THE CANADA CHILD TAX BENEFIT AND SOCIAL ASSISTANCE IN SASKATCHEWAN: Horizontal Transfer of Benefits from the Poor to the Working Poor

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1. Introduction

During 1998 social assistance (welfare) reform in Saskatchewan took a limited but nonetheless important policy direction in affixing provincial welfare benefits for children to the Federal Canada Child Tax Benefit program. The provincial Building Independence - Investing in Families initiative introduced the Saskatchewan Employment Supplement (S.E.S.) plan along with a number of other initiatives within the provincial model of welfare delivery. The substance of the S.E.S. initiative, and the tying of welfare benefits for children to the employment of their parents, is the focus of this paper.

To address the problem of child poverty in Canada, Finance Minister Paul Martin presented the New Canada Child Tax Benefit (C.C.T.B.) program on February 18, 1997 as part of the 1997-1998 Federal Budget. Certainly, it is with good reason that a program to address child poverty is introduced as solid research exists that identifies the correlation between a lack of an adequate income and its potential impact on families and children. An examination of employable people on social assistance is particularly relevant at this time when all social programs in Canada, including welfare, are thought by all levels of governments to be in need of dramatic changes and restructuring.


In its widely circulated brochure, Agenda: Jobs and Growth, Improving Social Security in Canada, the federal government of Canada writes: "Our social security system must protect those most in need, people who can’t work, low-income families struggling to get by, people who face barriers due to disability or chronic illness, and especially children" (Government of Canada, 1994a, p. 20). Missing from the list of who in society should be taken care of are people who are employable and for various reasons are not working.

The Government of Canada's brochure informs, "Many people spend years on social assistance - even though, with the right kind of employment and training support, they could find work. One problem is, CAP (Canada Assistance Plan) rules prevent the use of federal funding to provide the support they need. As a result, the system doesn't
help people prepare for work. In many cases, it does just the opposite" (Government of Canada, 1994a, p. 20). The document also states:

The social security system seems to keep people on a treadmill, instead of helping to solve their problems. People who want to get off welfare and provide better lives for their children often find the rules stacked against them. We need a system that works for people - a system that supports their efforts to regain self-sufficiency, and works better at reducing child poverty. (Government of Canada, 1994a, p. 8)

Welfare is therefore a system that was designed to help the unemployable who have no other resources, but instead has become a system that traps the employable onto a "welfare treadmill." The federal government states, "But too many recipients spend many years on social assistance even though, with the right sort of employment and training support, they could successfully make the transition from welfare to work, from dependency to self-sufficiency" (Government of Canada, 1994b, p. 72). Welfare is presented as a system that is intended to help unemployable people who cannot economically care for themselves, but instead welfare inadvertently became a system that promoted welfare dependency among employable people.

The provincial government of Saskatchewan also accepts the idea of the misdirection of CAP, commenting, "In its original design, the social assistance program was not expected to deal with large numbers of employable persons. They did not stay on the program for long periods and usually found their own way back into the labour force" (Province of Saskatchewan, 1996, pp. 14-15). Social assistance is viewed as creating dependency upon recipients therefore creating long-term use of the program by people who otherwise would be employable. However, is that the case?

3. The Relationship between Employable People on Welfare and Wage Reduction

Counter to the welfare creating dependency thesis, Piven and Cloward assert that "the key to an understanding of relief-giving is in the functions it serves for the larger economic and political order, for relief is a secondary and supportive institution" (Piven & Cloward, 1972, p. xiii). These authors maintain that welfare policies are cyclical in nature, that welfare policies expand during periods of civil disorder produced
by mass unemployment, and conversely that welfare policies are restrictive at other
times to enforce work norms (Piven & Cloward, 1972, p. xiii). Welfare programs are
created by governments to deal with dislocations in the work system that lead to mass
disorder, and are then retained and maintained to enforce work (Piven & Cloward,
1972, p. xv). Therefore, the two main functions of welfare are to maintain civil order
and enforce work. The theoretical positions about the welfare state adopted by Piven
and Cloward counter the prevailing liberal notions of welfare as an attempt by society
to help those who cannot take care of themselves.

