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## Welfare Reform in British Columbia: A Report Card

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# Welfare Reform in British Columbia: A Report Card

## Executive Summary

This study examines and evaluates the commitments made by the BC government to welfare reform. It draws comparisons with recent welfare reforms in the United States because the US reforms have proven overwhelmingly successful at reducing welfare caseloads, increasing the employment and earnings of previous welfare recipients, and reducing poverty rates. The eight evaluation areas were selected based on research assessing successful US welfare reform. The reforms encompass two broad areas: policy and program provision.

## Welfare Policy Reform

### *Ending the entitlement to welfare*

This topic refers to the introduction of time limits on and eligibility restrictions for welfare to ensure that those requiring short-term aid receive it, while avoiding permanent dependency. British Columbia is the first Canadian province to introduce a benefit time limit. Specifically, employable individuals are limited to 24 months of benefits within any cumulative 60-month period.

**Grade for ending the entitlement to welfare: A**

Proper research and follow-up for both current and former welfare recipients are needed to ensure that the reformed programs are effective.

### *Diversion*

Some programs attempt to divert potential welfare recipients to other types of assistance before they enter the welfare system. This is a key component in welfare reform since experience has

shown that once someone enters the system, they are far more likely to use the system again. British Columbia has expanded its existing, albeit limited diversion program. Potential recipients must complete an employment search and attend an orientation session during which a caseworker inquires about other sources of assistance that may be available as well as determining eligibility. Moreover, for a family unit to be eligible for social assistance, at least one applicant in the family unit must have been employed for at least two consecutive years. In addition, applicants 19 years of age or older are now required to be independent for two years after leaving their parents' or guardians' home to be eligible for assistance. If a potential welfare recipient indicates an urgent need for assistance, the discretion exists for an Emergency Needs Assessment to be conducted to determine whether an expedited intake interview is necessary.

**Grade for diversion: B+**

Future reform in this area might include a program similar to Wisconsin's Job Access Loan program, which would offer a cash payment to social assistance applicants who have an employment-related need that, when solved, would enable the applicant to either maintain or obtain employment, and as a result, avoid going on welfare.

### *Immediate work requirements and sanctions*

Those who are able to work must do so or face penalties through reduced benefits. In BC, applicants who are deemed ready for employment after their service screening are given a job search kit and labour market information, and may or

may not be referred to a range of Work Connection programs to assist with their job search. Employable applicants must sign an Employment and Assistance Agreement that outlines the steps the recipient will take towards employment and independence. Those applicants who need assistance are referred to training and employment programs and services that address specific skills needs. BC does not require employable recipients to participate in community service programs. Single parents with children under three years of age are exempt from “employment” related activities. Recipients who fail to fulfill the conditions of their employment plans are subject to reductions in assistance.

**Grade for immediate work requirements and sanctions: B+**

In order to reduce potential arbitrariness of the immediate work requirements and sanctions, the BC government might consider specifying a uniform “prescribed amount for the prescribed period” in legislation for families with and without dependent children, rather than applying unique sanctions per welfare case.

### *Employment-focused back-to-work programs*

Experience in the US has shown that successful support programs tend to be employment-based rather than training or education-based. British Columbia’s strategy is to “redesign employment programs to move employable clients quickly into the labour market through job search, job placement, and labour market specific skills training programs.” Part of this strategy involves the Jobs Partnership Program Pilot (JPP), a public-private partnership between the government and a number of private sector entities. The Job Placement Program (JP) builds on the lessons learned from the JPP pilot by placing people in jobs and supporting them in that employment for

up to 19 months. Further, a new pilot program named Training for Jobs (TFJ) is scheduled to begin in the Fall of 2002. According to the government, service providers will work with employers to determine their skills requirements, provide focused job skills training to program participants for up to 12 months, and then help the participants find employment.

**Grade for employment focused back-to-work programs: B+**

The government must be diligent in ensuring that these programs do not operate to the detriment of employment. To this end, the government might consider the Portland, Oregon, back-to-work employment program model that combines elements of the employment-first model found in JP, and education and training found in TFP. It has achieved positive outcomes on a variety of measures for welfare recipients.

### *“Making work pay”*

There is a need for proper incentives, both positive and negative, for finding work and earning income. Canadian provinces promote the incentive to work in welfare recipients in part by disregarding some of their earned income through an earnings exemption; they can keep a certain amount of what they earn without seeing any reduction in their welfare benefits. Unfortunately, British Columbia has eliminated all earnings exemptions except the exemption for disabled recipients.

**Grade for “making work pay”: F**

Although increasing the earnings exemptions for disabled welfare recipients is commendable, cutting the earnings exemptions for almost all other welfare recipients in the province is unfortunate. The government should move to immediately re-

instate earnings exemptions as they existed prior to the change. Furthermore, the government should consider enhancing the opportunities to “make work pay” by extending earnings exemptions further.

## **Welfare Program Delivery Reform**

### *Administrative privatization*

When administrative functions are contracted out to the non-government sector, efficiencies and cost savings are the result. Last year, the government requested proposals to provide an “alternative service delivery model” for social assistance by the private sector. KPMG Consulting and its sub-contractor, Sierra Systems Group, will work on the Alternative Service Delivery Project.

**Grade for administrative privatization: C**

By issuing a request for proposals and signing an agreement for the design and implementation of a new service delivery model for Employment and Assistance programs, the BC government has demonstrated a commitment to reform. However, this contract will not, in and of itself, produce reform, unless the strategic plan for implementing alternative service delivery within the government is implemented. The BC government must implement the new service delivery model. This will not be easy, as efforts at privatization often involve significant political capital.

### *Program delivery privatization*

Efficiencies and cost savings are the outcome of using private sector delivery mechanisms for welfare and welfare-related services. An innovative element of BC’s welfare reform consists of the

development of the privately-operated re-employment program JobWaveBC. The BC Chamber of Commerce and 43 other community chambers use JobWaveBC as a free placement service to hire staff, and JobWaveBC staff provide face-to-face counseling, on-line seminars, e-coaching, and on-line search capabilities for local employment. According to recent figures, JobWaveBC has “put more than 13,000 income-assistance recipients back to work in full-time jobs.”

**Grade for program delivery privatization: B+**

As the only province in Canada to operate a full-scale program similar to private US-based for-profit programs such as America Works, the BC government has demonstrated a commitment to innovative approaches for moving welfare recipients off of assistance and into employment. The BC government should continue evaluating this program and consider expanding it across the province, and perhaps offer it to a wider cross-section of welfare recipients.

### *Non-profit sector reform*

Non-profit organizations can augment, and in some cases supplant, the government or public sector’s provision of welfare and welfare-related services. British Columbia’s 9 service regions contract with various groups such as the Salvation Army, Catholic Charities, and the Kelowna Gospel Mission for the provision of emergency shelter and hostel beds. In 2000, the government held 52 year-round contracts for shelters and hostels, and 20 contracts for temporary, cold-weather beds. British Columbia has yet to engage the larger, non-faith-based, non-profit community, and has not used the non-profit sector for direct welfare and related program provision.

**Grade for non-profit sector reform: C-**

The charitable infrastructure is in place in the western provinces to consider experimenting with the charitable delivery of welfare. British Columbia would be wise to begin discussions with the various private charitable organizations and faith communities with the goal of adopting reforms similar to those in the United States.

## Overall grade

**Cumulative grade for welfare commitment: B**

The current BC government has embarked on a series of welfare reforms on a scale not seen in

## Introduction

Social assistance—cash and benefits provided to those who are deemed to be without the means of obtaining an adequate level of subsistence—is one of the most sensitive and delicate programs delivered by government: it deals with people in desperate, and often nearly hopeless, situations. Social assistance should be delivered compassionately for those who genuinely need assistance, but it cannot become a permanent crutch. At the best of times, this balance is difficult and trying.

Since 1990, social assistance policymakers in British Columbia have struggled with this balance. From 1990 through 1995, the number of welfare beneficiaries<sup>1</sup> as a percentage of the population rose from 6.6 percent to 9.5 percent, an increase of 43.9 percent. Between 1990/91 and 1995/96, combined provincial and municipal spending<sup>2</sup> on social assistance in BC increased by 81.8 percent, or from about \$1.1 billion to \$2.0 billion in nominal dollars (Statistics Canada, 2001).

In order to address rising welfare caseloads and associated costs, starting in 1995 the BC govern-

ment moved to tighten eligibility requirements and strengthen enforcement mechanisms (Chera and Mihlar, 1998). In 1996, the government introduced a package of reforms known as BC Benefits. Upon this package's introduction, benefits were cut by 8 to 10 percent for welfare recipients without dependents who were deemed employable. Initially, the flat rate earnings exemption<sup>3</sup> of \$100 a month for single people and \$200 a month for couples or families was eliminated, only to be restored in November 1999. On March 31, 1997, the BC Benefits (Youth Works) Act and the BC Benefits (Income Assistance) Act were introduced. These acts, together with the Disability Benefits Program Act, BC Benefits (Child Care) Act, and BC Benefits (Appeals) Act, eliminated the old Guaranteed Available Income for Need (GAIN) Act. Under the Youth Works program, only clients who were between the ages of 19 and 24 without children and deemed employable had their welfare benefits cut and were required to conduct job searches.

