

Income Assistance After the Cuts: Client and Caseload Statistics for March to July 2002 and Annual Savings Projections for MHR

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How have low income people been impacted by the cuts to welfare and child care subsidy? And who is bearing the brunt of these cuts? Anti-poverty groups have been asking these questions for months. With recent data from the Ministry of Human Resources it now appears that the government stands to save almost \$144 million from the first round of cuts. Savings are due to:

1. Implementation of the three week wait policy to apply for welfare
2. Lowering of the child care subsidy income threshold
3. Eliminating the flat rate earnings exemption and maintenance exemption, and
4. Reducing shelter and support allowances for those on welfare

Some of the money being saved will be used to pay for pre-employment programs and training. Typically, these are short-term programs where people learn how to prepare a resume and carry out an effective job search. Certain groups of people will no doubt benefit from this type of help. However, the cost and efficacy of any back-to-work measures should be established before any money is spent.

According to Ministry of Human Resources statistics collected from 1990 to 1998: 49 % of all income assistance cases received benefits for a spell of 3 months or less, and 80.5 % of all cases had spells lasting 12 months or less over the nine year period.¹ These figures include employable clients as well as those who are not expected to work (people with disabilities, the elderly, and families with young children).

From January to June 2002 the caseload for an average month was as follows:

	<u>Number of Cases</u> ²	<u>% of All Cases</u>
Expected to work	77,849	52.1
Temporarily excused	21,517	14.4
People with disabilities	45,524	30.5
CIHR	<u>4,404</u>	<u>3.0</u>
(children in the home of a relative)		
	149,294	100 %

As we can see from the above, just over half the caseload is expected to work at any one time. Since these people tend to leave assistance in three months or less, it makes little sense to develop back-to-work programs for them -- particularly when many will likely find work on their own without any help from the Ministry. In the long run, it may be more cost effective to simply grant the income assistance and employment supports that people actually need, rather than send thousands of clients to pre-employment programs that they can't use, and may not want.

¹ See January 25, 1999 report by William Warburton, Ph.D (Senior Economic Advisor, Economic Analysis Branch, Ministry of Human Resources. "Comparison of the Income Assistance Caseload and Applicants for Income Assistance with Outstanding Indictable Warrants"

² Statistics in this section are based on Ministry of Human Resources website monthly statistics data www.mhr.bc.ca/research

Below is some general information on caseload statistics for March 2002 as well as an in-depth examination of how particular categories of people are being affected by New Era policies.

Employable, Temporarily Excused and Continuous Assistance Caseload For March 2002 – a Month Before the Cuts³

- There were 81,739 employable (or "expected to work") cases on welfare in March 2002.
(A "case" is an individual or family unit that receives assistance payments.)
- Altogether these cases represent 140,962 clients (See table 1). This is down from the average of 149,635 clients in 2001. The number of clients includes all members of the family unit including children, elderly people, and people with disabilities who are attached to the employable adult household head. (For example: a family of five is *one case* which represents *five clients* in total.)
- There were 21,911 cases that were temporarily excused from seeking work and 50,027 cases on continuous assistance in March 2002. *Temporarily excused clients* are those with children under 3; persons with short-term disabilities; and those receiving care in a hospital or some kind of health facility (acute care, residential care, continuing care). *Continuous assistance clients* are those with long-term disabilities or children living in the home of a relative (CIHR).
- The total caseload in March 2002 (employable, temporarily excused and continuous assistance categories) was 153,677 which represents 241,163 clients altogether.

More Employable Single Parents⁴

In April 2002, there were 8,950 more single parent families who were expected to work. This is because parents whose youngest child is age 3 or over were re-categorized as employable. Previously these parents were "temporarily excused" from job seeking and participating in mandatory training until their youngest child was age 7. The government will save some money by sending single parents with young children into the workforce, however, the cost of providing child care subsidy to low income families may offset some of these savings. At this time there is no information available that projects the costs and savings for this group of recipients.

Changes to Child Care Subsidy⁵

So far, about 10,500 families in BC have been negatively impacted by the \$285 reduction in the allowable income threshold which took effect in April 2002. The amount of child

care subsidy available to families is determined by a family's income and now incomes must be lower in order to qualify. The projected government savings as a result of changes to the child care subsidy program is estimated to be about \$26 million per year according to the Ministry of Human Resources.

