

Making Work Pay in New Brunswick

Poverty Uncovered: Reality and *Re*Solution



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EXECUTIVE SUMMARY

NOTE: THE FOLLOWING EXECUTIVE SUMMARY UTILIZES 2006 FIGURES CORRESPONDING TO THE YEAR IN WHICH THE REPORT WAS PREPARED. IMPORTANTLY, THE EARNINGS CALCULATIONS FOR 'JOE' AND 'JULIE' ARE SHOWN USING UPDATED (2008) NUMBERS IN THE ADDENDUM (PLEASE SEE PAGE 35).

The reality of poverty is all too real. Income assistance rates are devastatingly low and minimum wage employment is far from a guarantee against poverty. The vulnerability of the working poor has never been greater. Some working poor rely on family or friends to get by and others regularly depend upon food banks to sustain their families from pay cheque to pay cheque. The precarious nature of this existence means that people are often just one ill-fated event away from deeper decension into poverty. People living in poverty are often dependent on others, judged by others and enveloped by a sense of despair.

A significant number of people are trapped in an income assistance system that blocks movement in the direction of employment. The reality of "Joe", who is a single, employable male, is that he receives \$270.00 monthly in income

assistance. "Joe" finds a part time job that pays minimum wage (\$6.70/hr). When applying the current wage exemption policy to "Joe" he is allowed to earn and keep \$300.00 per month. After working only 11 hours per week (approximately), the wage exemption is maximized and "Joe's" total monthly income will never exceed \$570.00. If "Joe" works more hours, then 100% of the additional earned income will be clawed back by the government. Thus, there is no financial incentive or reward to working additional hours and hence the cycle of poverty cannot be broken. "Joe" has hit the welfare wall.

"Admirably, an increase in allowable earnings is highlighted by the government as one mechanism of support for the transition from income assistance to employment."

*Shawn Graham, 2006
NB Liberal Election Platform*

In contrast, using our proposed wage exemption structure, “Joe” would realize a financial benefit for each additional hour of work that he accomplished. Therefore, when “Joe” goes to work for 20 hours per week, his monthly income would be \$688.00 and when “Joe” could increase work to 30 hours per week, he would see his monthly earnings increase accordingly to \$822.00.

Ultimately, with increased experience, income and a stronger connection to the labour force, “Joe” is able to obtain full-time employment and his monthly income will increase to \$1072 per month and “Joe” would now be off of income assistance.

The solution entails a new wage exemption structure that ensures that your income will increase (up to a certain point) with an increase in hours worked. Simply put, the more hours that you work, the more money you bring home. With this wage exemption structure, a similar pattern of financial benefit holds true for all categories (disabled and Transitional Assistance Program) of single individuals on income assistance. Other provinces

have successfully used this type of wage exemption policy to encourage and support the permanent transition from income assistance to the labour market. Let’s provide a real opportunity



for people to break out of the poverty cycle by Making Work Pay in New Brunswick.

It is true that nobody, in any sector, wants to advocate staying on income assistance instead of going to work. However, the inherent messages in the current system are fostering this existence as the one best option. In New Brunswick, the reality of “Julie”, a single parent with one child, is such that “Julie” and her child are just as well off staying on income assistance, as compared to “Julie” going out to work full-time at a minimum wage job. Problematically, our current income structure for lone parents does impede

and discourage movement away from income assistance towards the work force.

Through income assistance, National Child Benefit program and GST, “Julie” receives roughly \$1119.67 per month. Once “Julie” finds a part time job at minimum wage, she learns that she is only permitted to earn an extra \$200.00 per month. Thus, “Julie” can work and obtain financial benefit for only seven and one half hours per week. Any of her earned income above the flat exemption of \$200.00 will be clawed back at 100%. If “Julie” found full-time employment at minimum wage, she would gain only \$138.00 per month. Since “Julie” is a single mother, she would have to arrange and ensure coverage of child care costs as well as the additional expenses associated with going to work (transportation, clothing, etc.). With all things considered, “Julie” would be better off staying on income assistance than going to work full time at minimum wage.

In order to address this complete disincentive to work, a solution must be adopted whereby any family, where one

person is working full time, **must always be better off working, as opposed to remaining on income assistance.** We strongly urge that, for families where one parent is working full-time, at minimum wage, the solution of a wage supplementation program be developed so that they would be assured a minimum annual income of \$20,000.00. In the event that “Julie” worked part time, a variable wage exemption rate of 50% could be applied to earned income and her family would still benefit financially for every hour that she worked.



In New Brunswick, we need policy mechanisms that will deliberately contend with poverty and that will ensure real opportunity for all people. The solutions are straightforward and understandable and yet quite innovative, all stemming from the simple premise

that in New Brunswick when you work, you will benefit financially. Poverty reduction goals must be accompanied by systemic changes that encourage individuals to go to work and that

continue to provide strong supports for employment retention. Our province should be strategizing to meet present day challenges by **Making Work Pay in New Brunswick.**

INTRODUCTION AND BACKGROUND

UCSN is a diverse group of members working together for change. Our vision is to have a community free of poverty and rich in opportunity for all people. We urge government to not only address the immediate impacts of poverty, but also to engage in informed social policy change that will target the root causes of poverty.

