

Social Policy Research Unit (SPR)

# **POVERTY PAPERS 1**

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## **A Question of Prosperity**

### **Poverty in Saskatchewan**

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This report is the first in a series of poverty papers published by the Social Policy Research Unit (SPR), Faculty of Social Work, University of Regina. The purpose of the papers is to analyze an aspect of poverty in society and offer various perspectives for change. The views expressed are those of the authors and not necessarily those of the University of Regina.

A central theme of this report is that economic recovery from the recessions of the early 1980s and 1990s, balanced budgets and debt reduction have not challenged poverty; an expanding economy and an emphasis on neo-liberal economics have in fact failed the poor and the working poor. As data becomes available, future reports will provide in-depth analyses of child poverty in Saskatchewan, further tables examining Saskatchewan poverty using both “persons in low income” and “economic families in low income” data measures, income inequality and First Nations poverty.

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In keeping with common practice, this report uses the Statistics Canada Low Income Cut-Offs (LICO) as a poverty measure<sup>1</sup> and draws on LICO before-tax data.<sup>2</sup> The United Nations' measure of poverty is introduced as another unit of analysis. Unlike the LICO, the UN measure offers a standard measurement for comparing poverty rates throughout the industrialized world, thus allowing us to consider how Canada stacks up in the fight against poverty. Later in the report the discussion moves beyond poverty to focus on inequality. Here, the Gini coefficient is used to examine the unequal distribution of income in Saskatchewan and Canada and the growing gap between the rich and the rest of society.

## Highlights for 2006

- Saskatchewan's overall poverty rate is 15.3%<sup>3</sup> (140,000 people). Canada's poverty rate is 14.5%.
- For Saskatchewan children under 18 years of age, the poverty rate stands at 19.9% (42,000 children), whereas the national average is 15.8%. Saskatchewan is second only to British Columbia (21.9%) in having the highest child poverty rate in Canada.
- The poorest in Saskatchewan are children living in female lone-parent families, with a poverty rate of 47.5% (19,000). The national rate among this group is 42.6%.
- Unattached individuals under 65 years of age face a high rate of poverty at 40.7% (38.4% for males and 43.9% for females).
- Saskatchewan's unattached elderly (over 65) also face a high poverty rate at 28% (13,000). The national rate among unattached elderly is 34.9%.
- The average low-income gap – the amount of money needed to bring Saskatchewan's poor up to the poverty line – is \$8,100. For families of two persons or more, the gap is \$9,600; for unattached people, \$7,300.
- 1.4% of the provincial GDP would lift all the poor in Saskatchewan from poverty.

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<sup>1</sup> LICO is a Canada-specific measure of poverty that is not used in other countries. Although Statistics Canada states that the LICO measures low-income and not poverty, publications by the developer of the LICO measure do not support this assertion. For more on the history of LICO and a detailed analysis of LICO methodology with before- and after-tax income see Hunter, G. & D. Miazdyck (2006), "Current Issues Surrounding Poverty and Welfare Programming in Canada." In R. Blake & J. Keshen (eds.), *Social Fabric or Patchwork Quilt: The Development of Social Policy in Canada*. Peterborough, Ontario: Broadview Press. pp. 383-418.

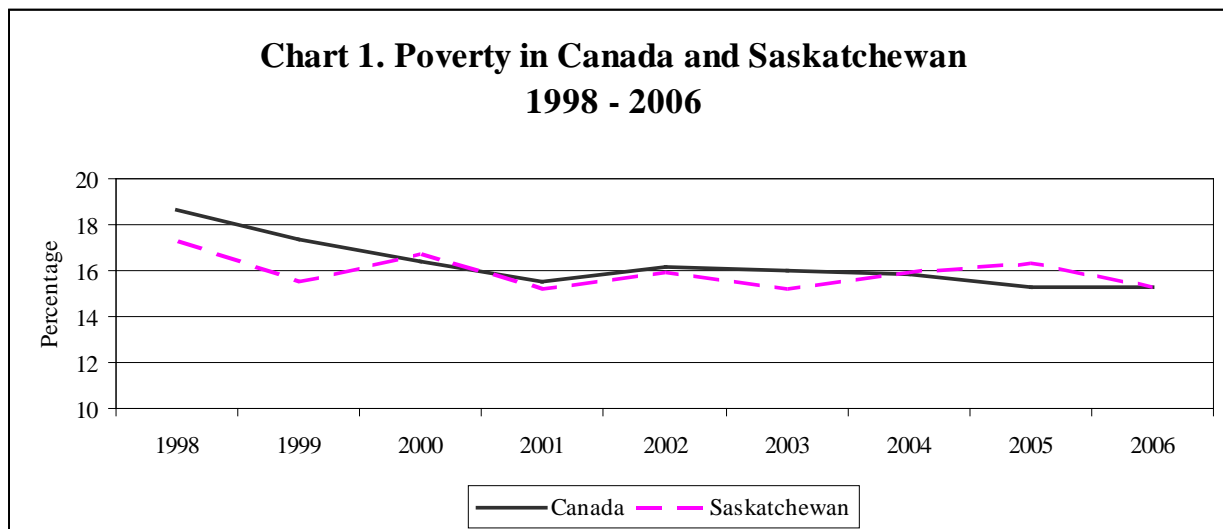
<sup>2</sup> The report does not use LICO after-tax data because the LICO methodology was developed using before-tax income. Statistics Canada has adopted the use of the after-tax LICO, stating that it better reflects the individual's actual income at hand. Using the after-tax LICO instead of the before tax-LICO reduces the poverty rate by about 5% - 6%, on average. Poverty statistics based on after-tax income are valid if the existing before-tax LICO methodology is adjusted using the rate of taxation to reflect the change in income measurement. When this is done, the before-tax and after-tax LICO rates become similar.