³ Statistics in this section are based on Ministry of Human Resources website monthly statistics data www.mhr.bc.ca/research

⁴ Statistics in this section were obtained through the Ministry of Human Resources, Policy and Research Division

⁵ Ibid

In particular, after changes to the income test in April 2002:

- Approximately 9,000 families now receive less child care subsidy
- Another 1,500 families no longer receive any child care subsidy at all

Tightened Eligibility Requirements for Welfare

As in the United States, workers in Canada are being forced to compete in an increasingly fickle job market at the same time as welfare eligibility rules are being narrowed. People on welfare were already living well below the poverty line even before the cuts began. But now there are less employment supports for those leaving welfare, which makes it harder for people to take advantage of employment opportunities when they become available. Unemployment insurance is harder to get and there are fewer public services. Hunger and homelessness are increasing as the poor are left to deal with lower incomes and higher living costs.

The number of employable clients on welfare has steadily declined since 1995. This is primarily due to tightened eligibility rules associated with the introduction of BC Benefits, combined with an increase in net jobs during a period of economic growth between 1995 and early 2001.

Prior to April 2002, the Ministry of Human Resources received 12,900 applications per month for BC Benefits. Of all applications received, only about 7,500 (58 %) ⁶ were granted support and shelter benefits (see Table 2).

Savings from Three Week Wait Policy

Until assessed otherwise, anyone who applies for income assistance is considered employable. As of April 2002, new applicants (called "enquirers") are expected to serve a minimum three week waiting period before they can apply for *Employment and Assistance* benefits.

The only categories of people who are *not* required to wait three weeks are:

- 1) Clients in residential care facility

- 2) Those with serious mental or physical health impairments
- 3) Children in the home of a relative
- 4) Patients in hospital, acute care, or continuing care; and
- 5) Spouses currently on welfare that have recently separated and are now applying for welfare independently.

More than 72,000 cases annually or 80 % of all enquirers ⁷ are likely to be delayed assistance for a month or more, even though they may have been eligible for benefits had they been allowed to apply. These same families are expected to look for work without any money for food, rent, telephone, bus fare, work clothes, child care or other expenses.

⁶ Statistics in this section were obtained through the Ministry of Human Resources, Policy and Research Division

⁷ Based on author's calculations. According to the author's discussion with Ministry officials, less than 20 % of all enquirers are expected to ask for and receive an Emergency Needs Assessment (ENA) which would allow them to get an appointment sooner than three weeks

The government stands to save approximately \$3.9 million per month or about \$46.7 million per year with the three week wait policy alone ⁸ (See Table 2 and 6). Some of the money saved will likely be spent on contracts for private companies who provide entry level job training and job orientation sessions to the very people whose welfare benefits were reduced or denied.

Other Program Reductions and Lost Income

The data on the tables 1 to 6 (see below) do not include money saved from the following benefits and programs which have been reduced or eliminated:

- Crisis benefits for food are capped at \$20 per month per person
- Crisis benefits for clothing are a maximum of \$100 per person per year (or \$400 per family, whichever is less)
- Crisis benefits for shelter are limited to actual shelter costs up to the maximum shelter rate for the family for one month only
- Child in the home of a relative payments (to be eliminated some time in the future)
- Transition-to-Work benefits (cancelled in April 2002)
- Changes to Child Care BC Act (universal child care implementation plan cancelled in June 2002)
- Reductions to health benefits (i.e. Schedule "C", supplementary health services)
- Reductions to dental benefits for employable clients
- Loss of homemaking services (now provided by Health Services instead of MHR)
- Phasing out of Seniors Supplement
- Denial of income assistance due to lower allowable asset levels (April 2002)
- Possible elimination of school meals program (TBA)
- Reductions to income assistance due to reclassification of disability status
- Other cuts which affect those 1) already on assistance, 2) leaving assistance for work, or 3) applying / reapplying for assistance. (For example: youth are required to

have 2 years of consecutive work experience—including time on EI—before being eligible to apply for welfare. Employable recipients are only entitled to receive welfare for 2 years out of 5.)