Piven and Cloward suggest however, "that the cyclical pattern of providing
subsistence resources by the state has been replaced by a variety of permanent income-
maintenance entitlements" (Piven & Cloward, 1982, xi). Welfare, rather than
traditionally being the sole form of public relief by state intervention in industrialized
countries, became embedded in a general structure of income support programs for a
wide range of constituencies including the aged, unemployed and the disabled (for
development of social programs in Canada see Guest, 1985; Leman, 1980).

Piven and Cloward therefore theorize that "income-maintenance programs are
coming under assault because they limit profits by enlarging the bargaining power of
workers with employers" (Piven & Cloward, 1982, p. 13; see also Plotkin and
Scheuerman, 1994, p. 49). Until the 1960s, with the expansion of social programs (for
example, CAP in Canada), high levels of unemployment would produce a drop in
wages. This is because a large number of unemployed people looking for work are
forced to underbid the wages of people currently working. Additionally, the existence
of a large number of unemployed people has further effects on wages.

A mass of unemployed also inhibits workers from making other workplace
demands; workers are less militant when there is a long line of job applicants
outside the factory gates. Because the unemployed exert a downward pressure
on wages and other labor costs, the existence of a large pool of unemployed
tends to maintain and enlarge profits. (This effect is moderated by union
contracts at one end of the wage scale and by minimum-wage laws at the other
end, but it is not eliminated.) By contrast, when the unemployed are absorbed
and labor markets tighten, wage and workplace demands push against profits,
as some analysts say happened in the late 1960s at the climax of the long post-
World War II boom. (Piven & Cloward, 1982, p. 20)

Since the 1970s, however, Piven and Cloward noted that unemployment
continued to rise as did the rate of inflation; however wages were not falling. Something had disrupted the unemployment-wages tradeoff, and Piven and Cloward suggest that income-maintenance benefits have given some support to wage levels despite high levels of unemployment. Another important variable in studying unemployment and inflation is economic recessions.

Recessions are also often identified as one of the main causes of the rise in unemployment in Canada (Gonick, 1987, pp. 364-365; Ternowetsky & Riches, 1990, p. 26). Part of that increase in unemployment is viewed as eventually filtering down onto social assistance and increasing welfare caseloads. The federal government comments that economic slow down has contributed to increased welfare caseloads: “Many Canadian families lost economic ground during the 1980’s and early 1990’s. Overall, average disposable family incomes have not grown since the early 1980’s. In recent years, increasing numbers of Canadians who cannot find jobs have turned to social assistance” (Government of Canada, 1994, p. 19). However, recessions are not the same thing as welfare creating a dependency among working people for that program, nor is it the same thing as the lack of the proper type of "employment and training support" that governments were seemingly blocked from providing because of the rules of CAP.

An understating of the importance of the relationship of recessions and inflation to welfare necessitates an understanding of the relationship between inflation and unemployment. When unemployment falls wages rise, along with a rise in consumer demand and price levels (inflation) which together push against profits. Conversely, when unemployment rises wages fall, because people out of work are forced to underbid the wages of those working and the reduction in aggregate consumer demand lowers the inflation rate. Unemployment and inflation can be seen as tradeoffs. One of them can be controlled through a deliberate emphasis on the other.

However, unemployment and price inflation can be viewed as alternative strategies with which capital can maintain and enlarge profit shares (Piven & Cloward, 1982, p. 23). Price inflation can erode wage increases that are gained by workers in tight labour situations. Inflation is not as effective a means for capital to maintain and enlarge profit shares for a number of reasons. Workers in unionized sectors can keep pace with price increases with cost of living clauses (Gonick, 1987, p. 339). Price
inflation also complicates corporate dealings with suppliers and customers, and the uncertainty generated by inflation hampers long-term corporate planning and investment (Piven & Cloward, 1982, p. 24).