<sup>3</sup> Data gathered by authors using data from Statistics Canada *Income Trends in Canada 1976 - 2006 13F0022XIE (persons)*.

*Almost all people in Saskatchewan think that government action can reduce poverty in the province. These are economic good times for some, and the government is flush with successive provincial budget surpluses. We argue that every person should be able to reach a living standard beyond poverty.*

## Poverty Rates: Saskatchewan and Canada

Chart 1 tracks the provincial and national poverty rates<sup>4</sup> since 1998 when Saskatchewan redesigned its main poverty payment program, *Building Independence*. *Building Independence* focuses on labour force attachment and splits welfare into two different programs: Transitional Employment Allowance (TEA) and the Saskatchewan Assistance Plan (SAP). As can be seen, this redesign has not diminished poverty in the province. Indeed, poverty in both Canada and Saskatchewan remains high despite recovery from the economic recession of the early 1990s.



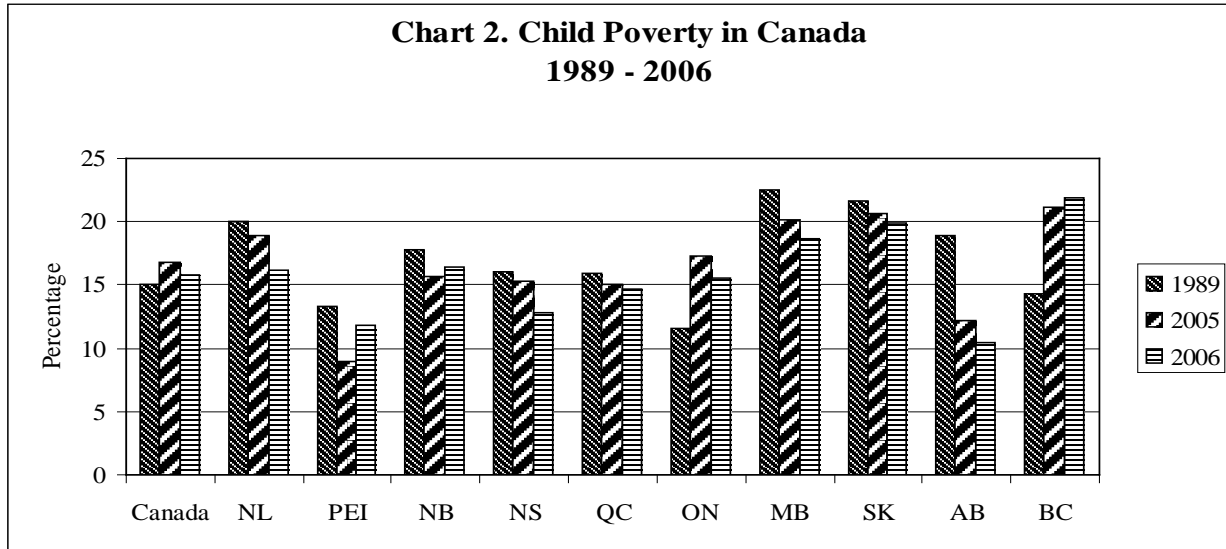
Source: Statistics Canada *Income Trends in Canada 1976 - 2006 13F0022XIE (persons)*.

## Children Live in Poverty across Canada

Economic recovery from the early 1990s' recession has neither benefited all people equally nor solved the serious problem of poverty. Especially troublesome is the ongoing high rates of

<sup>4</sup> Statistics Canada provides two sets of measures in *Income Trends in Canada 1976 - 2006 13F0022XIE*. One set measures the ratio of "economic family" types (economic families or unattached individuals) in low income and the other measures the ratio of "persons" (or totals) in low income. Logically, the ratios for unattached individuals do not change across these two data measures, but the ratios for economic families can have dramatic differences. For example, if we look at the overall ratio of low income in Canada using the "persons in low income" measure the result is 14.5% for 2006 (families/unattached). If we use the "families in low income" measure the result is 19.5% for 2006 (families/unattached). The "persons" data set counts **each individual** in a family, and the "family" data counts **each family** as an individual economic unit. For this report, data from the individual counts are labeled "persons" and data from the family counts are labeled "family."

poverty among children in Saskatchewan and across Canada. As demonstrated in Chart 2, the percentage of child living in households below the poverty line has changed little since 1989. This was when the House of Commons resolved to eliminate child poverty in Canada by the year 2000.



Source: Statistics Canada *Income Trends in Canada 1976 - 2006 13F0022XIE (persons)*.

