

**Current Issues Surrounding Poverty
and
Welfare Programming in Canada:
Two Reviews**

**By Garson Hunter, Ph.D
and
Dionne Miazdyck, Research Associate**

ISBN: 0-7731-0449-6

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This paper was first published as SPR Working Paper No. 20 in August 2003 by the Social Policy Research Unit, Faculty of Social Work, University of Regina: <http://www.uregina.ca/spr>



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I. Race to the Bottom:

Welfare to Work Programming in Saskatchewan and its Similarities to Programming in the United States and Britain¹

Abstract

The research literature suggests that in refashioning welfare program delivery, states have moved from a needs-based eligibility, social entitlement and labour market exclusion programs to models that emphasize selective entitlements, active programming and maximum participation in wage labour. Active welfare programming suggests that national programs for welfare have been replaced by local experimentation in delivery. In the United States this model is viewed as the “work-first approaches” to welfare programming and in Britain the model is viewed as “Third Way” policy-making.

This article argues that Canada has followed the United States in welfare programming, and has blended the United States model with ideology borrowed from British Prime Minister Tony Blair’s *Third Way* welfare approach to produce its own hybrid welfare programming model. The paper examines the local experimentation of welfare programming in the province of Saskatchewan, and makes comparisons between welfare programming for the vulnerable population of the poor in Saskatchewan to the welfare programming for the poor in the United States and Britain.

¹ This article was first presented at the “International Perspectives on Social Welfare, Social Justice and Technology Conference” Calgary, Alberta, Canada. May 2003.

1. Introduction

In this article we argue that the modern welfare state in Canada is being redesigned to accommodate the needs of employers during a time of economic restructuring brought about by legislation such as the North American Free Trade Agreement (NAFTA). The research literature suggests that in refashioning welfare program delivery, states have moved from a needs-based eligibility, social entitlement and labour market exclusion programs to models that emphasize selective entitlements, active programming and maximum participation in wage labour (Theodore & Peck, 1999, p. 488). Active welfare programming suggests that national programs for welfare have been replaced by local experimentation in delivery. In the United States this model is viewed as the “work-first approach” to welfare programming (Peck, 2001; Theodore & Peck, 1999) and in England the model is viewed as “Third Way” policymaking (Holden, 1999; Jordan & Jordan, 2000; Callinicos, 2001).

The literature indicates that there are two types of workfare styled programs. The *Human-Capital Development* (HCD) approach involves high-cost training and education, with job entry that is usually above the minimum wage. The other approach is the *Labour-Force Attachment* (LFA) model that favours a “low-cost work-first, move-people-off-welfare-quickly” solution, with job entry that is usually at or near minimum wage (Peck, 2001). The approach adopted in Canada, and specifically Saskatchewan, is the model most closely aligned with the LFA.

Evidence suggests that the province of Saskatchewan has followed the United States in welfare programming, while blending United States workfare with ideology borrowed from the *Third Way* approach to produce its own hybrid welfare programming model. Our paper examines the local experimentation of welfare programming in the province of Saskatchewan, and makes comparisons between welfare programming for the vulnerable population of the poor in Saskatchewan to the welfare programming for the poor in the United States and England.

Social assistance programming (welfare) in Saskatchewan has experienced two major changes during the 1990s. One change has been to extend welfare benefits beyond those on welfare to include a growing low-income labour market, and the scaling back of the level of benefits for those in the workfare program.

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The Canadian federal government and the provincial government of Saskatchewan argue that the welfare program in Canada needed to change due to the pressures of a global economy. Before we look at the specifics of the move towards workfare in Canada and Saskatchewan, we will explore the nature of the global economy and the validity of the governments' arguments.

2. Social Democracy Redefined for a Global Economy

Intellectual fascists were often to term themselves supporters of a “Third Way,” neither left nor right, neither capitalist nor communist: they sought to achieve individual prosperity, but linked to communal goals. (Eatwell, 1995, p. 14)

Proponents of the Third Way ideology claim that it is a modern approach to social democracy capable of meeting the challenges of the 21st century. Within the current period of neo-liberal dominance wherein market interests are set as the major priority of nearly every government, social democracy is being redefined by Third Way ideologues to fit the trend. Third Way philosophy departs from the traditional social democratic ideals of equality of outcome and government intervention, opting instead to trust the market economy as a tool for constructing a just society. In defending the Third Way, two arguments are used: 1) that government intervention and redistribution were wrongheaded; and 2) that globalization forces us

to minimize government spending, to accept a weaker labour position and to cut back social programs. Examples of Third Way leaders are Tony Blair in Britain, Bill Clinton in the United States, Gerhard Schroder in Germany, Kim Dae-Jung in South Korea and Fernando Henrique Cardoso of Brazil (Callinicos, 2001, pp.1-2). The adoption of the term Third Way would appear to be an unfortunate choice however, as Third Way is a phrase that was employed by fascists during the 20th century:

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It is not suggested here that the current representation of Third Way ideology is fascist, however it does represent a lack of historical, and critical, thinking on the part of the current Third Way advocates.

A Third Way approach to society is thought necessary by its advocates because of the failure of the adherents of the 'Old Left' approach to acknowledge the importance of the market system in the new global economy (Callinicos, 2001). With the economic consequences of global integration, the autonomy of nation-states has been greatly reduced, therefore the economic statism of a particular form of the 'Old left' has been rendered obsolete. Economic statism is an approach that points in the wrong direction, for the economic game has changed.

The second reason that Third Way advocates offer for moving away from the 'Old Left' is that globalization is inevitable. Opinions on the consequences of globalization are varied but the common thread in Third Way literature is that social democracy must accommodate this 'new reality'. The ability of national governments to enact policies are curtailed by globalization (Graham & Al-Krenawi, 2001, p. 417). Commenting on social policy changes in Canada, they write: "As companies compete in an increasingly international marketplace, the demands upon national governments to restrict welfare may grow" (p. 417).

Economic globalization is not a new reality, despite the claims of its advocates. During the formation of modern industrial society in the 1800s, there were few 'barriers' to trade such as minimum wages, high taxes, labour standards, production regulations and trade laws. However, after World War I many countries moved in the direction of protectionist trade policies to secure their own economy (Government of Canada, 2002). The failure of the gold standard as a system of currency regulation caused instability in currency exchange rates. Regulation over trade laws became a more global concern after World War II when they were linked to the rise of instability in Europe (Howse & Mutua, 2000). The International Trade Organization was set up in accordance with the Bretton Woods agreements to help regulate labour and business practices (Howse & Mutua, 2000). At the same time, increased regulation over domestic financial markets allowed governments to control their own economies (McQuaig, 1998). Throughout WWII people watched as state sponsored, wartime programs backed by government spending ignited failing economies (Lightman & Riches, 2001). There was some measure of confidence in government intervention, and Keynesian ideas provided the intellectual rationing that allowed for social program spending (Piven & Cloward, 1997).

The move back to capitalizing on global trade came from the spotlight on the successful export-based economies in East-Asia (Midgley, 2000). At the same time, the removal of currency controls with the subsequent rise in capital speculation and the rapid growth of technology have been important influences on the growth of economic globalization (Midgley, 2000). The energy crisis of the 1970s was also an important historical factor. The quadrupling of oil prices and the inability of the U.S. to control the market led to uncertainty and the search for new answers (Clarke, 1997).

For all the talk of globalization in Canada, much of the competition the country faces is originating from just south of the border. And just as the North American Free Trade Agreement (NAFTA) has accelerated and deepened the process of economic continentalization, so also it seems that pressures are mounting for a “downward convergence” in social policy. (p.215)

For an export driven economy such as Canada, trade is of crucial importance, and in the 1980s the focus of business was to maximize Canada’s potential as a trading partner. McQuaig (2001) argues that the impetus for a free trade agreement came from U.S. corporate leaders who were set on ending government protectionism of the service industry and reducing responsibility to meet “performance requirements” (p.55). With very few protectionist measures in place in Canada in the first place, it was obvious that there was more at stake for business to push the NAFTA than simply reducing tariffs. Merrett (1996) argues that the desire “to restructure the Canadian economy along neoconservative lines”, that is, to limit the power of labour and reduce the welfare state, was the real reason for originally pushing free trade with the U.S. (p.15).

The NAFTA, signed on to by the participating governments of Canada, Mexico and the U.S., allows businesses to ask their respective government to seek formal resolutions against other governments if local policies or trade decisions are undesirable to those businesses. “The treaties contain clauses used as levers to extend the agenda of finance capital against state intervention, including measures to decrease or erase welfare statism” (Collier, 1997, p. 89). The process of altering domestic economic and social policies and programs to meet the standards of the business interests creates a harmonization of policy within the trade agreement partners (Swenarchuk, 2001). Harmonization of policy through the inclusion of services and the loss of labour power have been the most obvious affects of the NAFTA.

With the signing of NAFTA, Canada has come under increased pressure to harmonize its social policies with the lower standards of the U.S. and Mexico (Pulkingham & Ternowetsky, 1996). The move away from adequate federal cost-sharing with the provinces for health care, post-secondary education and welfare has left these programs financed mostly by the individual provinces without enforceable national standards, and has consequently opened the door to privatization and workfare programs. Rather than globalization, economic pressure in Canada has by and large been the product of NAFTA. Peck (2001) comments:

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Neo-liberal concerns such as budget deficits and federal funding cuts to social programs, have conveniently provided an avenue for the dismantling of social programs. The inclusion of services as an item to be competitively traded in the NAFTA threatens the existence of programs even if the government chooses to protect them (McQuaig, 2001). Services that are presently non-profit, protected or subsidized by the government can be deemed a trade barrier and challenged under the Chapter 11 clause of NAFTA.

Labour force adjustment is argued as a necessary step to reap the economic benefits of free trade (Stranks, 2001). Free trade challenges union protection of workers against practices such as wage reductions and casualization when they can easily move out of the country (Glenday, 1997). Piven and Cloward (1997) explain that the loss of labour influence stems from the increased ability of capital to exit, changing the balance of power between them. The effect of NAFTA on jobs has been most evident in the manufacturing sector as companies were given the opportunity to relocate to low-wage areas. Manufacturing job losses intensified the recession of the early 1990s, linking the recession directly to free trade (Broad, 1995). Canada has been more affected than the U.S., losing four times more manufacturing jobs (Burman, 1997). Under free trade, protection for workers is limited. The decline of labour organization and labour parties as an influential force is noted as a crucial element to the undermining of the social compact. Industrialization allowed for the growth of class-based labour parties. In the post-industrial economies, the erosion of class-consciousness has limited the electoral power backing social democratic parties.

