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Redesigning the "Welfare Mix" for Families: Policy Challenges

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By

Jane Jenson

Foreword

Seeking the best policy mix for Canadians is an on-going enterprise at CPRN. The hallmarks of our approach are a holistic definition of social and economic policy, a commitment to integrated policy analysis and delivery, and a willingness to seek comparative perspectives from across Canada and around the world. This paper, by Jane Jenson, who is Director of the Family Network, is a timely example. It analyzes the redesign of social and economic policies in the United States and the European Union in order to gain perspective on the emerging trends in Canadian policies. The central focus in the paper is choices about the sources of citizen well-being, as the balance of income and services derived from markets, families, communities, and governments changes.

Today, many countries, including Canada, face a number of common policy challenges. Among these are an ageing society, economic marginalization and social exclusion, changing family forms and practices, and high poverty rates for families with children. In the European Union and the United States, these four policy challenges have generated two main responses. The first response is to manage the margins of the labour force by increasing the proportion of income from paid employment; and the second is to avoid or reduce poverty, especially child poverty, by enabling families to combine paid work with a range of benefits and services.

Over the last decade, federal, provincial, and territorial governments have begun to redesign policies in similar directions. In general, they have tried to ensure that as many people as possible can earn the bulk of their income from paid employment, but, for the most part, they have recognized that government has a role to play in ensuring that income and services are sufficient.

I wish to thank Jane Jenson for her thorough and thought provoking analysis of the contexts for Canada's changing social architecture. I also wish to acknowledge the support of Alberta Human Resources and Employment for the preparation of the study in 2002 on which this much-revised and expanded paper is based.

Judith Maxwell
February 2003

Executive Summary

In the last two decades a number of countries have adopted new policies and programs in response to the challenges of restructured labour markets, deepening poverty, an ageing society, and the knowledge-based economy. These have all meant major reforms of social policy.

The move toward reform occurred in several stages. In the 1980s, there was simply an effort to control costs, often based on a belief that government spending was "excessive" and could be easily controlled, and that doing so would release market forces to create jobs (thereby absorbing unemployment), to modernize the economy (thereby making it competitive), and rebuild a solid economic structure (thereby generating well-being for everyone). By the late 1990s, however, it was clear that cutbacks and freed-up markets were not sufficient. Poverty rates were rising, especially for families with children. The working poor were frequently closed out of the housing market. The move into work was sometimes an "irresponsible" act for parents who would lose health coverage, housing subsidies and other benefits that they received while on social assistance and that would not be replaced in a low-paying job.

As governments at all levels begin to redesign their policies and actions, they are sometimes – indeed frequently – changing the *welfare mix*. This paper examines these changes, and searches for lessons that can be of help to policy communities and especially policy-makers across Canada. It provides description and analysis, including detailed tables and figures comparing countries and Canadian provinces.

Rethinking the Welfare Mix – Ingredients and Challenges

Many governments have begun to rethink the "welfare mix," that is the ways in which the well-being of citizens is achieved. It is important to understand that welfare, as used here, is a much broader term than a synonym for social assistance, as it is sometimes employed. In this paper, we adopt the notion of *welfare*, as defined by economists and social policy experts. For them, welfare depends on income and services provided from a *variety of sources*.

We can identify four sources of welfare. For the majority of people, by far their major source of welfare is *market* income, earned themselves or by someone in their family, such as a spouse or a parent. But we also gain part of our welfare from the non-marketized benefits and services provided within the *family*, such as parental child care, housework and care for elderly relatives. Access to welfare also comes from *governments*, via child care, health care or other services for which we are not required to pay full market prices. The fourth source is the *community*, whose volunteers and non-market exchanges generate welfare by providing a range of services and supports, such as child care, food banks, recreation and leisure, and so on.

Societies confront many challenges in ensuring an adequate welfare mix for families. These include: an ageing society, economic marginalization and social exclusion, changing family patterns, and child poverty.

Redesigning the Welfare Mix – What is Being Done Elsewhere

These four challenges have generated two responses that dominate policy thinking across jurisdictions. In the case of both responses, while never the exclusive focus, lone-parent families and their needs receive particular attention.

One response is to focus on ensuring active participation in the labour force, and to avoid social exclusion. Managing the *margins of the labour force*, both at-risk populations and those people transitioning across the border from income security programs to work, is the particular task here.

A second response is to seek to avoid or reduce poverty, especially child poverty. The goal is to ensure a welfare mix that will allow most families to combine paid work, child maintenance, benefits and services in order to meet the needs of their children and themselves.

The European Union (EU) has adopted an employment-centred strategy for achieving a better welfare mix. Much of its analysis follows from an understanding of *social policy as a productive factor* rather than as a drain on the economy. The Union observes that social expenditures are positively correlated with levels of productivity everywhere in the developed world. The EU also recognizes that poverty rates are not automatically reduced by people being in work; poverty rates and employment rates are not strongly correlated, if job growth occurs in low-paying service sectors, for example. The Europeans have begun, therefore, to focus on "quality" and "quality jobs."

Reductions in poverty is one goal of such policies. Recent data reveal that if markets and family were the *only* source of income, poverty rates would be substantially higher everywhere for families with children. Where countries have made commitments to using taxes and transfers to protect families from poverty, however, the rates of child poverty fall significantly when after tax and transfer incomes are considered. Moreover, while the *risk* of poverty is always higher for lone-parent families, the *rate* can vary significantly from country to country.

There are three major policy instruments that allow for poverty reduction to occur. The first is payment of child benefits of various kinds. Housing allowances and other housing programs are also an important part of the benefits package. The distinction between having a low income and being at risk of poverty or social exclusion often turns on the factor of housing costs. Early childhood education is a third key component of the package of services. The trend in all countries is toward full coverage of the three- to six-year old age group, aiming to give all children at least two years of free publicly-funded provision before beginning compulsory schooling.

