligibility effectively keeps people off of the welfare system altogether, either from the outset with wait periods, or once they have been deemed to be on the system for too long. Unsurprising, this two pronged strategy has been remarkably successful at reducing the welfare caseloads.

Despite high rates of unemployment in the province, the BC government has reached its welfare caseload reduction target ahead of schedule. The forecast was for a 25% drop over three years (April 2002 to April 2005), but data for December 2003 indicates that the caseload has already fallen by that amount. As of December 2003, there were over 35,000 fewer cases – over 64,000 individuals – receiving welfare in BC. The BC government surpassed its caseload reduction target despite the fact that it was based on achieving an unemployment rate of 6.9%. As noted above, unemployment has remained well over 7% since the election of the provincial Liberals in 2001.

The BC government is eager to claim the reduction in welfare caseloads as an indication of the success of their new policy package. What underpins these claims is the assumption that people are leaving the welfare system for paid employment. However, the 2004 Budget indicates that only 26,000 income assistance recipients found jobs through the government's Job Placement programs since June 2001.<sup>11</sup> Over the same period, there are 100,000 fewer individuals receiving welfare.<sup>12</sup>

As for the rest of the people who have left welfare, we just do not really know what has happened to them. Although the government instituted an exit survey process to try and track welfare leavers, the instrument is flawed.<sup>13</sup> First, the sample only includes welfare recipients who remain off the system for six months. As a result, survey findings essentially state the obvious: people who stay off of welfare for six

months can do so because they have a job. Defining the sample in this way also means that the exit surveys by definition fail to capture all those who cycle back onto welfare in less than six months. The cyclical nature of welfare caseloads is well established in historical trend data. Indeed, the BC's government's own analysis indicates that 49% of welfare recipients receive benefits for three months or less, and 81% remained on the system for less than twelve months.<sup>14</sup>

The second set of problems with the exit surveys concerns the number of people who actually participated in the data collection process. The surveys only managed to attain response rates between 32% and 37%. In many cases, close to half of those sought for the surveys did not have a phone number in service, and another one quarter to one fifth declined to be interviewed or could not be reached. Together, these weaknesses indicate that statements about the 'success' welfare leavers enjoy with respect to finding employment are overstated.

#### V. Conclusion

BC Ministry of Human Resources exit surveys do not make any attempt to track whether persons exiting the welfare system are encountering hardship, even if they are leaving welfare for paid work. Performance measures for the Ministry also fail to include any evaluation of whether welfare recipients are facing unacceptable levels of hardship. In the absence of government attention to the well-being of some of the most vulnerable residents in our province, it is vital for other groups to play an active role in monitoring the impact of BC's new welfare rules. More research is needed to track what is happening to welfare recipients, as well as those leaving the welfare system. Despite claims about what we can and cannot afford on the social policy front in BC, the priorities we set are a matter of choice – and there are always different choices to be made.

<sup>1</sup>This article is based on a larger report entitled *A Bad Time to be Poor. An Analysis of British Columbia's New Welfare Policies*. This report is co-authored by Andrea Long (SPARC BC)

and Seth Klein (Canadian Centre for Policy Alternatives – BC Office). It was released in June 2003.

<sup>2</sup>United States General Accounting Office. 1999. *Welfare Reform: Assessing the Effectiveness of Various Welfare-to-Work Approaches*. Washington.

<sup>3</sup>For example, supports for people moving from welfare into work previously included transition to work benefits of up to \$150 a month for 12 consecutive months, and a workforce entry benefit of up to \$200. Both of these programs have been eliminated. Replacing these initiatives is the Confirmed Job Program, which offers one time grants of up to \$250 to welfare recipients who have found work, but require assistance to purchase an essential item. Unlike previous programs, child care is not an eligible expense.

<sup>4</sup>Andrea Long and Michael Goldberg. 2002. *Falling Further Behind: A Comparison of Living Costs and Employment and Assistance Rates in British Columbia*. Vancouver: SPARC BC.

<sup>5</sup>BC Budget and Fiscal Plan – 2004/04 to 2006/07. Table 3.5 – Ministry of Finance Economic Forecast: Key Economic Indicators, p. 95.

[www.bcbudget.gov.bc.ca](http://www.bcbudget.gov.bc.ca)

<sup>6</sup>For a full list of exemptions to the time limit rule, go to [www.mhr.gov.bc.ca/PUBLICAT/VOL1/Part7/7-16.htm](http://www.mhr.gov.bc.ca/PUBLICAT/VOL1/Part7/7-16.htm).

<sup>7</sup>For more information on the constitutional challenge, go to [www.bcpiac.com](http://www.bcpiac.com).

<sup>8</sup>Lesley Moore. 2002. *Income Assistance After the Cuts: Client and Caseload Statistics for March to July 2002 and Annual Savings Projections for MHR*. Vancouver: End Legislated Poverty.

<sup>9</sup>Long and Goldberg. 2002.

<sup>10</sup>See page 24 of the full report for a table outlining child care subsidy claw backs.

<sup>11</sup>BC Budget and Fiscal Plan – 2004/04 to 2006/07, p. 63.

[www.bcbudget.gov.bc.ca](http://www.bcbudget.gov.bc.ca)

<sup>12</sup>BC Employment and Assistance Monthly Caseload Statistics.

[www.mhr.gov.bc.ca/research/index.htm](http://www.mhr.gov.bc.ca/research/index.htm)

<sup>13</sup>To view exit survey reports, go to [www.mhr.gov.bc.ca/research/reports/index.htm](http://www.mhr.gov.bc.ca/research/reports/index.htm).

<sup>14</sup>William Warburton. 1999.  
*Comparison of the Income Assistance  
Caseload and Applicants for Income  
Assistance with Outstanding Indictable  
Warrants*. Victoria: Ministry of Human  
Resources Economic Analysis Branch.