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AN
UPDATING
SUPPLEMENT TO
ALTERNATIVES
TO POVERTY AND
WELFARE
IN ALBERTA

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INTRODUCTION

Much has happened in the world in the two years since Alternatives to Poverty and Welfare in Alberta was written. Yet, in the area of poverty and welfare, things remain much as they were.

Although there have been some minor changes in Canada's and Alberta's welfare programs, they continue to have approximately the same social and economic impact. In fact, welfare recipients in Alberta were relatively worse off in 1973 than they were in 1970. This has occurred in spite of the fact that Alberta's economy has been among the strongest in Canada and that Alberta's unemployment rate is the lowest. In short, welfare recipients and the working poor have benefitted little from Alberta's economic prosperity.

The information in this supplement updates that found in Alternatives, to the extent that such new information is available. Analysis and comments are given about the nature and significance of these new circumstances. The format of the supplement follows that of Alternatives, to aid in easy comparison. The supplement is incomplete by itself and should be read in conjunction with Alternatives, since many sections are not repeated in this supplement if conditions have remained basically the same. Tables in the supplement correspond to those in Alternatives and do not follow sequentially.

PART I

POVERTY AND THE WELFARE RECIPIENT

Recent rises in personal income and the cost of living necessitate updating of poverty lines (Table 1:1). For reasons mentioned in Alternatives, we consider the Senate Committee poverty line the most realistic and appropriate one.

TABLE 1:1

Comparison of Senate Committee and Statistics Canada/E.C.C. poverty lines by family size, estimated for 1973. (Data not yet available to permit calculation of 1974 poverty lines.)

Family Unit Size	Senate Committee Poverty Lines (\$)	Statistics Canada/E.C.C. Poverty Lines (\$)
1	2,650	2,150
2	4,440	3,600
3	5,320	4,320
4	6,210	5,040
5	7,100	5,760
⋮		
10	11,520	5,760

Source: Estimates supplied by Canadian Council on Social Development, Ottawa, July 15, 1974.

: For definitions of these poverty lines, see page 3 of Alternatives.

WELFARE RATES

TABLE 1:3

Annual Maximum Standards For A Couple With Two Children Under Provincial Social Assistance Programs, By Province, April 1973. (c).

Newfoundland	2,940
Prince Edward Island	3,552
Nova Scotia	3,300
New Brunswick	3,408
Quebec	3,510
Ontario	4,032
Manitoba (a)	3,864
Saskatchewan	3,972
Alberta (a)	4,158
British Columbia (b)	4,200

(a) Rates effective May 1, 1973. (Alberta's welfare rates have been raised since this date.)

(b) Rates effective June 1, 1973.

(c) We have been unable to obtain more recent figures for all provinces.

Source: Department of National Health and Welfare, Working Paper on Social Security, Ottawa, April, 1973, p. 54.

In December 1970, Alberta's welfare rates for a family of four were 74.4% of the Senate Poverty Committee poverty line. (1). At the end of 1973, Alberta's rates had declined to 66.9% of this poverty line. (2). Such a family was, relatively, 10% worse-off in 1973, compared to 1970. In 1970, this family was \$1,380 below the poverty line and \$2,052 below in 1973. The poverty gap has increased by \$672 or 49%. In 1970, this family had 62% of the income Canadians in general thought was necessary to be above the poverty line, but by 1973, they had only 58% as much. These relative declines have occurred because

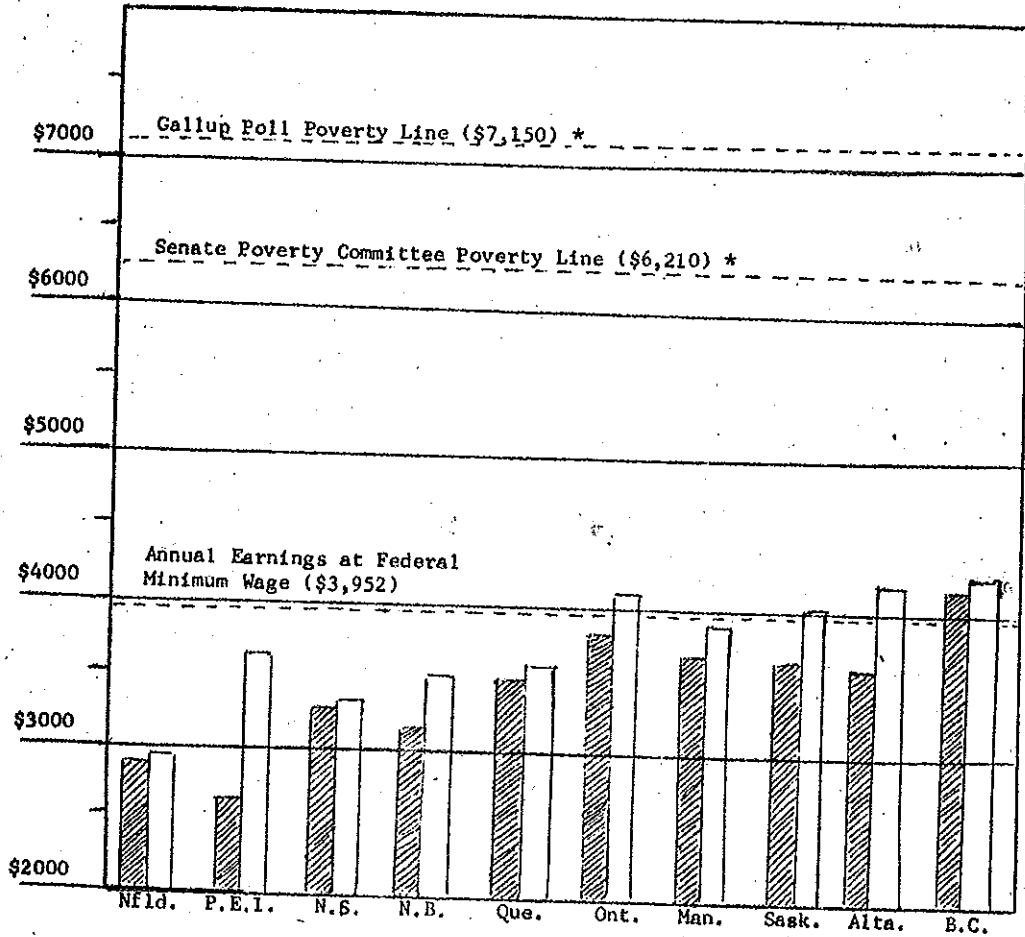
(1) see Tables 1:3 and 1:4 in Alternatives.