Canada. The reforms and commitments to reform outlined in this study move BC in the direction of reform-minded US states such as Wisconsin, which has had significant success improving the lives of welfare recipients by moving them off of welfare and into employment. Although it is still too early to evaluate the effectiveness of BC's welfare reforms, or for the government to claim success in reforming welfare, this report card suggests that BC is well on its way to transforming its welfare system into a work-focused, temporary assistance program.

ment moved to tighten eligibility requirements and strengthen enforcement mechanisms (Chera and Mihlar, 1998). In 1996, the government introduced a package of reforms known as BC Benefits. Upon this package's introduction, benefits were cut by 8 to 10 percent for welfare recipients without dependents who were deemed employable. Initially, the flat rate earnings exemption<sup>3</sup> of \$100 a month for single people and \$200 a month for couples or families was eliminated, only to be restored in November 1999. On March 31, 1997, the BC Benefits (Youth Works) Act and the BC Benefits (Income Assistance) Act were introduced. These acts, together with the Disability Benefits Program Act, BC Benefits (Child Care) Act, and BC Benefits (Appeals) Act, eliminated the old Guaranteed Available Income for Need (GAIN) Act. Under the Youth Works program, only clients who were between the ages of 19 and 24 without children and deemed employable had their welfare benefits cut and were required to conduct job searches.

During this reform period, the number of welfare beneficiaries as a percentage of the population in

BC peaked at 9.9 percent (1995) and subsequently fell to 6.5 percent in 2000, representing a decline of 1.5 percent since 1990 and a decline of 34.5 percent since the peak year of 1995. Between 1996/97 and 2000/01, BC's expenditures on social assistance fell by 6.3 percent, although from fiscal year 1993/94 to 2000/01, this expenditure increased by 5.3 percent (Statistics Canada, 2001).

This study examines and evaluates commitments made to welfare reform in British Columbia since the election of the BC Liberal Party in May 2001. Comparisons are drawn with recent welfare reform in the United States in 1996 under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).<sup>4</sup> There is a wealth of research available on particular reforms that have contributed to the success of welfare reform in the US. This research provides a useful comparison to British Columbia's changes. However, the current BC government is still too new for its

recent welfare reforms to be realistically evaluated for their effectiveness. That is, this study evaluates the commitments rather than actual achievements of welfare reform in BC.

### *Organization*

This evaluative study is organized into three sections. The first provides a brief explanation of US welfare reform, specifically PRWORA and its results, along with state Temporary Assistance for Needy Families (TANF) programs in terms of welfare caseload reductions, employment and earnings of current and former welfare recipients, and levels of poverty. The second section presents a brief overview of significant developments in social assistance in Canada, and a summary of the welfare reforms implemented in 2002 in British Columbia. The final section presents an evaluation of BC's welfare reform commitments.

## **US Welfare Reform**

In 1996, the US Congress passed national welfare reform legislation, referred to as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This reform marked a change of direction and philosophy for welfare provision in the United States as PRWORA consolidated funding for a variety of federal aid programs.<sup>5</sup>

Under the previous Aid to Families with Dependent Children (AFDC), state welfare expenditures were matched by the federal government on an open-ended basis. However, federal funding for the TANF block grants is now essentially fixed for six years at \$16.4 billion annually through 2002, which is roughly equivalent to the real 1994 level of federal funding for the programs replaced by PRWORA.<sup>6</sup>

Federal funding under TANF is also restricted in other ways. Under PRWORA, states must meet demanding federal "participation" standards (a large proportion of welfare recipients must be in work or work-related activities) and limit assistance for most families to a maximum of five years in order to receive their full TANF grant. States failing to satisfy work requirements or comply with the five-year limit on assistance face a 5 percent penalty which increases 2 percent per year for each consecutive work requirement failure, and a one-time 5 percent penalty for the latter infraction.<sup>7</sup>

At the same time, PRWORA gives states new flexibility in designing welfare rules, in deciding how to allocate funds, and in determining which families receive assistance and under what circum-

stances. Unless expressly provided under PRWORA, the federal government does not regulate the conduct of states in the area of welfare and its provision. Consequently, the incentive structure of welfare delivery in the United States has been transformed. Although states currently possess new flexibility to spend TANF funds “in a manner reasonably calculated to accomplish the purposes of the block grant” (ACF, 2001) while reaping the savings from moving recipients off welfare and into jobs, states will also bear most of the increased cost if spending rises. Thus, unlike under AFDC, the fixed nature of the TANF block grant accompanied by federal conditions that specify work-related participation requirements and a benefit time limit, create the appropriate incentive to encourage state-based experimentation and innovation with welfare delivery to move welfare recipients off of welfare and into work.

### **The results of PRWORA and state TANF welfare reforms**

Comparisons between US welfare reform and commitments to welfare reform in BC are useful only in so far as success can be demonstrated on a variety of important indicators in the US. These indicators include welfare caseload reductions, the employment and earnings of current and former recipients, and poverty rates.

On the surface, most observers look for cost savings as a rationale for carrying out reforms. However, other important reasons exist to justify welfare reform. A substantial body of work has demonstrated that reducing welfare dependence in and of itself has substantial positive benefits for individuals and society (for example, see Forste and Tienda, 1992; Hill and O’Neill, 1993, 1994; and Kimeny, 1991). The welfare caseload reductions achieved under PRWORA are not an end in and of themselves, but are rather a means to achieve desirable public policy goals such as improved life outcomes through employment and

earnings, and declining rates of poverty for those exposed to the welfare system.

### **Welfare caseload reductions**

Since the introduction of PRWORA at the federal level and TANF at the state level, the number of welfare recipients in the US has declined nationally by 57 percent from 12.2 million in August 1996 to a low of 5.3 million in December of 2001 (see table 1) (USHHS, 2002). Over three-quarters of the reduction in the US average monthly number of recipients since March 1994 occurred after the introduction of TANF. These are the largest declines in US welfare caseload history. According to the Office of Planning, Research and Evaluation for the Administration for Children and Families, “Over the last five years, 46 states have reduced their caseloads by at least 40 percent; nine by over 70 percent. Post-TANF declines range from 21.9 to 92.3 percent, with a median of 53.2 percent; over two-thirds of the declines were in the 40-70 percent range” (USHHS 2002a: II-1).

However, significant variations in caseload reductions exist among states. From January 1993, when states began experimenting with welfare reform via demonstration waivers obtained under AFDC, to June 2000, figures from the HHS show that while the nationwide reduction in welfare caseloads was 59 percent, the reduction was only 21 percent in Hawaii, 27 percent in Rhode Island, and 32 percent in the District of Columbia (USHHS, 2001). Other states like Wyoming and Wisconsin had reduction rates (94 percent and 84 percent respectively) well above the national average for this time period (USHHS, 2001).

The reason for the caseload decline continues to be the subject of much debate. Some have suggested that the success in terms of caseload declines has little to do with welfare reform and more to do with the economic boom of the late 1990s. The president’s Council of Economic Advisers (CEA) estimated that between 26 percent

**Table 1: Number and Percentage of Individuals and Families Receiving Aid to Families with Dependent Children (AFDC) and Temporary Assistance to Needy Families (TANF), 1936-2000**

Year	Recipients	Families	Recipients as a percentage of the population	Families as a percentage of the population
1936	534,000	147,000	0.4	0.1
1937	674,000	194,000	0.5	0.2
1938	895,000	258,000	0.7	0.2
1939	1,042,000	305,000	0.8	0.2
1940	1,182,000	349,000	0.9	0.3
1941	1,319,000	387,000	1	0.3
1942	1,317,000	387,000	1	0.3
1943	1,050,000	304,000	0.8	0.2
1944	910,000	260,000	0.7	0.2
1945	907,000	259,000	0.6	0.2
1946	1,112,000	312,000	0.8	0.2
1947	1,394,000	393,000	1	0.3
1948	1,595,000	449,000	1.1	0.3
1949	1,918,000	541,000	1.3	0.4
1950	2,205,000	644,000	1.4	0.4
1951	2,134,000	621,000	1.4	0.4
1952	2,022,000	583,000	1.3	0.4
1953	1,970,000	560,000	1.2	0.3
1954	2,076,000	580,000	1.3	0.4
1955	2,214,000	612,000	1.3	0.4
1956	2,239,000	611,000	1.3	0.4
1957	2,395,000	645,000	1.4	0.4
1958	2,719,000	724,000	1.6	0.4
1959	2,920,000	774,000	1.6	0.4
1960	3,005,000	787,000	1.7	0.4
1961	3,354,000	869,000	1.8	0.5
1962	3,676,000	931,000	2	0.5
1963	3,876,000	947,000	2	0.5
1964	4,118,000	992,000	2.1	0.5
1965	4,329,000	1,039,000	2.2	0.5
1966	4,513,000	1,088,000	2.3	0.6
1967	5,014,000	1,217,000	2.5	0.6
1968	5,705,000	1,410,000	2.8	0.7
1969	6,706,000	1,698,000	3.3	0.8
1970	8,466,000	2,208,000	4.1	1.1