While the acknowledgment is made that there are fewer jobs available and that wages are stagnant, the solution is to become more competitive. Although high unemployment is seen as structural, the answer is to make the labour force more flexible. The Third Way advocates have accepted the neo-liberal argument that workers need to be prepared for a more competitive market and lower expectations. Workfare schemes increase the desperation of the most marginalized with the promise that economic success is found in competition rather than state intervention (George & Wilding, 1985).

Third Way proponents don't attempt to challenge globalization or strengthen the welfare state in response to it. Callinicos (2001) quotes Clinton and Blair ambivalently touting globalization adages and suggesting that they no longer have the power to change anything. When economic globalization is mentioned in a negative way, there is a sense of powerlessness in Third Way writing. At other times, Third Way advocates argue expressly for the benefits of globalization. With a certain degree of enthusiasm, Third Way leaders have accepted the theories of neo-liberal monetarism and incorporated it into their plat-forms. Callinicos (2001) points out that the new reality that governments are contending with is not an ethereal new era known as globalization, but the triumph of global capitalism.

The tale of reformist governments defeated by economic constraints notably through the flight of capital on the financial markets is almost as old as social democracy itself...This record at least puts into question the idea that globalization has introduced radically new economic constraints on government action. (Callinicos, 2001, p.27)

However, it is within a context of globalization rather than trade agreements that Third Way ideology has been adapted to Canada. In reinventing themselves, social democratic political parties have felt it crucial to distinguish themselves from the 'Old Left' that is tied to trade protectionism (Callinicos, 2001). Canadian politician Chris Axworthy (1999) uses Third Way rhetoric in Canada to argue for workfare, suggesting that the Left was wrong to offer programs based on entitlement alone and, given the new global reality, programs will need to keep pace. The new agenda of the Third Way is to increase labour participation through work participation programs and training and/or supports for workforce participation.

The constraining power of globalization, while obvious, is still a product of government choices that have been made over a relatively short period of time. In their critique of the surrender to globalization, Piven and Cloward (1997) look back historically at similar attempts by capital to limit the power of labour. "Capital has often mobilized politically to change government laws and policies in order to enlarge employer exit options or narrow worker exit options" (p.7). Callinicos (2001) agrees giving historical examples of the pressure labour governments experienced in past attempts to create a universal welfare state.

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The movement towards workfare is not necessitated by a mystical force identified as a global economy, "but from neoliberal politics, from political ideas and political strategies conceived by political actors" (Piven & Cloward, 2001, p. xi). Thus, the shape that globalization has taken has not been benign, but has been an imposition of neoliberal policies such as deregulation, trade liberalization and privatization by those who have economic power (Callinicos, 2001, p. 7).

3. The Expansion of Eligible Recipients

Just as NAFTA has accelerated and deepened the process of economic continentalization, so also it seems that pressures are mounting for a downward convergence in social policy. During the 1990s, changes to the welfare system in Canada have been similar to the changes to the welfare system in the United States. The similarities in welfare reform in the two countries may be more than just coincidence. What we may in fact be experiencing is a closer harmonization between Canadian and American welfare policy.

In 1996, the United States replaced its federal Aid To Families with Dependent Children (AFDC) welfare program with the *Personal Responsibility and Work Reconciliation Act* (PRWORA) welfare program. The PRWORA decentralized the controlling influence of the federal government, with the states now being allowed to develop individual welfare delivery experiments. Funding under the new act was provided to the individual states as block grants. The act included significant cuts to existing programs and fundamentally changed the welfare system with the introduction of the Temporary Assistance to Needy Families (TANF) program (Karger & Stoesz, 1998, pp. 273-274). Under TANF, there is no entitlement to assistance and the states are free to determine which families receive help.

Canada has followed a similar path. Under the cost-shared Canada Assistance Plan (CAP), people were entitled to welfare when in need. Provincial welfare officials often violated that condition of CAP, but nonetheless it was designed as an entitlement program similar to AFDC in the United States. Also importantly, although provinces experimented with workfare programs, a condition on the provinces under CAP was that recipients did not have to participate in training or workfare programs to be entitled to assistance. In 1996, Canada replaced CAP with the Canada Health and Social Transfer (C.H.S.T.) program. Gone under the new C.H.S.T. were the national welfare program standards of need-based eligibility and the voluntary nature of training and participation in workfare programs. The C.H.S.T. is a block-funded program from the federal government to the provincial governments. Provinces are allowed to experiment with their own welfare delivery.

Under the *British North America Act (BNA) (1867)*, individual provinces in Canada were given responsibility for what we know today as social services.

Canada's movement towards workfare has more closely followed the example of the United States than the model in Britain. Jones and Novak (1999) write that unlike Britain, the United States never established a national universal system of means-tested welfare (p. 189). They suggest that the individual states opposed the implementation of a national program as an infringement upon state rights, and that under the federal AFDC, individual states still retained considerable leeway in the delivery of welfare programs (p. 190). Canada's path has been somewhat similar to the United States in its structuring of a national welfare program.

Under the *British North America Act* (BNA) (1867), individual provinces in Canada were given responsibility for what we know today as social services. The *Canadian Constitution Act* (1982), which replaced the BNA, did not change the constitutional responsibility for welfare. The federal government of Canada did participate in a national welfare program under CAP, however individual provinces were and are responsible for welfare. The C.H.S.T. program has promoted the devolution of welfare programming back to the provinces.

Local experimentation of welfare programming does advantage the national governments in the United States and Canada. The advantage of decentralizing welfare standards is that reforms at the state or provincial level can allow the advancement of a national reform agenda. Provincial experiments in individual welfare delivery have the advantage of appearing to be local initiatives to local labour situations without restriction from the federal government.

It would be quite wrong, then, to dismiss local work-welfare experiments as merely local experiments. Self-evidently, they have material effects on 'local people,' but more broadly, they open up the political and institutional space for extralocal change. Still sensitive about U.S. imports, especially in highly charged fields like social policy, Canadian governments have set about the task of growing their own welfare-to-work programs. (Peck, 2001, p. 232)

For the federal government in Canada, extralocal change is facilitated by the joint federal/provincial Canada Child Tax Benefit (C.C.T.B.) program. Within the structure of the C.C.T.B., the provinces can carry out their own localized workfare experiments under the umbrella of wage subsidy programs for low-income working families. The federal C.H.S.T. program stipulates that provincial savings in welfare expenditures due to increased federal spending are to go towards low-wage subsidy programs for working families with children². Resultantly, local welfare experimentation allows the introduction of wide sweeping welfare changes on a national scale. "This is certainly

² The National Child Benefit (N.C.B.) Program of partnership between the federal government and the provinces is only available to low-income working families with children.

one of the reasons why local ‘models’ and policy ideas have been so effective in framing, channeling, and leveraging wider regulatory reform, even if in a conveniently circular fashion they are merely confirming and concretizing the predispositions of national policymakers” (Peck, 2001, p. 232). In Britain and the United States, there have been parallels in the federally orchestrated decentralization and localized experimentation of welfare programming. While accounting for differences between the two countries, Theodore and Peck (1999) identify the commonalities of eliminating federal entitlements, block funding, and work-participation requirements (p. 489). In Canada, the first two have been implemented by the federal government’s C.H.S.T. and the cancellation of CAP, and the latter by the provinces and their localized welfare delivery. With the cancellation of CAP, the provincial governments have been allowed to localize their welfare delivery policies and introduce workfare.

In the following section we look at the province of Saskatchewan as a case study of the federal and provincial introduction of workfare. The federal introduction of workfare is examined through the C.C.T.B. program agreement between the federal government and Saskatchewan; the provincial introduction of workfare is examined through the Transitional Employment Allowance (TEA) program in Saskatchewan.

4. Canada Child Tax Benefit

During the summer of 1998, Saskatchewan introduced its version of welfare reform under the program *Building Independence - Investing in Families* initiative (Brochures, Saskatchewan Social Services). This policy initiative included six programs, with three programs designed to address the problem of child poverty in poor working families. The first program was the Saskatchewan Employment Supplement (S.E.S.) which is a monthly payment to supplement income earned by lower income parents; the second program was the Saskatchewan Child Benefit (S.C.B.) a monthly allowance provided for all children of lower income families; the third was the Family Health Benefits (F.H.B.) program which provides limited supplementary health benefits to lower income working families including some dental and drug expense relief. We will first look at the S.C.B. program, and then the S.E.S. program.

The S.C.B. program change to social assistance delivery in Saskatchewan was designed to coincide with changes to the federal government’s funding of the existing Child Tax Benefit (C.T.B.) program, and during 1998 social assistance (welfare) reform in Saskatchewan took a limited but nonetheless important policy direction in affixing provincial welfare benefits for children to the Federal Canada Child Tax Benefit (C.C.T.B.) program.

The C.C.T.B. program is divided into two benefits. One is the Basic Benefit provided to families with children, contingent upon the family's level of income... The other benefit is provided under the cost-shared National Child Benefit program (N.C.B.) — a program the federal government shares with the provinces and territories. The federal contribution to the N.C.B. is the National Child Benefit Supplement (N.C.B.S.), which is similar to the previous Working Income Supplement (W.I.S.) program.

The major piece of legislation enabling the social income transfer program in Canada designed specifically to eliminate child poverty is the Canada Child Tax Benefit (C.C.T.B.). The predecessor to the C.C.T.B. (1997) was the New Integrated Child Tax Benefit (C.T.B., 1993). The social income programs that existed for families with children before the C.T.B. were the universal Family Allowance program and income tax-based measures including the refundable child tax credit, the non-refundable child tax credit, the equivalent to married credit and the child care expense reduction. Under the Integrated C.T.B. there were three components: the C.T.B.; the equivalent to married credit; and the child care deduction. The previous non-refundable and refundable tax credits and the Family Allowance program were aggregated into the income-tested C.T.B.

In 1997, the C.T.B. program was replaced with the Canada Child Tax Benefit (C.C.T.B.) legislation. Both programs are somewhat similar in their underlying values. The major difference between the two is that the C.C.T.B. program includes all the provinces and territories. The provinces and territories were not part of the federal-only C.T.B. program.

The C.C.T.B. program is divided into two benefits. One is the Basic Benefit provided to families with children, contingent upon the family's level of income. There are maximum levels of family income whereby this benefit is fully phased out. The other benefit is provided under the cost-shared National Child Benefit program (N.C.B.) — a program the federal government shares with the provinces and territories. The federal contribution to the N.C.B. is the National Child Benefit Supplement (N.C.B.S.), which is similar to the previous Working Income Supplement (W.I.S.) program.