(2) see Tables 1:1 and 1:3 of this supplement.

Alberta's welfare rates have not risen as fast as the standard of living, or as fast as the welfare rates in many other provinces. In the sixteen months prior to June, 1973, food costs in Alberta rose 12.5% but welfare food allowances rose only 9%. Other aspects of the welfare allowance were not raised at all despite increased costs of living. Consequently, Alberta has been making recipients relatively poorer (compared to other groups and in actual purchasing power), causing some to suffer from poor nutrition and even malnutrition. (1).

TABLE 1:4

Comparison of welfare payments, minimum wage earnings, and poverty lines for a family of four, by province, 1973. (1974 figures unavailable.)



 - Minimum Wage Levels (February 1, 1973).
 - Welfare Levels (April, 1973; See Table 1:3).

SOURCE: * Supplied by Canadian Council on Social Development, July 15, 1974.

(1) See Edmonton Social Planning Council, "The Public Assistance Food Allowance Increase", Edmonton, June 1973.

TABLE 1:5

Incidence of Low Income in Canada (Definitions of low income used here do not correspond to any "poverty line".)

	FAMILIES, %	UNATTACHED INDIVIDUALS, %
<u>1973</u>		
All units, Canada	14.1	39.6
Family size: 1	-	39.6
2	16.5	-
3	11.8	-
4	10.7	-
5 or more	15.6	-
By area: Atlantic Provinces	20.1	45.7
Quebec	16.2	41.4
Ontario	11.1	34.7
Prairie Provinces (including Alberta)	17.6	44.1
Alberta	16.5	38.8
British Columbia	8.8	40.6
By community size: 500,000 and over	11.9	37.0
100,000 - 499,999	12.3	36.8
30,000 - 99,999	13.9	42.7
15,000 - 29,999	12.3	35.6
Small urban areas	16.5	48.6
Rural areas	18.3	47.3
By sex: Male	11.1	32.6
Female	45.1	45.3
By age of household head: 24 and under	15.4	38.4
25 - 34	12.2	16.6
35 - 44	13.4	18.2
45 - 54	10.3	32.4
55 - 64	13.5	42.6
65 - 69	22.7	53.8
70 and	27.4	69.5
<u>1972</u>		
By education: 0-4 years of schooling	33.8	62.7
5-8 years of schooling	19.5	47.6
Some secondary	12.8	34.4
Complete secondary	7.4	26.9
Some post-secondary	6.0	24.1
University degree(s)	3.2	14.1

Source: Income Distribution by Size in Canada, Preliminary Estimates 1973, Cat: 13-206, Statistics Canada, October, 1974; Income Distribution by Size in Canada 1972, Cat: 13-207, Statistics Canada, August, 1974.

- Notes: (a) 1973 figures are not yet available concerning incidence by education.
 (b) Slightly different definitions were used for "low income" between 1972 and 1973 figures used here. The 1973 definition reflects more recent consumption patterns for Canadian families.

The figures above reveal:

- (1) unattached individuals are almost three times (2.8) as likely to suffer from a low income as are families;
- (2) family size does not appear to be a significant factor, although the larger the family at a given income, the more severe will be the hardships of low income;

- (3) Alberta families are more likely to have low income than the average Canadian family and unattached individuals in Alberta are slightly less likely to have a low income than for Canada as a whole;
- (4) Generally speaking, the smaller the size of one's community, the more likely one is to have low income;
- (5) Families headed by females are four times as likely to have a low income as those headed by males. For unattached individuals, females have a 39% higher chance of having a low income compared to males;
- (6) Senior citizens (65 and over) and youth (24 and under) are most likely to have a low income (probably because they are less likely to be employed);
- (7) Having less schooling is associated with a greater likelihood of having a low income.

These patterns are basically similar to those of 1967.

THE WELFARE RECIPIENT

TABLE 1:7

Canadians receiving Social Assistance, March 31, 1970-73 (including dependents).

	Number(*)	% of Canadian Population
March 31, 1970	1,243,983	5.86
1971	1,460,064	6.78
1972	1,379,257	6.33
1973	1,221,413	5.54

(*) Includes only those receiving assistance on March 31 of each year and does not include all persons receiving assistance at some time during the year.

Sources:

- (a) National Health and Welfare, Canada Assistance Plan Annual Report, 1969-70, 1970-71, 1971-72; 1973 figure supplied by the Department, October, 1974.
- (b) Canadian population estimates for April 1 of each year from: Quarterly Estimates of Population for Canada and the Provinces, Cat: 91-001, Statistics Canada, Ottawa.

By virtue of population growth alone, we would expect recipient numbers to increase. Actually they have decreased. Changes in unemployment rates appear more likely to affect the numbers than population growth. This supports the suggestion that "employable" recipients will take employment when available. The Edmonton experience further supports this suggestion (see Tables 1:12 and 2:2).

From July 1970 (see Alternatives, p. 5) to August 1972(1), the number of social assistance cases in Canada declined by 17.3% and the number of dependents increased by 14.1%. Therefore, the assistance cases have actually declined more than would be suggested by the figures for total recipients (including dependents) found in the Table above.

(1) See National Health and Welfare, Working Paper on Social Security in Canada, Ottawa, April, 1973, p. 50.

THE WORKING POOR

The welfare system continues to operate on the philosophy that if you work, you look after yourself and only if you cannot work for some identifiable and acceptable reason are you deserving of assistance. For the most part, it has seldom occurred to legislators that it is possible to be fully employed but still in serious need.

Only recently in a very few provinces have some positive changes begun. Prior to 1973, no province systematically or clearly granted income supplementation to the working poor not on social assistance. In 1973, British Columbia started a program to bring the net earnings of low-income earners up to the prevailing rates of social assistance. This fall, Saskatchewan will begin supplementing the earnings of low income workers up to an income level of approximately \$10,000, depending on family size. Manitoba is just beginning a guaranteed income experiment which includes the working poor. The City of Toronto is seriously considering a program similar to that in British Columbia. The Federal Government is also considering a general income supplementation scheme to assist the working poor.(1).