*continued ...*

**Table 1: Number and Percentage of Individuals and Families Receiving Aid to Families with Dependent Children (AFDC) and Temporary Assistance to Needy Families (TANF), 1936-2000**

Year	Recipients	Families	Recipients as a percentage of the population	Families as a percentage of the population
1971	10,241,000	2,762,000	4.9	1.3
1972	10,947,000	3,049,000	5.2	1.5
1973	10,949,000	3,148,000	5.2	1.5
1974	10,864,000	3,230,000	5.1	1.5
1975	11,165,185	3,498,000	5.2	1.6
1976	11,386,371	3,579,000	5.2	1.6
1977	11,129,702	3,588,000	5.1	1.6
1978	10,671,812	3,522,000	4.8	1.6
1979	10,317,902	3,509,000	4.6	1.6
1980	10,597,445	3,642,380	4.7	1.6
1981	11,159,847	3,870,765	4.9	1.7
1982	10,430,960	3,568,781	4.5	1.5
1983	10,659,365	3,650,746	4.6	1.6
1984	10,865,604	3,724,864	4.6	1.6
1985	10,812,625	3,691,610	4.5	1.6
1986	10,996,505	3,747,531	4.6	1.6
1987	11,065,027	3,784,018	4.6	1.6
1988	10,919,696	3,747,948	4.5	1.5
1989	10,933,980	3,770,960	4.4	1.5
1990	11,460,382	3,974,322	4.6	1.6
1991	12,592,269	4,373,883	5	1.7
1992	13,625,342	4,768,495	5.3	1.9
1993	14,142,710	4,981,248	5.5	1.9
1994	14,225,591	5,046,263	5.5	1.9
1995	13,652,232	4,876,240	5.2	1.9
1996	12,648,859	4,553,339	4.8	1.7
1997	10,936,298	3,946,304	4.1	1.5
1998	8,770,376	3,179,167	3.2	1.2
1999	7,202,639	2,648,137	2.6	1
Dec. 2001*	5,284,711	2,098,930	1.9	0.7

\*US population data is preliminary and is subject to change.

Source: US Department of Health and Human Services, Administration for Children and Families; US Census Bureau; calculations by author.

and 36 percent of the reduction in caseloads between 1993 and 1996 was due to the strong economy (CEA, 1999). However, the CEA's analysis concluded that only 8 to 10 percent of the reduction in caseloads between 1996 and 1998 were due to the economy, with welfare reform under TANF accounting for roughly one-third of caseload reductions (CEA, 1999).

The finding that welfare reform, and not the strong American economy, has led to dramatic caseload reductions has been corroborated by other studies. Rector and Youssef, using historical data, demonstrate that during 8 previous periods of economic growth, substantial and sustained AFDC caseload reduction was largely nonexistent (1999). In other words, there were past periods of economic growth that did not include large reductions in welfare caseloads. In addition, a recent study by O'Neill and Hill found that TANF has accounted for more than half of the decline in welfare participation since 1996, with the economy accounting for less than 20 percent of the decline (2002).

The US has experienced unprecedented welfare caseload reductions. These reductions are attributable in large part to the reforms introduced by PRWORA.

## Employment and earnings

The results of welfare reform on the employment and earnings of former recipients have been impressive. According to the General Accounting Office (GAO), in 1999, between 61 percent and 87 percent of adults leaving welfare obtained employment (GAO, 1999). Similarly, in a comprehensive study focusing on 10 state-related work-first programs, the Office of the Assistant Secretary for Planning and Evaluation (ASPE) revealed that about 45 percent to 65 percent of former TANF recipients were working after leaving the program and that, in every state examined, average earnings of for-

mer recipients rose steadily over the year following exit from TANF (Issacs and Lyon, 2000). Moreover, the *2001 TANF Annual Report to Congress* outlines that of those recipients who are employed, "In Fiscal Year (FY) 2000, 33 percent... were working, compared to 11 percent in FY 1996 [and] that the average monthly earnings of those employed increased" (USHHS, 2002a, p. 3).

Current Population Survey (CPS) data reveal significant earnings increases for female-headed families between 1996 and 2000. For those in the lowest income quintile, earnings rose from \$315 in 1996 to \$1,646 in 2000, an increase of 422.5 percent (both in constant 2000 dollars and averaged over all families in the quintile). In the second lowest quintile, real average earnings approximately doubled, from \$6,304 in 1996 to \$11,509 in 2000. Moreover, TANF administrative data (which report information only for those recipients who remain on welfare) demonstrate that the average monthly earnings of those employed increased from \$466 per month in 1996 to \$553 in 1998, \$598 in 1999, and \$668 in 2000; increases of 19, 28, and 43 percent respectively. The fact that welfare reform has played a role in earnings increases is supported by experimental evaluations of broad welfare reform programs and programs that emphasize mandatory welfare-to-work activities (see Freedman, 2000, Martinson, 2000, and Michalopoulos *et al.*, 2000).

Similarly, concerns that welfare reform would detrimentally affect the most disadvantaged in American society have largely been refuted. Employment rates of women leaving welfare range from 62 to 90 percent (USHHS, 2001a). Among single women with children, the number employed increased from 69 percent in 1993 to 83 percent in 1999, a 20 percent increase (Grogger, 2001). The most recent research available is an in-depth analysis by O'Neill and Hill entitled *Gaining Ground: Women, Welfare Reform and Work*. The authors conclude that:

The decline in welfare participation was largest for groups of single mothers commonly thought to be the most disadvantaged: young mothers (18 to 29 years old), mothers with children under 7 years of age, high school dropouts, black and Hispanic single mothers, and those who have never been married.

Employment gains have also been the largest among disadvantaged single mothers, and TANF accounts for much of these gains: 40 percent of the increase in work participation among single mothers who are high school dropouts, 71 percent of the increase in work participation among 18-29 year old single mothers, and 83 percent of the increase in work participation among black single mothers. (O'Neill and Hill, 2002, p. 2)

US welfare reform has achieved important gains in employment and earnings for current and former welfare recipients, especially among single mothers commonly thought to be the most disadvantaged.

## Poverty

According to the federal US Department of Health and Human Services, "As the dependency rate [for welfare] fell between 1996 and 1999, the poverty rate<sup>8</sup> for all individuals fell also, from 13.7 percent in 1996 to 11.8 percent in 1999. The poverty rate fell again in 2000, declining to 11.3 percent, the lowest rate since 1979" (USHHS, 2002).<sup>9</sup>

Moreover, as the welfare caseload has declined since the introduction of PRWORA and TANF, so has the overall child poverty rate (as measured by the US Census Bureau), reaching 16.2 percent in 2000, the lowest rate since 1978. The 2001 TANF Annual Report to Congress reports that:

This is a 21 percent decrease from the 1996 rate of 20.5 percent... [and that] between 1996 and 2000, the African American child poverty rate dropped from 39.9 percent to 30.9 percent—the lowest level on record. Over the same period, the Hispanic child poverty rate dropped from 40.3 percent to 28.0 percent—the largest four-year drop on record" (USHHS, 2002a, pp. 3-4).

Consequently, approximately 4.2 million fewer people, including 2.3 million children, live in poverty today than in 1996, and hunger among children has been reduced by about 50 percent since the introduction of welfare reform (US Bureau of the Census, 2000; Andrews et al., 2000).

It appears as if welfare reform has not contributed to increased poverty, but in fact has coincided with a dramatic *decrease* in poverty rates.<sup>10</sup>

## Conclusion

Measures of success that include welfare caseload reductions, employment and earnings of current and former welfare recipients, and reductions in poverty rates under PRWORA and TANF, demonstrate that welfare reform is working and comparisons with this model of reform are a worthy endeavour to aid in the development of social assistance reform in Canada.

## Social Assistance in Canada

Under the constitution, social assistance is essentially a provincial responsibility in Canada. However, the federal government entered the area of social assistance in 1966 when it established the Canada Assistance Plan (CAP). CAP created a cost-sharing relationship between the federal and provincial governments for social assistance provided to widows and mothers in need. At the same time, the federal government required provinces to implement a set definition of need to be applied impartially to all welfare applicants, not implement provincial residency requirements, and establish an appeal procedure for applicants denied assistance.

This relationship remained relatively unchanged until the early 1990s when, under pressure from swelling welfare rolls across Canada (peaking at 3.1 million or 10.7 percent of the population in 1994—see tables 2 and 3) and the growing demand for fiscal restraint from the Canadian public, the federal government's budget introduced a "cap on CAP." The cap imposed a 5 percent limit on annual increases in federal cost-sharing under CAP for social assistance and social services from 1990/1991 through 1994/1995 for the three "have" provinces: Ontario, Alberta, and British Columbia. The cap effectively terminated the former agreement under which the federal government would reimburse the provinces for half of their expenditures on social assistance.