## The Alberta “Boom”

The neo-liberal monetary and fiscal policies adopted by governments in Canada fail the poor, as does the economic wealth generated from resource extraction. The province of Alberta serves as an illustration. Its child poverty rate was 18.9% (129,000 children) in 1989 and 10.5% (80,000 children) in 2006. An argument could be made that in the years of high natural resource royalty revenue, especially with oil prices at historic levels, great strides have been made to address poverty. Upon further examination, however, this does not appear to be the case. Alberta’s overall poverty rate stands at 10.2% (338,000) compared to Saskatchewan’s at 15.3% (140,000).

Further examination reveals that the poverty rate for Alberta’s unattached elderly is 28.4% (24,000) – virtually the same as Saskatchewan’s at 28%. The incidence of poverty among Alberta children living in female lone-parent families is 35.8% (32,000 children) compared to 47.5% (19,000) in Saskatchewan. Unattached Alberta citizens under 65 years face a poverty rate of 30.7% (25.8% among males and 39.0% among females); their Saskatchewan counterparts, 40.7%. Alberta’s average low-income gap is \$8,400 while Saskatchewan’s stands at \$8,100. The rate of child poverty in Edmonton is 11% and 12.1% in Calgary. Statistics Canada does not provide data for cities in Saskatchewan, but, for comparison, Halifax and Hamilton’s child poverty rates are 13.4% and 11%, respectively.

With years of budget surpluses in the billions and with further windfalls of billions in resource royalty revenues, it appears that Alberta is squandering an historic opportunity to put poverty on the public agenda and take concrete action against it. How much would it cost Alberta to raise its

poor from poverty? To bring poor Albertan families of two or more up to the poverty line would require \$480 million. Another \$1.239 billion would bring the unattached poor up to the poverty line. That is, a total expenditure of \$1.719 billion would lift all of Alberta's poor out of poverty. This amount is less than one percent (0.72%) of Alberta's gross domestic product (GDP), which was a whopping \$240,025,000,000<sup>5</sup> in 2006.

How does Saskatchewan fare? \$256 million would raise Saskatchewan families of two or more up to the poverty line; another \$370 million would lift the unattached poor to the poverty line. This is a total expenditure of \$626 million. Saskatchewan's GDP for 2006 stood at \$45,922,000,000.<sup>6</sup> Therefore, 1.4% of the provincial GDP would lift Saskatchewan from poverty.

The United Nations' report on child poverty in rich countries notes: "No OECD country devoting 10 per cent or more of GDP to social transfers has a child poverty rate higher than 10 per cent. No country devoting less than 5 per cent of GDP to such transfers has a child poverty rate of less than 15 per cent."<sup>7</sup> Alberta and Saskatchewan are currently in the position to use the financial leverage available in their economies to deal with poverty.

## **The United Nations Measure of Poverty**

What if we use the measure<sup>8</sup> adopted by the United Nations to monitor poverty instead of the more quirky LICO<sup>9</sup> measure used only in Canada? One advantage is that the UN poverty measure allows for trans-national comparisons. The UN has stated that "agreed definitions and measures of poverty are essential if policy targets are to be set and met."<sup>10</sup> By using the UN measure we are acknowledging that "the first challenge for any government seeking to reduce child poverty is to establish a consensus on how it may best be defined and measures."<sup>11</sup> Adopting the United Nations measure, while using Canadian measures (e.g., the LICO, the Low Income Measure and the Market Basket Measure) for comparative purposes, would bring Canada into the world body regarding poverty measurement.

Table 1 compares poverty rates in Saskatchewan, Alberta, Canada, using both the UN measure<sup>12</sup> and the LICO. The table includes the percentage of the labour force working for low wages, which Statistics Canada determines to be two-thirds the median income. Alberta has a slightly higher poverty rate than Saskatchewan and, similar to Saskatchewan, has an economic system based on over one-quarter of its labour force working for low wages.

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<sup>5</sup> Statistics Canada (April 2008). Gross domestic product, expenditure-based, by province and territory. Retrieved on 2008-05-08.

<sup>6</sup> Statistics Canada (April 2008). Gross domestic product, expenditure-based, by province and territory. Retrieved on 2008-05-08.

<sup>7</sup> *Child Poverty in Rich Countries 2005*. Innocenti Report Cards, 6. Florence: UNICEF Innocenti Research Centre, p. 4.

<sup>8</sup> The United Nations measure of poverty is based on one-half of any country's median income adjusted for family size (*Child Poverty in Rich Countries 2005*. Innocenti Report Cards, 6. Florence: UNICEF Innocenti Research Centre, p. 33).

<sup>9</sup> For more on the history and the methodology of the LICO measure see Hunter, G. & D. Miazdyck (2003), *Current Issues Surrounding Poverty and Welfare Programming in Canada*. SPR Working Paper 20. Social Policy Research Unit, University of Regina.

<sup>10</sup> *Child Poverty in Rich Countries 2005*. Innocenti Report Cards, 6. Florence: UNICEF Innocenti Research Centre, p. 4.

<sup>11</sup> *Ibid.* p. 6.

<sup>12</sup> To be consistent with the United Nations poverty measure methodology, the total family income after-tax variable selected for incomes greater than zero divided by the square root of the family size variable to calculate the values.

	<b>Saskatchewan</b>	<b>Alberta</b>	<b>Canada</b>
UN Poverty	14.4%	14.9%	15.6%
LICO Poverty	16.3%	11.9%	15.3%
Low Wages	27.6%	26.7%	27.6%

Source: Calculated by the authors using Statistics Canada Survey of Labour and Income Dynamics (SLID) 2005<sup>13</sup> Public Use Micro Data File (PUMF) (families) for United Nations and Low-Wages data, and Statistics Canada *Income Trends in Canada 1976 - 2006 13F0022XIE (persons)* for 2005 LICO.

