



Saving Welfare Incomes and Poverty Profile

The imminent demise of the National Council of Welfare has alarmed people interested in poverty and equity issues in Canada. Especially worrisome is the uncertain future of two of the Council's most important products, the series *Welfare Incomes* and *Poverty Profile*. Over the years, these reports have become invaluable tools for the public policy community. Their loss would leave a huge hole in Canada's shrinking data base and diminish our understanding of welfare and poverty in this country.

This statement proposes a way to save these two vital fonts of information. The work of the *Welfare Incomes* and *Poverty Profile* will be taken over by the Caledon Institute of Social Policy as a part of a new *Canada Social Report* and situated in the voluntary sector.

Welfare Incomes

Social assistance (better known as welfare) is one of Canada's most important,

complex and controversial social programs, made up as it is by programs in each of the 13 provinces and territories.

Before the National Council of Welfare's pioneering 1987 report *Welfare in Canada: The Tangled Safety Net* and the annual series it spawned, *Welfare Incomes*, there was no consistent, publicly available source of information on the welfare system, its rates and its rules. Governments naturally collected their own information for internal use, but that data was not designed for or made publicly available to the wide range of Canadians interested in the welfare system, including recipients, researchers, social advocates, academics, students, media, government officials, politicians and the concerned public.

Welfare in Canada presented the first-ever compilation of income benefits for three illustrative households on social assistance in 1986 – a single employable recipient, single parent (deemed unemployable) with one child age 2 and an employable couple with two children ages 10 and 15. This initial analysis

of welfare incomes looked at the ten provinces and Yukon; it was unable to include the Northwest Territories because estimates of the shelter component of basic needs allowances could not be obtained.

The Council estimated the maximum amount payable but for basic social assistance only; in reality, some welfare recipients also receive extra assistance in recognition of their special needs (e.g., for a health- or disability-related problem). The study also included other sources of income available to welfare recipients, such as federal child benefits (family allowances and the refundable child tax credit) and provincial/territorial tax credits (e.g., Quebec's property tax credit, Ontario's sales tax and property tax credits, Manitoba's property tax and cost of living tax credits and the renter assistance credit in Alberta).

Total income from federal and provincial/territorial sources came to be known collectively as 'welfare incomes.' Welfare incomes were compared to the poverty line (using Statistics Canada's low income cut-offs, LICOs) to show the 'poverty gap' – i.e. the dollar amount that benefits fell below the poverty line. Welfare incomes also were calculated as a percentage of the poverty line.

One of *Welfare in Canada's* many (55) recommendations was that the provinces and territories should publish historical series of social assistance rate changes. The National Council of Welfare, in effect, followed its own advice when it published the first *Welfare Incomes* report in 1990-91, analyzing data for 1989. The report added a fourth household type – a single person with a disability – and two more sources of income: the federal refundable sales tax

credit and provincial child benefits. However, refundable credits had been ended by Quebec and Alberta since the publication of *Welfare in Canada*, so only Ontario provided them in 1989.

Over the years, *Welfare Incomes* added and subtracted provincial/territorial tax credits as they were created and ended, and replaced the federal sales tax credit with the GST credit in 1992. Welfare incomes were now also compared to average incomes for each of the four household types in each jurisdiction. All the provinces and Yukon were included in the analysis; estimates for the Northwest Territories were still not available and would not be until 1993.

Over the years, *Welfare Incomes* has amassed data that enabled researchers to plot real trends in welfare incomes expressed in inflation-adjusted constant dollars. The series periodically added other useful data. These include several different low income measures – besides the original low income cut-offs (based on gross income), the Market Basket Measure and the after-tax low income cut-offs. Welfare incomes had been compared to average incomes; a comparison to median incomes was added.

On occasion, special topics were examined in the welfare series. For example, an analysis was carried out on the number of persons on welfare over a ten-year period. A focus on child benefits was featured one year. *Welfare Incomes* went online in 2007 with data for 2006. The report covered all 13 jurisdictions as the Northwest Territories and Nunavut were added.

Welfare Incomes is best known for two key factors: i) its presentation of social assistance and related income program rates

each year and ii) its analysis of trends over time in the value of welfare incomes measured in constant dollars and as a percentage of various poverty lines as well as average and median incomes. But the reports also have chronicled the myriad and continual changes in welfare rules and rates in each of the provinces and territories as well as other income benefits provided by the federal and provincial/territorial governments. Each report has included liquid asset exemption levels and monthly earnings exemption levels. This rich body of data has enabled researchers to get a better grasp of the complex workings of the welfare system.