In the 1995 federal budget, the Canada Social Transfer replaced CAP and the Established Programs Finance (EPF) programs. The EPF consisted of federal transfers for health care and education. In the following year, the Canada Social Transfer was renamed the Canada Health and Social Transfer (CHST), so as to demonstrate that this single block transfer by the federal government consisted of cash payments and tax transfers in support of post-secondary education,

health care, and social assistance and social services. As a result of the reduction in assistance to provinces under the CHST, the number of conditions attached to the transfer by the federal government was reduced.<sup>11</sup>

This new system of federal funding expanded the ability of provinces to implement innovative approaches to curtail swelling welfare rolls. For example, in 1993, Alberta moved to divert potential welfare recipients from going on welfare, and in 1998, the Ontario government introduced the Ontario Works Act (OWA), which introduced mandatory workfare for employable welfare recipients. Although incremental reforms to social assistance have been a constant feature of the social policy landscape in Canada (Schafer *et al.*, 2001), unfortunately, only Alberta and Ontario have undertaken anything resembling institutional reform of welfare in Canada.

### British Columbia

The new administration in British Columbia used the flexibility granted to it under the CHST to implement changes to the manner in which government operates in the province and to outline future directions for social assistance reforms. In August 2001, the government amended the *Budget Transparency and Accountability Act* to mandate the tabling of a three-year strategic plan and annual three-year service plans for both ministries and government organizations with the release of the provincial budget. In this "New Era of Government Service," the Liberal administration emphasizes the accountability of government to BC taxpayers by way of service plan reports that will outline accomplishments (or the lack thereof) for the prior year (BC Ministry of Human Resources, 2002). In February 2002, the Ministry of Human Resources in BC released its *Service Plan: 2002/2003—2004/2005*. In it, the ministry de-

**Table 2: Number of Welfare Beneficiaries (including Dependents)  
by Province and for Canada, (000s)**

Year	NF	PE	NS	NB	QC	ON	MB	SK	AB	BC	YT	NT	NU	CDA
2000	59.4	8.4	73.7	56.3	618.9	802.0	63.3	63.8	64.8	262.4	1.4	3.4	7.3	2,085
1999	59.9	9.8	80.9	61.8	661.3	910.1	68.7	66.5	71.9	275.2	1.7	11.3	0.0	2,279
1998	64.6	10.9	85.5	67.1	725.7	1,091.3	72.7	72.5	77.0	297.4	2.1	10.7	0.0	2,578
1997	71.9	11.1	93.7	70.6	793.3	1,149.6	79.1	79.7	89.8	321.3	2.0	12.8	0.0	2,775
1996	72.0	11.7	103.1	67.1	813.2	1,214.6	85.8	80.6	105.6	369.9	1.7	11.8	0.0	2,937
1995	71.3	12.4	104.0	67.4	802.2	1,344.6	85.2	82.2	113.2	374.3	2.1	12.0	0.0	3,071
1994	67.4	13.1	104.0	73.5	787.2	1,379.3	89.3	81.0	138.5	353.5	2.4	11.0	0.0	3,100
1993	68.1	12.6	98.7	78.1	741.4	1,287.0	88.0	68.2	196.0	323.3	2.5	11.1	0.0	2,975
1992	59.8	11.8	92.6	78.2	674.9	1,184.7	80.9	60.4	188.3	279.3	1.7	10.4	0.0	2,723
1991	51.8	10.3	86.2	71.9	594.9	929.9	71.7	53.4	156.6	244.0	1.2	10.3	0.0	2,282
1990	47.9	8.6	78.4	67.2	555.9	675.7	66.9	54.1	148.8	216.0	1.0	9.6	0.0	1,930
1989	44.8	8.3	75.6	67.7	559.3	588.2	63.0	57.2	151.7	230.0	0.9	9.4	0.0	1,856
1988	47.9	8.9	73.8	70.6	594.0	533.5	62.7	60.3	149.8	241.1	1.1	9.3	0.0	1,853
1987	50.5	9.3	73.0	73.7	649.6	518.4	60.6	62.1	150.5	247.7	1.2	8.3	0.0	1,905
1986	47.0	9.2	72.1	68.8	693.9	485.8	62.6	62.7	126.6	255.7	1.4	7.1	0.0	1,893
1985	49.1	9.6	73.6	69.1	708.7	485.8	62.8	64.0	124.1	267.6	1.5	7.4	0.0	1,923
1984	53.3	9.8	67.5	68.6	705.9	484.6	59.2	63.7	117.1	257.1	1.1	7.0	0.0	1,895
1983	51.9	11.3	69.0	70.1	675.8	471.2	55.9	59.7	130.6	228.8	1.3	7.3	0.0	1,833
1982	54.7	11.3	64.6	62.7	561.9	406.8	47.8	48.4	91.7	144.9	1.5	6.5	0.0	1,503
1981	50.4	10.1	62.4	67.4	532.9	389.8	46.9	43.8	78.1	128.0	1.2	7.4	0.0	1,418
1980	48.5	9.4	51.2	66.3	511.9	354.8	45.6	41.4	76.1	122.8	1.1	5.2	0.0	1,334
1979	39.3	8.5	50.1	65.0	478.3	382.2	47.6	42.1	80.8	146.9	6.3	0.0	0.0	1,347
1978	53.8	8.3	49.8	63.4	464.5	356.3	52.5	41.4	85.1	141.0	5.6	0.0	0.0	1,322
1977	52.4	8.7	55.9	67.1	457.1	338.9	55.3	38.8	86.5	162.0	5.3	0.0	0.0	1,328
1976	61.0	8.8	54.2	52.5	428.7	367.9	57.6	43.5	78.2	162.1	8.4	0.0	0.0	1,323
1975	63.1	8.4	52.4	55.6	416.6	336.4	56.6	45.3	78.0	162.3	5.7	0.0	0.0	1,280
1974	63.3	7.3	47.6	51.9	395.8	317.3	60.7	44.4	80.6	137.2	2.6	0.0	0.0	1,209
1973	70.9	7.2	52.9	58.6	406.5	307.9	70.4	56.7	85.5	104.0	0.9	0.0	0.0	1,221
Peak year	1996	1994	1995	1992	1996	1994	1994	1995	1993	1995	1993	1997	n/a	1994
# in peak	72.0	13.1	104.0	78.2	813.2	1,379.3	89.3	82.2	196.0	374.3	2.5	12.8	7.3	3,100
% change from peak*	(17.5)	(35.9)	(29.1)	(28.0)	(23.9)	(41.9)	(29.1)	(22.4)	(66.9)	(29.9)	(44.0)	(16.4)	n/a	(32.7)
# in 1990	47.9	8.6	78.4	67.2	555.9	675.7	66.9	54.1	148.8	216.0	1.0	9.6	n/a	1,930
% change from 1990*	24.0	(2.3)	(6.0)	(16.2)	11.3	18.7	(5.4)	17.9	(56.5)	21.5	40.0	11.5	n/a	8.0

\* NT and NU combined in 2000.

Source: Cost-Shared Programs Division, Human Resources Investment Branch, Human Resources Development Canada.

**Table 3: Number of Welfare Beneficiaries (including Dependents)  
as a Percentage of Population by Province and for Canada**