Table 2, also based on the UN poverty measure, highlights the low wages of the Canadian economy compared with other rich countries. Canada is second only to the United States in terms of low wages. However, Canada's child poverty rate is lower than the United States due to greater social transfer spending programs. We can also see that the percentage of low income employment in Canada has increased since the UN (2000) report,<sup>14</sup> from 23.7% in 1994 to 27.6% in 2005.

<b>Country (Rich Nation)</b>	<b>Child Poverty (%)</b>	<b>Low Wages (%)</b>
Sweden	2.8	5.2
Finland	4.3	5.9
Belgium	4.4	7.2
Netherlands	7.7	11.9
France	7.9	13.3
Germany	10.7	13.3
Japan	12.2	15.7
Spain	12.3	19
Australia	12.6	13.8
<b>Canada</b>	<b>15.5</b>	<b>23.7</b>
Ireland	16.8	18
United Kingdom	19.8	19.6
Italy	20.5	12.5
USA	22.4	25

Source: *A League Table of Child Poverty in Rich Nations* (2000). Innocenti Report Cards, 1. Florence: UNICEF Innocenti Research Center, p. 17.

<sup>13</sup> Although Statistics Canada releases income data every May, the PUMF file is not available for months later. The 2006 income data was available May 05, 2008 but since the 2006 PUMF data was unavailable we have used the SLID 2005 PUMF data set for this analysis.

<sup>14</sup> *Child Poverty in Rich Countries 2005*. Innocenti Report Cards, 6. Florence: UNICEF Innocenti Research Centre, p. 25.

## Income Distribution

Although not a measure of poverty, the Gini coefficient can be used to examine income distribution in a society. The Gini coefficient<sup>15</sup> is calculated using cumulative percentages. For example, under a situation of perfect equality, the bottom 20% of all families would control 20% of income and the bottom 50% would control an equal 50% of the cumulative income. The Gini score depicts the size of the gap between this ideal and the actual cumulative distribution of income. A Gini coefficient measures inequality with a value between 0 and 1, where 0 corresponds with perfect equality (everyone has the same income) and 1 corresponds with perfect inequality (one has all the income and everyone else has zero income). The Gini index is the Gini coefficient expressed in percentage form, and is equal to the Gini coefficient multiplied by 100. While most developed European nations tend to have Gini coefficients between 0.24 and 0.36, the United States has been above 0.4 over the last two decades, indicating greater income inequality than in most of Europe. The Gini coefficient can also be used to indicate how the distribution of income has changed within a country over time. Hence, it is possible to see if inequality is increasing or decreasing. Gini coefficient values usually range between 0.2 – 20% (low inequality) to values of 0.5 – 50% (high inequality).<sup>16</sup> Changes in income inequality take place very slowly and a change in one percentage point is considered significant.<sup>17</sup>

Table 3 suggests that there has not been significant change in either market income inequality (income from wages and salaries) or total income inequality (all income, including government transfers) from 1998 to 2006. The percentage of market income shared by the rich and low-income earners has not changed significantly in the past decade and continues to exhibit a high level of income inequality. Things improve somewhat when we consider total income, including income transfers from social programs. Social transfers of money have a significant impact (changes greater than 1%) on income inequality. For instance, Saskatchewan's market income inequality in 2006 is 51.5%, while the total income inequality index registers 42.9%. This difference represents a 16.7% decline in inequality.

	Market Income Saskatchewan	Total Income Saskatchewan	Market Income Canada	Total Income Canada
<b>1998</b>	.518	.410	.523	.427
<b>2005</b>	.520	.429	.508	.429
<b>2006</b>	.515	.429	.506	.428

Source: Statistics Canada *Income Trends in Canada 1976 - 2006 13F0022XIE*.

<sup>15</sup> The following explanation is from Hunter, G. & F. Douglas (2005), *November 2005 Report Card on Child Poverty in Saskatchewan*. University of Regina: Social Policy Research Unit.

<sup>16</sup> Rashid, A. (1998). "Family Income Inequality, 1975-1995." *Statistics Canada*. Catalogue no. 75-001-XPE, p. 14.

<sup>17</sup> Ibid.



The lesson is clear, although social spending does not eliminate inequality, it has a significant impact on reducing the income inequality that exists when income is derived solely from the market place.