The W.I.S. program, which replaced the universal Family Allowance program, was a **per family** benefit provided to low-income working families with children, whereas the subsequent N.C.B.S. is a **per child** benefit provided to low-income working families with children. The N.C.B.S. has been integrated into the basic allowance component of provincial social assistance programs in the provinces and territories (Kitchen, 2001, p. 241). The N.C.B.S. contribution removes children from the basic allowance component of

the provincial welfare rolls, with the payments now coming from the federal government's N.C.B.S. contribution to the N.C.B. The provinces, territories and First Nations contributions to the N.C.B. are to provide programs that support low-income working families with children, whether or not the families receive welfare. Programs that the provinces can provide to low-income families with children could include pharmacare or dental care, child care services, child credit for low-income families (British Columbia, Quebec), an earned income credit (Alberta), a combination of programs (Saskatchewan [S.E.S.; S.C.B.; F.H.B.] & New Brunswick) and early prevention programs for children at risk. The provincial and territorial contributions to the N.C.B. go under various names in the different provincial/territorial, First Nations jurisdictions³. By agreement with Canada Customs and Revenue Agency, the Saskatchewan provincial basic allowance benefit for children whose families are on welfare is fully integrated as a single payment within the C.C.T.B.

Although the C.C.T.B. is touted as a program to deal with child poverty, it is in actuality an income tested wage subsidization program for low-income working families with children. Although not obvious at first, the C.C.T.B. program's relation to workfare programming is found within its relationship with the provinces. The introduction of this federal income program has tied the amount of assistance the program pays to the labour force status of the family. For families on welfare, the only means of receiving the increased spending of the federal government is to have some form of labour force attachment. For others on welfare without children, there is no increased funding. The federal C.C.T.B. program advances the idea of targeting benefits to those in the labour force, and encourages the provinces to target their savings in welfare expenditures towards benefits for low-income families in the labour force.

Changing the social assistance children's basic allowance payment to a fully integrated single payment within the C.C.T.B. delivered through Canada Customs and Revenue Agency represents significant savings for the province of Saskatchewan. The provincial contribution to the welfare budgets for children has been reduced by the amount of the increase in the federal contribution to the N.C.B. program.

The provincial savings from reduced welfare expenditures under the C.C.T.B. are quite substantial. For example:

Saskatchewan reinvested a total of approximately \$13 million in N.C.B. initiatives in the nine-month period from July 1, 1998 to March 31, 1999. This reinvestment represents \$17.2 million on a full fiscal year basis. As a result of further federal investments in the National Child Benefit supplement, reinvestment funds for 1999-2000 and 2000-01 are expected to increase to \$21.2 million and \$26.6 million respectively. (Government of Canada, 2000, Appendix 2, p. 9)

³ For further information on provincial programs see Revenue Canada, *Your Canada Child Tax Benefit*, (On-line), Available: <<http://www.ccrca-adrc.gc.ca/E/pub/tg/t4114ed/4114ed-03.html>>.

The federal government estimated that for the fiscal year 1999-2000, Saskatchewan's N.C.B. Initiatives Reinvestment Funds would allot \$16.27 million to the Saskatchewan Child Benefit S.C.B. (a monthly allowance provided for all children of lower-income families), \$2.64 to the Saskatchewan Employment Supplement S.E.S. (a monthly income supplement available to lower-income families) and \$2.3 million to the supplementary Family Health Benefits program F.H.B. which provides limited supplementary health benefits to lower-income working families (Government of Canada, 2000, Appendix 2, p. 10). In Saskatchewan most of the reinvestment of funds from savings due to an increase in federal spending under the C.C.T.B. have gone into the supplement of low-income wages through programs such as the S.C.B. and the S.E.S. programs which provide an income supplement to lower-income families with children. Much of the funds 'invested' by Saskatchewan would have been paid out anyway under the old welfare program. As mentioned, the sources of these reinvestment funds are from provincial "social assistance adjustments." Social assistance adjustments are the savings the provinces incur by not passing on the increases in federal spending for children to families on welfare who have no labour force income.

In fact provincial savings on welfare expenditures, due to increased federal contributions through the C.C.T.B., do not need to go to increased spending on families with children on welfare who have no other source of income, presumably the poorest children in Canada. Rather under the C.H.S.T. the money can be used to fund social income programs for the working poor, as has happened in several provinces. Using the funds saved by not passing on the increase in federal expenditures to the poorest families on welfare with no source of income, and using those funds to support families with low-incomes, is entirely in keeping with the intent of the C.C.T.B. program. According to the C.C.T.B. agreement, provincial savings from decreased welfare expenditures are to go to programs designed to assist low-income families with children. An Enriched Canada Child Tax Benefit will "[p]ave the way for provinces and territories to redirect their resources towards improved child services and income support for low-income working families" (Government of Canada, *Budget 1997 Fact Sheets*, p. 2) and, further, will "... promote attachment to the workforce - resulting in fewer families having to rely on social assistance - by ensuring that families will always be better off as a result of finding work" (Government of Canada, *Finance Canada, Budget 1997*, p. 1). The savings incurred by the provinces under the C.C.T.B. are to be directed toward children's services and income support programs for low-income families with children.

Saskatchewan has also made considerable expenditures under the C.H.S.T. under what is referred to as "investment funds." Investment funds are additional expenditures by the provinces within the N.C.B. program. Saskatchewan's initial investments in the N.C.B. program were \$19,790,000 for the S.C.B. program, \$2,600,000 for the S.E.S. program and \$2,030,000 for the F.H.B. program. These additional investments allowed Saskatchewan to completely remove all children's basic allowance from the social

assistance program and fully implement the three programs for all low-income working families. The provinces refer to this process as “main streaming,” that is, extending programs beyond just those people on welfare.

It should be noted, however, that the increase in federal and provincial spending is not new money. The federal government would have been making these expenditures under the cost-sharing agreement with the provinces under the preceding CAP, which was replaced in 1996 by the block-funded C.H.S.T. program. The federal government would have also made further expenditures through the previous Family Allowance program and its successor, the federal C.T.B. program (Pulkingham & Ternowetsky, 1997, p. 205). The provinces would have made these expenditures under the preceding CAP program and also under the new C.H.S.T. program. As an example, in 1998-1999, before the S.C.B. and S.E.S. initiatives, Saskatchewan spent \$327,504,000 on income support programs. In 1999-2000, after the initiatives, the province spent \$348,379,897 on income support programs (Government of Saskatchewan, Saskatchewan Social Services; Annual Reports). Eventually as the C.C.T.B. program “matures” the S.C.B. program should be eliminated due to increasing federal contributions to the N.C.B. program.

As mentioned, the National Child Benefit (N.C.B.) portion of the two-part C.C.T.B. is a social income program shared between the federal government and the provinces, territories and First Nations to assist working poor families with children. Due to the focus of the N.C.B. policy initiative on the work place attachment of the recipient, there is a fundamental flaw with the N.C.B. portion of the C.C.T.B. program. If the program were designed to reduce child poverty, then benefits would increase according to the financial need of families with children (Pulkingham & Ternowetsky, 1997, pp. 206-207). There is no extra money for families whose only source of income is social assistance.

Saskatchewan has also made considerable expenditures under the C.H.S.T. under what is referred to as “investment funds.” Investment funds are additional expenditures by the provinces within the N.C.B. program... These additional investments allowed Saskatchewan to completely remove all children’s basic allowance from the social assistance program and fully implement the three programs for all low-income working families. The provinces refer to this process as “main streaming,” that is, extending programs beyond just those people on welfare.

The C.C.T.B. program with the participation of the government of Saskatchewan has linked the level of benefits for children to the labour force attachment of their parents. Those who are employed receive more benefits for their children through government run social programs than those who do not have paid employment. The C.C.T.B. program does not address the employability status of a family on welfare (whether they are actually employable or whether employment exists for them), nor does it account for the unpaid labour necessary to raise a child. All families are considered able to find employment; that is, all families are considered as having an equal chance or right to paid employment, and the level of benefits received is tied to the paid labour status of the family. In effect, this results in a horizontal distribution of resources from the poor families on welfare who have no other source of income and do not benefit from the provincial savings in welfare payments, to the distribution of those provincial savings in the form of small monthly income supplements to working poor families from the S.E.S. program. Under the C.C.T.B. program rights are derived from the marketplace and the family. A family receives benefits for their children dependent upon their attachment to the labour force, and children receive a level of benefit that is calculated in reference to their family's attachment to the market.

Families with children who are low-income earners but not receiving provincial welfare can access a benefit from the S.E.S. program by contacting the Saskatchewan provincial office of the S.E.S. program and making an application to the program over the phone. Examples of the monthly rates for the S.E.S. program in Saskatchewan for the year 2000 are given in Table 1 below. If the child is under 13 years of age, the rates are reduced in Table 2.

Table 1
Saskatchewan Employment Supplement Monthly Rates

Eligible Monthly Gross Income	1 Child	2 Children	3 Children	4 Children	5 Children or more
\$250	\$31.00	\$38.00	\$48.00	\$50.00	\$56.00
\$500	\$94.00	\$113.00	\$131.00	\$150.00	\$169.00
\$750	\$156.00	\$188.00	\$219.00	\$250.00	\$281.00
\$1000	\$185.00	\$222.00	\$259.00	\$296.00	\$333.00
\$1250	\$157.00	\$194.00	\$231.00	\$268.00	\$305.00
\$1500	\$104.00	\$141.00	\$178.00	\$215.00	\$252.00
\$1750	\$52.00	\$89.00	\$126.00	\$163.00	\$200.00
\$2000	\$36.00	\$73.00	\$110.00	\$147.00	-

Table 2
Saskatchewan Employment Supplement Monthly Rates
Supplementary Benefit for Children Under 13

Eligible Monthly Gross Income	1 Child	2 Children	3 Children	4 Children	5 Children or more
\$250	\$7.00	\$9.00	\$11.00	\$13.00	\$14.00
\$500	\$23.00	\$28.00	\$33.00	\$38.00	\$42.00
\$750	\$39.00	\$47.00	\$55.00	\$63.00	\$70.00
\$1000	\$46.00	\$56.00	\$65.00	\$74.00	\$83.00
\$1250	\$39.00	\$48.00	\$58.00	\$67.00	\$76.00
\$1500	\$26.00	\$35.00	\$45.00	\$54.00	\$63.00
\$1750	\$13.00	\$22.00	\$31.00	\$41.00	\$50.00
\$2000	\$9.00	\$18.00	\$28.00	\$37.00	-

(Source: Government of Saskatchewan, Brochure, For Low-Income Working Families, Employment Supplement)

Program checks and audits for the S.E.S. program are made through the income tax system. Beneficiaries of the S.E.S. program report changes in income as they occur, or on a quarterly basis.