A number of observations emerge from this examination of the European experience. First, increasing market-based income is a key objective of social policy, identified as the major factor limiting the risk of being poor and fostering social inclusion. Nowhere, however, do governments assume that market incomes will be sufficient to assure everyone adequate incomes to prevent poverty. Analysis reveals that many categories of labour force participants require government transfers (such as child benefits) and services (such as child care). Therefore, transfers designed to supplement incomes as well as services remain crucial parts of the welfare mix. Specific programs such as housing and child care are of particular importance.

The United States federal and state governments spend substantial amounts on social assistance programs for their citizens. Indeed, the United States has one of the highest rates of expenditure on social assistance, that is the "safety net" portion of social policy, in the world. At 3.7 percent of GDP, social assistance spending in the United States was well above Canada's 2.5 percent.

In the early 1990s, fully nine percent of the whole social assistance budget was spent on Food Stamps, and a further 50 percent on Medicaid, which provides health care coverage to low-income Americans. While at first eligibility for Medicaid was almost completely coterminous with eligibility for social assistance, in recent years it has been redesigned to cover more low-income families who depend on market incomes. The move is towards more families retaining Medicaid benefits as they move off social assistance, if they find work in low-wage jobs without private health insurance.

The Earned Income Tax Credit (EITC) is designed to increase the rewards of work for low-income families with children (and those without children with *very* low incomes); it is intended to "make work pay." It costs American taxpayers about $30 billion (US) a year. There is also a Child Tax Credit that pays up to $600 (US) to families with earned income above $10,000.

In 1996, the United States federal government undertook a comprehensive reform of the social assistance portion of its social assistance programs, those popularly called "welfare." Its objectives were *both* to increase employment and to encourage certain types of family behaviour, so as to increase the "family responsibility" portion of the welfare mix. With respect to the second objective of "family formation," the immediate goals were to raise marriage rates, reduce births outside marriage, and establish paternity. This objective distinguishes efforts to redesign the welfare mix in the United States from those undertaken in Europe or Canada. Another distinguishing element of the American reform is that this welfare reform reduced the training or human capital focus present in previous social assistance programs, primarily by setting strict time limits on receiving social assistance.

While changes varied from state to state, within a framework set out in federal legislation, states made four major changes in their social assistance systems. First, they shifted to "work-first" principles, that is emphasizing rapid labour force entry rather than skills development or long-term education. Second, most states modified rules so as to "make work pay," by allowing social assistance recipients to keep some cash benefits even when they begin having income from employment or by creating their own supplements to the federal EITC. Third, they instituted rules about workforce participation by everyone; in most states, the work exemption for lone parents with young children was reduced from three years to 12 months, while many states chose even shorter periods, and a few have no exemption at all. Finally, states developed programs for communicating these reforms; most require some form of orientation session for applicants, with the sessions stressing the temporary nature of cash assistance and the requirement that almost all applicants pursue and obtain employment.

Redesigning the Welfare Mix for Canadian Families

In Canada, as elsewhere, there are gaps between social assistance benefit levels and family needs, leading to concerns about "adequacy" of benefits. There is new activity in the area of income supplements for low wages and, in particular in Canada, there is growing attention to "investing in children" so as to limit child poverty and promote their healthy development.

One primary goal has been to smooth the transition into work and reduce reliance on social assistance. Since the mid-1990s, all provinces have changed some laws and regulations to tighten eligibility, reduce costs and foster labour force participation by recipients of social assistance.

Increasingly, there has also been a clear understanding that increasing labour force participation will not *solve* the problem of low incomes. Cash and other transfers are needed if large number of individuals and families are not to live in poverty. Therefore, along with incentives to work, the federal government and several provinces have been providing additional supports. A second move is toward better integration of social assistance and employability programs.

With respect to timing, there seems to be a pattern. Those provinces that have made their reforms more recently (Quebec, Nova Scotia, Alberta and Prince Edward Island, for example) seem to recognize that low-wage work and jobs without benefits are likely to characterize the new labour market structures, rather than being a "transitory" or "transition" phenomenon.

The second goal that has emerged from discussions of the welfare mix is how to generate sufficient family income and control poverty rates, especially those for child poverty. In Canada, the federal-provincial-territorial governments made a clear commitment to engaging with this issue in the late 1990s, especially via the National Child Benefit (NCB) agreement signed in 1998.

The federal government's contribution to the NCB (the Canada Child Tax Benefit (CCTB) and the National Child Benefit Supplement) allow the federal government to provide its share of a new welfare mix, and to release provincial funds for reinvestment according to provincial priorities, particularly in services. In adopting these policies, Canadian policy-makers have been following – and sometimes leading – international thinking about the need to provide both cash benefits and services to families in order to allow them to maximize their welfare.

Among the 10 provinces there have been four basic approaches followed:

- One is to provide families with a supplement to earned income, usually in order to "make work pay";
- A second approach involves making a benefit available to *all* low-income families with children, whether they earn market income or not;
- A third approach is to provide a variety of needs-related benefits (such as health benefits or housing and child care subsidies) for families; and
- Finally, there is the service that almost all analysts identify as key to ensuring that employability initiatives and family supports mesh well. This is child care.

On the last point, however, there is a major difference between Canadian provinces' initiatives and those of European countries and even the United States. With the exception of one province, public support for child care support remains limited and spaces are in inadequate supply. This gap is surprising, given the growing and widely disseminated social knowledge about the importance of early childhood education for preparing children for the new economy.

Conclusions – Finding the Combination

> *A clear overall message emerges from this cross-national analysis of child poverty rates. All of the possible factors examined – lone parenthood, employment and its distribution, wage inequality, and state transfers to the workless and low paid – are important but none is pre-eminent. Children are kept in poverty not by a padlock to which there is a single key but by a combination lock that requires an alignment of factors if it is to be released (UNICEF, 2000).*

Finding the "combination" is the key challenge policy-makers face. They need to find the best policy mix.

