WELFARE INCOMES 2008

METHODOLOGY, NOTES AND INFORMATION SOURCES

METHODOLOGY

Welfare Incomes 2008 Bulletins 1 to 4 provide a short version of our Welfare Incomes publication. They present the main results in a different manner, with each bulletin focusing on one of the 4 types of families we have reviewed over time:

- Single person considered employable;
- Single person with a disability;
- Lone parent with a child aged two;
- Couple with two children aged 10 and 15 years old.

The bulletins present selected information by province and territory for each family type:

- 2008 welfare incomes
- comparison of 2008 welfare incomes with three measures
  - After-tax LICO
  - Market Basket Measure
  - Average after-tax income
- liquid asset exemption levels at application and once on welfare
- evolution of welfare incomes in recent years
- earnings exemption levels.

The last section on earnings exemptions, called *Bridging from welfare to paid employment*, is an expansion of last year's analysis and has its own list of notes at the end of this Methodology Bulletin.

As always, to ensure the comparability of the data as much as possible, we made a number of assumptions in calculating the levels of assistance. These assumptions include:

- where welfare households lived;
- the age of the children;
- the employability of the household head;
- the type of housing;
- case history; and
- entitlement to additional assistance.

For more details on the calculations and the assumptions, please consult the *Welfare Incomes, 2006 and 2007* publication. Another reference for the definitions of poverty measures is the *Poverty Profile 2007 Methodology Bulletin*.

For the table called *The extent of the decline in welfare incomes in recent years* on page 3, please note the additional assumptions made this year:

- In Quebec, amounts for 1986 and 1989 were not included because they were not comparable, as estimates were only for recipients younger than 30 years.
- Nunavut's amounts are based on two years (2007 and 2008) because its shelter rates are not calculated the same way they were before 2007.

NOTES ON LIQUID ASSET AMOUNTS

- Single person with a disability in **Newfoundland and Labrador**: the $3,000 limit applies to a single person with a disability requiring supportive services.
- Single person considered employable, lone parent and couple in **Prince Edward Island**: Applicants requiring short-term assistance (four months or less) could not have assets in excess of $50. The higher asset exemption levels applied to those requiring long-term assistance.
- A single person in the Services for Persons with Disabilities Program in **Nova Scotia** requiring supportive services or care needs would qualify for a $3,000 exemption. An adult in a family on SPD requiring supportive services or care needs would qualify for a $5,000 exemption. Income Tax returns are no longer treated as chargeable income and are now considered under the asset levels.
- **Quebec** single persons and families had to divest themselves of part of their liquid assets to qualify for welfare if their assets exceeded an amount set according to family size. At the time of application, the applicant's liquid asset may not exceed the allowable limits. The determination of a household's assets excluded income received during the month of application which was to cover the cost of rent, heating and public utilities. Higher asset exemption levels applied after the first month on assistance. Starting September 1, 2007, the value of donations in goods or services (e.g., clothes, furniture, food, meals served by community organizations) associated with no charge at all are excluded from income calculations, gains and benefits of welfare recipients.
- Once an application for assistance has been approved, a client's liquid assets may not exceed the allowable limits: the exemption for a lone parent in **Quebec** was $2,500 plus $370 for the child; the exemption for a couple was $2,500 plus $475 for the two children.
- Asset levels were increased for **Ontario** Works clients in December 1, 2007. The new limits were $560 for a single person, $1,529 for a lone parent and $2,107 for a couple with two children.
- $5,000 represents the liquid asset exemption level for a single person on the **Ontario** Disability Supports Program.
- Under the General Assistance provisions of the **Manitoba** Employment and Income Assistance program, employable singles, childless couples and two-parent families are not eligible for any liquid asset exemption at application. As of April 1, 2007, the allowable exempted cash assets for persons with disabilities doubled to $4,000 for a single adult; up to $8,000 for a person with one dependant; $4,000 for the second and each additional dependant to a maximum of $16,000. In January 2009, exempted cash assets for applicants and recipients were increased and equalized across all categories to $4,000 per person up to a family maximum of $16,000 including at the point of application.
- The maximum allowable liquid assets for those **Albertans** in the "expected to work" category of Income Support were equivalent to one month's core benefit for the applicable household unit. The maximum applicable National Child Benefit Supplement is included for families with children. As of January 1, 2007, asset exemption levels were $895 for a lone parent with one child and $1,389 for a couple with two children. Effective August 2007, the asset exemption levels were increased to $898 for a lone parent and $1,396 for a couple with two children as a result of the increase to the NCB Supplement.
- For those in **Alberta** in the "not expected to work" category, the maximum allowable liquid assets were equivalent to two months' core benefits. Asset exemption levels for January 1, 2007, for these clients included the Personal Needs Supplement (effective August 2005). In July 2007, core essentials for clients "not expected to work" increased, which resulted in the new asset exemption level of $1,400.