As mentioned previously, tackling inflation has costs in unemployment. Writing about the United States, Piven and Cloward (1982) comment:

This conception of an unemployment-inflation trade-off was incorporated as an instrument of American public policy in the years after the Great Depression. Government planners tried to moderate the extremes of the business cycle with the fiscal and monetary policies that regulated aggregate demand. Instead of business cycles that careened from trough to peak to trough again, relatively moderate recessions occurred every few years which increased unemployment without pushing it to staggering levels. In turn, higher unemployment rates produced lower wage and price levels. (pp. 22-23)

The government in Canada has also utilized a monetary policy of high interest rates to control inflation; "the idea of fighting inflation was identified solely with the policy of high interest rates as practised by a succession of federal finance ministers and governors of the Bank of Canada" (Krehm, 1993, viii). A number of other writers have also commented on the monetary policy of high interest rate policy adopted by the Bank of Canada to curb inflation. Writing in the late 1980s, Gonick (1987) observed:

Now the Bank of Canada would break the cycle of inflationary expectations by imposing strict controls over the supply of money. Henceforth long-term price stability would take precedence over concern with the level of unemployment in the short-to medium term. (p. 115)

Additionally, Barber (1992) wrote that:

In response to this surge in inflation, central banks in the United States, Canada, the United Kingdom and other countries began to pursue much more restrictive monetary policies. The result was record-high interest rate levels. In Canada, treasury bill rates averaged 17.8\%, and long term bond yields 15\%, in 1981. Interest rates remained very high until late 1982. The result was the severe 1981-1982 recession. Under the impact of a sharp rise in unemployment rates, inflation came down quickly and stabilized at just under 4\% over the rest of the decade. Despite unemployment rates in the range of 11 to 12\%, the Bank of Canada continued its tight money policy. (p. 103

Therefore, the cause of increased numbers of employable people on welfare in Saskatchewan may in fact be traced to the monetary and fiscal policies of the Canadian
government, and the fiscal policies of the Saskatchewan government. It would therefore appear cynical on the part of governments and social policy commentators to place the blame for increased numbers of employable people on welfare to a conjectural effect of welfare programming.

During the 1990s considerable change has occurred within welfare programming in Canada at the federal and provincial levels. The Canadian national welfare program CAP is no more, having been replaced in 1996 with the Canadian Health and Social Transfer (C.H.S.T.) program. The C.H.S.T. program combines funding for post-secondary education, public health and welfare under one block funded program. Previously CAP had provided cost-shared funding to the provinces on a 50-50 percentage basis. Funding for post-secondary education and public health had been provided to the provinces from the national Established Program Funding (E.P.F.) block-funded method based upon a formula of transferred tax credits from the federal government to the provinces and cash transfers. Insurance program funding for unemployed workers has also changed since the 1980s in Canada, with a decrease in the number of workers eligible to receive unemployment benefits.

The national Employment Insurance Program (EI, which replaced the Unemployment Insurance Program in 1996) now covers fewer workers. Figures show that in 1990, 87 per cent of the jobless received benefits from the UIC program; however, by 1997 this figure had fallen to 42 per cent of unemployed workers (Yalnizan, 1998, p. 57). The delivery of child benefits has also undergone substantial changes in Canada. Therefore attention is now turned to the recent changes to welfare programming, unemployment insurance programming and child benefit programming in Canada and specifically Saskatchewan, as that province is in the lead in changing welfare delivery. The changes are examined within a framework of the economic function of these programs as described by Fox and Piven.

4. Canada Child Tax Benefit

The Canada Child Tax Benefit (C.C.T.B.) program in Canada, which replaced the Child Tax Benefit (C.T.B.) program in 1997 is divided into two benefits. One benefit is the Basic Benefit which is described in Table 1. The other benefit is the National Child Benefit Supplement (N.C.B.S.) which is described in Table 2. The
N.C.B.S. is designed to be a cost-shared program with the provinces and territories. In Saskatchewan it has been used to remove children from the provincial welfare rolls and also to support low-income working families with children, whether or not the families receive welfare. This paper examines the details of the implementation of the C.C.T.B. program in the Province of Saskatchewan.