Moving into Employment

Because of their responsibility for ensuring that all citizens have access to an adequate level of welfare, governments have been assessing the range of possible policy actions to increase the proportion of welfare that comes from markets and especially market income. This has led to a widespread commitment to the need to move as many people as possible from social assistance into work or a combination of both. The Europeans call this "activation," by which they mean enabling people to take an active part not only in the labour force, but in the broader community. For them "activation" is a way to combat social exclusion. Whatever the label, many governments have developed new programs that are intended to "make work pay" and remove the blockages to labour force participation that had inadvertently come to characterize the existing structure of social assistance.

Access to adequate market income and quality jobs is important for the future as well as the present. While child benefits and tax credits targeted to families with children will address child poverty now, they do not deal with the issue of adults' long-term low income and dependence on wage supplements. The danger with this form of dependence is that when their children are grown – and, therefore, they are no longer eligible for earned income supplements, extended health benefits and so on – these adults will fall into deep poverty themselves, and will face an old age of poverty too. In other words, "work-first" is a siren call dangerous for the present and into the future as well.

Ensuring that Families have Adequate Income

Wage rates do not have any way of taking into account the number of people who will live on that wage. Salaries are not set according to the number of children the employee has, or whether there are two incomes supporting the household. This characteristic of wages has always been a problem, especially at the low end of the scale. People have often not been able to earn a "family wage," that is enough to support their family.

Recognizing the existence of this issue, even in the boom years after 1945, many countries instituted universal family allowances. They were designed to redistribute income horizontally, partially to compensate for the extra costs faced by families with children. The gap between income and needs became more pressing as rates of poverty for families with children rose through the 1990s and as more and more research has shown the negative consequences of living on the margin of society and at risk of exclusion. Hence the increase in child benefits.

The Last Tumbler in the Combination Lock – Child Care

Here we turn to the last piece of the policy puzzle, one that virtually all analysts identify as indispensable to a prosperous future for families and countries. Child care is important not only (albeit certainly) because it allows parents to balance their work and family responsibilities. It is also absolutely key to ensuring positive developmental outcomes. The 2001 OECD report, as the title *Starting Strong* suggests, states: "Research shows that participation in quality, centre-based ECEC [early childhood education and care] *programmes* can have important and immediate short-term impacts on the cognitive and socio-emotional development of disadvantaged children" (OECD, 2001: 37).

Yet, despite this widespread social knowledge, policy-makers in several Canadian provinces are still holding the line on child care spending, although there is still a good deal of unmet demand for affordable care and quality spaces. Moreover, in some jurisdictions there has been a tendency to embrace *informal* forms of child care (neighbours and relatives) as a solution to meeting the needs of low-income parents leaving social assistance or employed in low-wage work, despite the evidence that simply investing in custodial care has significantly fewer payoffs in terms of good child outcomes.

Given its commitment to competing in the knowledge economy and making the most of its work force, Canada cannot afford to ignore the contribution that quality early childhood education and care programs can make to achieving goals for *both* adults and children. Child care needs to a key component of any low-income strategy.

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I. Introduction

In the last two decades, a number of countries have adopted new policies and programs in response to the challenges of restructured labour markets, deepening poverty and an ageing society, as well as the need to respond to the knowledge-based future. These have all meant major reforms of social policy. As the leading social policy analysts of Europe recently wrote: "Welfare reform is difficult, but it happens. Over the past three decades, all the developed welfare states of the European Union have been recasting the basic policy mix upon which their national systems of social protection were built after 1945" (Esping-Andersen *et al.*, 2001: 198).

This move toward reform has occurred in several stages. First, in the 1980s, there was simply an effort to control costs, often based on a belief that government spending was "excessive" and could be easily controlled, and that doing so would release market forces to create jobs (thereby absorbing unemployment), to modernize the economy (thereby making it competitive), and rebuild a solid economic structure (thereby generating well-being for everyone). Cost-cutting was supposed to, in this way of thinking, solve the problems already visible in the relationship between labour markets and social policy design.

By the late 1990s and first years of the new century, however, it soon became clear that cutbacks and freed-up markets were not sufficient. Poverty rates were high, especially for families with children. The working poor were frequently closed out of the housing market because sufficient affordable housing did not exist. The move into work was sometimes an "irresponsible" act for parents who would lose health coverage, housing subsidies and other benefits that they received while on social assistance and that would not be replaced in a low-paying job. In addition, predictions about an ageing society were causing many to worry that soon there would not be enough workers to pay for the needs of retirees, through their taxes and contributions.

In Canada, documentation of these challenges came in study after study, whether undertaken by government agencies, such as the National Longitudinal Survey of Children and Youth organized by Human Resources Development Canada, by academics, by task forces set up by governments, such as the report on the Early Years (McCain and Mustard, 1999) commissioned by the Premier of Ontario, or by think tanks, such as the project *The Best Mix for Canada's Children* (Stroick and Jenson, 1999) or *Housing Affordability: A Children's Issue* (Cooper, 2001) undertaken by CPRN. Others focused on the issue of an ageing society or on the polarization of income and the rise of the working poor. Many of these studies pointed toward the need for *redesign of social programs* more than simply cutbacks or retrenchment of social spending and institutional arrangements.[1]

[1] "Among the provinces in the 1990s, the retrenchment model appears to have dominated. However, as of the mid- to late-1990s, the extension of income-tested benefits has acquired considerable cachet and may provide both a model as well as political momentum in favour of a system based on separate income support for dependent children and income support for the unemployed" (McIntosh and Boychuk, 2000: 80). This argument about redesign rather than retrenchment is made in Jenson and Sineau (2001).