- In **Alberta**, most people with severe and permanent disabilities received assistance under the Alberta Assured Income for the Severely Handicapped Program (AISH). AISH has an asset limit of $100,000, not including the primary residence, personal belongings, or a vehicle (includes a specially-adapted vehicle). Effective October 1, 2005, personal benefits were available for AISH clients with $3,000 or less in assets.
- In **British Columbia**, the maximum exempt 'cash' assets for applicants (other than persons with a disability) were $150 for a single person and $250 for a family, as cash in excess of these limits is deducted dollar for dollar from the base rate.
- Beginning September 1, 2007, **Northwest Territories** exempted liquid assets of $300 for a single employable, $380 for a lone parent with one child and $560 for a couple with two children. Persons with a disability and persons 60 years of age or older still had an exemption of $50,000.
- In **Nunavut**, there was no exemption on liquid assets other than for persons with a disability and persons 60 years of age or older.

NOTES ON EARNINGS EXEMPTIONS LEVELS—JANUARY, 1, 2008

Newfoundland and Labrador (NL) amended its earnings exemptions policy in 2008. Effective July 1, 2008, the enhanced earnings exemption has been increased from 10 % to 20 % and the maximum cap was also eliminated. As well, in order to support individuals with the transition from income support to employment, clients will be able to maintain their full income support benefits for 30 days after the commencement of employment.

A person with a disability in NL is one who requires supportive services. The base earnings exemption rate for individuals has increased from $95 per month to $150, and from $190 per month to $250 for families.

Nova Scotia's provision applies to persons with a disability participating in supported employment. Additional special needs such as transportation, child care and clothing may be provided based on need. Families can earn up to $3,000 annually without these earnings affecting their basic income assistance payments. This program considers income earned from working in some seasonal occupations.

New Brunswick has two types of wage exemptions: the regular Wage Exemptions and the Extended Wage Exemption (EWE). The EWE provides higher exemptions to clients during their transition to self sufficiency. A client may only receive one type of exemption at any time. The EWE, which is limited to a maximum of two years, exempts a percentage of net income based on the household type. Singles and families with no children may receive an exemption of up to 30% of net earned income for the first six months, 25% of net income for the next six months, then the appropriate flat rate wage exemption for the remaining 12 months. Families with children may receive an exemption of up to 35% of income for the first six months, 30% of income for the next six months, then the regular flat rate wage exemption for the remaining 12 months.

The single person is considered to be receiving Interim Assistance. The single person with a disability is considered to be receiving Extended Benefits. The families are considered to be receiving Transitional Assistance.

In **Quebec**, the single person considered employable is in the Social Assistance Program with no limitations to employment. The single person with a disability is in the Social Solidarity Program. The lone person is considered in the Social Assistance Program with temporary limitations to employment. The couple is considered in the Social Assistance Program regardless of the type of limitations to employment.

Manitoba provides the Rewarding Work Allowance (RWA) to all employed non-disabled adults on income assistance. The RWA is $100 for non-disabled people working more than 80 hours or 10 days in a month, or $50 for those working less.