In Canada, hunger is largely a hidden problem. Many Canadians are simply not aware that large numbers of children, women and men in this country often go to bed hungry.

Canadian Association of Food Banks

There is a real tenacity to poverty. In Canada, over the last two decades, there have been slight shifts in poverty rates. However, the number of people living in poverty has not changed significantly (National Anti Poverty Organization, 2004). Income assistance rates remain unrealistically low (Common Front for Social Justice, 2005), Department of Family and Community Services, 2006), homelessness in Canada remains a bleak reality (Focus

on Homelessness, 2006, National Anti Poverty Organization, 2004) and there has been a startling increase in the use of food banks (National Anti-Poverty Organization, 2006) in most provinces, most disturbingly amongst the working poor. Despite a pledge from the government to end child poverty in Canada by the year 2000 (deadline now surpassed by 6 years), more and more children are facing the entrenchment of poverty (National Anti Poverty Organization, 2004, National Anti Poverty Organization, 2005). Poverty affects a wide cross-section of our population; people who are marginalized, women, children, men, the working, the disabled, immigrants, people of colour and aboriginal people (National Anti-Poverty Organization, 2006). No one is truly immune. However, the face of poverty in Saint John is becoming younger and female (Peacock, K., 2005). The rates of income assistance are far below the poverty line which is often represented by the Low Income Cut Off Measure (LICO). Day by day survival is an arduous task and the multiple barriers that exist (Rickards, 2004)

serve to prevent life changes that could improve a person's standard and quality of living. The cycle of poverty for many on income assistance or in low-wage employment is seemingly unbreakable and the "welfare wall" has been increasingly identified as a significant barrier to leaving the social assistance system for employment (Chilibeck, J., 2006, Makhoul, A. and Leviten-Reid, E, 2006, Starky, S., 2006).

In 2000, in the Saint John Census Metropolitan Area, 60.4% of people in lone parent families lived in poverty, representing 44.1% of the total poor population (Peacock, K., 2005). Furthermore, the projections for Saint John, NB, are grim; forecasting an increase in the number of people in demographics, namely high school dropouts, likely to enter the social assistance system (Peacock, K., Vibrant Community Saint John, personal communications). The high poverty rate is unsettling enough, but the depth of poverty has also increased. More and more, the "working poor" are emerging as another demographic of people who live in poverty (Fluery, D. and Fortin, M., 2006., Fluery, D., et al., 2005., Lalasz,

R., 2005). The "working poor" are people who are working hard to support themselves, but find it difficult to meet their family's most basic needs.

People with jobs constitute the second largest group of food bank clients, at 13.5%. The expansion of the low-wage economy has generated more working poor who, even with full-time jobs, are unable to meet basic needs for themselves and their families.

Canadian Association of Food Banks

Most people would agree that people who work fulltime should be able to meet their most fundamental needs. The truth is that many people working full time hours (or more) for low wages are living in unaffordable housing, struggle to feed themselves and their family and have difficulty with affording utilities, clothing, childcare, healthcare and other essentials (Fortin, M. and Fluery, D, 2005, Hatfield, M. 2004). With a changing workforce and a preponderance of low-paying, part-time, temporary/contract jobs many people are walking the tight-rope of poverty and are only one step away from descending into the deep pit of poverty. Most people want to thrive, have greater opportunity,

realize their potential, enhance self-sufficiency and live in dignity.

*In it's fight against poverty, the newly elected Provincial Government has committed to:
"Increase the maximum allowable earning that can be retained from casual and part time work for people who are on social assistance."*

*Child and Family Poverty Report Card: New Brunswick
Human Development Council*

The efforts of community organizations have necessarily been focused upon responding to the consequences of poverty, with little or no energy or resources remaining to tackle the root causes of poverty. As a result, there has been a scarcity of fundamental systemic changes that address these concerns. Today, poverty remains a persistent and worrisome reality and **now is the time for real action**. Investing in people through inventive utilization and application of resources will lead to greater opportunity and a better chance for all people to realize self sufficiency.