In addition, table data do not include the following income which is now deducted from BC Benefits cheques:

- CPP orphan's benefits
- WCB payments
- Lottery or bingo winnings
- CPP indexing payments
- \$20 deduction to recipient benefits for damage deposits received by landlords

We may never know how much all this is costing low income families. What we do know is that money no longer going to BC's poorest families will not be spent in local communities. Income assistance recipients, the working poor, and small businesses will all suffer from this tremendous loss of income. The data presented in the following tables are just the tip of the iceberg.

⁸ Based on author's calculations (see Table 2)

Table 1					
BC BENEFITS* EMPLOYABLE CASELOAD (under age 65)					
March 2002					
Family Type	No. of Cases on BC Benefits in March 2002	Max. amount per case each Month (April 2002 rates)	Maximum Total Benefits Received per Month	Cases as a % of Total Employable Caseload	Total No. of People Represented in Caseload
Singles	49,922	\$510	\$25,460,220	61.1 %	49,922
Couples	3,137	\$827	\$2,594,299	3.8 %	6,274
2 parent families	6,116	\$956	\$5,846,896	7.5 %	** 25,048
1 parent families	22,564	\$845	\$19,066,580	27.6 %	*** 59,718
Total	81,739		\$52,967,995	100 %	140,962
* Now called BC Employment and Assistance					
** This includes 12,816 children (an average of 2.1 children per family)					
*** This includes 38,163 children (an average of 1.7 children per family)					

Source: Author's calculations based on Ministry of Human Resources monthly statistics data
www.mhr.gov.bc.ca/research and other documentation obtained from MHR

Table 2			
BC Employment and Assistance Cases Monthly Savings From THREE WEEK WAIT POLICY			
Family Type	No. of New Cases each Month	Benefits that Could be paid to Eligible Recipients for one Month	MHR Monthly Savings from 3 Week Waiting Period Policy *
Singles	4,583	\$2,337,330	\$1,869,864
Couples	285	\$235,695	\$188,556
2 parent Families	563	\$538,228	\$430,582
1 parent Families	2,070	\$1,749,150	\$1,399,320
Total	7,501	\$4,860,403	\$3,888,322
* Calculations are based on 80 % of maximum benefits for each family type as it is assumed that at least 80 % of enquirers will not receive an Emergency Needs Assessment and will have to wait about a month to get assistance if they receive any assistance at all. According to the Ministry of Human Resources estimations, about 7,500 new cases on average were granted shelter and support benefits each month prior to April 2002.			
Source: Author's calculations based on Ministry of Human Resources monthly statistics data www.mhr.gov.bc.ca/research and other documentation obtained from MHR			

Table 3						
BC Employment and Assistance SHELTER ALLOWANCE REDUCTIONS TO FAMILIES WITH 3 OR MORE PEOPLE April 2002						
Family Size	Monthly Shelter Reduction	# of One Parent Families	# of Two Parent Families	Total # of One & Two Parent Families	Age of Household head	Income Loss for Families per Month
3+	\$50+ *	unavailable	unavailable	112	age 60-64	\$5,600
3+	\$50+ *	unavailable	unavailable	277	age 55-59	\$13,850
3	\$55	9,906	1,950	11,856	under age 55	\$652,080
4	\$60	3,517	1,989	5,506	under age 55	\$330,360

5	\$75	936	1,051	1,987	under age 55	\$149,025
6	\$70	228	396	624	under age 55	\$43,680
7	\$65	50	138	188	under age 55	\$12,220
8	\$60	11	40	51	under age 55	\$3,060
9	\$55	2	17	19	under age 55	\$1,045
10	\$50	2	6	8	under age 55	\$400
11	\$45	0	3	3	under age 55	\$135
Total		14,652	5,590	20,631		\$1,211,455

* Reduction is \$50 or more per month depending on family size

Note: Statistics in this table do not include those on continuous assistance (persons with disabilities and CIHR)

Source: Author's calculations based on Ministry of Human Resources monthly statistics data
www.mhr.gov.bc.ca/research and other documentation obtained from MHR

Table 4							
BC Employment and Assistance Cases LOSS OF MAINTENANCE AND FLAT RATE EARNINGS EXEMPTIONS April 2002							
Family Size	Family Type And Age of Household Head	Employment Status	Type of Exemption	Amount **	# of Families Affected	% of Families Affected *	Total Loss to Families per Month