Year	NF	PE	NS	NB	QC	ON	MB	SK	AB	BC	YT	NT*	CDA
2000	11.0	6.0	7.8	7.4	8.4	6.9	5.5	6.2	2.2	6.5	4.6	15.4	6.8
1999	11.1	7.1	8.6	8.2	9.0	7.9	6.0	6.5	2.4	6.8	5.5	16.6	7.5
1998	11.9	8.0	9.1	8.9	9.9	9.6	6.4	7.1	2.6	7.4	6.6	15.7	8.5
1997	13.0	8.1	10.0	9.4	10.9	10.2	7.0	7.8	3.2	8.1	6.3	18.8	9.3
1996	12.8	8.6	11.1	8.9	11.2	10.9	7.6	7.9	3.8	9.5	5.3	17.4	9.9
1995	12.6	9.2	11.2	9.0	11.1	12.3	7.5	8.1	4.1	9.9	6.8	17.9	10.5
1994	11.7	9.8	11.2	9.8	10.9	12.7	7.9	8.0	5.1	9.6	8.0	16.9	10.7
1993	11.7	9.5	10.7	10.4	10.3	12.0	7.9	6.8	7.3	9.1	8.1	17.3	10.4
1992	10.3	9.0	10.1	10.5	9.5	11.2	7.3	6.0	7.1	8.0	5.7	16.8	9.6
1991	8.9	7.9	9.4	9.6	8.4	8.9	6.5	5.3	6.0	7.2	4.1	16.9	8.1
1990	8.3	6.6	8.6	9.1	7.9	6.6	6.0	5.4	5.8	6.6	3.6	16.3	7.0
1989	7.8	6.4	8.4	9.2	8.1	5.8	5.7	5.6	6.1	7.2	3.3	16.5	6.8
1988	8.3	6.9	8.2	9.7	8.7	5.4	5.7	5.9	6.1	7.7	4.1	16.6	6.9
1987	8.8	7.2	8.2	10.1	9.6	5.4	5.5	6.0	6.2	8.1	4.6	15.1	7.2
1986	8.2	7.2	8.1	9.5	10.3	5.1	5.7	6.1	5.2	8.5	5.8	12.9	7.3
1985	8.5	7.5	8.3	9.5	10.6	5.2	5.8	6.2	5.2	9.0	6.3	13.7	7.4
1984	9.2	7.7	7.7	9.5	10.6	5.3	5.5	6.3	4.9	8.7	4.6	13.2	7.4
1983	8.9	9.0	7.9	9.8	10.2	5.2	5.3	6.0	5.5	7.9	5.4	14.3	7.2
1982	9.5	9.1	7.5	8.9	8.5	4.6	4.6	4.9	3.9	5.0	6.3	13.0	6.0
1981	8.8	8.1	7.3	9.5	8.1	4.4	4.5	4.5	3.4	4.5	5.0	15.4	5.7
1980	8.4	7.6	6.0	9.4	7.8	4.0	4.4	4.3	3.5	4.5	4.5	11.0	5.4
1979	6.9	6.9	5.9	9.2	7.4	4.4	4.6	4.4	3.8	5.5	n/a	n/a	5.5
1978	9.5	6.8	5.9	9.0	7.2	4.1	5.0	4.3	4.2	5.4	n/a	n/a	5.5
1977	9.2	7.2	6.7	9.6	7.1	4.0	5.3	4.1	4.4	6.3	n/a	n/a	5.6
1976	10.8	7.4	6.5	7.6	6.7	4.4	5.6	4.7	4.2	6.4	n/a	n/a	5.6
1975	11.3	7.1	6.3	8.2	6.6	4.0	5.5	4.9	4.3	6.5	n/a	n/a	5.5
1974	11.5	6.3	5.8	7.8	6.3	3.9	5.9	4.9	4.6	5.6	n/a	n/a	5.3
1973	12.9	6.3	6.5	8.9	6.5	3.8	7.0	6.2	4.9	4.4	n/a	n/a	5.4
Peak year	1997	1994	1994	1992	1996	1994	1994	1995	1993	1995	1993	1997	1994
# in peak	13.0	9.8	11.2	10.5	11.2	12.7	7.9	8.1	7.3	9.9	8.1	18.8	10.7
% change from peak*	(15.3)	(38.2)	(30.4)	(28.9)	(24.8)	(45.8)	(30.6)	(23.3)	(70.5)	(34.5)	(42.6)	17.8	(36.3)
% in 1990	8.3	6.6	8.6	9.1	7.9	6.6	6.0	5.4	5.8	6.6	3.6	16.3	7.0
% change from 1990*	32.7	(7.9)	(9.2)	(18.1)	5.9	5.3	(8.8)	15.7	(62.9)	(1.3)	29.7	(5.5)	(2.4)

\*NT and NU combined in 2000.

Source: Cost-Shared Programs Division, Human Resources Investment Branch, Human Resources Development Canada.

scribes “making a significant strategic shift to income assistance that... emphasizes self-reliance and participation” (BC MHR, 2002, p. 1).

On April 1, 2002, the government introduced the BC Employment and Assistance program.<sup>12</sup> This paved the way for the introduction on April 15,

2002, of Bill 26, the Employment and Assistance Act, which was granted royal assent on May 30, 2002.<sup>13</sup> Bill 26 represents the commitment on the part of the BC government to welfare reform. The commitment inherent in this piece of legislation will serve as the focus of this study.

## BC Welfare Reform Report Card

This section outlines 8 successful approaches to welfare reform in the US. Each specific reform will be detailed, followed by an examination of where BC welfare reform currently stands in comparison. From this analysis, a recommendation and letter grade is assigned indicating BC’s level of commitment to welfare reform based on the successful US approach.

### Welfare Policy Reform

#### *(a) Ending the entitlement to welfare*

##### Explanation

Under PRWORA, states must impose a five-year lifetime limit on TANF-funded benefits. States may extend assistance beyond five years to up to 20 percent of their caseload, and may opt to extend assistance further by using state-only funds, or they may provide services to families that reach the time limit through the Social Services Block Grants. Many states have used the flexibility granted to them under PRWORA to legislate time limits shorter than 5 years.<sup>14</sup>

##### What has BC done?

A watershed development in Canadian welfare reform is the imposition of a benefit time limit in BC. After April 1, 2002, each month that a welfare recipient receives assistance will count toward

the 24-month time limit. Employable recipients are limited to a cumulative 24 months of welfare out of every 60 months. Upon the expiration of the time limit, rates are reduced as follows: no eligibility for employable singles; no eligibility for employable couples, with both adults at the time limit; and \$300 per month for employable couples with one adult at the time limit. For families with children, rates are reduced by \$100 per month for single parents and two-parent families where one is at the time limit, whereas if both parents are at the time limit, the reduction is \$200 per month.

##### Grade

The BC government scores an A for the implementation of a benefit time limit for social assistance of two years of assistance out of every 5 years for employable recipients, a first of its sort in Canada. The time limit goes beyond the federal time limit on welfare under PRWORA, and is comparable to the shorter time limits applied in states like Wisconsin, a leading US welfare reformer.

**Grade for ending the entitlement to welfare: A**

##### Recommendation

The BC administration should study the effects of its benefit time limit as current employable social assistance recipients approach the deadline.

**(b) Diversion****Explanation**

Diversion involves attempts on the part of state TANF welfare caseworkers to prevent welfare applicants from entering the welfare system and collecting financial assistance before they have exhausted other avenues of assistance such as job search, liquidation of assets, assistance from family and other community agencies, one-time, non-welfare cash assistance,<sup>15</sup> etc. Diversion strategies are most often employed through interviews with TANF caseworkers, during which attempts at diverting potential welfare recipients are made before financial assistance is granted. This is an important element of any welfare system considering that the propensity to receive income support in the future increases as a result of an initial stint on that support (see Blank and Ruggles, 1994; Cao, 1996; Lemieux and MacLeod, 1995; and Meyer and Cancian, 1996).

In his study of Alberta's diversion program, which is similar in structure to many state programs, Boessenkool found that "The significant reduction [in the number of welfare beneficiaries in Alberta] came from a sharp decrease in individuals who were applying for welfare for the first time" (1997, pp. 11-12).

**What has BC done?**

The new BC Employment and Assistance program has stepped up efforts to divert potential social assistance recipients from welfare, building on the limited diversion strategies that were established under the 1996 BC Benefits program. Potential social assistance recipients must complete an employment search and attend an orientation session three weeks prior to an intake interview, during which a Financial Assistance Worker (FAW) inquires about other income and assets that may be available to the potential recipient, as well as determining eligibility. Applicants do not receive welfare payments during their three-week work search and orientation period.

Moreover, for a family unit to be eligible for social assistance, at least one applicant in the family unit must have been employed for at least two years consecutively.<sup>16</sup> In addition, applicants 19 years of age or older are now required to be independent for two years after leaving their parents' or guardians' home to be eligible for assistance. If a potential welfare recipient indicates an urgent need for assistance, the discretion exists for an Emergency Needs Assessment to be conducted to determine whether an expedited intake interview is necessary.

**Grade**

The BC government earns an B+ for its diversion strategies, which involve requiring an initial job search and diverting applicants towards other resources of assistance to ensure only those applicants truly in need of assistance gain access to the welfare system and its accompanying dependency-inducing side-effects.

<b>Grade for diversion: B+</b>
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**Recommendation**

Consideration for future welfare reform in this area might include a program similar to Wisconsin's Job Access Loan program. The program would offer a cash payment to social assistance applicants who have an employment-related need that, when solved, would enable the applicant to either maintain or obtain employment, and as a result, avoid going on welfare.

**(c) Immediate work requirements and sanctions****Explanation**

With few exceptions, states must move welfare recipients into work after a maximum of 24 months of assistance. The rules concerning when a recipient is "engaged in work" are complex. In general, "work" consists of the following:

unsubsidized employment, subsidized private sector employment, subsidized public sector employment, work experience, on-the-job training, community service, vocational educational training, job search, and job readiness.<sup>17</sup>

Many states have used the flexibility granted to them under PRWORA to legislate immediate work requirements in the form of private-sector employment or community service. Failure on the part of a recipient to participate in a work-related activity can result in a reduction or a termination of benefits to the family. States have the option of excluding parents of children under the age of one from any work-related requirements.

States vary in terms of their specific sanction policies. Some states use a “delayed full-check” sanction as compared to a “full-check” sanction. States that have chosen under PRWORA to implement delayed full-check sanctions generally apply sanctions that grow progressively more severe. Only after several months of non-compliance or repeated infractions will the full TANF cheque be sanctioned. States that have chosen to implement full-check sanctions have the option of sanctioning the full TANF cheque after the first instance of non-compliance with required work or other provisions. Hence, “In short, TANF established *what* states must do (require work), but largely left to them the question of *how* to do it (Brodkin *et al.*, 2002, p. 4).