Nor was Canada alone. Other countries also began to speak of the need for a new paradigm, for (as the Americans said) "ending welfare as we know it" *and* replacing it with something else. New Zealand, one of the first countries to begin dismantling its post-war social policies in the mid-1980s, by the turn of the millennium had found it necessary to *reinvest* in social policy and systematically undertake active social development. It renamed its ministry to reflect this reorientation.[2] There was also policy learning going on, as countries scanned their environment to identify best practices and possible models for their own actions.[3]

As governments at all levels redesign their policies and actions, they are sometimes – indeed frequently – changing the *welfare mix*. Therefore, after defining this notion of welfare mix, Section II explores current challenges that are common to many countries. Section III then turns to an examination of how both the European Union (EU) and the United States are redesigning their welfare mix, by reforming labour market and social policies. This same analysis is provided for Canada in Section IV, and then some conclusions are drawn in Section V.

II. Rethinking the Welfare Mix – Ingredients and Challenges

Many governments have begun to rethink the "welfare mix," that is the ways in which the well-being of citizens is achieved. It is important to understand that welfare, as used here, is a much broader term than a synonym for social assistance, as it is sometimes used. In this paper, we adopt the notion of *welfare*, as defined by economists and social policy experts. For them, welfare depends on income and services provided from a *variety of sources*.

Defining Welfare Mix

We can identify four sources of welfare.[4] For the majority of people, by far their major source of welfare is *market income*, earned themselves or by someone in their family, such as a spouse or a parent. But we also gain part of our welfare from the non-marketized benefits and services provided within the *family*, such as parental care of children, housework and care of the elderly, and by *governments*, via child care, health care or other services for which we are not required to pay full market prices. The fourth source of welfare in this sense is the *community*, whose volunteers and non-market exchanges provide a range of services and supports, such as child care, food banks, recreation and leisure, and so on.

[2] The name is now Ministry of Social Development, at http://www.msd.govt.nz.

[3] Esping-Andersen *et al*. (2002: 190) give Ireland as an example of a country that changed its labour market policy paradigm in a major way via social learning. "When change fails to establish a workable equilibrium, this often prompts domestic political actors to adopt 'best practices' from elsewhere. In the early 1980s, the Irish followed the British strategy of radical labour market deregulation. After government officials, trade unionists and employers discovered that this strategy was ineffective in countering industrial decline, Irish policy-makers shifted to comprehensive social pacts."

[4] Many social policy experts speak of the welfare mix as a triangle, composed of markets, states and families. See, for example, Esping-Andersen (1990). We prefer the metaphor of the welfare diamond, proposed by Evers *et al.* (1994), because there are important distinctions to be made between welfare distribution by families (intergenerational income transfers and care, for example) and by communities (programs supported by United Way, churches and other voluntary agencies, for example).

Therefore, any individual or family's welfare comes from a mix of the following four sources of well-being:

- Markets – that is, as purchased welfare;
- Families – that is, as reciprocity of kin;
- Voluntary associations – that is, as private solidarity; and
- Governments – that is, as solidarity among citizens.

In any household, the welfare mix is determined *primarily* by the relationship to the labour market. It depends upon how many people, if any, have gained and can sustain a reliable source of market income. It also depends on whether they earn enough to meet all their needs. After that, their welfare depends on the public and community benefits and services they can access, as well as their family circumstances, including the health, age and number of family members.

Governments decide how much market outcomes will be modified, by taxation and social benefits. They decide what to do (including not doing anything) when labour markets do not generate enough jobs, when jobs do not pay enough to keep people out of poverty, when people have no source of market income, or when they have no family to fall back on. They decide how much welfare will be delivered directly by governments via public benefits, how much will be paid for by governments but delivered by the community, and how much will depend simply on market capacity, that is how much individuals and households can earn and spend, on charity in the community, or on family support.

Current Challenges

Before comparing the redesign of the welfare mix in different jurisdictions, it is necessary to look first at the risks and challenges that they currently face.

An Ageing Society

For many European countries, the ageing society is *the* key challenge because the sustainability of their pension systems and other benefits is threatened. Public pensions for retirees were a basic pillar of the post-1945 welfare regime. Now, however, the labour force participation rates are not high enough to support the programs, as the baby boom generation moves to retirement. In addition, the future seems to look difficult because birth rates are plummeting. This challenge means that European countries contribute a lot directly and through the Organisation for Economic Co-operation and Development (OECD) to discussions about an ageing society, focusing both on pension schemes and birth rates.

Even if in comparative terms, Canada's pension income systems are considered to be less vulnerable (for details see Myles and Pierson, 2001: 309 and 319ff), an ageing society affects much more than just pension schemes (Hicks, 2002). It will have consequences for the ways in which dependent elderly persons are cared for, the kinds of work that must be done to meet their needs, and the kinds of jobs that will be increasingly available. It will have consequences for family members being "available" for work; they may have to provide care to a relative rather than engaging in employment, and so on. Thus, important questions about the welfare mix arise as the elderly become a larger proportion of any society.

Economic Marginalization and Social Exclusion

Many people put the rising risk of social marginalization and social exclusion at the top of the list of challenges. Income polarization, in which the middle of the income scale is hollowed out (such that some get richer and many more poorer), is a challenge to several assumptions shared by social policy designers in the years after 1945. They assumed that there would be a "large middle" that would gain its welfare in the market. Now we find "hollowed-out" income distributions that interfere with many people's access to *sufficient* market income, even though they may be holding a job.

> The vocabulary differs: The French see a society of *deux vitesses*, the Germans a two-thirds society, and the Danes divide themselves into an A-team and B-team. …The real threat of social exclusion is that welfare problems incur poverty more than temporary hardship, that they determine citizens' life chances and, worse, that they are reproduced from one generation to the next (Esping-Andersen *et al.*, 2001: 14).

It is no longer possible to assume that one market income will be sufficient to keep a family well above the poverty line, as was the case in the 1950s, and that periods in which no one in the family will be in the labour force will be short-term and limited. Instead, since the 1980s, more and more countries have observed that the risks of social polarization are real and deep poverty is sometimes the result.[5] Moreover, they have noticed there is a process of "entrapment," for some categories of the population, who are excluded from the mainstream. This challenge has led many countries to try to redesign their welfare mix by paying increasing attention to employability programs, breaking the cycle of poverty, supplementing low wages, investing in children so as to prepare them better for the future, and so on.