Income assistance was founded as an important and valued social safety net provision (Osborne, J., 1985). Today,

even though the majority of individuals on social assistance do not voluntarily choose to remain there, the multiple systemic barriers (Rickards, S., 2004) often act to perpetuate the need for social assistance. Fortunately, there are some tried and true anti-poverty mechanisms that can break the cycle of poverty (Berube, A., 2006, Michalopoulos et al., 2002, Greenwood, J., and Voyer, J-P., 2000). Importantly, the path to success in poverty reduction involves key systemic changes that will provide an escape hatch for people living in poverty. In order to reduce poverty there must be more financial incentive to work, as opposed to solely remaining on income assistance

The government, in it's commitment to real action against poverty, recognizes the multitude of barriers that effectively prevent one from achieving self sufficiency. Admirably, an increase in allowable earnings is highlighted by the government as one mechanism of support for the transition from income assistance to employment (Graham, S., 2006) in efforts to combat poverty. Undoubtedly, there will be challenges ahead however; the difference that

overcoming these challenges could make for each woman, man and child living in poverty in New Brunswick is immeasurable. The solutions in this document are intended to address and offer resolution to the quandary of leaving social assistance for work that **does not pay.**

SOCIAL ASSISTANCE AND WAGE EXEMPTION POLICY

Theoretically, the wage exemption policy is designed to ease the transition from social assistance to work, in part by increasing family income while retaining the supports of social assistance. The social assistance caseload of single parents is disconcerting (Social Assistance Statistical Report: 2004), as this category typically faces additional barriers to obtaining and maintaining employment. An important report prepared by Anna London for Vibrant Communities, Saint John, titled “Is it worth it to work?” unequivocally demonstrated that, in New Brunswick, a woman with a child would be financially better off staying on social assistance, as compared to going to work full time, at a minimum wage job (London, A., 2005).

In New Brunswick, the flat wage exemption rate never exceeds \$350.00 per month providing minimal financial incentive for people to leave the social assistance system for employment.

A job does not guarantee an escape from poverty; 42% of poor children are in families with at least one full time worker.

*Child and Family Poverty Report Card: New Brunswick
Human Development Council*

Although the flat wage exemption rates were increased in New Brunswick in September 2005, only certain categories of social assistance recipients were allotted this enhancement. The wage exemption level was not increased for people in the Transitional Assistance Program, a category comprising 71% of all case loads as of October 2006 (FCS, personal communication). This decision not to increase the wage exemption value for this category of people is of particular concern, since many people in the Transitional Assistance Program generally have non-permanent barriers to the labour market and could work with appropriate ancillary supports in place. Indeed, a logical assertion could be made that this group of people would

benefit most from an expanded wage exemption policy.

While this limited increase in wage exemption levels was a step in the right direction, research shows that a more generous and universally applied wage exemption policy provides verifiable incentive and support to individuals who want to enter the labour market, while on social assistance (Greenwood, J. and Voyer, J-P., 2000, Saskatchewan Community Resources and Employment, 2006). In addition, wage exemptions allow people to enter the workforce and to gain valuable experience, thereby increasing the likelihood that they will acquire full-time employment and permanently leave the social assistance system.

Realistically, one of the factors impacting the decision to leave social assistance for employment is whether or not such a move would result in financial benefit. A national review of wage exemption policies, confirmed that only a few select provinces (Quebec, Ontario and Saskatchewan) could demonstrate that annual income would be noticeably increased by obtaining full time,

minimum wage employment (London, A., 2005). In New Brunswick, the effect of wage exemptions on the transition to employment was **unequivocal**: single parents would be better off staying in the system and maximizing the wage exemption, as compared to leaving the system for a minimum wage job (London, A., 2005). Thus, the wage exemption policy, as it currently plays out in real life, offers little support or incentive to make the transition from social assistance to full-time, minimum wage employment in New Brunswick. Despite the lack of financial incentive, a number of people still move towards the workforce in order to experience some of the less tangible (but very important) benefits of employment.



In contrast, in Ontario and Saskatchewan, people were more likely to leave the social assistance system for work because their resultant family incomes would be increased, relative to that of income assistance (London, A., 2005). A well-functioning wage exemption policy should provide an inherent incentive to work and be reflected in a graduated increase in annual income resulting from work versus social assistance. Table 1 provides detailed wage exemption levels for individuals on income assistance for each province or territory in Canada. It must be recognized that differences exist between the provinces in terms of income assistance rates, support supplements and services, childcare subsidies, minimum wages and also that the cost of living can vary substantially between regions. Therefore, it is important to appreciate that the backdrop against which the wage exemption policy is applied is provincially distinct.

The inter-provincial comparison of wage exemption policies revealed similar patterns to wage exemption structures that are successful. For instance, in

Saskatchewan, the wage exemption structure offers a flat exemption, followed by a variable exemption on additional earned income up to a certain level. A similar wage exemption structure of a flat exemption, followed by a variable exemption, existed in Ontario (until recently) and helped encourage the transition from income assistance to the labour force. In both Provinces, the wage exemption structure of a flat amount, followed by a variable rate on additional earned income, was demonstrated to be effective on easing the transition from social assistance to employment (London, A., 2005).

In contrast, in New Brunswick, the effective 100% claw back of earned income above the flat wage exemption level imposes a ceiling on possible earned income such that there is little incentive to leave income assistance and work fulltime for less money. Of particular note, it is probably not mere coincidence that in both provinces where the wage exemptions have been proven successful, there are multiple complementary supplements that support the transition from income assistance to employment, which may,

in turn, serve to enhance the effects of wage exemptions. New Brunswick needs to implement a wage exemption structure that will encourage and support the transition from income assistance to work. In addition, it is of paramount importance to ensure that all people are treated equitably and fairly with relation to eligibility and earned income exemption levels.