Alberta, however, does not appear to have any plans concerning general income supplementation for the working poor. At present, it provides help to a very tiny proportion of this group (about 1.4% of the assistance caseloads). In 1971, Statistics Canada estimated that the working poor constituted about half of Canada's poor. These families have a head in the labour force who is unable to earn an income sufficient to keep his family out of poverty.(2). Applying this to Alberta, there are likely almost as many working poor not receiving assistance as there are people on social assistance. Thus in 1973, for every case in which Alberta provided financial help (social assistance) to working poor, there were probably between 65 and 70 times as many working poor who received no help and who therefore remained in poverty. Obviously, poverty is as much associated with working as it is with welfare.

(1) D. Ross, "Is There A Need for Income Supplementation", Canadian Council on Social Development, Ottawa, April, 1974.

(2) *ibid.*

WELFARE CHEATING - THE MYTH CONTINUES

The myth of the "welfare bum" continues to be strongly accepted. A government attitude survey found that "Albertans believe that almost 30% of people presently getting welfare do not deserve that welfare, and are abusing the system". Almost one-third of those interviewed felt that the extent of abuse exceeds 40%. At the same time, over 30% of the sample said they knew almost nothing about public assistance. A total of 75% said they knew only a few things or less.(1).

According to Mr. K. Wass, responsible for welfare in Edmonton, and Mr. W. Casselman, Director of provincial public assistance, serious welfare abuse is almost non-existent. Mr. Casselman estimates that only 1% of welfare recipients need to be investigated and only one-tenth of 1% are acting unlawfully. Mr. Wass notes that in the United States, where authorities spent large sums on investigation, they found they were spending \$10.00 to save \$1.00. Both Mr. Casselman and Mr. Wass say their departments readily investigate complaints that persons are cheating on welfare, but that few such complaints turn out to be justified.(2).

Bob Harvey, a reporter for the Edmonton Journal and a part-time Social Work student, concludes that:

Welfare isn't easy to get. I know because for three months I spent half a day a week screening applicants for City welfare, backed up by an experienced social worker. That experience ... convinced me that it's almost impossible for a would-be cheater to obtain welfare money. Just as important, all welfare applicants I saw deserved any assistance they got.(3).

Social workers who hand out welfare must take a sworn affidavit from applicants about their financial circumstances. Clients are warned that it is an offense to give false information. Checks are also made with past employers, with provincial social development departments and often with the Unemployment Insurance Commission and other agencies. Then the social worker must visit the applicant at home, partly to ensure the applicant's marital or other circumstances are as indicated.(4).

A recent independent study in Nova Scotia discovered that "welfare recipients here, even those normally classified as "employable", still need public assistance ... This study merely concludes that they really exist ... and that, for the most part, under present market conditions, they are not "putting us on". It also concluded that welfare recipients do not have much chance of getting a job, especially when general unemployment is already high. Though often considered employable, they are really marginal workers whose lack of training, experience and education cuts them off from most work.(5).

It is true that a tiny minority do succeed in cheating but many of these are caught. It is also true that when some social workers see that welfare recipients are living in poverty, they sometimes "bend the rules" if they feel this is justified by the circumstances. But the widespread myth of massive welfare cheating continues to take our attention away from the real problem - poverty. If we concerned ourselves as much with helping people to escape from poverty as we do worrying about cheating, there would be no cheating problem to worry about.

- (1) Department of Health and Social Development, "Public Attitudes Toward Public Assistance in Alberta", April, 1973, p. 1.
- (2) Edmonton Journal, July 2, 1974, p. 17, "Charges lean on fact, fact on fable".
- (3) Edmonton Journal, July 2, 1974, p. 27, "It's hard to crack the welfare screen".
- (4) *ibid.*
- (5) Edmonton Journal, October 18, 1974, "Welfare rip-off discounted".

ALBERTA SOCIAL ASSISTANCE

TABLE 1:10 AND 1:11

Alberta Department of Social Development, Caseload Percentages, March 31, 1972 and 1973.

	1972	1973
Age	14.4 %	20.7 %
Children	2.2	2.3
Ill Health	32.4	23.6
One-parent Families	30.8	31.2
Employed - Insufficient Income	5.0	1.4
Unemployed - Employables	11.2	4.2
Employment Opportunities	3.9	16.6
Total %	100.0	100.0
Total Number	29,768	30,570

Source: Alberta Department of Health and Social Development, Annual Reports, 1971-72, p. 41 and 1972-73, p. 29.

The figures in Table 1:11 of Alternatives show that the numbers of "unemployed employables" declined 46.2% from March 1971 to July of 1972. That this decline occurred simultaneously with increasing employment opportunities in Alberta supports the suggestion that people on welfare who can work will take work when it is available.

TABLE 1:12

Benefit Payments, Social Assistance, City of Edmonton, 1971, 1972, 1973 (approximate payments).

1971	\$ 3,695,875
1972	\$ 2,422,000
1973	\$ 1,828,000

Source: K. Wass, Superintendent, Edmonton Department of Social Services, October 29, 1974.

From 1971 to 1973 the expenditures of the City dropped by 50.5% in spite of increases in benefit rates during that period. Mr. Wass attributes this decline primarily to the relatively very low unemployment rates in Edmonton and Alberta. He indicates that almost all "employable" recipients take employment as soon as they can find it. Those "employables" handicapped by temporary physical, mental or emotional ill health constitute the only significant exceptions to the general situation. Mr. Wass also suggests that in the event of a decline in economic prosperity and employment, the City will experience a corresponding rise in assistance caseloads and expenditures.

PART II

THE IMPACT OF SOCIAL AND ECONOMIC POLICIES

It is still true that poverty is mainly the product of inadequate economic and social policies and inadequate mechanisms of income distribution and that even full-time year-around employment is no guarantee against poverty.