2+	Single Parent under 65	All	Maintenance	\$100	9,362	29.8%	\$936,200
1	Single Individual under 65	Employable	Flat Rate Earnings	\$100	7,559	13%	\$755,900
2+	All Families 2+ Persons under 65	Employable	Flat Rate Earnings	\$200	7,562	18.5%	\$1,512,400
Total							\$3,204,500
<p>* Does not include those on continuous assistance (persons with disabilities and CIHR)</p> <p>** Amount of loss may be slightly overstated. Assumes that people use 100% of the exemption they were entitled to. For some clients, maintenance or earnings may be lower than the amount of the exemption. Earnings exemptions data do not include losses from the enhanced earnings exemption (where clients could keep 25% of their earnings in addition to earnings under the flat rate exemption.)</p> <p>Source: Author's calculations based on Ministry of Human Resources monthly statistics data www.mhr.gov.bc.ca/research and other documentation obtained from MHR</p>							

Table 5								
<p align="center">BC Employment and Assistance Cases SUPPORT ALLOWANCE REDUCTIONS April 2002</p>								
Family	Family	Age of	Employment	Old	New	# of	% of	Total Loss

Size	Type	Household Head	Status	Support Rate	Support Rate	Families Affected	Families Affected *	to Families per Month
2+	Single Parent	under 65	Employable	\$376.58	\$325.58	21,823	100%	\$1,112,973
2	Couple	55-59	Employable	\$401.06	\$307.22	333	100%	\$31,249
2	Couple	60-64	Employable	\$452.06	\$307.22	394	100%	\$57,067
1	Single	55-59	Employable	\$231.92	\$185.00	2,439	100%	\$114,438
1	Single	60-64	Employable	\$282.92	\$185.00	2,052	100%	\$200,932
Total								\$1,516,659
* Does not include those on continuous assistance (persons with disabilities and CIHR)								
Source: Author's calculations based on Ministry of Human Resources monthly statistics data www.mhr.gov.bc.ca/research and other documentation obtained from MHR								

Table 6				
2002—2003 SUMMARY OF ANNUAL SAVINGS FOR MINISTRY OF HUMAN RESOURCES				
Reason for Savings	Who is Affected	Monthly Savings MHR	Annual Savings MHR	See Table
3 Week Waiting Period	All new Employable Applicants	\$3,888,322	\$46,659,864	2
Cuts to Child Care Subsidy	Parents attending Education / Training or Working for Pay	\$2,166,667	\$26,000,004	N/A
Elimination of \$200 Flat Rate Earnings Exemption	Employable Single Parents, Couples and Families	\$1,512,400	\$18,148,800	4
\$45 to 75 Cut to Shelter Allowance	Families of 3+ Persons Household Head under age 55	\$1,192,005	\$14,304,060	3
\$51 Cut to Support Allowance	Employable Single Parents under age 65	\$1,112,973	\$13,355,676	5
Elimination of \$100 Maintenance Exemption	Single Parents	\$936,200	\$11,234,400	4
Elimination of \$100 Flat Rate Earnings Exemption	Single Employable	\$755,900	\$9,070,800	4
\$97.92 Cut to Support Allowance	Single Employable age 60-64	\$200,932	\$2,411,184	5
\$46.92 Cut to Support Allowance	Single Employable age 55-59	\$114,438	\$1,373,256	5
\$144.84 Cut to Support Allowance	Employable Couples age 60-64	\$57,067	\$684,804	5
\$93.84 Cut to Support Allowance	Employable Couples age 55-59	\$31,249	\$374,988	5
\$45 to \$75 Cut to Shelter Allowance	Families of 3+ Persons Household Head age 55-59	\$13,850	\$166,200	3
\$45 to \$75 Cuts to Shelter Allowance	Families of 3+ Persons Household Head age 60-64	\$5,600	\$67,200	3
Table data compiled by Lesley Moore based on MHR monthly statistics data www.mhr.gov.bc.ca/research and other documentation obtained from the Ministry of Human Resources	Total	\$11,987,608	\$143,851,236	