Changing Families

A third challenge for those redesigning the welfare mix comes from changing family forms and family practices. Post-war social policies were designed at a time when divorce rates were low and births out of marriage were not socially acceptable. In 1951, only 9.8 percent of all Canadian families with children had a lone parent, and many of those families were created by the death of a mother or father; in 1996, the comparable number was 22.3 percent. Employed women were also a rarity. In 1951, less than one woman in four was in the labour force and

[5] The United Kingdom, for example, had a risk of poverty well above the average in the European Union (EU) at 22 percent in 1997, and almost two million children lived in "workless" households, that is ones in which no one held a job (European Council, 2001: Part 2, p. 117).

most of those were unmarried and/or young women (Jenson, 2001: 37). By 2001, the statistic had risen to 60 percent, that is three in five, while three of every four women aged 25-34 were in the labour force in 1999 (for 2001, Statistics Canada; for 1999, OECD, 2001: 185). These shifts mean, first, that one-quarter of families do not have the option of earned income from two adults; a single market income is all they can expect.[6] Second, it means that issues of child care are absolutely key to any policy that aims to enable families to rely more on market income.

Child Poverty

These last two challenges have also generated great concern about "child poverty," and the risks associated with raising children in families that do not have the resources to provide adequately for them. This can be identified as a fourth challenge. As UNICEF (2000: 5) recently put it:

> The new century has opened with a renewal of interest in the issue of poverty within the borders of the world's richest nations. In the European Union, heads of government have called for specific targets to be established as part of an effort to 'make a decisive impact on the eradication of poverty'. … In the Republic of Ireland, specific targets and programmes have been announced for a ten-year antipoverty effort. In the United Kingdom, the government has committed itself to halving child poverty in ten years and eradicating it in twenty. In part this new interest appears to be driven by the ethical imperative that poverty, and particularly child poverty, is a stain on the record of today's advanced nations – and one that should not be allowed to seep into the 21st century. But in part, also, the renewal of interest is born of a growing recognition that many of the other problems confronting today's industrial societies – from drug abuse and crime to educational underachievement and alienation from common values – are strongly associated with the poverty-amid-prosperity that afflicts a significant proportion of their populations.

In this citation we see themes that recur frequently in the policy analyses of many countries. These themes imply attention to the welfare mix, in particular what families can provide for their members and that which they need from governments. Policy experts constantly point to the long-term dangers as well as short-term inequities of poverty in families, children excluded from the mainstream, and the benefits that can accrue by reducing poverty rates.

These four challenges – ageing society, increasing marginalization, changing family forms and practices, and high poverty rates for families with children – have already motivated significant policy redesign in a number of places.

One response, that has informed policy decisions everywhere, is to try to provide better support for vulnerable categories of the population, especially families with children. This is done via the benefits (cash or tax-based) and services (health, care and so on), that reduce the financial burden of raising children. Many countries instituted such policies and programs after 1945, reformed them several times, and are again looking at the best way to design them to meet the current four challenges listed above.

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[6] In some cases, of course, there is income from maintenance payments.

A second response is to try to increase the amount of income that comes from markets, that is from holding a job. This means thinking about, among other things, how to balance work and family. As we have noted already, the assumption no longer holds that work and family can be balanced by one person earning market income and one person providing care at home. It also has meant reconnecting – or connecting – social assistance recipients to the labour market. There are several ways to do this: (1) legislative and regulatory changes providing inducement to enter and stay in employment; (2) short-term labour force attachment strategies to move into a job fast, that might be called "work-first" strategies; (3) long-term labour force attachment strategies designed to enhance chances of better quality jobs, based on human capital development; (4) provision of collateral support, such as child care and transportation subsidies, medical benefits for low-income earners and so on; and (5) changes to the delivery system to increase the effectiveness of the income security system. These strategies are described in more detail in Box 1.

Box 1
Strategies for Increasing Labour Force Participation

There are many ways to attempt to reconnect social assistance recipients to the labour market. The Technical Report, *Lessons Learned: Reconnecting Social Assistance Recipients to the Labour Market* (HRDC, 2000), lists five:

- Legislative and regulatory changes can involve retrenchment or incentives. The first type includes limiting eligibility for social assistance and/or reducing benefit levels. Incentive-oriented changes include increasing earnings disregards, providing specific tax benefits for low-wage income earners or providing access to benefits to those leaving social assistance or in low-wage work.

- Short-term labour force attachment strategies stress job seeking and other short-term labour market skills training. "Short-term" usually means interventions designed to produce a job within six months, which include job search assistance, case management, and "diversion" strategies to discourage successful applications. Other programs include accumulating work experience in exchange for benefits. This is what the Americans call "work-first" strategies, and what the Europeans often use to target young people.

- Long-term labour force attachment strategies are designed to enhance chances of longer term attachment to the labour force and often better quality jobs. These may consist of human capital development programs (education and skills training) for individual clients, earnings supplement programs, and tailored or mixed strategies. These approaches focus on job retention, where a range of interventions is used to maintain labour force attachment. Clearly, the distinction between short- and long-term strategies is somewhat arbitrary, but the ideal of long-term strategies is to consolidate a client's attachment to the labour force. This is what the Europeans label "investing in quality."

- Collateral support programs include, for example, child care and transportation subsidies, medical benefits for low-income earners without access otherwise, subsidized housing and other subsidies (such as clothing for job interviews) to enable social assistance clients to participate in training and work. This promotes their labour market attachment and, in turn, it promotes long-term economic independence.