MINIMUM WAGES

TABLE 2:1A

Rank Order (*)	Jurisdiction	Date Effective	Hourly(**) Rate \$
1	N.W.T.	April 1, 1974	2.50
2	British Columbia	June 3, 1974	2.50
3	Yukon	April 1, 1974	2.30
4	Saskatchewan	July 2, 1974	2.25
5	Ontario	October 1, 1974	2.25
6	Federal	April 1, 1974	2.20
7	Manitoba	July 1, 1974	2.15
8	Quebec	November 1, 1974	2.15
9	Alberta	April 1, 1974	2.00
10	Newfoundland	July 1, 1974	2.00
11	Nova Scotia	October 1, 1974	2.00
12	New Brunswick	July 1, 1974	1.90
13	P.E.I.	July 1, 1974	1.75

(*) Rank order from highest to lowest; where rates are the same, from date of effect.

(**) Experienced adult workers.

Source: Federal Department of Labour.

It should be noted that Alberta, a "well-off" province ranks in ninth position. Only two other jurisdictions (both Atlantic provinces) have lower minimum wages for 1974. Alberta's minimum wage will be increased to \$2.25 January 1, 1975 and to \$2.50 July 1, 1975. About 5½% of Alberta's work force is paid the minimum wage (36,000 persons). For those under 18, the present minimum wage of \$1.85 will be increased to \$2.10 January 1, 1975 and \$2.35 July 1, 1975. Students working part-time will receive an increase from the present \$1.50 to \$1.75 January 1, 1975 and \$2.00 July 1, 1975.

Thousands of low-paid workers, although entitled to minimum wage rates, are short-changed millions of dollars each year by employers who fail to comply with provincial and federal minimum wage laws. Many such workers are reluctant to register complaints for fear of being fired. Others still are not aware of their right to the minimum wage. (1).

(1) The Edmonton Journal, February 1, 1974, p. 21, "Fear prevents many from collecting full wages."

A person working 40 hours per week for 52 weeks for minimum wages in Alberta in 1973 received \$3,718 for the year. This would keep a single individual but not a couple or a family (without other income) above the poverty line.

TABLE 2:1B

Alberta Minimum Wage Earnings as a percentage of Senate Poverty Committee Poverty Line, Alberta, 1973.

Family Size	Annual Earnings (*) @ minimum wage as % of Poverty Line	Amount Minimum wage earnings are below poverty line
1	140 %	
2	84	\$ 722
3	70	1,602
4	60	2,492
5	52	3,382
⋮		
10	32	7,802

(*) \$3,718 for 40 hours, 52 weeks, Alberta 1973.

Note: Data is not yet available to allow comparisons for 1974.

In order to remove low minimum wages as a cause of poverty, the Government of Alberta should raise the minimum wage to an amount equivalent to the Senate poverty line. In the first year this should be the poverty line for a family of two, the second year a family of three and the third year a family of four (the typical family size). Families of larger size would be assisted through increased family allowances. Such a step would eliminate close to one-half of the poverty in Alberta. Since Alberta's unemployment rate is exceptionally low compared to other provinces, this could be done with minimized danger of creating additional over-all unemployment.

UNEMPLOYMENT

Canada's unemployment rates over the last three years have been well above the commonly accepted 4% "norm". This rate is frequently justified as a level necessary to keep unemployment high enough so that wages may be kept low. But if such high rates prevailed in many European countries, it is likely the government would fall or violent social protest would occur. Such high rates in Canada, while not leading to physical violence, do lead to hidden social violence - namely the hardships of poverty for many. It continues to be the case that unemployment hits hardest those who are poorer in the first place, individuals who can least afford a drop in income. Research in the United States suggests that "as the unemployment rates go up, so do rates of fetal deaths and deaths of both newborn and infants over one month old...A direct relationship between unemployment and infant deaths can be seen...General economic well-being may be more important to health than the availability to medical services." (1). Thus, it appears that unemployment not only reduces opportunities and the quality of life for those affected, but also the chance for infant survival itself.

TABLE 2:2

Unemployment Rates, Canada, 1971-1973.

1971	6.4%
1972	6.3%
1973	5.6%

SOURCE: Canadian Statistical Review, May 1974, p. 16.

TABLE 2:4

Unemployment Rates by Occupation, Canada, 1973.

Occupation	Unemployment Rate %
Office and Professional	3.0
Service and Recreation	5.6
Primary	5.5
Craftsmen, production process, etc.	6.6
Transportation	6.7
Labourers and Unskilled	15.7
All occupations	5.6

SOURCE: The Labour Force, Cat: 71-001, Statistics Canada, April 1974, p. 81.

Unemployment hurts not only the poor. It has an effect on everyone in the society by reducing the amount of social wealth produced. A. M. Okun, former Chairman of the President's Council of Economic Advisors, has suggested that, in the United States, for each percentage point in the unemployment rate above 4%, the gross national product in real terms will be about 3% lower than it would otherwise be. (2). The Economic Council of Canada has made similar estimates for Canada and suggests that in the first half of 1971 actual income and output in Canada was about 3.5% below potential which would mean a shortfall of about \$3 billion. (3). Lower unemployment rates would reduce government expenditures on social programs such as Unemployment Insurance, Social Assistance and many social services.

- (1) The Edmonton Journal, November 30, 1972, p. 24, "Child deaths, job lack linked."
- (2) A.M. Okun, The Political Economy of Prosperity, W. W. Norton & Co., New York, 1970, p. 135.
- (3) Economic Council of Canada, Performances in Perspective 1971, Information Canada, 1971, p. 19.

Lower rates would reduce the human misery associated with unemployment and poverty; there would be a rise in average incomes and what is more, an increase in the resources available for economic and social welfare policies to further help reduce poverty. (1). While deliberate dampening of the economy, with consequent higher unemployment rates continues to be used as a tool to fight inflation, the recent period of "stagflation" suggests such policies are ineffective as well as harmful. It is time to seek new and more effective economic policies which will remove this unfair burden from the unemployed.

(1) D. C. Smith, "Public Policies for Creating Gainful Employment", in Canadian Council o Social Development, Guaranteed Annual Income - An Integrated Approach, Ottawa, 1973, p. 55,56.

