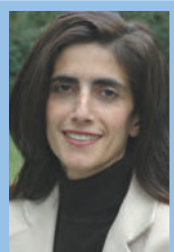


SOCIAL ASSISTANCE: WHAT NORTH AMERICAN REFORMS CAN TEACH US

In the past dozen years, the number of people on social assistance has fallen sharply across North America. In Quebec, the number of recipients went from 813,200 in March 1996 to 492,941 in October 2006, or 6.4% of the population, the lowest level since the late 1970s. Despite this, the province has the continent's highest proportion of people on social assistance apart from Newfoundland and the District of Columbia. This reflects both a traditionally higher level and a lower reduction than elsewhere.



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We can see that levels are substantially lower in the United States than in Canada¹ and that the proportional reduction has been much greater among our neighbours to the south. The U.S. level is down 73% (from its 1993 peak), compared to a 52% drop in Canada as a whole (since the 1994 peak) and by only 39% in Quebec (since the 1996 peak). Five U.S. states have experienced declines exceeding 80%. Quebec's spending on social assistance reached \$2.7 billion in 2005-2006.²

Why does Quebec lag so far behind? What can we learn from the social assistance reforms instituted in the United States and in some Canadian provinces? How can adult recipients of social assistance who are fit for work – amounting to two-thirds of them – be brought back into the job market so as to improve their situation?

Social assistance reforms in the United States

Starting in the early 1990s, several U.S. states began reforming their social

assistance systems. The process was moved forward by the 1996 federal reform under the *Personal Responsibility and Work Opportunity Reconciliation Act*, signed into law by President Clinton. This act created a new temporary assistance program for the poorest families, called *Temporary Assistance for Needy Families*.

Federal assistance in the U.S. is intended mainly for families with children. Financial assistance for adults without children and without work constraints does not exist at the federal level and is very limited at the state level. Other assistance does exist in the form of stamps or vouchers, in particular for food and housing.

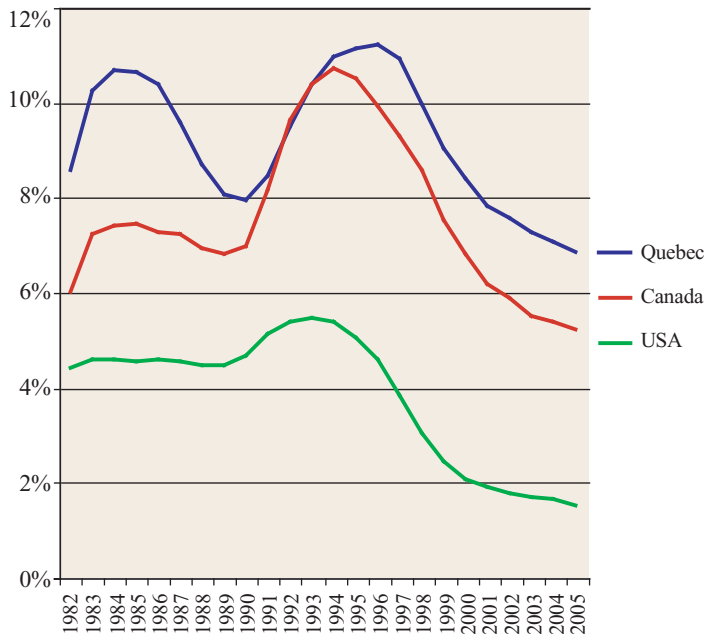
The new program emphasizes the temporary nature that social assistance is intended to have and the need for recipients to aim for self-sufficiency. It included a number of new measures, each state applying them differently with specific conditions and exceptions:³