Single individuals on income assistance are often not afforded many opportunities or support to transition from income assistance to employment. While the importance of support for low income families is appreciated, similar and proportional supports should be available to single people. Adequate wage exemptions will improve the financial status of people on income assistance and aid in the transition to employment with a resultant reduction in the number of people on income assistance. People will work when they

are rewarded for their efforts. We need policy innovation that makes work pay better than welfare.

INCOME SUPPLEMENTS AND THE SELF SUFFICIENCY PROJECT

By international standards, minimum wages are low in Canada. Although minimum wages have been increased from time to time, they are not automatically adjusted for inflation and they are not even close to being a living wage (Vanier Institute of the family, 2005, CBC news online, 2006). Given that New Brunswick has the lowest minimum wage in the country (canadaonline.about.com), it follows that a more effective structuring of earned income policy is necessary to encourage labour force attachment. Earned income supplements for low wage workers are proven to assist in the promotion and retention of employment (Berlin, G.L., 2000, Ford, R., et al, 2003, Greenwood, J. and Voyer, J-P., 2000, Michalopolous, C., 2005, Saunders, R., 2005, Saunders, R., 2006). Nationally supplements have taken on a wide variety of forms including tax credits or monthly payments to eligible individuals. Ideally, supplements should reflect a variety of factors including; family composition, annual income, additional available income and childcare related

costs. As evidenced in Saskatchewan, supplements that are indexed to earnings and adjustable over time provide both incentive and support to employment (Saskatchewan Community Resources and Employment, 2006).

This year, 50.7% of food bank clients in Canada were receiving welfare. This suggests that welfare rates in Canada do not do enough to ensure food security for low-income Canadians.

Canadian Association of Food Banks

The “self-sufficiency project” (SSP), was a pilot program initiated in 1992 and conducted in British Columbia and New Brunswick. The data were collected over time and are still being evaluated and analyzed and have generated a multitude of findings and reports. Notably, the SSP is considered to be of world class calibre in social policy research and the centrepiece of the SSP was really that of income supplementation (Making Work Pay Symposium Proceedings, 2006, Michalopoulos, C., et al., 2002). The

project aimed to provide incentive and ensure that people would benefit financially by leaving income assistance for full time employment.



The rigorous experimental design of the SSP required a recruitment sample of single parents who were receiving income assistance, long term. Participants (N=5729) were randomly assigned to either the program group (N=2880) or the control group (N=2849). Importantly, the SSP was targeted on those caught in the “welfare trap”. People who wanted to work and could work, but did not want to make their families economically worse off by leaving welfare for low income jobs (Make Work Pay Symposium Proceedings, 2006, Michalopoulos, C., et al., 2002). In effect, the SSP offered a supplement to wages during the first three years of full time employment,

such that a person working full time at minimum wage would roughly double their income. The design of the supplement encouraged entry into the labour market and was successful in supporting the transition between income assistance and full time employment (Belyea, J. 2005, Michalopolous, C., 2005, Michalopoulos, C., et al, 2002).

Importantly, participants in the SSP were considered to have multiple and substantial barriers to employment, yet the incentive of the SSP was so strong that several positive effects were observed. Over a five year period, SSP was found to:

- ✓ Increase full time employment
- ✓ Increase earnings
- ✓ Increase income
- ✓ Decrease poverty (9.0%)
- ✓ Decrease the number of families with income below LICO
- ✓ Decrease welfare use
- ✓ Improve school performance of elementary school aged children
- ✓ Increase likelihood of setting aside money
- ✓ Decrease reliance on food banks
- ✓ Increase spending on basic needs

The SSP produced the largest employment gain of any rigorously evaluated program.

At the five year follow up point, SSP continued to decrease income assistance rates and increase full time employment (Michalopoulos, C., et al., 2002) demonstrating that an employment supplement program can produce substantial and sustained benefits. At a recent symposium on the SSP held in Ottawa, Canada, a panel of experts and scholars expressed that the supplement had enabled this population of single parents to accomplish in twelve months what would have taken four years to do on their own (Making Work Pay Symposium Proceedings, 2006). Without ambiguity, the SSP demonstrated that a “Make Work Pay” strategy has been successful in NB.

BENEFIT-COST ANALYSIS OF THE SSP

The SSP was a definite success and all at an incredibly low cost to government. Specifically, the outlay for the SSP was \$2691.00/program group member (Michalopoulos, C., 2002). In other words, the cost to government to run the SSP was \$2691.00 over and above what it would have cost the government had these people remained on income assistance. That is approximately only \$540.00 per year government budget expenditure! In addition, society experienced a net benefit of the SSP in the range of \$2600.00/ program member (Michalopoulos, C., et al., 2002). Moreover, other non-financial benefits such as improved self confidence, increased self-esteem and enhanced school performance in elementary age school children were observed (Michalopoulos, C., et al., 2002), but are difficult to cost out. Finally, the benefit of the SSP to program group members was \$5256.00 for the five year duration (Michalopoulos, C., et al., 2002).