- Finally, changes to the delivery system include administrative and organizational reforms to increase the effectiveness of the income security system. For example, many jurisdictions have merged social assistance and labour market services into a "single window" delivery system. Still others integrate social assistance with education and training programs to reduce overlap and tighten linkages between labour market training and educational programs.

The next sections of this Discussion Paper describe how a number of countries have "mixed and matched" these five strategies and also how they have addressed the issue of benefits and services for families. All of this has involved a significant amount of redesign in the face of new challenges and problems that do not respond well to traditional prescriptions. Section III considers the European Union and the United States. In Section IV, we then turn to an overview of the Canadian situation, again examining the strategies for altering the welfare mix and ensuring that income from employment is as important as possible.

III. Redesigning the Welfare Mix – What is Being Done Elsewhere

These four challenges have generated two responses that dominate policy thinking across jurisdictions, although the weighting of the two is not the same everywhere.

- One response is to focus on ensuring active participation in the labour force and to avoid social exclusion. Managing the *margins of the labour force*, both marginal populations and those people transitioning across the border from income security programs to work, is the particular task here. A variety of strategies are being tried in different jurisdictions, all of which involve increasing the proportion of income in the welfare mix that comes from employment.

- A second response is to seek to avoid or reduce poverty, especially child poverty. The goal is to ensure a welfare mix that will allow most families to combine paid work, child maintenance, benefits and services in order to meet the needs of their children and themselves. Again, countries are doing this in a variety of ways.

In the case of both responses, while never the exclusive focus, lone-parent families and their needs receive particular attention. Table 1 provides an overview of how a number of European countries and the United States have addressed these questions.

The European Union – An Employment-Centred Strategy for Achieving a Better Welfare Mix

The institutions of the European Union do not have Treaty (that is, constitutional) responsibility for the design and delivery of social policy. However, the European Commission (the executive body) does play a leading role in prodding, pushing and inducing Member States to move in similar directions, work towards common objectives, and increase coordination of social policy, especially now that there is a single market and a common currency. In addition, Member States can commit themselves to achieving certain targets or goals, including in the realm of social policy.

Focusing on Quality Jobs

The European Union has devoted a lot of thought to ensuring higher labour force participation rates. Achieving this goal requires a strategy aimed at modernizing the European social model, investing in people and combating social exclusion (EU Commission, 2000: 5).

Much of its analysis follows from an understanding of *social policy as a productive factor* rather than as a drain on the economy. The Union observes that social expenditures are positively correlated with levels of productivity everywhere in the developed world.

> It is therefore not surprising to find that levels of social expenditure are similar across a wide variety of developed economies – for example, 24% of GDP in the US, 26% in Denmark, 27% in the UK. The major differences between the US and the EU are not in terms of levels of expenditure as a share of GDP, but in terms of methods of funding. Most EU systems are funded mainly though taxation, while a large part of US expenditure is met out of post-tax incomes; this has an impact on the way inequalities are handled (EU Commission, 2000: 6).

In our terms, the Commission is observing that the EU countries have chosen to use governments somewhat more to distribute access to welfare, whereas the United States has chosen to put the accent on market capacity, both via what is earned (after-tax income) and benefits available via the employment contract and/or collective agreements.

The task the EU sets for itself is not simply to promote labour force attachment. This is because the EU recognizes that poverty rates are not automatically reduced by people being in work. It has observed that poverty rates and employment rates are not strongly correlated. While nearly two of every three unemployed Europeans were at risk of poverty in 2000, "a comparison of employment rates with poverty rates shows that poverty may be relatively widespread even in some Member States with high employment rates… Confronting these challenges requires multi-faceted policies, which go beyond labour market issues, and which aim to increase social inclusion and participation" (EU Commission, 2000: 12).[7]

The European Union, therefore, explicitly rejects the model of job creation followed in the American economy in the 1990s, which was one of high rates of job growth but often in low-paying service sectors, and often with an employment contract that offered little in the way of social benefits. The result in the United States has been polarization of incomes and even an increase in extreme poverty (Zedlewski *et al.*, 2002). The Europeans seek to avoid this outcome and have begun to focus on "quality" and "quality jobs."

[7] This perhaps unexpected lack of correlation is due to the fact that in some countries work may not bring enough income to pull a household above the poverty line, while social benefits may be sufficiently generous to raise out-of-work families and individuals above the line elsewhere. UNICEF (2000: 13), for its part, observes that there is a "lack of any consistent relationship between unemployment and poverty. In countries such as the United States, the wages of the employed but low-paid, when divided by family needs, may be insufficient to lift children out of poverty. In the Nordic countries, state provision for the unemployed may be sufficient to keep families above the poverty line."

Table 1
Comparison of Selected Countries' Programs to Foster Labour Force Participation, Aid Transition from Social Assistance to Work, and Ensure Adequate Income

Program Description	United States	United Kingdom	Germany
• Compulsory labour force participation, including job search for recipients of social assistance income.	Yes	Yes	No
• Health benefits maintained when leaving social assistance or with low-wage or atypical employment.	Yes, in part Increasingly, access to Medicaid has been de-linked from access to social assistance so as to cover more low-income children whose parents are employed but have no access to health insurance.	Yes A universal health system. Dental and pharmaceutical coverage for those covered by social assistance or receiving Working Family Tax Credit. No charge for children.	Yes Basic benefits available by insurance covering employees, social assistance recipients, and so on. Patient contributions for pharmaceutical and dental expenditures, but no charge for children.
• In-work benefits.	Earned Income Tax Credit Child Tax Credit for earned income above $10,000	Working Family Tax Credit	No
• Age of youngest child when labour force participation of lone parents on social assistance is required.	12 months in most states; some have no exemption at all and others are less than 12 months.	5 years	14 years
• Maintenance payments covered by government if non-custodial parent defaults.	No	No	Yes
• Child benefit (family allowance).	No	Universal allowance (residents), child under 16 (19 if in school) amount varies by number of children; supplement available for lone-parent families.	Universal (residents), child under 18 (21 if unemployed; 27 if in school or training).