Anyone in Canada who looks for information on welfare rates and rules invariably ends up at *Welfare Incomes*. To give a specific example, the Caledon Institute of Social Policy used data from *Welfare Incomes, 2000 and 2001* in its pioneering 2003 study *Minimum Wages in Canada: A Statistical Portrait with Policy Implications*. Caledon compared minimum wage disposable income and welfare income for single persons, single parents with one child and couples with two children in each province and territory. It found that single people in every province and territory are better off in income terms working for the minimum wage than on welfare, though the minimum wage advantage over welfare varied considerably across the country. Different results were obtained for other household types.

Welfare Incomes is well used by the disability sector in particular. The report is used extensively by the large and effective disability community to track rates and top-ups for their clients and, in turn, develop policy. *Welfare Incomes* is essential and unique in this regard.

Over the years, *Welfare Incomes* has established a reputation for reliable information and meticulous analysis. It is the only comprehensive source of welfare data and information in Canada, openly accessible to a wide readership. It must be saved.

Poverty Profile

In January 1982, the National Council of Welfare released *Poverty in Canada: 1980 preliminary statistics*, its first comprehensive look at poverty in this country. Based on data from Statistics Canada's *Income Distributions by Size: Preliminary estimates, 1980*, and using the agency's low income cut-offs, the Council's report employed two key indicators – incidence or risk of poverty (the percentage of Canadians with low incomes) and distribution (the percentage of low-income households within each category). These indicators were applied to a variety of major social, demographic and economic categories including region; community size; sex, age and employment status of household head; size of family; and number of children.

In 1980, an estimated 639,000 Canadian families were below the poverty line, which represented an incidence of poverty of 10.4 percent (639,000 out of a total 6,122,000) or one family in ten. The risk of poverty among families ranged widely according to such factors as where it lived, its head's sex, age, labour force status and number of children. For example, families headed by women faced a much higher risk of poverty than those with male heads – 41.5 percent and 7.0 percent, respectively. Families living in Atlantic Canada also had a relatively high incidence of poverty – 13.8 percent – while only 6.8 percent of those in

British Columbia were poor. One-quarter of families whose heads were not in the labour force were poor compared to just 6.6 percent of those in the workforce.

The incidence of poverty among single persons – 31.4 percent – was much higher than for families (10.4 percent). As with families, some categories of unattached individuals were more vulnerable than others. For example, 38.1 percent of females were poor compared to 22.9 percent of males. Single seniors age 70 and over had a poverty rate of 48.1 percent compared with 15.6 percent of those ages 25 to 34. More than half (53.8 percent) of singles not in the labour force were poor as opposed to 16.7 percent of those in the workforce.

Distributional analysis illuminated another dimension of poverty. The Council's report looked at the distribution of poor and non-poor families and singles within the categories above. A comparison of the results for poor and non-poor families and single persons tells whether low-income households are underrepresented or overrepresented within each category. The distributional analysis also showed where poor families and singles are concentrated within various regions, age groups and other categories.

For example, in 1980, male family heads represented 60.3 percent of all low-income families compared to 39.7 percent of those led by women. But male-headed families represented 93.5 percent of non-poor families, while only 6.5 percent of non-poor families were led by women. In other words, although three in five low-income families had male heads, the proportion of female heads was six times greater among poor as non-poor households (39.7 percent versus 6.5

percent). Families led by women were highly overrepresented among low-income families.

People to this day sometimes confuse poverty incidence and distribution. For instance, male-headed families had an incidence of poverty of just 7.0 percent in 1980, but constituted the majority (60.3 percent) of all poor families. Certain groups face a high risk of poverty – Aboriginals, persons with disabilities and immigrants included – but comprise a relatively small proportion of the population overall.

Poverty in Canada also looked at the distribution of income among families and singles, based on five groups (known as 'quintiles' or fifths). Two features stood out: Income is distributed in a highly unequal and regressive manner, and there has been little progress in redistributing income since mid-century. The report also looked briefly at average income, which in constant terms slipped between 1979 and 1980.

Poverty in Canada became the model for a series of poverty reports published regularly in subsequent years, under the name *Poverty Profile*. The next report was *Poverty Profile 1985*. It followed the format established in *Poverty in Canada* but added several categories, including level of education, major source of income, immigrant and native-born, homeowners versus renters and additional labour force categories.

The study expanded its look at average income (now expressed in constant dollars) to include trends by sex, age and quintile, and added a section on average earnings trends (by sex, full-time/part-time work and age). The analysis of the distribution of income, which in the previous report looked only at total income, broadened to

examine three definitions of income – market income (including employment earnings, private pensions, savings and investment, and rent), total income (market income plus government income programs) and after-tax income (income after federal and provincial income taxes and tax credits).