A recent study entitled *The Determinants of Welfare Caseload Decline* found that the two most crucial attributes of successful welfare reform for caseload decline are full-check sanctions, and immediate work requirements (Rector and Youssef, 1999). Similarly, New found that “the strength of state sanctioning policies had the largest impact on caseload declines between 1996 and 2000” (2002, p. 9). Evidence from the State of Wisconsin under its Wisconsin Works (W-2) program has conclusively demonstrated that requiring most

new applicants to find employment in the private-sector or perform community service shortly after enrolling in welfare reduces the number of new entrants by half (Rector, 1997) because it eliminates

the recipient’s option to receive a free income from welfare; this in turn reduces the economic utility or attractiveness of welfare for the recipient in comparison to other alternatives, such as obtaining a private-sector job or relying on family and friends for support. (Rector, 2000, p. 13)

### What has BC done?

Currently, if an applicant is eligible for social assistance, a Financial Assistance Worker will perform a “service screening” of the applicant to determine his or her state of job readiness (Government of BC, 2002). Applicants who are deemed ready for employment are given a job search kit and current labour market information, and may or may not be referred to a range of Work Connections programs to assist with their job search. On the other hand, applicants classified as in need of assistance are referred to training and employment programs and services that address specific skills needs. Participation in an employment or training-related program includes participation in workplace-based training, self-employment, employability skills programs, job clubs, entrepreneurial exploration, job search, and career planning and/or job placement services. BC does not require the participation in community service programs on the part of employable recipients.

Employable applicants must sign an Employment and Assistance Agreement that outlines the steps the recipient will take towards employment and independence. In addition, individualized employment plans referring recipients to either job placement or job-training programs are also created. Recipients failing to fulfill the conditions of their employment plans are subject to reductions in assistance. The decision about whether or

not a condition of an employment plan was met is discretionary on the part of ministry staff, although the reduction of benefits (a “prescribed amount for the prescribed period,” specified in employment plans) is mandatory for a family unit with dependent children (Government of BC, 2002a). For family units without dependent children who fail to satisfy a condition of an employment plan, the family is not eligible for social assistance for the prescribed period.

Single parents with children under three years of age are exempt from “employment” related activities. If, after two years on assistance, single parents (with children 3 years of age or older) are not employed, their social assistance is reduced by 33 percent; only those single parents caring for a disabled child or who are temporarily excused from seeking employment will escape this reduction (Reitsma-Street, 2002).

### Grade

For its current commitment of immediate work requirements for able-bodied welfare recipients (albeit work requirements that do not include the option of community service participation), in addition to what essentially amounts to a delayed full-check sanction for families with dependent children and a full-check sanction for families without dependent children, the BC government earns a B+.

**Grade for immediate work requirements and sanctions: B+**

### Recommendation

The BC administration might consider the option of community service programs for employable welfare recipients as a deterrent, which reduces the attractiveness of welfare in comparison to other available alternatives, such as private-sector employment or other assistance. Moreover, in order to reduce potential arbitrariness of their immediate work requirements and sanctions, the

BC government might consider specifying a uniform “prescribed amount for the prescribed period” in legislation for families with and without dependent children, rather than applying unique sanctions per welfare case. The prescribed amounts and periods could then be communicated more effectively to current and future welfare recipients, thus serving as an important deterrent.

### *(d) Employment focused back-to-work programs*

#### Explanation

Employment focused back-to-work programs are designed to move welfare recipients into employment quickly, and as a result, place less emphasis on education and training.<sup>18</sup> A variation of this type of program is one that emphasizes rapid employment while also making available education and training for certain participants.<sup>19</sup> Both of these models make extensive use of job searches. The employment-first model stands in contrast to models from the 1960s that strongly—almost exclusively—emphasized education and training during the American Work Incentive (WIN) program era.

Government back-to-work programs that emphasize education and training to the detriment of employment first have been largely discredited by cumulative research studies. A study by The Fraser Institute of government-sponsored training programs in the United States found that these programs have been largely unsuccessful in reducing unemployment, increasing earnings, and reducing welfare dependency among poor single parents, disadvantaged adults, and out-of-school youth (Mihlar and Smith, 1997). In addition, according to a 1997 study conducted by Manpower Demonstration Research Corporation (MRDC), “education or training-oriented pro-

grams have not consistently produced positive results” (Bloom, 1997). A 2001 study by MRDC confirms their earlier findings. In evaluating the effectiveness of different welfare-to-work approaches, the study found that the employment-first model

moved welfare recipients into jobs more quickly... had larger effects on employment, earnings, and welfare receipt... [and] provide more support for the advantages of employment-focused programs than for education-focused ones. (Hamilton *et al.*, 2001, p. ES-2).

Research also indicates that programs that focus on rapid employment while also making available education and training for certain participants (i.e., those who lack basic skills and/or education) can have an equal or, in some cases, greater effect on participants’ employment and earnings than programs that emphasize only longer-term education and training. According to a GAO study,

welfare-to-work programs that combine elements of both approaches—emphasizing rapid employment but tailoring services to some extent to meet the differing needs of welfare recipients—may best meet the goals of increasing employment and earnings for welfare recipients while at the same time reducing welfare payments. (GAO, 1999a, p. 25)

A Portland, Oregon version of this program substantially increased employment, produced unusually large increases in earnings, increased job quality (unlike programs that focus exclusively on employment), reduced welfare expenditures by 17 percent over the two-year follow-up period, and had widespread impacts for recipients with both few and several barriers to employment (Scrivener *et al.*, 1998).

### What has BC done?

According to the government of British Columbia’s *Strategic Plan 2002/03—2004/05: Restoring Hope & Prosperity*, the government’s strategy is to “redesign employment programs to move employable clients quickly into the labour market through job search, job placement, and labour market specific skills training programs” (Government of BC, 2001, p. 14). Part of this strategy involves the Jobs Partnership Program Pilot (JPP). JPP is a public-private partnership between the Ministry of Human Resources and agencies representing the British Columbia Chamber of Commerce (Job Wave and the West Coast Group) and the Council of Tourism Associations of British Columbia (Destinations and Grant Thornton). JPP started in January 2000 with the final placements planned for December 2001. The contracts were extended to June 30, 2002 to allow time for the introduction of the Job Placement Program (JP). JP is a program that builds on the lessons learned from the JPP pilot by placing people in jobs and supporting them in that employment for up to 19 months. All JP contracts are performance-based, such that

Contractors will receive payments when clients achieve milestone dates of sustained employment. The final milestone date is the 19<sup>th</sup> month of sustained employment. Contractors will receive a maximum of six milestone payments for each... participant. (BC Ministry of Human Resources, 2002a, p. 2)].

Furthermore, a new pilot program named Training for Jobs (TFJ) is scheduled to begin in the fall of 2002. According to the Ministry of Human Resources, service providers will work with employers to determine their skills requirements, provide focused job skills training to program participants for up to 12 months, and then help the participants find employment. TFJ will operate under a fee-for-service and performance-based payment system (BC Ministry of Management Services, 2002).

## Grade

The commitment by the BC government to focus back-to-work programs on employment as demonstrated by the strong emphasis on employment inherent in the JPP and now JP, while making limited training and education available under TFP is positive. Moreover, the inclusion of performance-based payment systems for JP and TFP program administrators is a step in the right direction. For this, the BC government earns a B+.

**Grade for employment focused back-to-work programs: B+**

## Recommendation

In implementing TFP, the Ministry of Human Resources should be diligent in ensuring that the program does not operate to the detriment of employment. To this end, the Ministry might consider the Portland, Oregon, back-to-work employment program model that combines elements of the employment-first model found in JP, and education and training found in TFP. It has achieved positive outcomes on a variety of measures for welfare recipients, as detailed earlier in this section.

### *(e) "Making work pay"*

#### Explanation

To encourage and reward work, the US federal government created the Earned Income Tax Credit (EITC), which is a refundable federal tax credit for low-income working individuals and families. Income and family size determine the amount of the EITC. The EITC reduces the amount of tax you owe, and it may result in a refund for some individuals when it exceeds the amount of taxes owed for those who claim and qualify for the credit. It has been expanded several times since its introduction.

In addition to the EITC, beginning with waivers granted under AFDC and accelerated after

PRWORA, states introduced "earned income disregards"<sup>20</sup> that exclude a certain amount of earnings when calculating welfare benefits. Prior to this development, a working welfare recipient lost one dollar of welfare-related assistance for each dollar of earnings—and possibly more if supplemental benefits were scaled back. The high marginal tax rate of 100 percent or more created a powerful disincentive to work.

Disregarding a portion of the earned income of welfare recipients is important in encouraging part-time work, which often helps recipients gain new experience and increase their self-confidence. Earned income disregards also recognize that there are certain fixed costs associated with going back to work, such as clothing costs and transportation.

#### What has BC done?

To improve incentives for the working poor, the Canadian federal government introduced a Working Income Supplement (WIS) modeled on the federal US Earned Income Tax Credit (EITC) in 1993. However, in July 1998, the National Child Benefit Program was introduced, which terminated the old Child Tax Benefit (CTB) and Working Income Supplement. The CTB and WIS were replaced with the Canada Child Tax Benefit (CCTB) and the National Child Benefit Supplement (NCBS),<sup>21</sup> which is administered by the Canada Customs and Revenue Agency (CCRA).