The S.E.S. program is designed to primarily assist the working poor, but families with children on welfare can also access the program. Money from work, self-employment, farming and child/spousal maintenance are considered as income for the program. To receive the S.E.S. benefit, gross family income must be at least \$175/month. The level of benefit is calculated as a percentage of earnings, with the maximum amount dependent upon the number of children in a family. The maximum benefit level is \$315/month with a gross family income of \$1,000 /month and five children in the family. The federal Indian Affairs Department and First Nations leadership agreed to the creation of a parallel benefit for on-reserve Status Indians. The income supplements of the program are rather modest, and families on social assistance with no other source of income receive no benefit from the S.E.S. program. For a detailed examination of the S.E.S. program and its effect on welfare budgets in Saskatchewan see Hunter (1998).

5. Cutbacks in Benefits

The other major change to welfare in Saskatchewan, the localized welfare delivery experiment, has been the introduction of the Transitional Employment Allowance (TEA) Regulations in 2003. While the earlier Saskatchewan Assistance Regulations stipulated that the program was established to provide assistance to “persons in need,” the TEA Regulations stipulate that the program was established to provide an allowance to “persons in need who are participating in certain pre-employment programs” or those who would soon not require welfare. It is interesting to note that while changes to Acts must be debated in legislative assemblies and therefore in public, changes in Regulations are done by government Cabinets and do not require introduction into the legislative assemblies for public debate. The TEA program is not considered to be welfare by the government of Saskatchewan. Rather, the program is envisioned as providing people the supports they need to get back to work and become “self-sufficient.”

The TEA program is designed as a Labour Force Attachment (LFA) program, with a work-first approach to workfare. With the LFA approach to workfare, any type of employment is considered by the government to be better than welfare. The already meager benefits of the welfare system are reduced for recipients of the TEA program, presumably in an effort to recover some of the costs of the program and make welfare appear less an alternative than any form of employment. Increasingly, the LFA approach to welfare has been the model favoured by provincial governments in Canada (Peck, 2001, pp. 234-235). The LFA approach to workfare is the model most conducive to the interests of the business community, as this approach “fuels working poverty by swelling contingent labor supply and depressing wages; high social externalities; residualizes hardest-to-serve clients” (Peck, 2001, p. 78). It is telling that the social democratic government of Saskatchewan has not adopted the HRD model most identified with social democratic welfare states, but rather has adopted the LFA model most identified with a corporatist welfare state that focuses on a market based workfare formula.

(For a breakdown of the difference in benefits and a comparison of the Regulations between the welfare and TEA programs in Saskatchewan, please refer to Appendix.)

The province does not address the issue of forcing people into a “low wage trap”, but problems with workfare policy are an area of concern. Peck (2001) writes:

While a labor-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 - yet worse - with complete loss of income (where claimants are simply sanctioned off welfare due to some administrative misdemeanor 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. (pp. 234-235)

Although these may be the consequences of workfare programs, a concern with the well being of the poor is not the focus of government assistance. The program is designed to pressure and maintain a low-wage labour force, and discipline the remainder of the labour force who face tenuous employment situations. “Whether or not conditions in the lower reaches of the labor market really matter all that much for individual enterprises, the presence of no-nonsense, work-orientated welfare system will nevertheless register as emblematic of wider attitudes to labor-market management” (Peck, 2001, p. 72). The amounts of assistance provided by the federal government to deal with low-income working families with the C.C.T.B. program, is criticized by the government funded National Council of Welfare as “token efforts” that “help only a minuscule number of families who are in dire straits” (1999).

6. Third Way Ideology and Social Assistance

Third Way literature is laden with talk about the negative effects of government intervention creating dependency upon recipients of welfare, and how state redistribution favoured rights over responsibilities. Third Way scholar, Anthony Giddens, denounces the idea of equality of outcome, advocating instead for equality of opportunity (Callinicos (2001). Redistribution is deemed passive and hedonistic by Third Way proponent David Marquand (Lund, 1999). Social democratic models of the ‘Old Left’ did not demand “responsibility” from recipients of welfare.

The Third Way approach represents the efforts of center-Left and social democrats of combining the best of the Right and the best of the Left as a new political actor.

Third Way finds its proponents not only on a global or national level, but also on a sub-national level as well. The province of Saskatchewan has also turned to Third Way ideology in the area of welfare delivery. Saskatchewan is often considered an oasis of social democracy in a sea of centrist and right wing government. A social democratic government of Saskatchewan introduced the first hospitalization insurance program in Canada in 1946, and the first medical care insurance program in Canada in 1961. During the 1990s and into the 21st century, Saskatchewan continued to elect the social democratic New Democratic Party (NDP) political party to government, albeit a minority NDP government during the 1999 election. The precarious electoral appeal of its social democratic government, and the deteriorated positions of social democratic parties in Europe have not been lost on the NDP. However, Tony Blair’s Labour Party experienced electoral success in England during 1997, in part due to its Third Way approach to social policy. The NDP in Saskatchewan has looked to capitalize on the electoral success of other social democratic governments by articulating their social policy adjustments using Third Way justifications.

Third Way social policy is viewed as a break from the mistakes of the old socialism. Socialist social policy during the modern welfare state was based mostly upon the concept of entitlement, with little to say about responsibility...

The clearest indication of the adoption of Third Way justifications for changes to welfare programming in Saskatchewan can be found in an article by Chris Axworthy, who at the time was a Saskatchewan Member of Parliament for the federal NDP and later became Saskatchewan's Minister of Justice under the provincial NDP government. Axworthy's titled his article as "A Modern Socialist Approach: R and R for Social Policy" (Axworthy, 1999, Chapter 19). Using the obviously intentional pun of "R & R" to explain welfare programming in Saskatchewan, implying that those on welfare are on some sort of break or holiday and that social policy was on some sort of socialist hiatus, Axworthy lays out, as he sees it, the Rights and Responsibilities (the R and R) of those who receive welfare.

Axworthy envisions the Third Way approach to social policy as a modern approach to modern socialist social policy, a social policy that views as a right, assistance to those who have lost their employment, but places a responsibility on those recipients "to improve their chances of fending for themselves" (Axworthy, 1999, p. 278). Social policy is viewed within a communitarian understanding, where rights extend from being a member of an interdependent community and the responsibilities members have back to that community. The interdependence of community and members is summed up by Axworthy (1999) with the exhortation: "We are, after all, all in this together" (p. 278); the "we" consisting of governments, corporations, the economy, the community and the economy.

Third Way social policy is viewed as a break from the mistakes of the old socialism. Socialist social policy during the modern welfare state was based mostly upon the concept of entitlement, with little to say about responsibility, which Axworthy (1999) derides, observing:

Not much has flowed from this approach other than entitlement to receive a cheque - no responsibility to prepare for old age, look for work, seek the skills needed for the workplace, relocate to a job, provide for our children, etc. Worse yet, there has been no empowerment. In fact, in many cases the opposite has been the result - dependencies have been created. (p. 279)

The creation of dependencies should be the opposite of what social programs create, and the Third Way “approach incorporate[s] the truly socialist notion that rights carry with them social responsibility” (Axworthy, 1999, p. 279). Entitlement based social programs creates dependency upon the recipients, they are passive programs that do not work (Axworthy, 1999, p. 283). Axworthy supports his argument using a quote from a similar NDP government at the time in British Columbia: “Welfare isn’t working. We need to change from a system that traps people in dependency and poverty to a system that supports people as they move towards independence” (Axworthy, 1999, p. 283).

People have the right to apply for Social Assistance. They also have the responsibility to try to support themselves and their families. They do so by working and by using programs and services that help low-income families.

The continuation of entitlement based social policy without responsibilities is seen to be unworkable. Canada, as well as the rest of the world, must face and adjust to the new global economy (Axworthy, 1999, p. 283). “Social programs must change to keep up with new realities - realities around a changing economy, around unmanageable public debt and around problems with the programs themselves” (Axworthy, 1999, p. 283). The social policy solution to the challenges presented by the new global economy is to give people in receipt of government assistance “the chance to acquire the skills inventory they need for the current workplace and the chance to be as independent as possible - a hand up rather than a handout” (Axworthy, 1999, p. 283).

Therefore, people should have the right to help from the community when they need it, regardless of the cause of that need. This help should be given regardless of the causes that lead to the need, with a caveat:

We need to take on faith their despair and their need for help from their community. But it does not, and should not, end there. We must demand and expect a real partnership. We must demand, in return for this acceptance, for this unquestioning help, a commitment to a return to self-sufficiency. (Axworthy, 1999, p. 281)

The commitment from society is to use government action and policy to ensure that the economy’s overarching objective is to move toward full employment, to ensure training, education and skills upgrading available to those who need them, and “ensure that those who cannot make their own way in the world are entitled to adequate support” (Axworthy, 1999, p. 282). Saskatchewan Social Services (whose name changed in 2003 to Community Resources and Employment) explains:

People have the right to apply for Social Assistance. They also have the responsibility to try to support themselves and their families. They do so by working and by using programs and services that help low-income families. (Education handout in the “About” series)

Regarding recipients, Axworthy does not see that the social-program rights should end with eligibility to help with the responsibility to become self-sufficient, but rather rights, if partnered with responsibilities, could be expanded. “Job training, education and skills upgrading, entrepreneurial training, child care, jobs and other programs that assist Canadians to re-enter the paid workforce should be seen as rights too” (Axworthy, 1999, p. 281). The commitment from recipients of government help then, in their quest for self-sufficiency in response to society’s help, is to become employed within the labour market. “For those able to take advantage of expanded, enhanced employment, education and training opportunities, it will be imperative that they do” (Axworthy, 1999, p. 283). Accordingly, work in all its forms is good, the *quality* of that employment not an issue for welfare programmers. To be without employment, apparently is, unless one is rich or disabled, to be outside of the community. The idea that people on welfare are excluded from full citizenship is a conservative concept. Jones and Novak (1999) comment:

The primary aim of social inclusion and cohesion is therefore to bind the excluded back into the labour market as a solution to the problem. That this may result in their continuing poverty is conveniently overlooked, since it is their inclusion (whether self-imposed or structural) that is the problem rather than their poverty. (p. 188)

Within the logic of state social services in Saskatchewan, citizenship for individuals and families is defined as “job, self-sufficient contributing to society with access to education, health care and security” (Saskatchewan Social Services, 1999). According to Saskatchewan Social Services (1999), this is “A New Way of Doing Business.” Seemingly at odds however to the goal of self-sufficiency, if the work is low pay with few or no benefits the government will offer programs that support that work, and hence, the individual or family’s community integration. The contradictions of self-sufficiency and individual pursuit of wealth in a market based system as a member of a community, or the additional responsibility and obligations of welfare recipients to the community, are not explained.