The federal C.C.T.B. replaces the Working Income Supplement (W.I.S.) program 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. program provided an income supplement to families based upon their employment status.

By agreement with Revenue Canada, the Saskatchewan provincial benefit for children whose families are on welfare is fully integrated as a single payment within the C.C.T.B. Families with children who are low-income earners but not receiving provincial welfare can access a benefit from the S.E.S. program by contacting the Saskatchewan provincial office of the S.E.S. program and making an application to the program over the phone. Examples of the monthly rates for the S.E.S. program in Saskatchewan for the year 2000 are given in Table 1 below.

**Table 1**

<table>
<thead>
<tr>
<th>Eligible Monthly Gross Income</th>
<th>1 Child</th>
<th>2 Children</th>
<th>3 Children</th>
<th>4 Children</th>
<th>5 Children or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>$250</td>
<td>$31.25</td>
<td>$37.50</td>
<td>$43.75</td>
<td>$50.00</td>
<td>$56.25</td>
</tr>
<tr>
<td>$500</td>
<td>$93.75</td>
<td>$112.50</td>
<td>$131.25</td>
<td>$150.00</td>
<td>$168.75</td>
</tr>
<tr>
<td>$750</td>
<td>$156.25</td>
<td>$187.50</td>
<td>$218.75</td>
<td>$250.00</td>
<td>$281.25</td>
</tr>
<tr>
<td>$1000</td>
<td>$175.00</td>
<td>$210.00</td>
<td>$245.00</td>
<td>$280.00</td>
<td>$315.00</td>
</tr>
<tr>
<td>$1250</td>
<td>$131.25</td>
<td>$166.25</td>
<td>$210.25</td>
<td>$236.25</td>
<td>$271.25</td>
</tr>
<tr>
<td>$1500</td>
<td>$68.75</td>
<td>$103.75</td>
<td>$138.75</td>
<td>$173.75</td>
<td>$208.75</td>
</tr>
<tr>
<td>$1750</td>
<td>$6.25</td>
<td>$41.25</td>
<td>$76.25</td>
<td>$111.25</td>
<td>$146.25</td>
</tr>
<tr>
<td>$2000</td>
<td></td>
<td></td>
<td>$13.75</td>
<td>$48.75</td>
<td>$83.75</td>
</tr>
<tr>
<td>$2250</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$21.25</td>
</tr>
</tbody>
</table>

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

The S.E.S. program is designed to primarily assist the working poor, however families with children on welfare can also access the program. Money from work, self-employment, farming and child/spousal maintenance are considered as income for the program. To receive the S.E.S. benefit, gross family income must be at least $175/month. The level of benefit is calculated as a percentage of earnings, with the maximum amount dependent upon the number of children in a family. The maximum benefit level is $315/month with a gross family income of $1,000/month and five children in the family. The federal Indian Affairs Department and First Nations leadership agreed to the creation of a parallel benefit for on-reserve Status Indians. For a detailed examination of the S.E.S. program and its effect on welfare budgets in Saskatchewan see Hunter (1998).