1. Comparisons between Canada and the United States are complicated by the fact that social assistance is defined differently in the two countries. The data here should be regarded as indicative.
2. Department of Employment and Social Solidarity, *Rapport annuel de gestion 2005-2006*, p. 180, available at <http://www.mess.gouv.qc.ca/publications/index.asp?categorie=rappann#liste>.
3. See in particular Rebecca M. Blank, "Evaluating Welfare Reform in the United States," *Journal of Economic Literature*, Vol. 40, No. 2, December 2002, pp. 1105-1166; Chris Schafer, Joel Emes and Jason Clemens, "Surveying US and Canadian Welfare Reform," *Critical Issues Bulletin*, Fraser Institute, 2001, available at <http://www.fraserinstitute.ca/admin/books/files/SurveyingWelfare.pdf>. It should be noted that the reform contains other aspects that are not as pertinent to the debate, including those affecting single mothers under age 18 or eligibility for the public health insurance system.

FIGURE 1

Proportion of social assistance recipients, 1982-2005*



* Canada: As of March 31. United States: Monthly average over the calendar year. Sources: Statistics Canada, <http://www.statcan.ca/english/freepub/11-010-XIB/01104/feature.htm>; Institut de la statistique du Québec, http://www.stat.gouv.qc.ca/donstat/econm_finnc/conjn_econm/TSC/pdf/chap5.pdf; U.S. Census Bureau, <http://www.census.gov/prod/www/statistical-abstract.html>.

- Time limits on social assistance, generally with a lifetime limit of five years.
- An obligation for recipients to work, take part in community activities or undergo training (“workfare”), either immediately or after being in the system for a certain time. Failure to meet this obligation leads to sanctions ranging from lower payments to complete and permanent elimination.
- Special measures to encourage families in difficulty not to go on welfare. For example, special assistance to finance the repair of a car used for work purposes.
- Non-eligibility of immigrants during their first five years living in the country.

These changes aimed to make social assistance less attractive and work more attractive as well as to make it easier to obtain work. The aim is to guide existing social assistance recipients toward the job market while reducing the number of new recipients.

Reforms along similar lines, aimed at moving from unconditional assistance to conditional aid and leading eventually to self-sufficiency, were introduced in many OECD countries during the 1990s.⁴ These reforms included various restrictions and requirements and applied to limited groups of recipients. However, the U.S. experience had the broadest scope and remains the most heavily studied.

Modifying incentives

To what extent can it be said that improvements in social assistance rates in the United States since the mid-1990s result from reforms rather than from the strong economic growth that characterized much of that decade? Economic growth certainly played a role, but experts generally agree that this comes nowhere close to explaining the whole picture.⁵ Moreover, rates stayed more or less steady during the strong growth of the 1980s, as can be seen in Figure 1.

Social assistance reform unmistakably played a major role in this reduction. A recent econometric study estimates that 44% of the decline in social assistance rates from 1993 to 1999 resulted from reform measures.⁶ Other work incentives, such as the refundable tax credit for employment income, enhanced in 1993, also played a role. This measure provides low-income workers with an income supplement to improve their financial situation and to make work more attractive.

Furthermore, the sizable variation between U.S. states in reducing the number of social assistance recipients can be explained only by the extent of reforms. Wisconsin and Wyoming, among the strictest in terms of workfare and the

In the United States, financial assistance for adults without children and without work constraints does not exist at the federal level and is very limited at the state level.

4. See in particular Heather Trickey and Ivar Lødemel, “Workfare in International Perspective: Accommodating Heterogeneity,” *ESRC Labor Studies Seminar*, March 2002, available at <http://www.warwick.ac.uk/fac/soc/complabstuds/confsem/Trickey.htm>.
 5. Rebecca M. Blank, *op. cit.*, p. 1135.
 6. Adam Looney, *The Effects of Welfare Reform and Related Policies on Single Mothers’ Welfare Use and Employment in the 1990s*, Finance and Economics Discussion Series, Federal Reserve Board, 2005, p. 29, available at <http://www.federalreserve.gov/Pubs/feds/2005/200545/200545pap.pdf>.

imposition of sanctions, saw sharp declines in assistance rates (74% and 96% respectively). Florida most likely owes its 85% reduction to time limits in social assistance payments, with a two-year maximum per five-year period and a four-year lifetime limit. In contrast, jurisdictions such as Rhode Island or the District of Columbia, near the bottom of the list in social assistance reduction at 58% and 45% respectively, instituted more modest reforms (see Table 1).