INCOME DISTRIBUTION AND POVERTY

It continues to be true that income distribution policies are the major cause of poverty in Canada. These policies, while not necessarily deliberately so designed, continue to have very real consequences. Between occupational categories, disparities in earnings were not quite as great in 1972 compared to 1967. However, the overall distribution of income over the total population range remains as unequal as ever and to a slight degree even more unequal.

The arbitrary nature of our income distribution policies is shown by the fact that farmers have the lowest earnings of any listed occupational group. Yet food is a prerequisite of life; no occupation can be more essential than farming. Members of this essential occupation are rewarded with a higher chance of existing in poverty than any other occupational group.

Poverty will continue to exist until income distribution policies are made more just and equal. Welfare or suggested programs such as guaranteed annual income may alleviate the negative consequences of poverty but they will not solve the real causes of poverty and inequality. Only new approaches to income distribution can do this.

TABLE 2:5

Average Income by Occupational Group, Canada, 1972.

	\$	As a % of All Occupations
Managerial	16,916	137
Professional	15,860	129
Sales	13,331	108
Processing & Machining	11,828	96
Construction	11,734	95
Transport, etc.	11,679	95
Clerical	11,346	92
Product Fabrication	11,314	92
Service	10,572	86
Farming, Agriculture, etc.	7,590	62
Total	12,322	100

Source: Income Distribution by Size in Canada, 1972, Cat: 13-207, Statistics Canada, August, 1974, p. 26.

TABLE 2:6A(*)

Percentage Income Distribution by Quintiles (fifths) of Non-farm Families and Individuals, Canada, 1969.

	Lowest Quintile	Second Quintile	Third Quintile	Fourth Quintile	Highest Quintile
1951	4.4	11.2	18.3	23.3	42.8
1961	4.2	11.9	18.3	24.5	41.1
1969	4.0	11.0	18.0	25.0	42.0

Source: S. M. Miller and Martin Rein, "The Possibilities of Income Transformation" in Canadian Council on Social Development, Guaranteed Income: An Integrated Approach, Ottawa, 1973, p. 125.

(*) This Table is not strictly comparable to Table 2:6 in Alternatives or Table 2:6B below.

TABLE 2:6B

Share of Total Income by Quintiles (fifths) for Families and Unattached Individuals, Canada, 1965, 1972.

	Lowest Quintile	Second Quintile	Third Quintile	Fourth Quintile	Highest Quintile
1965	4.4	11.8	18.0	24.5	41.4
1972	3.8	10.6	17.8	25.0	42.9

Source: Income Distribution by Size in Canada 1972, Cat: 13-207, Statistics Canada, August, 1974, p. 75.

In 1972, those in the highest group had more than 11 times as much income as those in the lowest group. Tables 2:6A and 2:6B reveal that the shares of income have remained basically the same over the last two decades and in fact, the rich are getting a little richer and the poor, poorer.

HEALTH CARE

The only change that has occurred since November of 1972 in Alberta Health Care premiums is that individuals and families with no taxable income no longer have to pay the basic premium. This saves individuals \$24.00 and families \$48.00. In spite of rapidly rising costs of living and indexing provisions for income tax and many social security programs, the other taxation levels for subsidization for Alberta's premiums have remained unchanged. Abolishment of premiums would bring a net saving to Albertans by virtue of elimination of administrative expenses necessary to collect premiums. It is surprising that a government supposedly committed to holding back on the growth of bureaucracy and costs to Alberta citizens has not done this already.

In the area of dental care, the Provinces of Quebec and Saskatchewan are in the process of launching denticare programs for children. The Government of Alberta has indicated no such plans although the dental profession in Alberta has been urging some form of denticare for children for over ten years.(1). Dental "prevention" would cost our society less than the expensive repairs necessary when teeth have seriously decayed. Yet, we continue to waste our social, financial and human resources.

In the area of prescription drugs, Manitoba and Saskatchewan are setting up pharmacare programs that are expected to reduce the costs of drugs by at least 50%. Even before the start of its complete pharmacare program, Manitoba has achieved savings on drugs for its citizens, amounting to about 20%. Most Manitobans have been able to get 70% of their drugs at a cheaper price.(2). Alberta citizens could benefit substantially if such steps were taken in Alberta. The quality of health care would be less dependent on the size of one's income and there would be a significant saving for everyone.

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- (1) Edmonton Journal, April 6, 1974, p. 15 "Dentists to be paid like civil servants" and November 24, 1973, p. 14 "Dentists likely to lead fight for denticare plan in Alberta".
- (2) Edmonton Journal, May 8, 1974, p. 85 "Saskatchewan, Manitoba act to cut drug prices drastically".

TAXATION

Exemption Indexing

As a result of the tax-indexing plan recently introduced by the government, about 225,000 persons will be dropped from the tax rolls and all other taxpayers will receive higher personal tax exemptions in the 1975 tax year. The net result of this tax-indexing plan will benefit the rich more than the poor. (1). This indexing is regressive because the exemptions are deducted from taxable income. Consequently, the higher that income, the greater the benefit. For example, in 1975, for couples with two children under 16, the saving for such a family with an income of \$5,000 will be \$37 over 1974. For such a family with an income of \$50,000, the saving will be \$744 or almost 21 times as large. Once again, the rich get richer and the poor get poorer. Those people, too poor to pay income tax in 1974, will get no benefit at all. They will get no help in coping with inflation.

A more equitable and just way to alleviate the effects of inflation would be to provide a tax credit in place of exemptions, as recommended by Canada's Royal Commission on Taxation in 1966. A tax credit would give the same refund to each taxpayer, with an additional flat-rate credit for each dependant. Thus the poor family of four would receive the same credit as the rich family of four. Such a tax-credit scheme, however, would give no benefit to the non-taxpayer and a reduced benefit to those whose taxes were less than the tax credit itself. For these groups, the benefit could be given in the form of a tax refund. The non-taxpayer would receive a refund equal to the tax credit and those whose taxes were less than the tax credit would receive a refund equal to the difference. The combined tax-credit-refund scheme is frequently called a social dividend. It would alleviate the effects of inflation equally for all citizens and the credit amount could be indexed to the rise in the cost of living.