For Third Way advocates, global changes and markets have created a need for a shift in social policy programming in the area of welfare. The old way of delivering programs is no longer viable, and social programs need to change. Giddens observes: “The left has to get comfortable with markets, with the role of business in the creation of wealth, and [sic] the fact that private capital is essential for social investment” (Giddens, 2000 quoted in Callinicos, 2001, p. 8). According to Third Way advocates, if state management of the economy was ever a feasible idea it is now certainly a discredited idea. What the Left has to offer in the new economy that separates and defines them from the Right are their values (Callinicos, 2001, p. 8). Through the stressing of community, opportunity and responsibility, Third Way advocates reassert themselves in a globalized economy as an approach that stresses values (Callinicos, 2001, p. 45). Axworthy writes: “What separates socialists from other political ideologies is how we see the world and how we would wish the world to be” (Axworthy, 1999, p. 280).

The stress on values is also present in the statement by former NDP party leader and premier of Saskatchewan, Roy Romanow: “The over-riding question facing Canada today is whether we have the will to continue to maintain the values that will guarantee our common future - our commitment to community, compassion, fairness, sharing and opportunity” (New Directions, 1996, p. 1). Axworthy (1999) observes that the old welfare social policies in Canada were programs “...which do not work for people and which do not reflect socialist community values” (p. 280).

Using values to present the need for welfare changes, Jordan and Jordan (2000) have pointed out that the Third Way use of responsibility and community is misplaced when applied to the economy. “Our first criticism of the Third way version of responsibility and community is that it extrapolates from the morality of small-scale groups and associations (families, clubs, voluntary organizations) and informal networks, and applies this inappropriately to large-scale societies and the formal rights and duties of citizenship (pp. 4-5). The move toward the inclusion of the morality of small-scale groups into the ongoing development of the welfare system would seem, nonetheless, in keeping with the thrust of capitalist development and the welfare state since World War II.

It has been posited that full membership in a community is dependent upon the possession of three sets of citizen rights:

- a) ***citizen (civil) rights*** are those rights concerned with individual liberty and include freedom of speech and thought, the right to own private property and the right to justice;
- b) ***political rights*** are primarily those rights of participation in the political process of government, either as an elector or as an elected member of an assembly;
- c) ***social rights*** cover a whole range of rights, from the right to a modicum of economic security through to the right to share in the heritage and living standards of a civilized society. (Sullivan, 1998, p. 74)

Social policy analysts have pointed out that citizenship theory’s emphasis on the creation of equality of rights does not imply the creation of material equality (Sullivan, 1998, p. 75). Rather the growth of citizen rights coincides with the growth of capitalism, and the equality of social status as legitimizing social inequalities. Sullivan (1998) in summarizing citizenship rights and justification of inequality writes:

This is so because they permit individuals to engage in economic struggle for the maximization of profit through the right to buy, own and sell. Political rights may have redressed some of the power imbalance between the social classes in capitalist society but social rights - by peripherally modifying the pattern of social inequality - had the paradoxical, but utilitarian, effect of making the social class system less vulnerable to change. Social rights accorded community membership to all - and thus made all citizens stakeholders in capitalist society - without effecting any fundamental redistribution in income or wealth. Social welfare raised

the level of the lowest (through income maintenance schemes, education, health care systems and the like), but redistribution of resources, where it occurred was horizontal rather than vertical. In the British welfare state, inequality persisted but the possession by all citizens of a package of social rights created a society in which no *a priori* valuations were made on the basis of social class or social status. For Marshall [T. H. Marshall], then, the aims of social policy and service provision include: the incorporation of all as members of the societal community; the modification of the most excessive and debilitating inequalities of British society; but the legitimization of wider and more fundamental inequalities through the process of incorporation. (p. 75, italics in the original)

Incorporation of welfare recipients into the paid labour market is key to Third Way ideology. Incorporation is also key to understanding welfare programs and the function of social policies in the legitimization of inequalities.

Piven and Cloward assert that "the key to an understanding of relief-giving is in the functions it serves for the larger economic and political order, for relief is a secondary and supportive institution" (Piven & Cloward, 1971, p. xiii). These authors maintain that welfare policies are cyclical in nature, that welfare policies expand during periods of civil disorder produced by mass unemployment, and conversely that welfare policies are restrictive at other times to enforce work norms (Piven & Cloward, 1971, p. xiii). Welfare programs are created by governments to deal with dislocations in the work system that lead to mass disorder, and are then retained and maintained to enforce work (Piven & Cloward, 1971, p. xv). Therefore, the two main functions of welfare are to maintain civil order and to enforce work.

What we are experiencing is a restructuring of the welfare state in the delivery of social assistance programs to meet the needs of economic restructuring. The current changes to welfare are not a break from the "old" or Keynesian welfare state, rather "[t]he workfare offensive against the traditional welfare state and its rights-based benefits is an effort to construct a new system of labour regulation, to enforce work under the new conditions of casualization, falling wages and underemployment that characterises postindustrial labor markets in the mother countries" (Piven & Cloward, 2001, p. x). The old welfare program served the needs of the business community during a time when unemployment was relatively low and workers could expect lifetime employment from an employer and a wage that a family could live on. At that time the welfare state served the needs of business by supplying it with a low-wage labour pool, controlling social unrest during a period on increased expectations from the citizenry and providing a minimum living standard for those who could not work (Piven & Cloward, 1971) and the reproduction of the labour force. With the economic restructuring occurring since the early 1980s and a business community that wishes to increasingly offer flexible employment to workers with low-wages, no security and little in the way of benefits, we see the income support programs of the welfare state adjust. Current welfare programs are now being designed to keep people off social assistance by providing enough of an income supplement so that

families do not qualify for welfare, thereby assuring business the labour force most desired for profit in service sector and temporary employment. “Under conditions of falling wages, chronic underemployment, and job casualization, workfare maximizes (and effectively mandates) participation in contingent, low-paid work by churning workers back into the bottom of the labour market, or by holding them deliberately ‘close’ to the labour market in a persistently ‘job-ready’ state “(Peck, 2001, pp. 13-14). Social policy in Saskatchewan has taken the direction of an increasing number of programs designed to keep workers in the labour force under conditions of low-wages, little or no job security, few if any benefits and short term employment.

It is important to understand the primary function of welfare as a labour market institution, and how welfare interacts with labour market. The actual bottom of income in Canada is not the various provincial minimum wage laws; rather, the bottom is the provincial welfare scales. Workfare conditions the labour market, especially in the area where youth, women and unskilled workers compete for employment. The floor of wages is maintained by the welfare system, however workfare allows wages to fall to meet the standards of the local labour markets. “The shadow of workfare therefore falls far across the labor market itself, where it helps set the terms and the tone of low-wage employment relations” (Peck, 2001, p. 21).

The redesigning of welfare with a more robust focus upon workfare participation of welfare recipients, coupled with an increasing inclusion of the low-income labour force within social welfare programming, represents, to paraphrase Marshall, an extension of the aims of social policy and service provision to include the incorporation of all as members of the societal community; the modification of the most excessive and debilitating inequalities of society; and the legitimization of wider and more fundamental inequalities through the process of incorporation. Welfare programming in Saskatchewan is expanding to cover more and more workers who would not come under the purview of social assistance programs.

The current changes to welfare are not a break from the “old” or Keynesian welfare state, rather “[t]he workfare offensive against the traditional welfare state and its rights-based benefits is an effort to construct a new system of labour regulation, to enforce work under the new conditions of casualization, falling wages and underemployment that characterises postindustrial labor markets in the mother countries” (Piven & Cloward, 2001, p. x).

With the rush to embrace the labour market as the best social program there is, changes to welfare programming beg the question: what of those who remain on welfare? As what can be considered social assistance programming within a modern welfare state becomes more and more marginalized, what of those people? Jones (2001) identifies them as having the most fragile connection to the labour force due to health, age, disability, education and the myriad other reasons for being on social assistance. Not only are these people poor, but they are the poorest of the poor in society. “To know something of that service - the treatment of the most impoverished - says a great deal about society’s humanity and commitment to social justice” (Jones, 1999). As Saskatchewan, at the time of this writing, has only just introduced its workfare program, it is difficult to say what the outcome might be. However if we look to Britain, Jones (1999) comments that for the most marginalized and excluded people in society, the changes have become ‘a sort of Poor Law for the 21st century.’

Canada and the province of Saskatchewan are very similar to the United States in wage inequality. The United Nations Innocenti Report Card (2000) placed Canada 13th of 14 rich nations for having greatest wage inequality (23.7 per cent), only ahead of the United States (25 per cent). The province of Saskatchewan has a low wage score of 29 per cent (Hunter & Douglas, 2002).

It also appears that the types of employment to be found by people on TEA in Saskatchewan would be at the low end of the pay schedule. It is unlikely that employers with established labour forces would alter their employment arrangements and hire new employees to take advantage of a government mandated workfare program. Workfare would be more attractive to employers who are in need of temporary, low-wage employees. Accordingly, the shift towards workfare and the development of a mandated contingent labour force meets the recent needs of much of the current job growth that is occurring within the lower paid service sector employment in Canada and the province of Saskatchewan.

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Saskatchewan has introduced its version of workfare, explaining the changes as a process of expanding citizenship through labour force attachment. It has done so through participation in the federal C.C.T.B. program and provincially through the creation of the TEA program. Although there are national differences, workfare in Saskatchewan is similar to workfare in the United States, explained with Third Way justifications. Third Way proponents are embracing the best “ideological shell of neoliberalism today” (Callinicos, 2001, p. 8).