In addition to the federal developments above, Canadian provinces disregard earned income through earnings exemptions, which vary by province. Each province and territory allows welfare recipients to retain a certain amount (a flat-rate sum, a percentage of earnings, or a combination of both) without any reduction in their welfare cheques.<sup>22</sup> In BC, all earnings exemptions were eliminated under the reform package except the \$300 per month earnings exemption for disabled recipients.<sup>23</sup>

**Grade**

Although the increase in earnings exemptions for disabled welfare recipients is commendable, the dismantling of earnings exemptions for almost all welfare recipients in the province is an unfortunate development in BC and as a result, is worthy of an F.

**Grade for “making work pay”: F**

**Recommendation**

At the very least, the current administration should move immediately to reinstate earnings exemptions as they existed prior to the change.<sup>24</sup> At the same time, consideration should be given to enhancing the opportunities to “make work pay” by extending earnings exemptions further.

**Welfare Program Delivery Reform***(a) Administrative privatization***Explanation**

PRWORA removes restrictions that in the past have prevented states from contracting out welfare intake and eligibility determination duties. Prior to PRWORA, only state employees could make benefit determinations under AFDC. States now have the flexibility, if they so desire, to administer TANF and other assistance programs through vouchers and contracts awarded to private for-profit and non-profit organizations.

Wisconsin has been a leader in the area of privatization, as it was the first state to privatize entire areas of its welfare delivery system. Under W-2, Wisconsin opened up the contract process to competitive bidding for eligibility determination, case management, and delivery of other welfare-related services.<sup>25</sup> As a result of W-2 and its privatization and competition provisions, Wis-

consin taxpayers saved at least \$10.25 million during the first two years of its privatization effort (Dodenhoff, 1998).

**What has BC done?**

On November 29, 2001, the Ministry of Human Resources issued a fast-tracked request for proposals to provide an “alternative service delivery model” for social assistance in the province. The competition closed on January 10, 2002 with KPMG Consulting being selected as the successful candidate in February 2002. Under their bid, Sierra Systems Group is a partner in the proposal and will serve as KPMG’s sub-contractor on the Alternative Service Delivery Project. The contract was signed with KPMG on March 21, 2002 and is valued at \$90,000. At the end of May 2002, KPMG was to have delivered a strategy and high-level plan for implementing new ways to deliver the ministry’s core services (Employment and Assistance programs). The plan will probably include a series of implementation projects leading to full implementation of the new service delivery model sometime in 2005.

**Grade**

By issuing a request for proposals and signing an agreement with KPMG for the design and implementation of a new service delivery model for Employment and Assistance programs, the BC government has demonstrated a commitment to reform on this front. However, a contract to examine alternative service delivery does not, in and of itself, produce reform unless the strategic plan for implementing alternative service delivery within the Ministry of Human Resources is eventually implemented. Thus, at this point, the BC government scores a provisional C, with the understanding that this grade will increase if reform is pursued.

**Grade for administrative privatization: C**

## Recommendation

The BC government should stay the course and see the new service delivery model through to implementation. This will not be easy, as efforts at privatization often involve significant political capital.

### *(b) Program delivery privatization*

#### Explanation

Privatization of welfare-related program delivery involves contracting out responsibility for welfare-related programs to private (often for-profit) providers. These private providers (i.e., America Works in New York City) assist welfare recipients find and maintain employment through training, trial work periods, and post-employment assistance. These programs often operate on the basis of a pay-for-performance standard, so that program administrators are financially compensated based on their success at moving welfare recipients into employment.<sup>26</sup>

Studies of America Works have found that of those welfare recipients placed in jobs in the prior three years, 88 percent were still off the welfare rolls (New York State Department of Labor, 1997). This finding was confirmed by the Social Market Foundation, which noted in its study of America Works that it had been “successful in helping the long-term unemployed to find jobs and at saving public money” (Harding, 1998). Furthermore, the National Center for Policy Analysis found that America Works is capable of training workers for \$5,490 per recipient, substantially less than the estimated \$24,000 price tag for a comparable program run by New York City (NCPA, 2000).

#### What has BC done?

An innovative element of BC’s welfare reform consists of the development of JobWaveBC. This re-employment program is operated by WCG International Consultants Ltd., a private company

based in Victoria.<sup>27</sup> JobWaveBC is based on a partnership between the private and public sectors. The BC Chamber of Commerce and 43 other community chambers use JobWaveBC as a free placement service to hire staff, and JobWaveBC staff provide face-to-face counseling, on-line seminars, e-coaching, and on-line search capabilities for local employment. JobWaveBC also developed CaseFLO, proprietary software that allows the company to track the status of all its participants and remain in contact in real time with both partners and the businesses that hire social assistance recipients in more than 50 locations around the province. According to Belford,

When JobWave succeeds in placing a person in a full-time job, everybody wins: JobWave’s fee for service is based on savings derived through reduced income-assistance payments; small and medium-sized businesses find qualified employees through free job placement services; unemployed people are working; the government of British Columbia reduces payouts for income assistance; and taxpayer dollars are saved (2002, p. B12).

According to recent figures, JobWaveBC has “put more than 13,000 income-assistance recipients back to work in full-time jobs” (Belford, 2002, p. B12).

#### Grade

As the only province in Canada to operate a full-scale program similar to private US-based for-profit programs such as America Works, the BC government has demonstrated a commitment to unique and innovative approaches in moving welfare recipients off of assistance and into employment. For this the government scores a B+.

<b>Grade for program delivery privatization: B+</b>
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## Recommendation

The BC government should continue evaluating this program and consider expanding it across the province, and perhaps to a wider cross-section of the welfare caseload.

### *(c) Non-profit sector reform*

#### Explanation

Section 104 of PRWORA, otherwise known as the Charitable Choice clause, removes the barriers that have previously prevented states from entering into partnerships with faith-based organizations (FBOs). In contracting out the delivery of welfare-related administration and services, states must now include FBOs in the competition.<sup>28</sup>

Section 104 often manifests itself in the form of, for example, the Family Pathfinders program in Texas. Family Pathfinders was modeled after Mississippi's Faith and Families program.<sup>29</sup> Family Pathfinders brings together a wide range of community volunteers, including religious leaders and civic activists, in teams of 3 to 8 to "adopt" welfare families. The networks of volunteers that assist welfare families provide such assistance as transportation, life skills, counseling, child-care, employment advice, and moral support. Such support moves away from the commodity-based assistance of the past towards more direct involvement in the lives of welfare recipients. The June 1999 figures for the Family Pathfinders program reveal that of 527 program participants, 399 or 75.7 percent of those participants were off TANF, and 287 or 54.4 percent of total participants were employed and off TANF (Williams and Garcia, 1999).

#### What has BC done?

The BC Ministry of Human Resources oversees the provision of social assistance to individuals and families. The ministry is divided into 9 regional service areas: BC Employment and Assistance clients are served from offices located

throughout the province, which provide, in many instances, specialized services and programs for different locales. Unlike Alberta, however, "policy remains centralized in the ministries and the regional areas have no decision-making authority" (Jones and McFarlane, 2002, p. 8).

These 9 regions contract with various groups such as the Salvation Army, Catholic Charities, and the Kelowna Gospel Mission for the provision of emergency shelter and hostel beds. In 2000, the ministry held 52 year-round contracts for shelters and hostels, and 20 contracts for temporary, cold-weather beds. Such faith-related contractors are not involved in the direct delivery of welfare in the province.

#### Grade

In Canada, "religiously active volunteers make up 43 percent of volunteers ... and account for half of all hours volunteered" (Brown, 2000, p. 2). Moreover, western provinces have the charitable infrastructure in place to consider experimenting with the charitable delivery of welfare as evidenced by the relatively low ratio of welfare recipients and welfare cases to charities (Clemens, 2000). Thus, western Canada has the charitable infrastructure and volunteers needed to consider experimenting with, at the very least, non-religious charitable delivery of welfare. For failing to commit to the examination, let alone the implementation of welfare-based charitable and/or religious delivery of social assistance, the BC government scores a C-.

<b>Grade for non-profit sector reform: C-</b>
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#### Recommendation

At the very least, British Columbia would be well advised to begin discussions with the various private charitable organizations and faith communities with the goal of adopting reforms similar to those in the United States.

## Conclusion

The introduction of the CHST ushered in an era of significant reforms to social assistance in Canada. In 1993, Alberta was first out of the gate, using the increased flexibility under the new federal-provincial cost-sharing arrangement to reform welfare by diverting welfare recipients from social assistance. The province of Ontario followed shortly thereafter in 1995 with an initial benefit rate reduction of 21.6 percent for most social assistance recipients, and the introduction of workfare in 1998. The current BC government, although late to the game, has recently embarked on a series of reforms to social assistance on a scale not yet seen in Canada. The reforms and commitments to reform outlined in this study

move BC closest to reform-minded US states such as Wisconsin, a state that has demonstrated significant success in improving the lives of welfare recipients by moving them off of welfare and into employment. Thus, BC's cumulative score for its demonstrated commitment to welfare reform is a B grade.

**Cumulative grade for welfare commitment: B**

Although it is still too early to evaluate the effectiveness of welfare reform in BC, or for the government to claim success in reforming welfare, this report card suggests that BC is well on its way to transforming its welfare system into a work-focused and temporary assistance program.