During the summer of 1998, Saskatchewan introduced its version of the C.C.T.B. under the name of the Building Independence - Investing in Families initiative, which replaced the province’s previous welfare program. The initiative includes six programs, however only the three designed to address the problem of child poverty are examined in this paper. One program is the previously described Saskatchewan Employment Supplement (S.E.S.), which is a monthly payment to supplement income earned by lower-income parents. A second program is the Saskatchewan Child Benefit (S.C.B.) a monthly allowance provided for all children of lower-income families. The S.C.B. program is to be eliminated once the federal program covers all of the provincial welfare basic allowance budget for children. A third program is the Family Health Benefits (F.H.B.) program which provides limited supplementary health benefits to lower-income working families. The F.H.B. program provides some dental and drug expense relief. Government literature introducing the initiative advises that the package of programs under this new initiative will help alleviate the serious problem of child poverty. The changes to the federal program are presented, and then the impact of those changes on welfare in Saskatchewan.
<table>
<thead>
<tr>
<th>Basic Benefit</th>
<th>Basic Benefit (additional information)</th>
<th>Working Income Supplement (W.I.S.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Family income under $25,921 /yr</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1020 /yr /child</td>
<td>Plus $213 /yr for each child under seven when no child care expenses claimed</td>
<td>$500 /yr /family</td>
</tr>
<tr>
<td>Extra $75 /yr /child for third and subsequent children</td>
<td>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.</td>
<td>Starts at income of $3,750 and reduced as income exceeds $20,921</td>
</tr>
<tr>
<td><strong>Family income over $25,921 /yr</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction if net family income more than $25,921 of 2.5% for one child and 5% for two or more children.</td>
<td></td>
<td>Fully phased out at income of $25,921</td>
</tr>
<tr>
<td>Fully phased out with income of $67,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Example of the Basic Benefit and the Enriched W.I.S. for a family that has an income from employment. The W.I.S. contribution starts at an income of $3,750 and is reduced as income exceeds $20,921. Fully phased out at income of $25,921.

- **One Child**
  - (1997)
  - $1,020 Basic Benefit
  - $500 W.I.S.
  - $1,520

- **Two Children**
  - (1997)
  - $2,040 Basic Benefit (both basic benefits combined)
  - $500 W.I.S.
  - $2,540
Table 3
Federal - Provincial Canada Child Tax Benefit 1998

<table>
<thead>
<tr>
<th>Basic Benefit</th>
<th>Now an Enriched Working Income Supplement (W.I.S.)</th>
</tr>
</thead>
</table>
| Same as previous year | $605 /yr /child for one child  
$405 /yr /child for second child  
$330 /yr /child for each additional child  

Starts at income of $3,750 and reduced as income exceeds $20,921  

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 |

► The new federal - provincial program is referred to as the National Child Benefit (N.C.B.). The Enriched W.I.S. is rolled into the new N.C.B. program. The Enriched W.I.S. is referred to as the National Child Benefit Supplement (N.C.B.S.), the federal contribution to the N.C.B. The W.I.S. benefit has changed from a per family benefit to a per child benefit. The provincial contributions go under various program names. In Saskatchewan, the provincial contribution is referred to as Saskatchewan Child Benefit (S.C.B.).

► The conditions of the federal - provincial N.C.B. are:

a) The overall level of assistance to families on social assistance (welfare) is not reduced.
b) Provinces and territories required to make offsetting reinvestments of provincial funds to assist children in low-income families.

► If a family with children is on social assistance, the N.C.B.S. may affect the amount of social assistance payments. Most provinces and territories will consider the N.C.B.S. received as income when they calculate the amount of social assistance benefits. Others may adjust the basic allowance rates by using the maximum N.C.B.S. amount.
Example of the Basic Benefit and the N.C.B.S:

One Child $1,020 Basic benefit (1998) + 605 National Child Benefit Supplement (N.C.B.S.)

$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.


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

In the province of Saskatchewan, the enabling legislation for social assistance is the Saskatchewan Assistance Act and Regulations. The basic allowance for children on social assistance in Saskatchewan is now delivered through Revenue Canada as an integrated payment with federal child benefits.