A study co-piloted with the SSP in NB, called the SSP-plus, provided participants with the employment supplement, coupled with additional support services that helped to acquire and maintain employment. Impressively, with these collateral supports in place, a higher percentage of the program group took up the supplement and maintained employment (Michalopoulos, C., et al., 2002). There were rigid entry criteria for participants in the SSP including that group members had to be long term recipients of welfare, a single parent and had to secure full-time employment within 12 months of entering the program (Michalopoulos, C., et al., 2002). Clearly, this was a group of people with multiple barriers to employment.

As demonstrated in a study co-piloted with the SSP, the SSP could be made even more cost-effective if administered to a more employable group (Ford, R., et al., 2003). Indeed, it has been intimated that the beneficial effects of the SSP may be amplified in a program

design that incorporates flexibility and individualization. Policy experts suggest that, over time, the impacts of an SSP-type program would strengthen and be even more cost-effective (Making Work Pay Symposium Proceedings, 2006).

In summary, the SSP demonstrated that income supplementation can provide incentive to leave social assistance for the labour force. Furthermore, participants obtained full-time, relatively stable employment, whereby they could increase their skill-set via on the job learning, increase job experience, enhance interpersonal and communication skills, develop a work ethic, all the while with confidence and belief in their ability to provide for their families.

We recognize the importance of evidence-based policy making and results from the SSP are encouraging and provide a substantive foundation for the policy process. The SSP was an exceptional research study that has provided policy practitioners with hard data and clear direction. Thus, it is certain that a well designed “make work pay” strategy can promote employment,

be an effective anti-poverty measure, generate sustainable impacts and be cost-neutral over time. Make work pay programs can be a critical component of an effective poverty reduction strategy (Berlin, G.L., 2000, Miller, C., et al., 1997, Edmonds, C. and Medina, S., 2002, and Michalopoulos, C., 2005, Voyer, J-P., 2005) and lead the way to real self sufficiency. The enhanced opportunity offered by such a program, combined with a continued investment in people, would certainly generate benefits and dividends for years to come.



THE MAKE WORK PAY STRATEGY PAYS OFF

Poverty is complex and therefore the eradication of poverty will necessitate an array of initiatives that all work together. With the lack of a significant decline in poverty in Saint John, NB and a projection that approximately 5000 youth (teens, teen parents and children) may be en-route to the income assistance system (Peacock, K., personal communications), Saint John has to get serious about poverty prevention and poverty reduction. In our changing society, both the government and community recognize that the issue of poverty must become high priority. We urge that a specific and well formulated anti-poverty action plan be considered including realistic wage exemption levels that will offer incentive and also ease the transition from income assistance to employment.

Another counter-offensive to poverty is income supplements for low income families generating an incentive to work and strengthen employment retention. A wage supplement design that has a phase in and phase out period and that

is indexed to earned income should be considered. For families in New Brunswick where one parent is working full-time, at minimum wage, an income supplement designed to ensure a basic annual income of \$20,000.00 is needed. The Provincial government has identified this level of income (\$20,000 or less) as being low enough to waive the provincial tax and still falls short of the poverty line as defined by the Low Income Cut Off Measure. Ideally, a comprehensive and integrated reform should address other barriers to employment such as transportation and childcare, in order to optimize labour force participation.

Families are living in deep poverty – the average low income two-parent family would need an extra \$7,400 per year just to bring them up to the poverty line.

*Child and Family Poverty Report Card: New Brunswick
Human Development Council*

In recent times, the nature of employment has become more and

more precarious with little security and often no benefits. Saint John, NB has the highest rate of single parent poverty in Canada (Peacock, K., VCSJ, 2005), poverty amongst youth is increasing in Canada and the incidence of child poverty continues to be very disconcerting (National Anti-Poverty Organization, 2006, Ross, et al., 2000). Even more worrisome is that these numbers are expected to grow, thereby necessitating a concentrated and directed effort towards poverty reduction. In order for NB to be proactive and innovative, the government must implement policies that provide incentive, invest in people and offer multi-layered supports to encourage participation in the labour force. Regardless of a persons starting point, the system must provide opportunity for all people to realize their full potential. We are entering an era where adaptability and flexibility must be married with opportunity. As our environments are constantly changing, we too, must change. The people are ready, but the policy lags behind.



SOLUTIONS

1. Implement a wage exemption policy that is universally applied to all single individuals on income assistance and that rewards work. A \$300.00 flat exemption rate, followed by 50% variable exemption rate preferred, with predetermined maximum allowable incomes as a percent of the Low Income Cut-off Measure.
2. Implement a wage exemption policy for families wherein a 50% variable wage exemption rate would be applied to earned income from part-time employment.
3. Implement an income supplement program for working families to ensure that a person is always financially better off by going to work, as compared to remaining on income assistance. A minimum annual income of \$20,000 should apply to families in which a parent works full-time.