## Action

Poverty among the disabled, children, female lone-parent families, the unattached elderly, First Nations, Aboriginal and Metis peoples, immigrants and other groups will not go away on its own. If Canada and Saskatchewan wish to honour our country's commitment to the United Nations International Covenant on Economic, Social and Cultural Rights (ICESCR), then we must articulate a creative, ambitious plan of action to challenge poverty in Saskatchewan. The development of a comprehensive strategic action plan would involve governments, community-based organizations, business, labour and the poor themselves. It would be a long term, persistent plan with well-defined goals and responsibilities, and it would demonstrate that poverty is not inevitable or the fault of the individual but a deep-seated structural issue requiring collective action.<sup>18</sup> UN Secretary-General Kofi Annan (2006) states:

*Eradication of poverty is within our reach, but it requires the engagement of all of society – globally as well as nationally – in a broad and sustained partnership of development.*

The provincial government can take several steps to immediately address some of the inequality and poverty in Saskatchewan. First, the government could *implement rent controls* in major urban centres.<sup>19</sup> With the cost of housing in Saskatchewan climbing at unprecedented rates, government action is needed to control the harmful impact of housing speculation on the poor and low-income earners. The province of Manitoba administers rent controls through its Manitoba Finance Residential Tenancies Branch without undue impact on either the housing market or landlords in that province. According to a recent article in the *Regina Leader-Post*,<sup>20</sup> of all major Canadian cities, Winnipeg had the third highest housing price increase between March 2007 and March 2008. The allowed rental increase in Manitoba for 2006 was 2.5%, which allows a 1.3% economic adjustment factor to account for inflation. Saskatchewan could use its Office of Residential Tenancies to introduce rent controls. Without some form of rent controls, increases to shelter rates for social assistance budgets or rental housing supplement programs only really benefit landlords who can adjust their rents accordingly.

Second, government action could *end the claw back* of the National Child Benefit Supplement (NCBS) to the Canada Child Tax Benefit for people on welfare.<sup>21</sup> The National Council of

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<sup>18</sup> Hugh Frazer, Director of Ireland's Combat Poverty Agency, makes this point arguing that "debunking myths" about poverty and its root causes is one significant task in the process of moving poverty from the periphery to the centre of government policy. In *A League Table of Child Poverty in Rich Nations* (2000). Florence: UNICEF Innocenti Research Centre, p. 24.

<sup>19</sup> For a critique on government actions in Saskatchewan directed at helping with housing needs of the poor and low-income earners in Saskatchewan with the Rental Housing Supplement Programme see Hunter, G. & K. Donovan (2005), *Transitional Employment Allowance, Flat Rate Utilities, Rental Housing Supplements and Poverty in Saskatchewan*. SPR Occasional Paper Twenty. University of Regina: Social Policy Research Unit.

<sup>20</sup> Husdal, B. "Housing costs build up in Sask." *Regina Leader-Post*, 13 May, 2008, D 1.

<sup>21</sup> Please refer to the Appendix for further explanations on the claw back and reinvestment funds

Welfare<sup>22</sup> argues that a huge problem in welfare financing is the continued claw back of federal child benefits from families with children on welfare in Prince Edward Island, Ontario,<sup>23</sup> Saskatchewan, British Columbia and all three territories.

Saskatchewan does not pass on the federal increases to families on welfare with no paid employment or maintenance payments. The federal increases to the NCBS that are not passed on to these families on welfare are called the claw back. Clawed-back funds become part of the reinvestment funds which, in turn, comprise the social assistance/child benefit savings to the province of Saskatchewan, as these payments come from the federal government. Provinces and territories have the flexibility to adjust social assistance or child benefit payments by an amount equivalent to the NCB Supplement. The savings can be reinvested in new or enhanced programs, benefits and/or services to meet local needs and priorities.

The federal government covers the basic living allowance of all children on welfare in Saskatchewan. Saskatchewan's contribution to children's living allowance for families on welfare or in provincial care – the Saskatchewan Child Benefit (SCB) program – has now ended.<sup>24</sup> All funding is now provided by the federal government NCBS program and Saskatchewan has chosen not to pass any of that funding on to families on welfare with no other source of income. Instead, the Saskatchewan government has decided to use major portions of the reinvestments funds to support low-wages, to provide supplementary health benefits for families whose employer will not provide health benefit plans and to support community school programs, etc.

The federal government estimates that Saskatchewan had \$59,579 million<sup>25</sup> in 2006-07<sup>26</sup> in federal funds available from increases in the NCBS. There can be no justification for Saskatchewan not to pass some of these savings onto the poorest of the poor – those families on welfare with no paid employment or maintenance money for their children. Reinvestment Funds, the Children's Special Allowance (CSA) funds and the claw back could be used to improve the welfare rates for families in Saskatchewan, while some provincial budget surplus could go towards the disabled, the unattached singles and childless couples on social assistance.

In detail, Saskatchewan's major expenditures of its reinvestment funds were just under \$22 million supporting low-wage employment through the Saskatchewan Employment Supplement program (SES), and just over \$11.5 million on Family Health Benefits (FHB) for families in low-wage employment whose employers do not provide health plans. (FHB provides additional children's coverage for dental, optometry, chiropractic services, prescription drugs, ambulance transportation, and medical supplies and some limited coverage for eye care, drugs, and

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<sup>22</sup> Government of Canada (2005). *Fix Welfare Financing and End the "Clawback" of Child Benefits!* National Council of Welfare.

<sup>23</sup> In the 2006 Budget, Ontario announced that social assistance benefits would not be reduced by the federal government's July 2004, 2005, and 2006 increases to the NCB Supplement.

<sup>24</sup> Government of Canada (2008). *The National Child Benefit Progress Report: 2006*. Catalogue number: HS1-3/2006E, p. 65.

<sup>25</sup> *Ibid*, p. 67.