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Appendix

	Saskatchewan Assistance Plan (SAP)	Transitional Employment Allowance (TEA)
Eligibility	<p>It is the duty of the local unit to provide assistance:</p> <p>“Subject to any program Act of program regulations, a unit shall provide assistance to persons in need who are eligible for assistance.” (The Saskatchewan Assistance Act, p.4)</p> <p>“A person who receives program benefits pursuant to an income-tested program shall in accordance with program regulations (b) provide or authorize the release of any information prescribed in the program regulation on the request of the program manager.” (The Saskatchewan Assistance Act, p.13)</p>	<p>“The Transitional Employment Allowance program is established to provide a transitional employment allowance to persons in need who are participating in certain pre-employment programs or who have a reasonable expectation of becoming self-sufficient in a short period of time.” (The Transitional Employment Allowance Regulations, p. 3)</p> <ul style="list-style-type: none"> - clients on application must provide the health services numbers and social insurance numbers of the applicant and the applicant’s spouse, if any, and give consent to their use to verify the eligibility of the applicant - during confirmation of application clients must consent to “disclosure to the department of personal information with respect to the family unit in the records of government departments and agencies and other bodies for the purpose of determining the eligibility of the family unit to receive a transitional employment allowance...” (The Transitional Employment Allowance Regulations, p.7)
Requirements	<ul style="list-style-type: none"> - Clients are expected to participate in First Steps program. - Must report any changes in your situation to your worker while receiving assistance. - Must participate in an Annual Review - Must be involved in employment/transition planning. 	<p>Must confirm the application in person within 14 days</p> <p>Category A</p> <ul style="list-style-type: none"> - must be participating in a pre-employment program - must file a report every month with any changes to: the family unit, pre-employment program participation, income, place of residence and mailing address, utilities payments and accommodation payments. <p>Category B</p> <ul style="list-style-type: none"> - must establish that they will be self-sufficient at the end of the eligibility period (month of application plus three months) - must report every month with any changes to circumstances that affect eligibility as they occur. (The Transitional Employment Allowance Regulations, p.12)

	Saskatchewan Assistance Plan (SAP)	Transitional Employment Allowance (TEA)
Benefit Amount (Shelter and Basic Allowance)	<p>Single Employable \$195(living allowance) + \$210 (shelter) = \$405</p> <p>Single Parent, one child \$230 (living allowance)</p>	<p>Single Employable (general living allowance) \$405</p> <p>Single Parent, one child (general living allowance) \$615</p>
Utilities	<p>“Payment for utilities for the full month in which eligibility is established may be provided if the need exists. Utility allowances include usual charges as well as costs related to septic systems and garbage pick up where the municipality charges for service....The actual monthly cost for basic utilities in the client’s name is provided through electronic billing (SP/SE), to the vendor or to the client upon receipt of a bill or confirmation from the utility company....An allowance may be provided based on confirmed utility information....GST charges are included for clients who pay their own accounts....Sharing – the actual cost of the client’s share is provided.”</p> <p>- provisions can be made if utilities are in the landlord’s name.</p>	<p>“A utilities allowance may be provided to a client who is eligible for a general living allowance pursuant to subsection (1) if the client pays for any of the following: telephone; electricity; home heating; sewer and water.”</p> <p>- utilities must be in applicants name</p> <p>“The amount of a utilities allowance mentioned in subsection (6) is to be determined in accordance with a schedule of rates established by the minister in accordance with subsection (8).” (The Transitional Employment Allowance Regulations, p.8)</p> <p>Actual utility rates for TEA</p> <ul style="list-style-type: none"> - water – min. \$20 to max. \$54 - telephone – min. \$30 to max. \$30 - electricity – min.\$50 to max.\$126 - energy/heating – min. \$70 to max. \$110 (TEA Rate Schedule)
Laundry	<p>“When a client requires a laundry allowance to pay to use a washer and/or dryer the following rates are provided: one person - \$10 a month, etc.” (Social Assistance Policy Manual, p. 51-52)</p>	<p>Funds not provided for laundry.</p>
Child Care	<p>Child care is available for approved plans (AA, support groups), employment, training, disability, illness, employment seeking, Fine Option programs, funerals, provincial appeals, and court appearances.</p>	<p>Child care is provided while participating in pre-employment program or if employed. (child care flat rate provided per day as needed).</p>

	Saskatchewan Assistance Plan (SAP)	Transitional Employment Allowance (TEA)
Employment Allowances	<p>“To participate in training/employment or approved transition plan programs of the community of residence, actual cost or mileage rate.”</p> <p>“Actual cost or mileage rate” to</p> <ul style="list-style-type: none"> - attend a job interview outside the community of residence within Saskatchewan where a similar opportunity does not exist in the community. - accept confirmed employment/training program outside the community of residence. <p>“Work boots, special clothing, mandatory licenses...fees or permits, Hepatitis B immunization and minor tools may be paid when essential to employment.”</p> <ul style="list-style-type: none"> - \$40 for travel if necessary - \$50 for vehicle registration if necessary <p>(Social Assistance Policy Manual, p. 61 & 65)</p>	<p>“Up to \$140 per adult per application can be used for employment supports including travel.”</p> <p>(TEA Rate Schedule)</p>
Income	<p>Eligible for earned income exemptions:</p> <ul style="list-style-type: none"> - at time of application if disabled or not fully employable. - within 3 months of application for all other recipients <p>Various other types of income exemptions:</p> <ul style="list-style-type: none"> - portions of rental income - portions of room and board income - Lump sum payments for settlements such as HIV and Residential Schools 	<p>No earned income exemptions.</p> <p>Only incomes exempted are: Saskatchewan Child Benefit payments, Saskatchewan Employment Supplement payments, Benefit Adjustment payments, foster care payments or payments for young offenders in open custody.</p>
Other	<p>Available in SAP but not in TEA:</p> <ul style="list-style-type: none"> - Water heater, water softener, service reconnection, wood and water delivery for rural areas - damage deposits - utility deposits and connection fees - back bill payments for utilities - deferral/arrangements with utility companies - special clothing - special diet allowances - travel allowances for medical or funerals - daycare deposits - household equipment - repairs to property - educational expenses for children - transitional training allowance - moving costs 	

	Saskatchewan Assistance Plan (SAP)	Transitional Employment Allowance (TEA)
Appeals	<p>“Clients have the right to appeal decisions made by department employees.” (Social Assistance Policy Manual, p.93)</p> <ul style="list-style-type: none"> - A client is permitted to appeal when he was not allowed to apply or reapply for assistance - his request for assistance or an increase in assistance was not decided upon within a reasonable time depending upon the circumstances for each case. - his application for assistance was denied - assistance was cancelled, suspended, varied or withheld - the amount of assistance granted is insufficient to meet his needs - the recipient is dissatisfied with unit policy (Saskatchewan Assistance Regulations, p. 36 & 37) <p>“When clients request assistance prior to the hearing, minimal assistance may be provided until the appeal is concluded.” (Social Assistance Policy Manual, p.94)</p> <p>“Clients may be represented by an advocate.” (Social Assistance Policy Manual, p.95). There are certain payments available to advocates.</p> <ul style="list-style-type: none"> - Child care and travel costs may be covered. 	<p>“Clients who are dissatisfied with the decision about their Transitional Employment Allowance have the right to appeal to the local committee. Decisions which can be appealed are: denial of application, amount of allowance, cancellation of allowance, and assessment of overpayment.” As well, provincial appeals are permitted after local appeals. (The Transitional Employment Allowance Regulations, p.13)</p> <ul style="list-style-type: none"> - There is no interim assistance available pending appeal. - Advocate fees are not covered.
Termination	<p>Adjustments to allowance or termination may occur is there is a change in employment status, income, family composition absence from accommodation, relocation, death, marriage or common law relationship, or leaving the province.</p>	<p>Clients must be terminated if they fail to give a monthly report, if they are no longer eligible, they are not able to participate in the pre-employment program, or they fail to participate in the pre-employment program. (The Transitional Employment Allowance Regulations, p.12)</p>

II. Low Income Cut-Offs (LICO) and Poverty Measurement

Abstract

This article explores the methodology behind and some of the criticisms of Canada's Low Income Cut-Off (LICO) measure. The LICO has a fifty-year history of use in Canada, and serves as the country's unofficial de facto poverty line. The measure has come under recent scrutiny because of the debate surrounding child poverty in Canada. In tracking the initial development of the LICO measure, the authors describe the original intent of the measure and its method of calculation. Changes to LICO cut-off levels over time reflect the changing upward movement in Canadian income patterns. Through use of simple calculations, the implications of using the before-tax income variable and Statistics Canada's recent change to publishing findings using the after-tax income variable are evaluated. The authors highlight the changes to the LICO measure over the past fifty years, and evaluate it as a measure of income inequality.

1. Introduction

The Low-Income Cutoff (LICO) measure, which is used to analyze the incidence and depth of poverty in Canada, has been the focus of some criticism. Recently, this criticism has been magnified by Statistics Canada's move from using the before-tax income variable to using the after-tax income variable when measuring poverty. Changing from before-tax to after-tax LICO calculations has a dramatic effect on the incidence and depth of poverty. In this review we will examine the LICO and explore the history of the measure in order to present a perspective on its original intent. We will also discuss the criticisms of the LICO measure and suggest its strengths.

The LICO measure was developed in 1961 by Jenny Podoluk, a research coordinator with Consumer Finance Research in the Dominion Bureau of Statistics. The LICO methodology was developed in Consumer Finance Research as a means of examining the low-income population in Canada, as there was no official statistical concept of poverty in Canada (Podoluk, 1968, p.185). Now, more than forty years later, there is still no official statistical concept of poverty in Canada. The LICO measure stands as the de facto poverty measure in Canada, resulting in recent heightened attention and controversy around this particular measure.

Podoluk suggested that Canada did not have an official poverty measure "...because no minimum standard budgets have been constructed that would allow for a location of points in the income distribution below which income inadequacy might exist" (Podoluk, 1968, p.185). There were two possible poverty measures conceived of at the time: 1) a poverty measure based upon a fixed income point below which an income was considered inadequate, and 2) a measure based upon a budget approach that took into account family size, age, composition, their place of residence and the price levels in the area. The budget approach, although identified as having weaknesses, was judged to be superior to the fixed income approach. Due to the problem of a lack of minimum standard budgets, a compromise between the two approaches was developed. A strictly fixed income approach was modified with a budget examination of income spent on the essentials of food, clothing and shelter.

Determination of expenditures on essentials was derived from the 1959 Urban Family Expenditure data, Prices Division, Consumer Expenditure. This was the fourth in a series of surveys begun in 1953 (Dominion Bureau of Statistics, 1963, p.5). The 1959 survey was to be an improvement upon the three previous surveys. It was to be the most comprehensive survey of urban family expenditures since the survey of 1947-1948 and would relax the restrictions that had been placed on the 1947-1948 survey sample. With the 1959 survey, the sample would be drawn from all urban families and individuals in cities with a population of 15,000 and over.