Real action against poverty is on the government's agenda. The

aforementioned solutions offer the road map to success in stopping the cycle of poverty and also blend nicely with the New Brunswick Premier's Charter for Change (Graham, S., 2006). The downstream benefits of these changes could be immense, not only for the many disadvantaged people living in poverty, but for society and government in general. A solid poverty reduction strategy must include mechanisms, whereby employment is encouraged and supported and will ensure financial benefit to the individual and families.

Government programs do make a difference – without them the family poverty rate would be 27% in New Brunswick, up from 15%.

***Child and Family Poverty Report Card: New Brunswick
Human Development Council***

The infrastructure exists and with some well thought out additions, deletions, and/or modifications, New Brunswick could set a standard of excellence for modernized social policy, from a poverty

perspective. New Brunswick could be in the forefront of social policy manoeuvres that really break the poverty cycle. Let's

build integrity and create a community free of poverty.

TABLE 1: National Breakdown of Wage Exemption Levels by Province

NEW BRUNSWICK

	Interim	TAP	Youth	Extended Benefits
Single	\$300.00	\$150.00	\$150.00	\$250.00
2 Persons or More	\$350.00	\$200.00	\$200.00	\$300.00

Extended Wage Exemption Policy (2 year duration)

	1-6 months	7-12 months	13-24 months
Single, Couple without Dependants	30% net income	25% net income	reverts back to flat rate
Families with Dependants	35% net income	30% net income	reverts back to flat rate

*NB annual supplement for low income = \$250.00/year

NEWFOUNDLAND

	Unemployable/Disabled	Employable
Single	\$95.00	\$75.00
2 or More Persons	\$190.00	\$150.00

PRINCE EDWARD ISLAND

	Unemployable/Disability	Employable
single	\$50.00	\$50.00
2 or More Persons	\$100.00	\$100.00

NOVA SCOTIA

	Needs Vocational Training or Disabled	Employable
Single	30% net wages or training \$150.00+30% training (disabled)	30% net wages
2 or More Persons	30% net wages or 30% of training allowance	30% net wages

QUEBEC

	Clients with No Limitation	Clients with Temporary Limitation	Clients with Severe Limitation
Single	\$200.00	\$200.00	\$100.00
Single Parent Family	\$200.00	\$200.00	\$100.00
2 Parent Family	\$300.00	\$300.00	\$100.00

Three types of earning supplements for low wage parents

- housing supplements
- subsidized childcare, \$7.00/day
- parental wage supplement, earnings indexed

ONTARIO

All Persons (Ontario Works and STEPS)	50% of net earned income
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Other employment related supplements

- childcare costs are exempt at ~\$1100.00/year
- disability related expenses are covered ~\$100.00/month transportation

MANITOBA

	Unemployed/Disabled	Employable
Single	\$100.00 + 30% net wage	\$100.00 + 25% net wages
Couple	\$200.00 + 30% net wage	\$100.00 + 25% net wages
2 or More People / Single Parent	\$115.00 + 30% net wage	\$115.00 + 25% net wages

SASKATCHEWAN

	Unemployed/Disabled	Employable
Single	\$100.00 + 20% of next \$375.00	\$25.00 + 20% of next \$375.00, earnings over \$125.00 eligible for SES*
Couple, no Children	\$125.00 + 20% of next \$625.00, earnings > \$200.00 eligible for SES	\$50.00 + 20% of \$625.00, earnings > \$125.00 eligible for SES

Couple with Children	\$250.00, earnings > \$250.00 makes eligible SES	\$125.00, earnings > \$125.00 eligible SES
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SES = Saskatchewan employment supplement

Income assistance rates include a basic allowance, room and board or shelter and utilities

ALBERTA

	Severely Handicapped	Employable
Single	\$400.00 + 50% until \$1000.00 earned	\$115.00 + 25% of net until welfare not needed
Couple/Family	\$975.00 + 50% until \$2000.00 earned	\$350.00 + 25% of net until welfare not needed

Alberta Income Assistance rate

Single = \$950.00 + medical coverage

Couple/family = \$1900.00 + medical coverage

BRITISH COLOMBIA

	Unemployable	Employable
All Persons	\$500.00	\$500.00

In BC there is an earned income benefit for low income families

YUKON

	Unemployable	Employable
Single	\$100.00	\$100.00
Family, 2 or More	\$150.00	\$150.00

NORTHWEST TERRITORIES

	Unemployable	Employable
Single	\$200.00	\$200.00
Families	\$400.00	\$400.00
Disability	All earnings exempt	All earnings exempt

NUNAVUT

	Unemployable	Employable
Single	\$150.00	\$150.00
Couple	\$150.00	\$150.00
Couple with Children	\$300.00	\$300.00

TABLE 2: Comparison of Current Income Assistance (IA) Levels, Wage Exemptions (WE), Proposed Structure and Fulltime Minimum Wage Work