<sup>26</sup> This amount of saving to Saskatchewan was confirmed with a phone call from the authors to a Human Resources and Social Development Program Officer on May 14, 2008.

chiropractic services for parents). These are worthwhile programs, but taking money from the poorest citizens to support low-wage employment does not make sense if reducing poverty is a concern. On the other hand, if supporting low-wage employers is the primary program objective, then that objective should not be clouded with the language of poverty reduction. The programs reward families who are on welfare or not and are employed in the low-wage workforce, and penalizes those families with children on welfare who are without employment.

The tax system is a more effective and efficient method of supporting low-profit employers than is the current approach allowing all employers to benefit from the government subsidized low-wage program. Distributing health benefits under a universal drug plan for all Saskatchewan residents and free dental programs for all children would be more efficiently administered than means-tested programs.

Saskatchewan spent just over \$13 million on the Community Schools Program. The funding of school programs is an important objective; however, using the NCBS program appears to be a disingenuous way to meet that goal. Funds for school programs are best addressed through the Ministry of Education.

The Children's Special Allowance (CSA) is another source of funds from the NCBS. These are payments for children in care of provincial child protection programs. Saskatchewan does not use the federal money it receives for children in care to enhance child protection services, which it is entitled to do with the CSA money.

A third suggested government action is to *raise the minimum wage* above the poverty line and tie that wage to the consumer price index (inflation). This would ensure that "work pays" for working people in the province, and it would begin to move Saskatchewan out of a low wage economic arena. In this regard, one of the Saskatchewan Party's promises during the 2007 provincial election campaign was to tie provincial welfare rates to inflation:

The Saskatchewan Party has in the past mused about linking increases to social assistance to inflation. Wall said Thursday he believes indexing welfare rates is achievable within the spending estimates in the Saskatchewan Party platform, "and it will be a priority for our government if we're elected."<sup>27</sup>

Yet another government action to immediately address Saskatchewan poverty is to *eliminate the Transitional Employment Allowance (TEA)*. TEA provides flat rated, and in most cases, reduced benefits and extra restrictions for ongoing eligibility to the poor who are considered to be employable, either currently or sometime in the future. The program is discriminatory in nature and compounds the problem of poverty. Moreover, the announced plan by the Saskatchewan party to flat rate utilities for people on the Saskatchewan Assistance Plan (SAP) is ill advised as

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<sup>27</sup> James Wood, "Wall outlines social programs platform," *Saskatoon Star Phoenix*, 26 Oct. 2007, p. A 5.

it will create a situation where the poor on SAP must devote even more of their welfare budget to housing costs.<sup>28</sup>

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<sup>28</sup> For more on the problems of TEA in Saskatchewan and the impact of flat rate utility payments see Hunter, G. & K. Donovan (2005), *Transitional Employment Allowance, Flat Rate Utilities, Rental Housing Supplements and Poverty in Saskatchewan*. SPR Occasional Paper Twenty. University of Regina: Social Policy Research Unit.

## **Appendix. Reinvestment Funds and the Claw Back**

The delivery of child benefits has undergone substantial change in Canada. This appendix explains the changes to welfare programming and child benefit programming in Canada, specifically Saskatchewan, and provides information on the source of Saskatchewan's "Reinvestment Funds" and the "Claw Back" of the NCBS.

### **Canada Child Tax Benefit**

The Canada Child Tax Benefit (CCTB) program in Canada is divided into two benefits. One is the Basic Benefit, described in Tables 4 and 5. The other is the National Child Benefit Supplement (NCBS), described in Tables 6 and 7.

The NCBS is a cost-shared program with the provinces and territories. The federal CCTB replaced the Working Income Supplement (W.I.S.) program, which was introduced in 1993. The W.I.S. program targeted low-income families with children and replaced the federal Family Allowance Program. The W.I.S. provided an income supplement to families based on their employment status. By agreement with Revenue Canada, the Saskatchewan provincial basic living allowance benefit for children whose families are on welfare is fully integrated as a single payment within the CCTB.

During the summer of 1998 Saskatchewan introduced its version of the CCTB under the *Building Independence - Investing in Families* initiative which replaced the previous provincial welfare program. In introducing this initiative, the government advised that the new package of six programs would help to alleviate the serious problem of child poverty. The initiative that we are interested in here is the federal NCBS and the Saskatchewan Child Benefit (SCB), a monthly allowance for all children of lower income families. The SCB program was eliminated once the federal payments towards the NCBS portion of the CCTB program covered the entire provincial welfare basic allowance budget for children. *This is the source of the "Reinvestment Funds."*

Table 4 provides information on the **federal only** program which preceded the CCTB.

<b>Table 4. Federal Child Tax Benefit 1997</b>		
Basic Benefit	Basic Benefit (additional information)	Working Income Supplement (W.I.S.)
<p><b>Family income under \$25,921 /yr</b></p> <p>\$1020 /yr /child</p> <p>Extra \$75 /yr /child for third and subsequent children</p>	<p>Plus \$213 /yr for each child under seven when no child care expenses claimed</p> <p>Extra \$213 /yr /child under seven. Rate is reduced by 25% of any amount you or spouse claim for child care expenses on income tax return.</p>	<p>\$500 /yr /family</p> <p>Starts at income of \$3,750 and reduced as income exceeds \$20,921</p> <p>Fully phased out at income of \$25,921</p>
<p><b>Family income over \$25,921 /yr</b></p> <p>Reduction if net family income more than \$25,921 of 2.5% for one child and 5% for two or more children.</p> <p>Fully phased out with income of \$67,000</p>		