The following tables (Tables 6 and 7) document the reductions in provincial spending on welfare and the increases in spending by the federal government. As the tables indicate, the provincial contribution to the welfare budgets for children has been reduced by the amount of increase in the federal contribution. The amounts presented in the two following tables are based upon the author's calculations.
<table>
<thead>
<tr>
<th>Year</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic allowance of $160 / month / child added to the monthly family budget.</td>
<td>All children are removed from the social assistance budget.</td>
<td>All children are removed from the social assistance budget.</td>
<td>All children are removed from the social assistance budget.</td>
</tr>
<tr>
<td></td>
<td>Sask. also considers that a family would have</td>
<td>Sask. also receives $135.42 / month / child from the federal C.C.T.B.</td>
<td>The family also receives $150.42 / month / child from the federal C.C.T.B.</td>
<td>The family also receives $173.42 / month / child from the federal C.C.T.B.</td>
</tr>
<tr>
<td></td>
<td>$35 / month / child of federal money such as the old</td>
<td>The family also receives $135.42 / month / child from the federal C.C.T.B.</td>
<td>The family also receives $150.42 / month / child from the federal C.C.T.B.</td>
<td>The family also receives $173.42 / month / child from the federal C.C.T.B.</td>
</tr>
<tr>
<td></td>
<td>Family Allowance program, or the C.T.B. Basic Benefit program. Total of both of these incomes is $160.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The family also receives $85 / month / child from the</td>
<td>Actual Sask. contribution = $75 / month.</td>
<td>Actual Sask. contribution = $60 / month.</td>
<td>Actual Sask. contribution = $44 / month.</td>
</tr>
<tr>
<td></td>
<td>Actual Sask. contribution = $125 / month.</td>
<td>Total money per month = $210</td>
<td>Total money per month = $210.42</td>
<td>Total money per month = $217.42</td>
</tr>
<tr>
<td></td>
<td>Actual Federal contribution = $85 / month.</td>
<td>Total money per month = $210</td>
<td>Total money per month = $210.42</td>
<td>Total money per month = $217.42</td>
</tr>
</tbody>
</table>
Table 7  
Federal Contribution to Saskatchewan Social Assistance Calculations

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The <strong>1998</strong> federal monthly contribution is calculated as follows:</td>
</tr>
<tr>
<td>$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 ÷ 12 months = $135.42.</td>
</tr>
<tr>
<td>(Please see Table 2 and 3 for adjustments that apply to the program). The federal contributions are under the C.C.T.B. Basic Benefit program heading and the federal-provincial National Child Benefit program (N.C.B.) contributions are listed under the National Child Benefit Supplement program (N.C.B.S.) heading.</td>
</tr>
</tbody>
</table>

| 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 ÷ 12 months = \$150.42. |
| (Please see Tables 2 and 3 for adjustments that apply to the program). The federal contributions are under the C.C.T.B. Basic Benefit program heading and the federal-provincial National Child Benefit program (N.C.B.) contributions are listed under the National Child Benefit Supplement program (N.C.B.S.) heading. |

| 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 ÷ 12 months = \$173.42 |
| (Please see Tables 2 and 4 for adjustments that apply to the program). The federal contributions are under the C.C.T.B. Basic Benefit program heading and the federal National Child Benefit program (N.C.B.) contributions are listed under the National Child Benefit Supplement program (N.C.B.S.) heading. |

The Saskatchewan savings on welfare expenditures due to increased federal contributions have not gone to increased spending on families with children on welfare with no other source of income, presumably the poorest children in the province. It should further 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, which was replaced in 1996 by the block-funded Canadian Health and Social Transfer program.

Governments often report that half or more of the welfare recipients are on welfare for a long time and employ terms such as the “welfare treadmill,” “welfare dependency” or the “welfare wall” to describe this problem. Is this an accurate depiction of the problem, or is there a lurking variable or factor that can explain why it may appear that half or more of the people on welfare remain so for a long period of time? Consider the following example adapted from the 1994 issue of Discover Magazine (Paulos, 1994, pp. 30-36). Examining welfare caseload numbers is interesting due to an easy-to-disregard arithmetic error known as Simpson’s Paradox. Simpson’s Paradox involves the effects of lurking variables which can strongly influence relationships between two categorical variables. A surprise often awaits the unsuspecting consumer of such data, in this case welfare caseload numbers.