Table 1, continued

Program Description	Netherlands	France	Sweden
• Compulsory labour force participation, including job search for recipients of social assistance income.	Yes	Yes	Yes
• Health benefits maintained when leaving social assistance or with low-wage or atypical employment.	Yes Health insurance benefits for low-income earners, social assistance and other social benefits recipients (e.g., widows). Free dental care and pharmaceuticals for all children and insured adults.	Yes User fees exist but a special benefit is available for those without coverage by other insurance programs.	Yes The user fee may be waived for low-income patients; universal free dental care for everyone under 18; a universal ceiling on pharmaceutical costs and other medical costs (ceiling = approximately $150 CDN per year).
• In-work benefits.	Yes The tax regime has been reformed to create incentive to seek work.	No Instead the employer's costs are reduced by exemptions from paying social security and other costs of employees.	No Instead the accent is on offering some kind of activity (employment, training, schooling) to everyone, even while they receive social assistance.
• Age of youngest child when labour force participation of lone parents on social assistance is required.	5 years	3 years	15 months
• Maintenance payments covered by government if non-custodial parent defaults.	No	Yes	Yes
• Child benefit (family allowance).	Universal allowance (residents), child under 17 (24 if studying), amount varies by age and number of children.	Universal allowance (residents) for families with two dependent children or more; child under 16 (20 if in school); amount varies by number of children.	Universal allowance (residents), child under 16 (another similar allowance is given for children in upper secondary schools); supplement for large families.
Source: MISSOC (2001); Weil and Finegold (2002).			

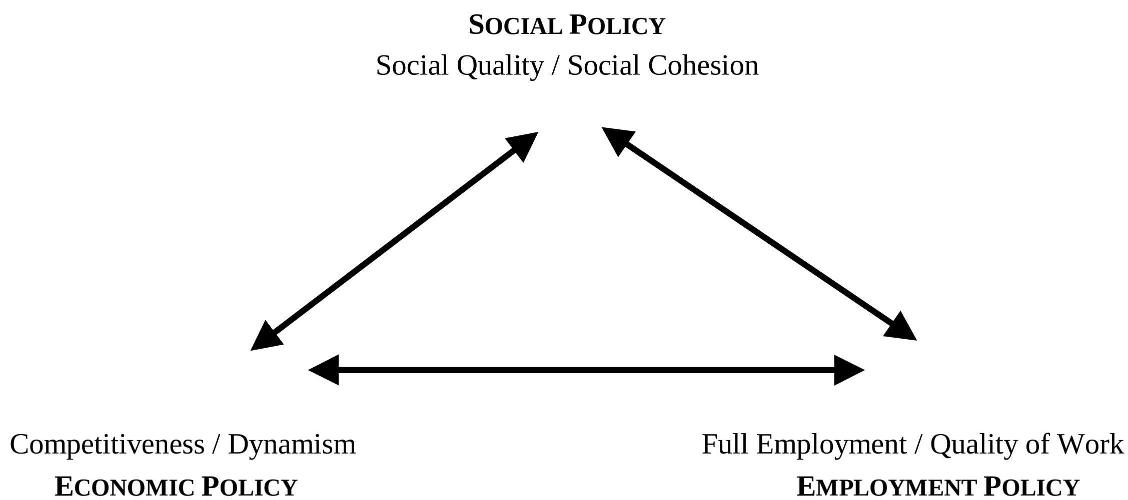
The European goal is to push the economies of the 15 Member States in directions that will allow market incomes to provide a greater proportion of individuals' and families' welfare. To achieve this end, social policy analysts are pressing the EU to invest more in early childhood intervention, as well as employability – what they term "activation" – and learning initiatives of all kinds.

> Since it is abundantly clear that a negative spiral of social exclusion is primarily caused by lack of access to stable, well-paid employment, it is hardly surprising that policy is focused on either 'making work pay' or on activation and learning. The weakness of either is that it typically comes too late. A first and necessary policy must be to invest in improving the quality of jobs. Since it is realistic to expect that our future labour markets will include a fair number of low-end jobs, mobility measures such as lifelong learning and training become crucial so as to avoid entrapment. We know that even the best designed activation policies work poorly if they are primarily remedial. Active training and mobility policies can only be effective if they complement a strategy of prevention and this means, once again, the need for major social investments in childhood and youth. Or, to put it differently, our employment policies need to join hands with our family policies" (Esping-Andersen *et al*., 2002: 23)

In order to achieve these objectives, the EU seeks integration rather than separation of employment policy (including equality between women and men) and social protection, including anti-poverty/inclusion initiatives and quality jobs (see, for example, EU Commission, 2000: 8). Figure 1 has been developed by the Commission to represent this commitment.

This integrated, cross-silo approach means, in concrete terms, attention to social protection, health, housing, justice, communication and mobility, and leisure and culture to combat growing inequalities, in order to fight poverty and exclusion and avoid a downward spiral. Thus, for example, for the Employment and Social Affairs Directorate of the Commission, fighting poverty "is not just about moral rectitude; it makes good economic sense too. Social marginalization can be the source of antisocial and even criminal behaviour, and the price society has to pay for this is very high. Those who find themselves at the lower end of the social scale can all too often face difficulties in getting access to education and training, triggering a vicious circle in which deprivation and exclusion compound each other" (EU Commission, 2001: 39).

Figure 1
THE EUROPEAN UNION'S VIEW OF POLICY INTERACTIONS



Source: Adapted from European Commission (2000a).

Employability and Social Assistance

The analysis of social inclusion has emerged strongly in recent years. At the European Council meeting in Nice in December 2000, common objectives for the struggle against poverty and social exclusion were agreed to, and by December 2001, the Council could examine the national plans developed by each Member State (European Council, 2001). These were plans to combat poverty and social exclusion by efforts to foster social inclusion (Jenson and Pochet, 2002).