Farm families were not included in the survey as these families were judged to have different expenditure patterns than their urban counterparts. An examination of family budgets available at the time suggested that there were differences of condition between farm families and non-farm families. Farm families were thought to have less monetary requirements than non-farm families because farm families were often able to produce their own food and other commodities, and were more likely to own their homes (Podoluk, 1968, p.181). Differential expenditures were a major concern to the drafters of Canada's low-income measure.

Examination of the differences in expenditures and a definition of needs were viewed as necessary to the developers of LICO because they wished to create a relative - as opposed to an absolute - measure of poverty. A relative measure of poverty establishes a standard of living in society, and then decides what level below that standard is unacceptable. The standard of living will change as society's opinion on what constitutes minimum needs changes. In an interesting aside, Podoluk suggested in 1968 that the automobile had joined the list of family needs since the Second World War, rather than just being thought of as a luxury item (Podoluk, 1968, p. 184).

In keeping with the conservative milieu of the post-war era, Podoluk settled on *food, clothing and shelter* as essential needs. She noted that the decision on what constitutes need was subjective, but also noted: "However, in an affluent society the notion that incomes should provide subsistence and no more is often unacceptable and other budgets have been drawn up to provide what is sometimes called a 'modest but adequate' level of living" (Podoluk, 1968, p.183).

The standard of living will change as society's opinion on what constitutes minimum needs changes.

The 1959 survey of expenditures was much more thorough than food, clothing and shelter items, however. It also contained detailed average expenditures on a diverse range of items including chrome furniture, china, reading materials, repairs, floor wax, shaves, rogues and ice. Calculations were performed on the three essential expenditures incurred by 2,000 spending units living in urban centers of 15,000 and over. From the data, it was calculated that, on average, families of different sizes spent about half their income on the three essentials. To arrive at a low-income measure, low-income families were thought to be families who spent most of their income on these essentials. Podoluk added 20 percentage points to the average expenditure rate of fifty percent, and stated that families who spent seventy percent or more of their incomes on the three essentials of food, clothing and shelter might be in "straitened circumstances" (Podoluk, 1968, p.185). As proposed, the LICO measure was to be a conservative measure of low income and it is still most commonly used as a measure of poverty in Canada.

2. Politics and LICO

A number of criticisms have been made about LICO since 1961. Perhaps the most common is that although it is widely used, it is not a poverty line.

The discussion of poverty, especially child poverty, has come to prominence since the Government of Canada passed a unanimous resolution to end child poverty in Canada by the year 2000. That goal was never reached, nor was there evidence that the government even came close to achieving that end. However, the government is often reminded of its goal and its failure to achieve it by advocacy, community, church and union groups. The political nature of the debate about poverty was not lost on Statistics Canada when it commented that it was partly due to the government commitment to eliminate child poverty that the LICO measure was under a great deal of public scrutiny (Webber, 1998, p.7).

Statistics Canada, which produces the LICO data, entered into the debate about using LICO as a poverty measure and reported: “At the heart of the debate is the use of the low income cutoffs as poverty lines, even though Statistics Canada has clearly stated, since their publication began over 25 years ago, that they are not” (Fellegi, 1999, p.36). As well, “Statistics Canada continues to correct media commentary that portrays low income estimates as a measure of poverty. The Agency often repeats that they are not intended as such” (Webber, 1998, p.9).

Readers of the work of Jenny Podoluk and her use of the LICO measure she helped to develop are led to a different conclusion than that currently taken by Statistics Canada. In her work, specifically the chapter “Low Income and Poverty”, Podoluk explains her reasoning and the methodology employed to develop the LICO measure. As the title of the chapter suggests, she equated low-income with poverty, and she often used the words low-income and poverty interchangeably. How else would it be possible to understand the following:

There is no existing official statistical concept of poverty in Canada, primarily because no minimum standard budgets have been constructed that would allow for a location of points in the income distribution below which income inadequacy might exist. For purposes of this study, low-income families are defined as those families whose incomes fall into those income groups in which, on average, most of the income received must be spent upon essentials such as food, clothing and shelter (Podoluk, 1968, p. 185).

Even more telling, she writes in the same chapter: “The incidence of poverty follows a somewhat different pattern among families with male heads than among families with female heads” (Podoluk, 1968, p. 191). Whatever Statistics Canada currently thinks its

LICO indicates or was intended to indicate, it was clear to the developers of LICO that it was a measure of low-income and therefore of poverty in Canada.

Much debate also revolves around the use of LICO based upon the before-tax Total Income variable and the after-tax Total Income variable to calculate low-income rates. It is an important discussion. At the essence of this argument is the poverty rate in Canada. Using LICO on the after-tax Total Income variable dramatically reduces the poverty rate. For example, if the before-tax Total Income LICO is used with the 1998 Survey of Labour and Income Dynamics (SLID) data, the poverty rate for all people in 1998 is 16.9 percent, however if the after-tax Total Income LICO is used the poverty rate for all persons in 1998 falls to 12.2 percent (Statistics Canada, 2000).

The argument presented by Statistics Canada for the drop in poverty rates is that using the LICO measure based upon after-tax Total Income reflects the progressive income tax structure of Canada whereby the income disparity in Canada becomes more compressed (Statistics Canada, 2002, p. 135). Some consider the after-tax method to be a truer standard of poverty than the before-tax method (Graham, Swift & Delaney, 2003, p.76). Others see problems with the after-tax method. For instance, the after-tax method only adjusts income for provincial and federal income taxes and not for all the other taxes such as provincial sales tax, GST, EI premiums, etc. (Ross, Scott & Smith, 2000, pp. 35-36) and, low-income people do not pay taxes and taxation rates differ across provinces.⁴ In this article however we argue that a major problem with using LICO with after-tax Total Income is methodological. Consider the following example:

According to the Family Expenditure Survey (FAMEX) from Statistics Canada, rebased in 1992, an average family spends 35 per cent of its income on the essentials of food, clothing and shelter.

According to the *Family Expenditure Survey* (FAMEX) from Statistics Canada, rebased in 1992, an average family spends 35 per cent of its income on the essentials of food, clothing and shelter. Of course, that is what the family would spend of their disposable, after-tax income. This percentage is arrived at by dividing the average family expenditure by the average family income to give a ratio of the number of cents of every dollar spent on essential items:

$$\frac{\text{Average Expenditure on Essentials}}{\text{Average Income}} = \% \text{ Income on Essentials}$$

⁴ For a more complete discussion of issues with after-tax incomes and the LICO measure see Cotton, C. & Webber, M. (2000).

For the average income, before-tax Total Income was the main income variable available, until 1980, when Statistics Canada began also providing figures for after-tax Total Income (Cotton, Webber & Saint-Pierre, 1999, p.24). The following example using the 1998 SLID data and the 35 per cent (1992) base of expenditures demonstrates the differences in low-income rates: The average before-tax Total Income in Canada in 1998 was \$44,736.21 and the average after-tax Total Income was \$35,948.98.

The original methodology added 20 percentage points to the average expenditure of 50 per cent on essential items, as it was thought that a family spending another 20 per cent of their income on essentials would be in “straightened circumstances” best understood as poverty. Rebased to 1992 expenditures, the LICO measure still adds 20 points to the average family expenditures.

The following calculations use the average before-tax Total Income of \$44,736.21 and the average after-tax Total Income of \$35,948.98 for the year 1998 with the expenditures rebased to the 1992 average family expenditures of 35 per cent on necessities (\$15,658). 1992 represents the most current rate of expenditures on necessities used by Statistics Canada to calculate the LICOs.

Before-Tax Total Income

$$\frac{15,658}{44,736.21} = .35 \text{ (35 cents of every dollar is spent on essentials)}$$

$$.35 + .20 = .55$$

Adding 20 percentage points to the average expenditure of 35 per cent or 35 cents of every dollar on essentials, then a family spending 55 cents of their before-tax Total Income on essentials would be low-income.

$$(.55)(44,736.21) = \$24,605$$

Therefore a family with a before-tax Total Income of \$24,605 or less would fall below the LICO measure for low-income (the actual LICO levels take into account family size and geographic location).

Using the same average expenditure data applied to the after-tax Total Income that Statistics Canada is now adopting in its publications, the results are:

After-Tax Total Income

$$\frac{15,658}{35,948.98} = .435 \text{ (43.5 cents of every dollar is spent on essentials)}$$

$$.435 + .20 = .635$$

Adding 20 percentage points to the average expenditure of 43.5 per cent or 43.5 cents of every dollar on essentials, a family spending 63.5 cents of their after-tax Total Income on essentials would be low-income.

$$(.635)(35,948.98) = \$22,828$$

A family with an after-tax Total Income of \$22,828 or less would fall below the LICO measure for low-income.

This is where the methodological shift to using after-tax incomes is shown to be a politically valuable, if unintentional, decision by Statistics Canada. As mentioned earlier, in both examples, the family's actual, disposable income and expenditures do not change. However the family with a gross income of \$24,605 spending 55 per cent of their income on essentials is no longer in poverty according to the after-tax measure. Only the families spending 63.5 per cent of their income on essentials are considered low-income. This effectively lowers the number of people in Canada considered to be low-income.

Presumably the 20 additional points would include a margin for the LICO ratio of net expenditures on necessities with before-tax Total Income. The ratio built with before-tax Total Income has changed to actual expenditures on essentials with after-tax Total Income. If after-tax Total Income is used that is fine, but tax should not be accounted for twice. It is unclear how much of the 20 points should be reduced if after-tax Total Income is used, but it would seem reasonable to reduce the 20 points by the taxation rate. Then only approximately 14 points would be added to the ratio of expenditures to after-tax income. Doing so would make the after-tax LICO rate only slightly less in terms of percentage, than the before-tax LICO low-income percentage rate. A major concern with the LICO measure is that the level of low-income cutoffs rises over time. The reason the low income cut-off level rises with time is that the ratio of expenditures on necessities is less than the growth in income, therefore people spend, on average, less and less of their yearly income on necessities. As the amount of the family's income spent on necessities declines, the low-income cutoff levels rise. For example, in 1961 when

the LICO measure was developed, the average family expenditure on necessities was approximately 50 percent of their pre-tax income. With the 20 percentage points added to the average, low income was defined as families who spent 70 percent or more on necessities. As incomes have increased and the average ratio of expenditures on necessities as a proportion of income has decreased, the low-income cutoff levels have risen. The most current rebasing (1992) of the LICO measure calculated on the average family expenditures on necessities, was established at 35 percent of pre-tax income. If the 20 percentage points are added to that average, low income would be defined as families who spent 55 percent or more on necessities. The climb from 70 percent of income spent on necessities to be considered low income in 1961 to 55 percent of income spent on necessities to be considered low income in 1992 has caused concern (Kerstetter, 2000, pp.6-8).