The **Saskatchewan** Employment Supplement (SES) is a monthly payment to low-income parents who worked for pay, were self-employed or received child or spousal support. The supplement is paid at the rate of 25 to 56 % of income and depends on the size of the family and the ages of the children. In January 2007, the maximum monthly benefit for a single parent with one child aged 2 was $275. A couple with two children aged 10 and 15 could receive a maximum of $319. The SES is fully exempted income in determining entitlement to SAP benefits.

Employment income earned by a dependent child in a household who is attending school is 100% exempt.

In **Alberta**, persons who qualified for Assured Income for the Severely Handicapped (AISH) had higher earnings exemptions. An eligible single person had a flat rate exemption of $400 a month plus 50% of the surplus, to a total maximum exemption of $1,500. In addition, single AISH clients were also able to receive a partial exemption for other types of income, such as investment income, of $200 a month plus 25% of the surplus.

As of November 1, 2008, Alberta increased the earnings exemption levels for single individuals to $230 allowing them to keep an additional $115 of their earnings before their income is affected.

As of July 2008, **Yukon** amended its earnings exemptions policy. People who receive social assistance benefits and are working can keep 50% of their employment income before their social assistance benefits are reduced, for up to three years. After the 36 months, they will be able to keep 25% of their employment income.

Effective July 2005, persons who qualified for the Territorial Supplementary Allowance (payable to persons with a disability and the elderly) were eligible for an additional annual earned income exemption of $3,900.

As of September 1, 2007, **Northwest Territories** amended its earnings exemptions policy. In addition to the previous exemption levels, all types of household had an additional 15% of any earned income in excess of the applicable amount plus unearned income of the applicant and dependents if not exceeding $1,200 yearly.

NOTES ON BRIDGING FROM WELFARE TO EMPLOYMENT

In **Northwest Territories**: the amounts take into account the Territorial Worker's Supplement.

In **Saskatchewan**: the amounts take into account the Saskatchewan Employment Supplement.

In **Alberta**: the amounts take into account the Alberta Family Employment Tax Credit (AFETC).

In **British Columbia**: the BC Earned Income Benefits changed as of July 2008 to $0, $2, $8 and $13 respectively.

In **New Brunswick**, some amounts take into account the New Brunswick Working Income Supplement (NBWIS).

In **Nunavut**, the amounts take into account the Territorial Worker's Supplement, part of NUCB.

In **Quebec**: the amounts show the new work Premium. In 2008, the maximum work premium was $518 for a single person, $2,219 for a lone parent family and $809 for a couple without children and $2,861 for a couple family. A new work premium, the Adapted Work Premium (AWP), was granted as of the 2008 taxation year to individuals who were part of a household that included an adult with severely limited capacity for employment, and who meet the conditions for receiving the existing work premium.

In **Manitoba**, the amounts take into account the Rewarding Work Allowance (RWA), implemented in

December 2007. The RWA is $100 for non-disabled people working more than 80 hours or 10 days in a month, or $50 for those working less. (The RWA has been added to the single employable and lone parent tables. Persons with disabilities and aged participants work force are provided with a work clothing allowance and transportation costs, which have been added into the person with disabilities table.)

In **Newfoundland and Labrador**: Effective July 1st, 2008 the Enhanced Earnings exemptions increased from 10-20% and the cap for the maximum was removed. Therefore, in the case of the single person with a disability, earning $800/mth, as of July 2008 the new amount which they are able to keep is $280 (first $150 and 20% of balance). Also, a single client who begins employment receives a $125 Job Start benefit once in a 12-month period. A recipient with a spouse or dependent would receive the Job Start Benefit in the amount of $250 when they begin employment (after 12 months if the employment has ended and they begin another job, they are eligible for another Job Start Benefit). Income Support is overlapped for the first 30 days upon commencement of employment, without any deductions. A client who leaves Income Support for employment reasons receives an extended drug card for themselves and their family for the first 6 months.

KEY SOURCES OF INFORMATION:

On provincial and territorial work-related benefit or supplement: **http://www.cra-arc.gc.ca/E/pub/tg/t4114/t4114-e.html#P277_19666**

On the Working Income Tax Benefit or WITB: **http://www.cra-arc.gc.ca/bnfts/wtb/fq_qlfyng-eng.html**