Researchers found that states imposing an immediate workfare participation requirement on social assistance recipients obtained, in the following 18 months, reductions 11 percentage points greater than states that did not institute this condition. The states that imposed sanctions affecting the total amount of payments had reductions 25 percentage points higher than those with the weakest sanctions.⁷

Moreover, social assistance reforms encouraged recipients to enter the job market, where income is generally higher than social assistance payments. This resulted in less poverty. Studies indicate that a sizable majority – nearly two-thirds – of those who left the system later held unsubsidized jobs at a given time.⁸ The employment rate of women heading single-parent families (the main category of social assistance recipients in the United States) went from 63% in 1996 to 72% in 2001.⁹

As well, family income went up and poverty rates went down. Poverty levels in the U.S. for various population groups were lower in 2000 than in 1996. These levels went up again more recently, due in particular to an unfavourable economic situation, but they remain below pre-1996 levels. Child poverty, especially among black and Hispanic single-parent families (the groups most heavily affected by social assistance reform) has been reduced.¹⁰

Moderate reforms in Canada

The Canadian reforms generally have been more moderate than the U.S. reforms.¹¹ Only the governments of Alberta, Ontario and British Columbia have adopted significant measures.

Starting in 1993, the Alberta government discouraged persons who were fit for work from resorting to social assistance, reduced some payments, and required certain recipients who were fit for work to look for a job or go into professional training if they wished to continue receiving financial assistance. The social assistance level in Alberta fell by 77% between 1993 and 2005, from 7.4% to 1.7%, with strong economic growth obviously affecting this performance.

Wisconsin and Wyoming, among the strictest in terms of workfare and the imposition of sanctions, saw sharp declines in social assistance rates.

In 1995, the Ontario government cut social assistance payments by 21.6%, except for those unfit for work. Eligibility requirements for the system were tightened, along with penalties for violating conditions. In 1998, the “Ontario Works” workfare program was instituted: recipients who were fit for work but who could not find regular jobs had to agree to take part in measures leading to employment, such as education, training or community work, failing which they lose the totality of their payments. Between 1995 and 2005, Ontario’s social assistance level fell by 56%, from 12.4% to 5.4%.

In 2002, British Columbia became the only jurisdiction in Canada to set time limits on social assistance eligibility for recipients who were fit for work: the limit became 24 months over any 60-month period. In 2003 alone, the number of recipients in B.C. fell by a quarter.¹²

The governments of the other provinces generally contented themselves with tightening eligibility requirements and reducing payments. As in the United States, Canadian provinces where social assistance reform has gone furthest have had the greatest reductions in assistance rates.

7. Robert E. Rector and Sarah E. Youssef, *The Determinants of Welfare Caseload Decline*, Washington, Heritage Foundation, 1999, available at <http://www.heritage.org/Research/Welfare/CDA99-04.cfm>.

8. See for example Lisa E. Oliphant, “Four Years of Welfare Reform: A Progress Report,” *Policy Analysis*, Cato Institute, No. 378, August 22, 2000, p. 11, available at <http://www.cato.org/pubs/pas/pa378.pdf>.

9. June O’Neill and M. Anne Hill, Gaining Ground, *Moving Up: The Change in the Economic Status of Single Mothers Under Welfare Reform*, Manhattan Institute for Policy Research, Civic Report No. 35, March 2003, p. 14, available at http://www.manhattan-institute.org/html/cr_35.htm.

10. June O’Neill and Sanders Korenman, *Child Poverty and Welfare Reform: Stay the Course*, Manhattan Institute for Policy Research, Civic Report No. 44, December 2004, available at http://www.manhattan-institute.org/html/cr_44.htm.