The developers of LICO were aware that their poverty measure was relative, and that the level at which people would be considered poor would climb over time. Commenting on the issue, Podoluk (1968) wrote:

It is because poverty is a relative concept that poverty or low income does not diminish as much as might be expected in view of the real income growth of a country. The extent of change can be evident only if contemporary standards are applied to the income structure of an earlier day. (p.183)

Explaining why poverty or low income does not decrease as would be expected in terms of income growth that is adjusted for the inflation rate, Podoluk noted:

Thus, even though the level of living of the poor improves through time, poverty never seems to be eliminated because a wide gap persists between the level of living attained by some segments of the population and those enjoyed by the majority of the community. (p.184)

This quote demonstrates that the developers of LICO knew that it was a relative measure. Additionally, they knew that the low-income, or poverty rate, would not remain fixed at 70 percent; rather, if the income of the majority grew over time then the level of what was considered low income would grow as well. That is what it means to have a relative measure, it is relative to some standard in the community. If the standard of the community changes, then low income should be evaluated in the context of the rising community standard.

There is one major problem with the LICO measure as Podoluk developed it. Podoluk understood the average income as representative of the income of the majority of people, which it clearly is not. Average income is a notoriously poor measure to describe the central tendency of incomes. Income distribution is highly skewed in a positive direction with most incomes falling well below the average. When using the average, or mean value, it is necessary to be cognizant of extreme scores. Averages are sensitive to extreme values, whereby a few extreme high income values can pull the average value well above what most people earn. Therefore as incomes grow at the top of the scale at a

faster rate than the rest of the population, the average income will rise while most of the population are little or no better off. It is obvious that as the incomes of the highest earners rise, they will spend less on necessities. Their rise in income will be reflected in the average income, creating a distorted picture of income distribution. That is why income is most often described in terms of median income, or with inequality measures such as the Lorenz Curve and Gini Coefficients. It is the use of average income with LICO however, that gives this measure its strength. The LICO is useful to social research as a reflection of rising inequality in the whole population and would best be used in conjunction with other measures of inequality such as Lorenz curves and Gini coefficients.

As is clear, the LICO measure is a relative measure. With the use of average income in the LICO measure, as income disparity between the wealthy few and most other people continues to grow, the extent of that disparity is captured by the LICO measure. The LICO measure stands as an indicator of the growth of income disparity between the rich and the rest of the population. As the income of the wealthy continues to climb and eclipse the incomes of everyone else, the LICO will provide an indicator of that growing disparity.

Podoluk had her own concerns about the comprehensiveness of an income-based methodology. Her concern was that an appropriate measure needed to account for family size, age composition of the family, place of residence and price levels in the area (Podoluk, 1968, p.181). Statistics Canada has always varied the level of the LICO to account for family size up to seven members (Ross et al, 2000, p.15). In 1973 Statistics Canada began setting the level of the LICO to reflect the size of the community, resulting in 35 separate LICO categories. The larger the community population and family size, the higher the income is for the LICO. Age composition of the family has not been accounted for by Statistics Canada. The varying price levels of large urban areas have also not been accounted for. Areas such as Montreal, Toronto and Vancouver have inflated living costs in comparison with other cities with populations over 500,000 (the largest community size accounted for with the LICO), thus producing a concern about the strength of the categories (Cotton & Webber, 2000, p.17). As well, the three territories and First Nation reserves are unaccounted for in the LICO methodology, limiting the development of an inclusive understanding of poverty.

Another of Podoluk's concerns was a lack of longitudinal data which could be useful in establishing the length of time families are in poverty. In 1997 Statistics Canada replaced the yearly data from the Survey of Consumer Finances with data from a longitudinal study - the Survey of Labour and Income Dynamics (SLID) - as the source for population data. However, the benefit of the SLID data is limited since it has not been made widely available to social researchers concerned about studying the persistence of poverty. The year 1998 represents the last time the SLID data was made widely accessible to the public.

3. Changes to LICO

Over the years the LICO publishers have tried to reflect the changes in society through rebasing the measure to changing spending practices. The LICO was first rebased in 1973, basing it on the 1969 FAMEX data. Changes occurred again in 1980 when the LICO was rebased to the 1978 FAMEX data and the low-income rates were hence calculated with after-tax income rather than the original pre-tax measure (Cotton et al., 1999, p.24). Now, Statistics Canada has chosen to use after-tax income in their publications.

The choice to highlight after-tax rates was made for two main reasons. First, income taxes and transfers are essentially two methods of income redistribution. The before-tax rates only partly reflect the entire redistributive impact of Canada's tax/transfer system, by including the effect of transfers but not the effect of income taxes. Second, since the purchase of necessities is made with after-tax dollars, it is logical to use people's after-tax income to draw conclusions about their overall economic well-being. (Statistics Canada, 2002, p.135)

In 1987 the LICO was rebased to the 1986 data. Shortly after, in 1989, there was a major public consultation reviewing the usefulness and methodology involved in setting the LICOs (Cotton et al., 1999, p.24). The review brought out concerns about the lack of attention to the issue of depth of poverty and agreed that low-income information should still be published, but that all measures discussed had their weaknesses (Cotton et al., 1999, p.24). In 1992 the LICO was rebased to the 1992 FAMEX data, which is the measure used today.

4. The Market Basket Measure

The issue about appropriate poverty measures goes beyond the LICO debate. Statistics Canada still holds that the LICO is not a measure of poverty despite Podoluk's original intent and despite the evidence that the rising level of income to expenditure comes not so much from bettering conditions of the poor, but rather from the rising incomes of the wealthy. Other relative measures have been introduced such as the Low Income Measure (LIM) from Statistics Canada, the Toronto Social Planning Council measure, the Canadian Council on Social Development measure, the Croll measure and the Gallup Poll. Some people argue that provincial welfare rates serve as poverty lines, as they are the absolute minimum income a family should receive. The Montreal Diet is an example of an attempt to formulate absolute measure of poverty, rather than a relative one.

In May 2003, Statistics Canada introduced its own absolute low-income measure: the Market Basket Measure (MBM). The MBM was not produced as a result of requests from a large number of advocacy groups and researchers. Rather, the measure was developed in response to a 1997 request of the Federal/Provincial/Territorial Ministers Responsible for Social Services (Human Resources Development Canada [HRDC], 2003, p. 1). As an absolute measure, the MBM approach is an attempt to determine how much disposable family income⁵ is required for a pre-determined, specific basket of goods and services. The HRDC market basket measure includes five types of expenditures: 1) food; 2) clothing and footwear; 3) shelter; 4) transportation; and 5) other household needs (e.g., school supplies, personal care products, telephone, furniture etc.).

The MBM is calculated with a referent family, comprised of two adults (one male and one female) aged 25-49, and two children (a girl aged 9 and a boy aged 13). All other household configurations are calculated using a formula based on the Low Income Measure (LIM) equivalence scale. A family of four has an equivalence scale value of 2. A single person has an equivalence value of 1, therefore it is postulated by Statistics Canada that a family of four requires twice as much income as a single adult (HRDC, 2003, pp. 34-35). The MBM then establishes thresholds, which are sum of the costs for the predetermined basket of goods and services for the selected communities and community sizes across the ten provinces. Economic families that are below the MBM thresholds are considered low-income. For the year 2000, the incidences of low income for all persons in Canada were; 13.1 percent using the MBM; 10.9 using after-tax LICO; and 14.7 using before-tax LICO.

For the year 2000, the incidences of low income for all persons in Canada were; 13.1 percent using the MBM; 10.9 using after-tax LICO; and 14.7 using before-tax LICO.

A couple of issues with the MBM approach should be raised in the context of the LICO measure. First, although the MBM is considered an absolute approach to poverty measurement, it is actually a relative measure because it must be decided what constitutes a basket of goods and services. Any number of subjective opinions comprises what should and should not be in the market basket. All measures of poverty are relative. However, the larger problem is that the MBM approach does not

⁵ The MBM defines disposable family income as the sum remaining after deducting from the total household income the following: total income taxes paid; the personal portion of payroll taxes; other mandatory payroll deductions such as contributions to employer-sponsored pension plans, supplementary health plans and union dues; child support and alimony payments made to another household; out-of-pocket spending on child care; and non-insured but medically-prescribed health-related expenses such as dental and vision care, prescription drugs and aids for persons with disabilities (HRDC, 2003, p. 4). As such, the MBM definition of disposable household income would appear to more closely reflect available funds than the after-tax LICO.

account for the growing disparity of income. Incomes and wealth of the rich recede further and further from scrutiny as focus is more and more attuned to what is a reasonable MBM basket of goods and services. The relative measures of poverty have the advantage of employing all of the incomes in its methodology and are therefore tied to the growth of income disparity. The MBM based measures determine what level of income is needed for a certain decided-upon basket of goods and services. Growth in income disparity is not required for the calculation of this threshold.

5. Conclusion

The efficacy of poverty measurement as a means of political advocacy has also been challenged. For instance, Ternowetsky (2000, p. 2) comments:

One important outcome of a poverty-line approach is that it restricts the way we think about poverty. It asks the question ‘how much is enough’ and directs the gaze of our research towards the poor, towards those without sufficient income to fully participate in society. It treats the poor as ‘residual’, as a special category which can be brought back into society and reintegrated into mainstream life through adjustments in income (Rainwater, 1970). This is the most common and widespread method of poverty research. And, it continues. It continues in the face of the mounting evidence that the ‘normal’ outcome of the ‘normal’ functioning of capitalist economies is to simultaneously generate extremes of poverty and wealth (Roby, 1974).

Rather than focusing only on the poor, it might be useful to examine the incomes and wealth of the economic elites and the ongoing growth in inequality. The real strength of the LICO might be its odd but perhaps very useful inclusion of average incomes. The LICO measure, in its design and use of average income reflects the upward movement of capital over time. As such, it could be a useful measure of income inequality if used in conjunction with other inequality measures such as the Lorenz Curve and Gini Coefficient.

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