	Current Annual IA	Current IA + Maximum Current WE	Current IA + \$300 WE + 50% Variable (20 hrs/wk)	Current IA + \$300 WE + 50% Variable (30 hrs/wk)	Fulltime Work @ \$6.70/hr (40hrs/wk)
Single (WE = \$300/m)	\$3,388 19% LICO	\$3,388 + \$3,600 WE = \$6,988 40 % LICO	\$3,388 + \$3,600 WE + \$1,684 V = \$8,672 50% LICO	\$3,388 + \$3,600 WE + \$3,426 V = \$10,414 60% LICO	\$13,936 (earnings) + \$232 GST = \$14,168 81% LICO
Single – disability (WE = \$250/m)	\$6,196 39% LICO	\$3,388 + \$3,000 WE = \$9,916 57 % LICO	\$3,388 + \$3,000 WE + \$1,684 V = \$12,200 70% LICO	\$3,388 + \$3,000 WE + \$3,426 V = \$13,942 80% LICO	\$13,936 (earnings) + \$232 GST = \$14,168 81% LICO
Single – TAP (WE = \$150/m)	\$6,112 35% LICO	\$6,112 + \$1,800 WE = \$7,912 45 % LICO	\$6,112 + \$3,600 WE + \$1,684 V = \$11,396 65% LICO	\$6,112 + \$3,600 WE + \$3,426 V = \$13,138 75% LICO	\$13,936 (earnings) + \$232 GST = \$14,168 81% LICO
Lone Parent + One Child (WE = \$200/m)	\$13,436 62% LICO	\$13,436 + \$2,400 WE = \$15,836 73% LICO	\$13,436 + \$3,484 V = \$16,920 78% LICO	\$13,436 + \$5,226 V = \$18,662 86% LICO	\$13,936 (earnings) + \$354 GST + \$3,200 NCB = \$17,490 92% LICO

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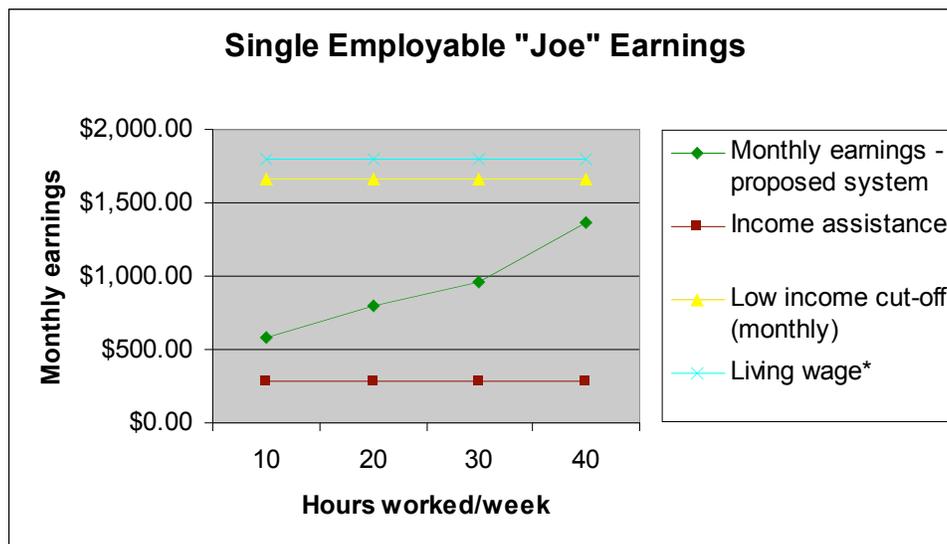
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MAKING WORK PAY IN NEW BRUNSWICK ADDENDUM

2008 UPDATE – SINGLE “JOE” TODAY

Recall that ‘Joe’ is single and is in the category of Interim Assistance Program (commonly referred to as single-employable). In 2008, ‘Joe’ receives \$294 per month from Income Assistance. The current wage exemption policy states that ‘Joe’ can earn no more than \$300 per month in earned income. If ‘Joe’ gets a part time job at minimum wage (\$7.75/hr) his wage exemption is maxed out after working just 10 hrs / week. No matter how many additional hours ‘Joe’ works as a part-time employee, he will never make more than \$594/month which translates to just **38% of lico**.

However, when our proposed wage exemption structure is implemented ‘Joe’ will benefit from *every hour worked*. So, if ‘Joe’ works 20 hours per week, he sees his income increase accordingly to \$754/month (**49% of lico**) and when ‘Joe’ is able to work 30 hours per week, his total income rises accordingly to \$909/month (**59% of lico**). When ‘Joe’ is able to secure full time employment his monthly income will be \$1240 (**80% of lico**).