### Table 8

**Problems with Welfare Caseload Totals**

*(Simpson’s Paradox)*

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client A is on welfare for years. Client A receives his/her January welfare</td>
</tr>
<tr>
<td>cheque.</td>
</tr>
<tr>
<td>Client B also receives his/her January welfare cheque.</td>
</tr>
<tr>
<td>Client B is off the welfare caseload for February.</td>
</tr>
<tr>
<td>Client C, on welfare for the first time, also receives a February welfare</td>
</tr>
<tr>
<td>cheque.</td>
</tr>
<tr>
<td>Client C gets a job and is off the welfare caseload for March.</td>
</tr>
<tr>
<td>Client D, on welfare for the first time, also receives a March welfare</td>
</tr>
<tr>
<td>cheque.</td>
</tr>
<tr>
<td>Client A continues to receive welfare.</td>
</tr>
</tbody>
</table>

Therefore if the welfare caseload total is examined for any one particular month, the results are that 50 percent of the people - Client A, and one other person, have been receiving welfare for a long period of time. Yet only one-thirteenth of the people who received welfare for that year remained on the welfare caseload for long.
How is that so? In the above example, for any given month, Client A and one other person receive long-term welfare benefits. The other two recipients of welfare only receive benefits for one month. Therefore at any given time it appears that 50 percent of recipients have been receiving long-term welfare benefits. However if we look at the caseload over a period of a year, Client A who received benefits over the year and the twelve other people who received welfare benefits for only one month, then only one-thirteenth of the caseload received long-term welfare benefits. The lurking variable is looking at the caseload as average data over a one-month period and reporting that average as representative of how long people are on welfare. What we do not get is the average of how long people stay on welfare for a short period of time.

The rate of welfare caseload turnover is well known to provincial and federal governments. For example, in 1993 the province of Alberta reported that 33 percent of clients were on welfare for less than three months, 28 percent received welfare from four to twelve months and 39 percent (mostly single parents and the disabled) received welfare for more than one year (A.F.S.S., 1993). What we need to consider is that welfare caseloads have risen over time from 1966 because the population of Canada has grown over time, and also because of the rise in the number of people unable to acquire lifetime employment that provides a living wage with some job security.


In 1989 the Canadian government signed the United Nations Convention on the Rights of the Child. As a signatory of the Convention of the Rights of the Child the Canadian government recognizes, “For every child the right to benefit from social security, including social insurance, and shall take the necessary measures to achieve the full realization of this right” (Article 26.1). Through the introduction of the C.C.T.B. program, governments in Canada can make the argument that they are working toward Article 26.1 of the United Nations Convention of the Rights of the Child. It is the concept of “rights” which allows Canadian policy makers to claim that they are meeting the requirements of the Convention and addressing the issue of child poverty in Canada through programs such as the C.C.T.B.

Citizen rights fall into roughly three categories:
a) *citizen (civil) rights* are those rights concerned with individual liberty and include freedom of speech and thought, the right to own private property and the right to justice;

b) *political rights* are primarily those rights of participation in the political process of government, either as an elector or as an elected member of an assembly;

c) *social rights* cover a whole range of rights, from the right to a modicum of economic security through to the right to share in the heritage and living standards of a civilized society. (Sullivan, 1998, p. 74)

Social policy analysts have pointed out that citizenship theory’s emphasis on the creation of equality of rights does not imply the creation of material equality (Sullivan, 1998, p. 75). Rather the growth of citizen rights coincides with the growth of capitalism, and the equality of social status as legitimizing social inequalities. Sullivan (1998) in summarizing T.H. Marshall’s lecture at Cambridge University, entitled "Citizenship and social class"; writes:

> This is so because they permit individuals to engage in economic struggle for the maximization of profit through the right to buy, own and sell. Political rights may have redressed some of the power imbalance between the social classes in capitalist society but social rights - by peripherally modifying the pattern of social inequality - had the paradoxical, but utilitarian, effect of making the social class system less vulnerable to change. Social rights accorded community membership to all - and thus made all citizens stakeholders in capitalist society - without effecting any fundamental redistribution in income or wealth. Social welfare raised the level of the lowest (through income maintenance schemes, education, health care systems and the like), but redistribution of resources, where it occurred was horizontal rather than vertical. For Marshall, then, the aims of social policy and service provision include: the incorporation of all as members of the societal community; the modification of the most excessive and debilitating inequalities of British society; but the legitimization of wider and more fundamental inequalities through the process of incorporation. (p. 75)

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

As is generally the case with this type of social program (Teeple, 1995), the program is not a vertical transfer where some of the distribution occurs from the wealthier in society to those who are less well-off financially. Further, under the C.C.T.B. program rights are derived from the marketplace and the family. A family receives benefits for their children dependent upon their attachment to the labour force, and children receive a level of benefit that is calculated in reference to their family’s attachment to the market.