An alternate way to reduce the inequalities of the new tax-indexing plan would be to abolish all tax exemptions for children and use the extra tax revenue gained to raise Family Allowances. At present, this would allow an average increase in Family Allowances of \$84 per child per year. (2). This scheme, however, would give no benefit to those persons who did not have children eligible for Family Allowances. Consequently, it would be less desirable than the tax-credit-refund scheme.

The Present Lack of Redistribution

Although the incomes of higher-income recipients are supposedly taxed at much higher rates than low income recipients, the overall tax rates do not vary much among different income groups. In fact, for 1961 (Table 1:6 in Alternatives) the poorest group paid the largest proportion of their income for taxes. Information is not available to determine whether this situation has changed to date. There are however, several facts about taxation which continue to be regressive. (3).

1. Exclusion of income from taxation: many fringe benefits enjoyed by upper income groups are not taxed (company cars, expense allowances, etc.); capital gains are taxed at a much lower rate; tax exemptions (as discussed above); etc.

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- (1) see Canadian Council on Social Development, Guaranteed Annual Income: An Integrated Approach, Ottawa, 1973, p. 24; Green and Perry, "The Federal Proposal for Family Allowances - The Effects of Taxation", in Canadian Tax Journal, Vol. XX, No. 4.
 - (2) see National Council of Welfare, Incomes and Opportunities, Ottawa, November, 1973, p. 25.
 - (3) see S. M. Miller and M. Rein, "The Possibilities of Income Transformation" in Canadian Council on Social Development, Guaranteed Annual Income: An Integrated Approach, Ottawa, 1973.

2. Use of regressive taxes: reliance on regressive taxes has expanded, offsetting the effects of progressive income taxes. Sales tax, property tax, education taxes, social security taxes, excise taxes, medicare premiums, corporation income taxes, etc., take a higher proportion of income from the poor than the rich.
3. Government expenditures: the public frequently thinks that poor people benefit most from government taxation because they receive transfer payments. This is true with some programs but not with all. The bulk of family allowances go to families above the poverty line. With Canada Pension and Unemployment Insurance, the higher one's income was, the higher the benefits received. The vast majority of government expenditures benefit the well-off more than the poor. This is the case with transportation, education, health care, culture, mortgage funds, foreign aid, trade stimulation, subsidies to business and industry, etc. This is welfare for the well-off, but it is seldom recognized as such.

Unless substantial alterations are made in Canada's tax policies and practices, taxation will continue to benefit the non-poor more than the poor and little will be done to alleviate poverty.

SUMMARY

As Miller and Rein point out(1), economic and social policies very much interact and cannot be considered separately. Policies that determine the level of employment and income distribution largely determine the possibilities and set the limits of social policy. Transfer payments and social service systems cannot adequately off-set the more powerful economic policies. When economic policies are moving in directions opposite to social policies, it becomes extremely difficult to create a transfer, service or tax system which off-sets the inequality of initial income distribution. Social policies are necessary, of course, to off-set these inequitable economic policies to the extent that they are able, but in the final analysis, these social policies have operated as the "poor man's economic policy". It is necessary to change economic policies so that they include not only the objectives of growth and stability but also the objectives of equality, justice and dignity.

(1) *ibid.*

PART III

PRESENT INCOME SECURITY PROGRAMS

SOCIAL INSURANCE

Canada maintains the same four basic types of social insurance programs that existed two years ago, with only some minor changes in pension benefits, premiums, etc.

TABLE 3:3 AND 3:4

Benefit Expenditures(*) on Social Insurance Programs in Canada, 1971/2 and 1972/3.

(\$'000)

PROGRAM	1971/2	1972/3
Canada Pension Plan	144,400	206,275
Quebec Pension Plan	47,576	67,350
Unemployment Insurance	1,122,650	2,020,040
Workmen's Compensation	341,000	421,000
Veteran's Pensions	230,830	240,540
Total	1,886,456	2,875,205

(*) Not including administrative expenses.

Sources: Public Accounts of Canada, 1972 and 1973
Canada Pension Plan, Statistical Bulletin, Vol. 5,
No. 1, (N.H.&W. March 1973)
Quebec Pension Board, Statistical Bulletin, 1972,
and Annual Reports of Workmen's Compensation
Boards.

Prepared by N.H.&W. (Welfare) P.I.D. Oct. 1974.

SUGGESTED CHANGES FOR UNEMPLOYMENT INSURANCE

Since Canada has had relatively high unemployment rates in recent years, benefit expenditures have increased substantially. At present many individuals are receiving benefits even though they may have a high income for the year from employment or other sources. For example, an individual who earns \$20,000 in the first nine months may still collect benefits for the last three. A person in a family unit with two or more income earners, with a total family income of \$10,000 or \$20,000 per year, may also collect benefits. These people cannot really be said to be "in need" of extra benefits.

To avoid such situations, the Unemployment Insurance Plan should be changed to provide benefits only when the total family income for the year falls below the average family income for a given family size. In this way, the plan would pay benefits only to those whose family income was below the average standard as a result of their unemployment, rather than as presently is the case, to those who are unemployed, whether they have an income deficiency or not. While such a change would only affect a minority of recipients, it would be more selective in providing benefits to those in financial need. It would achieve the desired financial security goals of the plan for less money.

DEMOGRANTS

TABLE 3:5

Federal Payments under Demigrant Programs in Canada, Fiscal Years 1971-72 and 1972-73

(\$'000)

<u>Program</u>	<u>1971-72</u>	<u>1972-73</u>
Old Age Security	1,679,295	1,786,420
Family Allowances	554,407	548,623
Youth Allowances	82,654	79,209
Family Assistance	2,180	2,057
TOTAL	2,318,536	2,416,309

SOURCES: Public Accounts of Canada 1971 to 1973.

Reports on the Administration of the Old Age Security Act for fiscal years 1971-72 and 1972-73, Department of National Health and Welfare.

Prepared by N.H.&W. (Welfare) P.I.D. October 1974.

OLD AGE SECURITY PENSION

The pension benefits have been increased to \$117.02 (October - December 1974). The pension is now increased in January, April, July and October each year in line with increases in the cost of living.