## Notes

<sup>1</sup>The number of welfare beneficiaries includes dependents.

<sup>2</sup>Social assistance expenditures are measured by Statistics Canada's Financial Management System (FMS). The FMS is a more precise method than government budgets for assessing government expenditure information, as it is a standardized system of accounting that allows for easy inter-provincial comparisons.

<sup>3</sup>A flat-rate earnings exemption is a certain amount of earned income (i.e. \$100) that a welfare recipient is entitled to keep, above which earned income is then clawed back by a certain percentage from welfare cheques.

<sup>4</sup>The welfare caseload composition of Canadian provincial welfare rolls and US state welfare rolls varies on a number of different levels. While female single-parent families comprise the bulk of US welfare caseloads, in Canada that figure is approximately 29 percent (CCSD, 1998). In addition, Canadian caseloads also consist of disabled persons, whereas in the US disabled persons fall under alternative support programs not categorized as "welfare."

<sup>5</sup>Specifically, PRWORA consolidated funding for the Job Opportunities and Basic Skills (JOBS) training program, Emergency Assistance (EA), and child care assistance into the Temporary Assistance for Needy Families (TANF) block grant, which eliminated Aid to Families with Dependent Children (AFDC).

<sup>6</sup>Under limited circumstances, states experiencing a recession or economic downturn may qualify for additional federal funding through a contingency fund. The fund was set at a total of \$2 billion from 1997 through to 2001.

<sup>7</sup>Under PRWORA, other penalties exist. Failure to meet state Maintenance of Effort requirements, submit required data reports, etc., all result in penalties. For a more detailed breakdown, see: [www.acf.dhhs.gov/news/facts/tanf\\_pr.htm](http://www.acf.dhhs.gov/news/facts/tanf_pr.htm).

<sup>8</sup>The official US poverty rate may not accurately reflect real levels of poverty. Some believe the poverty rate measures the wrong thing—income, rather than material desire—and income tends to be an especially unreliable predictor of true living standards because reported income often understates true available re-

sources. Hence, some argue that inadequate consumption rather than inadequate income may be a more reliable indicator of poverty. For further discussion see Sarlo, 2001.

<sup>9</sup>The primary data sources for this report were the Current Population Survey (CPS), the Survey of Income and Program Participation (SIPP), the Panel Study on Income Dynamics (PSID), and administrative data for the AFDC/TANF, Food Stamp, and Supplemental Security Income (SSI) programs.

<sup>10</sup>A lengthy literature review found little to no research on whether poverty rates would have declined further if not for welfare reform, as well as research suggesting a causation, rather than correlation, between welfare reform and poverty rate reductions.

<sup>11</sup>The only remaining condition is the ban on provincial legislation establishing residency requirements for eligibility.

<sup>12</sup>Implemented through an Order in Council No. 243, this initiative amended the Income Assistance, Youth Works, and Disability Benefit Program Regulations that accompanied the BC Benefits legislative acts of the same name.

<sup>13</sup>May 30, 2002 also saw the introduction of Bill 27, the *Employment and Assistance for Persons with Disabilities Act*. Both Bill 26 and Bill 27 replaced the BC Benefits (Income Assistance) Act, the BC Benefits (Youth Works) Act, the BC Benefits (Appeals) Act, and the Disability Benefits Program Act.

<sup>14</sup>Wisconsin was the first state in the US under its Wisconsin Works (W-2) program, to place a time limit of 24 months on individual welfare recipients.

<sup>15</sup>In Wisconsin under its W-2 program, Job Access Loans are an innovative diversion strategy. Job Access Loans require that TANF applicants have an employment-related need for the cash payment that, when solved, will enable the applicant to either maintain or obtain employment, and as a result, avoid going on welfare.

<sup>16</sup>This requirement varies such that eligibility for social assistance may be granted if, for example, an applicant has been employed for at least the prescribed

number of hours in each of two consecutive years or been employed for a portion of two consecutive years and for the balance of those years either (i) served a waiting period in respect of, or received benefits under, a claim under the *Employment Insurance Act* (Canada), or (ii) received income under a public or private income replacement program or plan, etc.

<sup>17</sup>PRWORA stipulates that no more than 12 months of vocational training, no more than 6 total weeks of job search, and no more than 4 consecutive weeks of job search are permissible.

<sup>18</sup>Under the Wisconsin Works (W-2) program, employable W-2 participants report to job centers where employment planners direct them to full-time jobs. Those unable to find private-sector employment are expected to participate in subsidized trial jobs, where the employer receives a subsidy to hire a welfare recipient for a full-time job at minimum wage or higher. The employer is expected to make “good faith efforts” to retain the subsidized workers as permanent staff on a non-subsidized basis. For those welfare recipients who lack the necessary skills or demeanor to become part of the workforce, Wisconsin provides transitional placements. These placements provide up to 28 hours a week in work and other activities (such as counseling), including 12 hours a week of educational training while paying a flat monthly benefit.

<sup>19</sup>In Portland, Oregon, a cooperative partnership exists between the welfare department and various local service providers. The program has a strong employment focus, with staff communicating that the primary program goal is to help people move into jobs. Job search is the most common activity. However, in contrast to many employment-focused programs like Wisconsin’s W-2 program, participants are encouraged to look for and take “good” jobs—full time, paying above the minimum wage, with benefits and potential for advancement. Moreover, this program uses a more mixed services strategy than employment-focused programs. Program staff assign many participants to short-term education, vocational training, work experience, and life skills training in order to improve their employability.

<sup>20</sup>Earned income disregards in the United States are referred to as earnings exemptions in Canada.

<sup>21</sup>The CCTB is a means-tested, tax-free monthly payment provided to families to assist them with the costs related to rearing children 18 years of age or younger. The NCBS provides low-income families with additional child benefits on top of the CCTB base benefit. Consequently, provinces, territories and First Nations have made adjustments to income support by reinvesting savings and making additional new investments in National Child Benefit (NCB) related programs and services for low-income families with children. The various provincial reinvestment programs generally focus on child/day care, early childhood services/children at-risk services, child benefits/earned income supplements and supplementary health benefits.

<sup>22</sup>The exemptions vary by family size and sometimes by employability. All provinces and territories recognize work-related expenses, including childcare expenses in most cases. Welfare recipients are allowed to deduct all or some of these costs when declaring their earnings for welfare purposes. In effect, that means that the actual earnings exemptions in some provinces and territories are more generous than they appear at first glance.

<sup>23</sup>The \$300 earnings exemption applies only to welfare recipients designated as disability level two (DB2). Welfare recipients designated disability level one (DB1) are not entitled to an earnings exemption.

<sup>24</sup>As of January 2001, an employable single welfare recipient's earnings exemption was \$100 plus 25 percent of any income earned after the recipient was on welfare for three months, whereas the earnings exemption for a couple and families was \$200 plus 25 percent of any income earned after the recipient was on welfare for three months. The exemption was available for only 12 months during a 36-month period. The 12 months need not be consecutive. Disability Benefits Level 1 (temporarily unemployable) were eligible for the regular earnings exemption and Disability Benefits Level 2 (permanently unemployable) were eligible for \$200 plus 25 percent of the remaining amount. There was no time limit for this category.

<sup>25</sup>Wisconsin allowed publicly-operated centers that could meet certain specified performance standards in 1996 and wished to continue providing welfare services, the opportunity to provide those services under

contract without having to compete against other private, for-profit and non-profit agencies, under what came to be known as the "right of first selection."

<sup>26</sup>An example of such a program is America Works, a for-profit company that places long-term unemployed New York City welfare recipients in jobs. America Works operates on the basis of a pay-for-performance standard. America Works assists long-term welfare recipients through "supported work," which consists of four main stages: orientation, training, trial work period, and recruitment. America Works receives no payment until the welfare recipient is placed in employment. At this point, the company receives an initial payment of 18 percent of the total value of the \$5,490 received for a fully-assisted recipient. If the employer hires the recipient as a permanent employee after a four-month trial period, the company receives a further 70 percent. If the recipient remains employed for the next three months, America Works receives full payment. However, if the recipient drops out of employment at any time during the seven-month window, America Works refunds to the state its intermediate payments.

<sup>27</sup>Currently, for-profit welfare reform similar to JobWaveBC exists almost exclusively in BC, except for a small experimental program in Manitoba.

<sup>28</sup>Section 104 also contains safeguards for concerns expressed by FBOs, beneficiaries, and states. The Charitable Choice provision prevents the federal government from infringing upon the religious nature of any organization administering assistance, individuals cannot be discriminated against for refusing to participate in a religious ceremony (accessible non faith-based alternatives must be provided if desired), and lastly, FBOs are prevented from using government funds for strictly sectarian worship.

<sup>29</sup>Other manifestations of section 104 include Anne Arundel County in Maryland. This county initiated a pilot project called the Community-Directed Assistance Program (C-DAP), which offers welfare recipients the option of having their cash benefits transferred to a community agency that spends the money on behalf of the recipient. To date, most of the agencies involved are congregations who work with the recipient to teach them responsible financial practices, provide counseling, and give other, related assistance.

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