An examination of the program criteria and the income effects of the new federal/provincial initiative leads to the conclusion that the new C.C.T.B. initiative is not about reducing poverty for the poorest children in Canada. If that conclusion is accurate, then what would appear to be the impetus for the initiative?

The initiative appears to be designed, within the framework of citizenship theory and right, to make it more attractive to work than to receive assistance. Beyond just distinguishing between worthy and unworthy poor, the program is therefore also entrenching the poor law concept of “less eligibility.” It also follows that rather than children being the main benefactor of the C.C.T.B., the business sector will gain the most from the program, because the program tends to subsidize low-wage labour. These observations would be consistent with the function of welfare programs as developed by Piven and Cloward.

Support for the position that the business sector will benefit the most from the C.C.T.B. program as implemented in Saskatchewan can be found in federal government’s Social Union document.

By the end of 1999/2000 Saskatchewan will have accrued a National Child Benefit reinvestment pool totaling approximately $19.5 million compared to
$11.3 million identified for 1998-99. These reinvestment funds, together with redirected provincial funds an incremental Saskatchewan investment, support a series of major program reforms implemented in July 1998. (Government of Canada - Social Union, 2000, p. 4)

The federal government estimates that for the fiscal year 1999/2000, Saskatchewan's N.C.B. initiatives will be $14.6 million in the Child Benefit/Earned Income Supplement program, $3.5 million in the S.C.B., and $1.4 million in the F.H.B. program (Government of Canada, Social Union, p. 5). These figures suggest that most of the reinvestment of funds in Saskatchewan from savings due to an increase in federal spending in the province under the C.C.T.B. has gone into the supplement of low-income wages through the S.E.S. program, and for reason.

Current job growth in Canada is mainly in the service sector, where many of the jobs are low paying with no benefits (Broad, 2000). What the C.C.T.B. program has done in Saskatchewan is to implement a program that could subsidizes employers by distributing small income gains and limited health benefits to their employees. Now there are obviously some businesses that cannot afford high wages; however, the government could have chosen to help these workers through a more progressive structure in the income tax system. Lower paid workers in marginal industries and services identified through the income tax system could be taxed at a reduced rate while top income earners, consistent with the principles of a progressive tax system and a desire to reduce inequality, would be taxed at a higher rate. As well, the program could also be funded from a variety of taxes which could be placed on businesses (Mackenzie, 1998, pp. 335-358). That way, a program to assist workers who are vulnerable to job elimination and lower wages would be funded by a vertical transfer of benefits from the wealthy rather than the horizontal transfer system introduced by the C.C.T.B. program. With the new system, any business including large businesses can have taxpayer-subsidized employees hired at minimum wage and continue to provide little or no health benefit coverage to their employees or wage increases. Commensurate with neo-liberal ideology, rather than use the tax system in a progressive manner to assist low-income earners, the government has decided to assist businesses paying low wages by subsidizing employee wages and has, therefore, firmly entrenched the concept of less eligibility within the welfare system. By introducing the
Child Tax Benefit in its current form governments are acknowledging that, for a growing majority of people, the economic system will not provide a social wage and that inequality for the poorest in Canada will continue to grow. Ultimately, as Ternowetsky (2000) has made clear, we will not be able to deal with the problem of poverty until we tackle the problem of wealth.
7. Reference Documents

a) Internet

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Government of Canada. Your Canada Child Tax Benefit (On-line), Available: 

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b) Works Cited