CHANGES IN FAMILY ALLOWANCES

In October 1973, the monthly allowances paid for children under the age of 18, were increased to \$12. Before that, payments of \$6 a month were made for children under the age of 10, \$8 a month for children aged 10 to 15, and \$10 a month for youths aged 16 and 17, who were attending school.

In January 1974, a new Family Allowances Plan came into effect. The main features of this new Plan are:

- Payments are made for all children under the age of 18 who are being maintained by parents or other individuals resident in Canada;
- Payments within a province in 1974 average \$20 a month per child;
- Allowances are increased in January each year in line with increases in the cost of living;
- A provincial government may ask the Federal Government to vary the family allowance rates payable in that province according to the age or the number of children in a family, or both;
- Payments are made, under certain circumstances, to families when they or their children are temporarily absent from Canada;
- Children no longer have to attend school to qualify;
- Allowances are not payable for children who have taxable income;
- With the substantial increase in family allowances, and the retention of tax exemptions for dependent children under the federal income tax, family allowance payments are treated as income, for federal income tax purposes, of the parent who claims a tax exemption for the child. Where no federal tax exemption is claimed for a child, the allowance is treated as income to the person who receives it.

Family Allowances Rates Beginning January 1974

A provincial government may ask the Federal Government to vary the rates of federal payments to be made in that province on the basis of age or the number of children, or both. The smallest payment that may be made on behalf of a child in 1974 is \$12 a month. The provinces of Alberta and Quebec have taken this option and while the payment for the individual children will be more or less than \$20 in those two provinces, the average federal payment will equal \$20 in Alberta and Quebec as in every other province in Canada.

In British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Yukon, and Northwest Territories, the rate of federal family allowances will be \$20 a month per child.

The 1974 rates payable in Alberta are:

children of age:	0 - 6	\$15 per month
	7 - 11	\$19 per month
	12 - 15	\$25 per month
	16 - 17	\$28 per month

Effect of Changes in Family Allowances

Since benefits have been raised significantly, almost all families with children will receive a larger net amount (after taxes) than under the previous benefit levels. As the benefits under the new program are taxable, some degree of selectivity, based on income, will be achieved. Lower income families will have a larger net benefit than higher income families. In 1974, a non-taxpayer will receive a net benefit of \$20 per month per child, the average taxpayer about \$15 and the taxpayer in the highest category about \$8. (1) In spite of this partial selectivity, the new program will have only a marginal impact as a tool for poverty alleviation since a large proportion of the poor (about 42%) are unattached individuals, the aged or couples without children (or children under 18); they receive no benefit from the program at all.

We have already mentioned in Part 2, about the regressive effect of tax exemptions for children and dependents - that is, the higher a family's income, the greater the benefit. Offsetting this is the progressive nature of the new taxable family allowances. But the combined effect of these two programs results in the rich benefiting more than the poor. (2). As mentioned in Part 2, an effective way to reverse this inequality is to replace child (and other dependent) exemptions by a tax refund (or social dividend).

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- (1) see Green and Perry, "The Federal Proposal for Family Allowances - the Effects of Taxation", in Canadian Tax Journal, Vol. XX, No. 4, p. 348.
 - (2) National Council of Welfare, Income and Opportunities, Ottawa, November 1973, p. 25.

GUARANTEED INCOME SUPPLEMENT

TABLE 3:6

Guaranteed Income Supplements, Recipients and Expenditures 1971-72 and 1972-73

	Benefits Paid (\$'000)	% of all Pensioners receiving supplement	% of all Pensioners receiving full supplement	% of all Pensioners receiving partial supplement	Average Annual Supplement (*)
1971-72	526,060	55.27	27.27	28.00	540.02
1972-73	737,925	57.82	26.60	31.22	705.83

(*) As of March, at end of fiscal year.

SOURCE: calculated by author from Annual Reports on the Administration of the Old Age Security Act, Income Security Branch, Department of National Health and Welfare.

Prepared by Department of N.H.&W. (Welfare) P.I.D., Oct. 1974

N.B. The average annual supplement above is the figure for a one year period. In Table 3:6 of Alternatives, the average supplement figure given is for the month of March only.

NEW G.I.S. BENEFIT LEVELS

All pensioners receive \$117.02 under the Old Age Security Pensions. In addition to this, pensioners with income deficiency may receive a maximum of \$82.08 for a single person and \$72.89 for a married person. Together these two programs guarantee an income of \$199.10 for single persons and \$189.91 for each married person. (October-December 1974) The O.A.S. and G.I.S. are increased quarterly in line with increases in the cost of living.

It should be noted that G.I.S. guarantees a single individual an income that is several hundred dollars below the 1973 poverty line; married couples are guaranteed an income a little above the 1973 poverty line but this will almost certainly be below the 1974 poverty line. Although these guaranteed levels are still inadequate, the Guaranteed Income Supplement program is the only program in Canada which even approaches a realistic guaranteed income.

Approximately 60% (1972-73) of pensioners are receiving the supplement in some amount. About 40% do not require it. If the old age pension was abolished and the supplement raised by the same amount, over \$300,000 (1972-73) would be available to raise the guaranteed level to the Senate poverty line. This would ensure that no pensioner lived in poverty and would mean that only persons below the poverty line would actually receive benefits.

SOCIAL ASSISTANCE

TABLE 3:7

Canada Assistance Plan, Expenditures by Type of Program, Blind Persons and Disabled Persons Acts, 1971-72 and 1972-73

Part A:	CAP Expenditures (\$'000)						Total
	General Assist.	Homes for special care	Child Welfare	Health Care	Welfare Services	Work Activity	
1971-72	492,912	132,500	41,200	11,900	47,300	285	726,097
1972-73	513,697	141,600	44,700	10,800	56,400	1,592	768,789

Part B:	Blind Persons Act		Disabled Persons Act		Total Benefits (\$'000)
	<u>Number</u>	<u>Benefits (\$'000)</u>	<u>Number</u>	<u>Benefits (\$'000)</u>	
1971-72	2,916	1,514	9,468	3,203	4,717
1972-73	2,557	1,370	8,213	2,989	4,359

SOURCE: Canada Assistance Plan Directorate, Department of National Health and Welfare.
Prepared by N.H.&W., (Welfare) P.I.D., October 1974.