Over the years, *Poverty Profile* added more information (e.g., an analysis of the provinces) and shed light on topical issues such as the feminization of poverty, the working poor, child poverty, seniors and Aboriginal Canadians. Its most recent theme was racialized poverty. More groups were added to the analysis – persons with disabilities, visible minorities, students and immigrants – thanks to Statistics Canada’s new Survey of Labour and Income Dynamics.

The first two poverty reports took their data from Statistics Canada’s published reports. *Poverty Profile 1988* relied heavily on this data but obtained additional unpublished data from the agency. This mix of published and unpublished data underlay all subsequent poverty reports.

Advances in low income research at Statistics Canada provided new kinds of data that enabled the *Poverty Profile* to provide a deeper analysis than by focusing only on the incidence and distribution of poverty. *Poverty Profile 1980-1990* included the Council’s first look at the depth of poverty, which is measured in several ways. One method calculates the average income of low-income families and singles as a percentage of the poverty line, which in 1990 ranged from a low of 56.0 percent for unattached men under 65 to a high of 83.8 percent for elderly couples.

Another related measure shows the difference between the poverty line and the average income of poor households – in other words, the average dollar amount that different groups fall below the poverty line. For families, the average depth of poverty expressed in dollars ranged from \$2,259 for unattached men over 65 to \$8,232 for families led by single mothers under 65.

A third measure estimates the total poverty gap, which is the amount of money required to eradicate all poverty. In 1990, the total poverty gap amounted to \$11.2 billion.

Yet another indicator is the number of Canadians living not much above the poverty line. In 1990, there were 874,000 families below the poverty line and another 513,000 between the poverty line and 125 percent of the poverty line. There were 1.1 million unattached individuals below the poverty line and another 385,000 between the poverty line and 125 percent of the poverty line. These large numbers of ‘near poor’ Canadians indicate that a struggling economy can drive many near-poor households beneath the poverty line and, conversely, a good economy can lift many poor people above the poverty line.

Poverty Profile 1997 introduced another new form of poverty analysis – duration of poverty – based on data from the new Statistics Canada longitudinal survey, the Survey of Labour and Income Dynamics. For example, between 1993 and 1996, 8.6 percent of lone-parent families were poor for one year, 4.2 percent were poor for two years, 8.5 percent were poor for three years and a sizable 36.2 percent were poor for all four years; a minority (42.5 percent) were never poor throughout that four-year period. Thus a

total 57.5 percent of single-parent families were poor for at least one year between 1993 and 1996 and 36.2 percent were poor all four years.

Poverty Profile has grown in breadth and depth over the 30 years it has been published. It provides clear explanations of poverty trends and characteristics in Canada. Like *Welfare Incomes* is for the welfare system, *Poverty Profile* is an essential tool for anyone interested in understanding poverty in Canada.

Preserving Welfare Incomes and Poverty Profile

The Caledon Institute of Social Policy intends to save *Welfare Incomes* and *Poverty Profile*. Caledon is well equipped to do so.

Over its 20 years in operation, Caledon has tackled a wide range of social policy areas. These include income security programs such as child benefits, pensions, benefits for people with disabilities, Employment Insurance, minimum wages and social assistance. Caledon has undertaken deep analysis of the welfare system and ways to reform it. It was commissioned by several provinces and territories to help with their welfare reform efforts. Poverty and inequality have been constant themes in Caledon's work over the years.

But Caledon has a more direct relationship with *Welfare Incomes* and *Poverty Profile*. Before he became President of Caledon, Ken Battle was Director of the National Council of Welfare. In 1987, he hired Sherri Torjman (now Caledon's Vice-President) as a consultant to research and write the pioneering study *Welfare Canada: The Tangled Safety Net*; Torjman and Battle created the methodology for the first welfare income estimates presented in that report. Sherri Torjman went on to produce five editions of *Welfare Incomes*. While at the National Council of Welfare, Ken Battle created the first *Poverty Profile* in 1982 and wrote several editions thereafter before he left the Council to found Caledon in 1992.

Caledon looks forward to maintaining the data and analysis of the National Council of Welfare's reports on welfare and poverty, which will form part of a new series, the *Canada Social Report*.

Ken Battle and Sherri Torjman

Copyright © 2012 by
Caledon Institute of Social Policy

1354 Wellington Street West, 3rd Floor
Ottawa, ON K1Y 3C3
CANADA

Tel/Fax: (613) 729-3340

E-mail: caledon@caledoninst.org

Website: www.caledoninst.org