➤ Example of the Basic benefit and the Enriched W.I.S. for a family with an income from employment. The W.I.S. contribution begins with an income of \$3,750. It is reduced as income exceeds \$20,921 and fully phased out at \$25,921

·	One Child (1997)	\$1,020 + 500 ----- \$1,520	Basic benefit W.I.S.  1997
·	Two Children (1997)	\$2,040 + 500 ----- \$2,540	Basic benefit (both basic benefits combined) W.I.S.  1997

Table 5 shows the change to the new **federal/provincial** CCTB program:

<b>Table 5. Federal - Provincial Canada Child Tax Benefit 1998</b>	
Basic Benefit	Now an Enriched Working Income Supplement (W.I.S.)
Same as previous year	<p>\$605 /yr /child for one child            \$405 /yr /child for second child            \$330 /yr /child for each additional child</p> <p>Starts at income of \$3,750 and reduced as income exceeds \$20,921</p> <p>Fully phased out at income of \$25,921. If family income is more than \$20,921 (old W.I.S. rate) reduction is 11.5% for one child, 20.1% for two children and 27.5% for families with more than two children</p>

- The new federal - provincial program is referred to as the National Child Benefit (NCB). The Enriched W.I.S. is rolled into the new NCB program. The Enriched W.I.S. is referred to as the National Child Benefit Supplement (NCBS), the federal contribution to the NCB. The W.I.S. benefit changes from a per family benefit to a per child benefit.
- The conditions of the federal - provincial NCB are:
  - No reduction to the overall level of assistance to families on social assistance (welfare).
  - Provinces and territories must make offsetting reinvestments of provincial funds to assist children in low-income families.
- With families with children on social assistance, the NCBS may affect the amount of the social assistance payments. Most provinces and territories will consider the NCBS received as income when they calculate the amount of social assistance benefits. Others may adjust the basic allowance rates by using the maximum NCBS amount. Saskatchewan chose not to pass on any increase in the NCBS to families with children on welfare with no source of paid employment or maintenance payments received for children. *This is the “Clawback” of the NCBS.*

➤ Example of the Basic benefit and the NCBS

- |           |         |  |
|-----------|---------|--|
| One Child | \$1,020 | Basic benefit                            |
| (1998)    | + 605   | National Child Benefit Supplement (NCBS) |
|           | -----   |  |
|           | \$1625  |  |

The benefit calculation for one child is the basic benefit (\$1,020) plus the \$500 from the previous W.I.S. program and the extra \$105 from the Enriched W.I.S. program.

- |              |         |  |
|--------------|---------|--|
| Two Children | \$1,020 | Basic benefit (second child)             |
| (1998)       | + 405   | National Child Benefit Supplement (NCBS) |
|              | -----   |  |
|              | \$1,425 |  |

The benefit calculation for the second child is the basic benefit (\$1,020) plus \$405 from the Enriched W.I.S. program. The total benefit from the federal contribution to both programs for two children is \$3,050.

<b>Table 6. Federal - Provincial Canada Child Tax Benefit 1999</b>	
Basic Benefit	National Child Benefit Supplement (NCBS)
<p>Basic benefit rate same as previous year.</p> <p>Reduction threshold amount is increased from \$25,921 to \$29,590. Reduction if net family income more than \$29,590 of 2.5% for one child and 5% for two or more children.</p> <p>Fully phased out with income level increased from \$67,000 to \$70,390.</p>	<p>\$785 /yr /child for one child \$585 /yr /child for second child \$510 /yr /child for each additional child</p> <p>Starts at income of \$3,750 and reduced as income exceeds \$20,921</p> <p>Fully phased out amount increased from income of \$25,921 to an income of \$29,590.</p> <p>If family income is more than \$20,921 (old W.I.S. rate) reduction is 11.5% for one child, 20.1% for two children and 27.5% for families with more than two children</p>



**Table 7. Federal - Provincial Canada Child Tax Benefit 2000**

Basic Benefit	National Child Benefit Supplement (NCBS)
<p>Basic benefit rate increased to: \$1,104 /yr /child</p> <p>Extra \$77 /yr /child for third and subsequent children.</p> <p>Extra \$219 /yr /child under seven. Increase from previous rate of extra \$213 /yr /child under seven. Rate is reduced by 25% of any amount you or spouse claimed for child care expenses on income tax return.</p> <p>Reduction threshold amount is increased from \$25,921 to \$29,590. Reduction if net family income more than \$29,590 of 2.5% for one child and 5% for two or more children.</p> <p>Fully phased out with income level increased from \$67,000 to \$70,390.</p>	<p>\$785 /yr /child for one child \$585 /yr /child for second child \$510 /yr /child for each additional child</p> <p>Starts at income of \$3,750 and reduced as income exceeds \$20,921</p> <p>Fully phased out amount increased from income of \$25,921 to an income of \$29,590.</p> <p>If family income is more than \$20,921 (old W.I.S. level) reduction is 11.5% for one child, 20.1% for two children and 27.5% for families with more than two children</p>

**The Saskatchewan Assistance Plan and the Canada Child Tax Benefit**

In Saskatchewan, the basic allowance for children on social assistance is now delivered through Revenue Canada as an integrated payment with federal child benefits. The following Tables 8 and 9 document the reductions in provincial spending on welfare and the increases in spending by the federal government. As Tables 8 indicates, the provincial contribution to the welfare budgets for children has been reduced by the amount of increase in the federal contribution. The provincial contribution was referred to as the Saskatchewan Child Benefit (SCB) program.