11. Roger Sceviour and Ross Finnie, “Social Assistance Use: Trends in incidence, entry and exit rates,” *Canadian Economic Observer*, Vol. 17, No. 8, pp. 3.3 and 3.4, available at <http://www.statcan.ca/english/freepub/11-010-XIB/00804/feature.htm>; Schafer et al., *op. cit.*

12. Francine Roy, “Social Assistance by Province, 1993-2003,” *Canadian Economic Observer*, Vol. 17, No. 11, November 2004, p. 3.4, available at <http://www.statcan.ca/english/freepub/11-010-XIB/01104/feature.htm>. See also Karin Treff and David Perry, *Finances of the Nation 2005*, Toronto, Canadian Tax Foundation, 2006.

In Quebec, a major reform of social assistance took effect in 1988, providing work incentives and differentiating between those who were fit or unfit for work.¹³ A penalty of up to one-quarter of benefits could be imposed for refusal to take part in work assistance measures. Another change to the law in 1998 upheld the same essential principles but imposed harsher conditions on persons aged 18 to 24. In the 1990s, benefits also fell in real terms since they were not indexed to inflation. These reforms followed the North American trend, though in less intensive form.

In Quebec, the establishment of a minimum base payment regardless of whether the applicant takes part in any measures leading to the job market runs counter to what has been done elsewhere in North America.

In contrast, certain changes instituted in the new *Individual and Family Assistance Act* adopted in June 2005, in particular the establishment of a minimum base payment regardless of whether the applicant takes part in any measures leading to the job market, run counter to what has been done elsewhere in North America. From now on, a

supplement is paid for taking part in voluntary job or training measures. Quebec has none of the more far-reaching measures adopted in Ontario, Alberta or, more recently, in British Columbia.

As a replacement for a former program of assistance to low-income parents, the 2004-05 budget created the work premium, a refundable tax credit for all low-income workers. In its current form and amount, however, the work premium still seems far from providing a true incentive to work.¹⁴

Our system's characteristics explain why Quebec, along with Newfoundland, has become North America's social assistance champion. By looking to reforms implemented elsewhere, the Quebec government could help more recipients avoid the dependency trap and find their way onto the job market.

TABLE 1: A sample of social assistance reforms in the United States

	When workfare participation is required	Maximum sanction	Maximum length of sanction	Maximum lifetime coverage	Reduction in social assistance rolls, 1996-2005
Florida	Immediately	Payments cut off	3 months followed by 30 days' compliance	48 months	85%
D.C.	Immediately	Payments reduced by adult portion	6 months or until compliance, whichever is longer	60 months	45%
Rhode Island	1,5 months	Payments reduced by adult portion	Until compliance	60 months	58%
Wisconsin	Immediately	Payments cut off	Permanent	60 months	74%
Wyoming	Immediately	Payments cut off	1 month followed by 1 month's compliance	60 months	96%

Sources: Social Policy Development Project, *Summary of State Sanction Policies*, available at http://www.spdp.org/tanf/sanctions_overview.pdf (sanctions), information valid as of April 2000; calculations by the author based on data from the U.S. Department of Health and Human Services, available at <http://www.acf.hhs.gov/programs/ofa/caseload/afdc/1996/1996.xls> and at http://www.acf.hhs.gov/programs/ofa/caseload/2005/2005_15months_05112006_tan.xls (reduction).

13. Sylvie Morel, *The Insertion Model or the Workfare Model? The Transformation of Social Assistance within Quebec and Canada*, Status of Women Canada, September 2002, available at http://www.swc-cfc.gc.ca/pubs/pubspr/0662323467/200209_0662323467_2_e.html.
 14. See in particular Luc Godbout and Mathieu Arseneau, *La prime au travail du Québec, un véritable outil d'incitation au travail ou une simple façon de baisser l'impôt?*



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