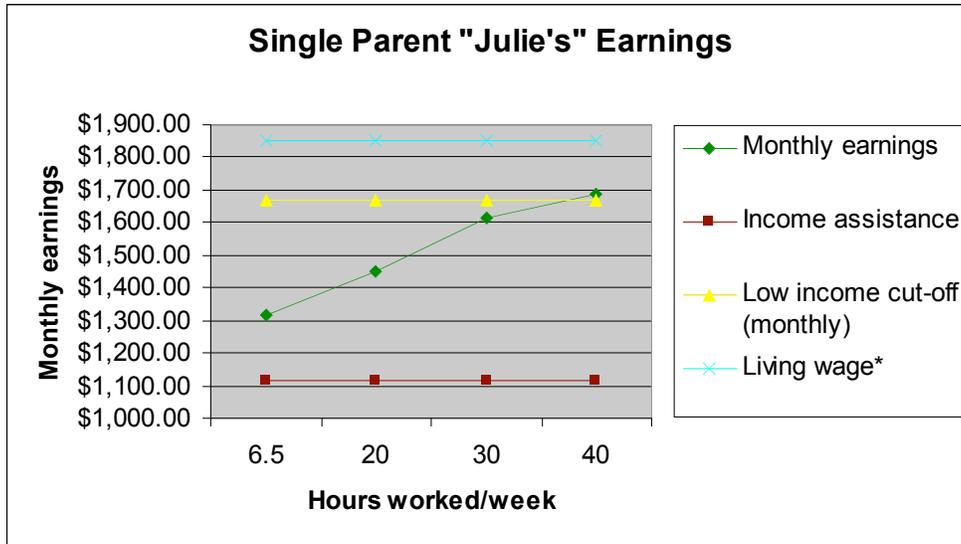
**Source: Living Wage Report of the Human Development Council of Saint John. Based on the wage recommendations for a single person with full time employment.*

The graph above illustrates the dramatic difference between current income assistance levels, the Low Income Cut-Off measure and that our proposed structure would result in financial benefit and therefore incentive to form an enhanced and permanent attachment to the workforce.

2008 UPDATE – SINGLE-PARENT “JULIE” TODAY

Recall that ‘Julie’ is a lone-parent with one child under the age 19, living in NB. Currently, ‘Julie’ is on Income Assistance and receives a total of \$1138 per month (59% of lico) from Income Assistance, Child Tax Benefit and GST combined. The current policy on wage exemption states that ‘Julie’ can earn only \$200 per month before her wage exemption is maxed out and her earnings “clawed back” dollar-for-dollar. This wage exemption limit means that ‘Julie’ will earn the limit of her wage exemption working only 6.5 hours per week. Those additional earnings bring her monthly income up to \$1338 per month, only 70% of lico.

With our proposed wage exemption structure of 50% variable rate on all earned income, ‘Julie’ could work more hours and see her monthly income rise accordingly. For instance, if ‘Julie’ worked 20 hours per week, her income would be \$1448 (75% of lico) and if ‘Julie’ was able to work 30 hours per week, her income would adjust up accordingly to \$1617 per month (84% of lico). If ‘Julie’ went to work full time at minimum wage, her monthly income would be \$1569 (82% of lico). Compared to income assistance with maximized wage exemption, ‘Julie’ would gain a total of just \$231 per month by working full time.



**Source: Living Wage Report of the Human Development Council of Saint John. Based on the wage recommendations for a single parent with full time employment.*

The graph above illustrates the dramatic difference between current income assistance levels, the Low Income Cut-Off measure and that our proposed structure would result in financial benefit and therefore incentive to form an enhanced and permanent attachment to the workforce.

Although the numbers indicate a net gain, it is clear that full time work incurs expense in the form of paying for childcare, transportation costs for 'Julie' and her child, as well as work related items. "Julie's" health card would also be in jeopardy meaning that she could very well acquire medical costs. The cost of food, shelter and utilities are increasing disproportionate to low income levels of the working poor in NB. Collectively, these factors would quickly dissolve the earned \$231 per month that 'Julie' would obtain by working full time, as compared to remaining on income assistance with maximized wage exemption. Obviously, the current structure provides little incentive/gain to maintain full time work, at minimum wage for 'Julie'.

Dating back to 2006, our originally proposed solution for low income families was that for any family wherein one person is working full time, the family income should be no less than \$20,000 per annum (the number linked with no provincial taxation) and that this total would be achieved via a monthly family supplement. Today in 2008, an amendment must be put forth, to reflect new figures and low income cut off measures.

We propose that for low income families, wherein one person is working full time, the family income should be no less than the current LICO of \$23,084.

In 'Julie's' case, adoption of this proposed family supplement means that while working full-time, 'Julie' would receive a family income supplement to bring her per annum income up to the current LICO. The change in monthly income (compared to full-time employment at minimum wage) would mean a difference of \$355 per month to 'Julie' and her child. By providing this supplement and [Making Work Pay in New Brunswick](#), 'Julie' is being rewarded for her efforts to work – *although still living at the poverty line* – and the system SAVES nearly 56% of the direct income assistance monies that would have been applied to "Julie's" family. The family supplement would not only act as an incentive to employment, but would also go towards reaching the common goal of poverty reduction! Importantly, the very demographics (lone-parents and children) that have disconcertingly high rates of poverty would directly benefit from such an earnings structure.