**Table 8. Saskatchewan Social Assistance Basic Allowance**

1997	1998	1999	2000
<p>Basic allowance of \$160 / month /child added to the monthly family budget.</p> <p>The \$160 is calculated as follows:</p> <p>Sask. Contribution of \$125. Sask. also considers that a family would have \$35/month /child of federal money such as the old Family Allowance program, or the CCTB Basic Benefit program. Total of both of these incomes is \$160.</p> <p>The family also receives \$85 /month /child from the federal CCTB Basic Benefit program. Sask. deducts \$35 from the Basic Benefit, leaving \$50. Total amount received by a family from both federal and provincial programs = \$210 /month /child.</p> <p>Actual Sask. contribution = \$125 /month. Actual Federal contribution = \$85 /month. Total money per month = \$210 /month.</p>	<p>All children are removed from the social assistance budget.</p> <p>Families receive combined federal - provincial contribution of \$210.42 /month / child.</p> <p>Sask. Contribution of \$75 /month /child (reduced from previous rate of \$125). Sask. contribution under the Saskatchewan Child Benefit program (SCB).</p> <p>The family also receives \$135.42 /month /child from the federal CCTB</p> <p>Actual Sask. contribution = \$75 /month. Actual Federal contribution = \$135.42 /month. Total money per month = \$210.42 /month.</p>	<p>All children are removed from the social assistance budget.</p> <p>Families receive combined federal - provincial contribution of \$210.42 /month / child.</p> <p>Sask. Contribution of \$60 /month /child (reduced from previous rate of \$125). Sask. contribution under the Saskatchewan Child Benefit program (SCB).</p> <p>The family also receives \$150.42 /month /child from the federal CCTB</p> <p>Actual Sask. contribution = \$60 /month. Actual Federal contribution = \$150.42 /month. Total money per month = \$210.42 /month.</p>	<p>All children are removed from the social assistance budget.</p> <p>Families receive combined federal - provincial contribution of \$217.42 /month / child.</p> <p>Sask. Contribution of \$44 /month /child (reduced from previous rate of \$125). Sask. contribution under the Saskatchewan Child Benefit program (SCB).</p> <p>The family also receives \$173.42 /month /child from the federal CCTB</p> <p>Actual Sask. contribution = \$44 /month. Actual Federal contribution = \$173.42 /month. Total money per month = \$217.42 /month.</p>

(Source: Figures are based on the author's calculations)

**Table 9. Federal Contribution to Saskatchewan Social Assistance Calculations**

Federal Contribution Calculations for 1998, 1999, 2000.

The **1998** federal monthly contribution is calculated as follows:

$\$1,020$  /yr /child (Basic benefit) +  $\$500$  /yr (old W.I.S. program) +  $\$105$  /yr (Enriched W.I.S. program) =  $\$1,625$ . To calculate the monthly benefit:  $\$1,625 \div 12$  months =  $\$135.42$ . ( see Table 4 and 5 for adjustments that apply to the program). The federal contributions are under the CCTB Basic Benefit program and the federal - provincial National Child Benefit program (NCB) under the National Child Benefit Supplement program (NCBS).

The **1999** federal monthly contribution is calculated as follows:

$\$1,020$  /yr /child (Basic benefit) +  $\$500$  /yr (old W.I.S. program) +  $\$285.04$  /yr (Enriched W.I.S. program) =  $\$1,805.04$ . To calculate the monthly benefit:  $\$1,804.04 \div 12$  months =  $\$150.42$ . (Please see Tables 4 and 6 for adjustments that apply to the program). The federal contributions are under the CCTB Basic Benefit program and the federal - provincial National Child Benefit program (NCB) under the National Child Benefit Supplement program (NCBS).

The **2000** federal monthly contribution is calculated as follows:

$\$1,104$  /yr /child (Basic benefit) +  $\$500$  /yr (old W.I.S. program) +  $\$477.04$  /yr (Enriched W.I.S. program) =  $\$2,081.04$ . To calculate the monthly benefit:  $\$2,081.04 \div 12$  months =  $\$217.42$ . (Please see Tables 4 and 7 for adjustments that apply to the program). The federal contributions are under the CCTB Basic Benefit program and the federal - provincial National Child Benefit program (NCB) under the National Child Benefit Supplement program (NCBS).

(Source: Figures are based on the author's calculations)

It should be noted that the increase in federal spending is not new money, as the federal government would have been cost-sharing (50-50) with the provinces under the old Canada Assistance Plan (C.A.P.), which was replaced in 1996 by the block-funded Canadian Health and Social Transfer program. The process of increased federal NCBS payments and decreased provincial contributions to the SCB continued in this fashion until July 2006 when the provincial SCB program was fully phased out, with the basic allowance for all children on welfare in Saskatchewan now covered by the federal government through the NCBS program. Saskatchewan supplies some short term benefits to families with children on welfare through the Saskatchewan Child Benefit Adjustment program until the federal government adjusts the NCBS payment.