Note: This table is comparable to Table 3:7 in Alternatives only with respect to Canada Assistance Plan expenditures. We have been unable to obtain figures for a full comparison.

PART IV

THE PRESENT WELFARE SYSTEM

Very little has changed in Alberta's social assistance program in the last two years. Relative to the Senate poverty line, recipients in Alberta were 10% worse-off in 1973 compared to 1970. (See Part I). Part 4 of Alternatives continues to apply at the present time. With respect to earnings exemptions, the disincentives to work while on welfare still remain exactly as they were two years ago, in spite of the Government's election promise to rectify this situation. A detailed discussion and a proposal for an incentive policy may be found in "A Proposal for a Financial Incentive Policy" by the Edmonton Social Planning Council.

The present situation in Alberta is well summed up by Isreal Katz: "More hidden than air pollution may be the "social service pollution" created by welfare institutions." (1)

(1) I. Katz, "Why a Guaranteed Annual Income", in Canadian Council on Social Development, Guaranteed Annual Income: An Integrated Approach, Ottawa, 1973, p. 45.

PART V

GUARANTEED ANNUAL INCOME

In the last two years Canada and Alberta have introduced no changes in legislation to bring a guaranteed income closer, although guaranteed income is being discussed very seriously by the senior levels of government. The Guaranteed Income Supplement remains the only program which can be classified as a guaranteed income but it affects only senior citizens.

In the last few years the concept of a guaranteed income has gained in credibility and is no longer considered utopian nonsense. Although there is still disagreement about its desirability, it is no longer dismissed as impractical, either economically or politically.

Alternatives reported the initial results of several guaranteed income experiments in the United States. Since then, several additional experiments have been started. In the New Jersey-Pennsylvania experiment, recent results confirm the initial indications:

Hundreds of poor workers in New Jersey and Pennsylvania who were given direct cash grants in the experiment, did not cut back their individual work efforts significantly. Instead they used the government grant to supplement their own low earnings and kept on working ... The results ... showed no major differences in work behaviour between the control groups and the subsidized workers. (1)

Average payments to families that continued through the whole experiment actually declined. (2)

More recent experiments in Colorado, Washington, North Carolina, and Indiana will further refine the administration and information about guaranteed income programs. (3) A three-year experiment has begun in Manitoba and is modelled after the American experiments. It will test various benefit levels, methods of administration and responses of recipients. (4) It can be expected that Manitoba's experiment will produce results similar to those in the United States.

In the past two years, much analysis has been done on various aspects of the details of guaranteed income and specific proposals. Rather than summarize this detailed material here, we refer the reader to the references found in the bibliography.

In conclusion, it is important to remember that while arguments against a guaranteed income are usually phrased in economic terms, these arguments are more often a rationalization of our negative attitudes toward the poor. Guaranteed income is not primarily an issue of economic feasibility, for increasingly, experts across the spectrum of political philosophies and economic schools of thought are concluding that it is feasible. Rather, the issue is more of one of social, moral or political desirability.

At present, we continue to demand that the poor change their ways and ignore the fact that their attitudes in relation to work and income vary little from those of other Canadians. We continue to ignore the heavily documented fact that additional income is the single most important factor in helping the poor to escape poverty.

It is only during the last few years that we have begun to realize more clearly that this system, which relies far too heavily on getting the poor out of poverty by changing individual personalities does not work. Moreover, it is not cheap; on the contrary, if one were to apply a cost-benefit ratio, it would be found to be very expensive. A number of highly sophisticated research

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- (1) Edmonton Journal, January 9, 1974, p. 81. "Negative Tax Text Proves Success."
 - (2) Edmonton Journal, February 20, 1974, p. 23. "American Test Used In Manitoba."
 - (3) see A.J. Katz, "Income Maintenance Experiments", in Social and Economic Administration, Vol. 7, No. 2, May 1974, p. 126.
 - (4) see Edmonton Journal, September 4, 1974, p. 2. "Guaranteed Income Plan for Dauphin" and Winnipeg Free Press, March 31, 1973, "Guaranteed Income Plan Ready To Go."

projects in the United States have indicated that casework services cannot be a substitute for money for the poor. Indeed, without adequate financial help, casework in the social services is virtually useless. (1)

New information about guaranteed income experiments and deficiencies in our present welfare system, further reinforce our previous conclusion that a guaranteed annual income combined with changes in taxation and income distribution policies are the most efficient and effective ways to alleviate poverty and its side-effects. The question remains: "Are we willing to do what is possible?"

(1) Rueban Baetz, in Lutheran Council of Canada, "The Guaranteed Annual Income", Winnipeg, 1970, p. 16, 17.

PART VI

CONCLUSION

In April of 1973, the Federal Government introduced its Working Paper on Social Security in Canada. Since then, several federal-provincial conferences on health and welfare have taken place to discuss the proposals in the Working Paper. The Working Paper officially and publicly links the notion of guaranteed income to government policy for the first time. It also states a "right" to a minimum level of income. Income supplementation for the working poor is hinted at:(1). Yet these suggestions are timidly put forward with little indication of government conviction. "Bare subsistence" seems to be the government's definition of an adequate income guarantee.

Governments seldom go beyond the bounds of what the voters find acceptable. In consequence, the outcome of present discussions and the policies and legislation which emerge will, to a significant degree, be governed by what opinions the public communicate to Federal and Provincial leaders. Present discussions suggest that only minor changes in welfare administration will result.

If members of the public do agree that the present welfare system is inefficient, ineffective and wasteful of human and economic resources, and that a guaranteed income will help to overcome many of these inadequacies, then it is essential that such people make their wishes known to government and insist that these wishes be taken into account in forming new policies and legislation.

All that is necessary is for us to become serious in our intent to deal with the problem, instead of merely analyzing it, studying it, debating it, deploring it, or using it as a theme for dramatics or melodramatics. When we become really serious about it, we shall be able swiftly to render poverty unfashionable in the real world and not just in the world of political contention ... (2).

(1) see David P. Ross, "Social Security - A Critique", Canadian Council on Social Development, 1973.

(2) Harry Midgley, Edmonton Journal, January 12, 1973, p. 5.

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