These concerns have informed the employment strategy for quality jobs and training already described. They also underpin the efforts to reduce poverty, especially child poverty, as well as foster social inclusion and healthy child development that many national governments are pursuing. Member states have generated some common responses to the need to redesign social assistance – the safety net component of social policy – in order to arrive at a better welfare mix. Box 2 summarizes, in its own words, the European Union's strategies for moving people off the social assistance rolls and into employment. They include a range of measures, frequently allowing social assistance recipients to combine income from benefits with income from employment, in order both to minimize disincentives to taking a job and to ensure an adequate income.

Box 2
Making Work Pay and Promoting Employability
in the European Union

There is a general recognition among Member States that creating jobs that are accessible to people who are currently excluded from the labour market needs to be complemented by measures that ensure that taking up those jobs guarantees a decent income. There should not be disincentives which discourage people from moving from welfare to work.

While no Member State advocates cutting levels of welfare benefits as an across-the-board measure to put people into work, there is a widespread concern to reduce long-term dependency, whenever this is avoidable, and to make social benefits a springboard for employment and not an obstacle.

To minimize misuse and the risk of long-term dependency, policy practice with regard to minimum income guarantees has in the past often focused on the "last resort" dimension and, as a result, has been fairly restrictive in terms of linking minimum incomes with other resources. There now seems to be a move away from this practice in most Member States.

They envisage the possibility of combining minimum income with work-related earnings or other benefits, while avoiding multiple layers of benefits, which can give rise to unfair treatment of claimants. In addition, many Member States link the delivery of minimum income provisions increasingly with the provision of services which support minimum income recipients to improve their employability, such as counseling, training, voluntary work or other forms of activity and self-development. Measures proposed for making work pay include:

- Retaining some benefits for a period when taking up employment (Belgium, Germany, Ireland);
- Reducing tax levels on low paid jobs or introducing an "employment bonus" in the form of tax credit to benefit those engaged in paid activity (France, Netherlands and United Kingdom), sometimes specifically targeted at families with dependent children (Belgium);
- Combining social benefits and wages (France, Luxembourg and Sweden).

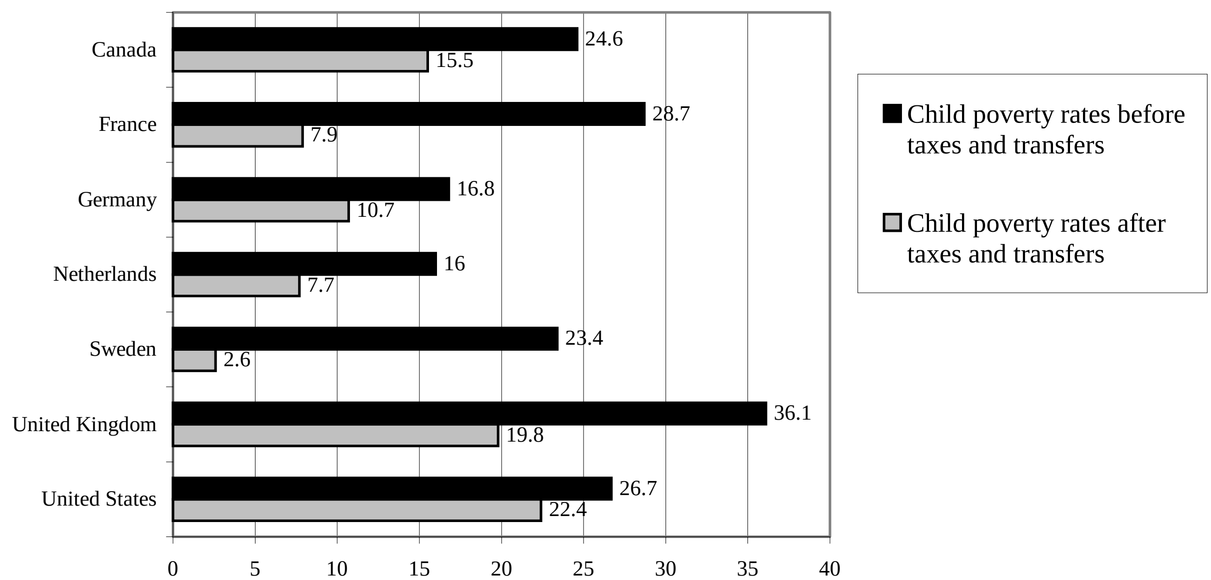
Source: European Council (2001: Part 1, 43).

Addressing Child Poverty

The first protection against child poverty is adult employment. On average in the EU, a child living in a "workless household" (that is, a household with no employed adult) is four times more likely to be growing up in poverty than a child in a household with at least one working adult (UNICEF, 2000: 13-14).

The second protection is sufficient income, whether from employment, maintenance payments from the non-custodial parent, or transfers and services. Data from UNICEF graphically illustrates that the welfare mix is very important for the well-being of families. If markets and family were the *only* source of income, poverty rates would be substantially higher everywhere for families with children, as Figure 2 shows with data from 1996. It also diagrams the ways that choices about the welfare mix have an effect. Some countries have made commitments to using taxes and transfers to protect children from poverty, while others have not.

Figure 2
Poverty Reducing Effects of Choices about the Welfare Mix



Source: UNICEF, 2000: 15.

This figure documents that some countries have succeeded in reducing levels of child poverty much more than others. While Sweden and Canada start from virtually the same point when only market income sources are considered, Sweden manages almost to eliminate poverty among families with children whereas Canada only cuts it by a third. For its part, the United States does very little to reduce its rate of child poverty. While market incomes leave slightly more than one in four (26.7 percent) families with children in poverty – a percentage very close to that of both Canada and Sweden – *after* taxes and transfers, slightly less than one in four (22.4 percent) is *still* poor. This is the second highest rate of post-tax and transfer poverty in the 23 OECD countries (UNICEF, 2000: 15; 4).

Similar lessons about the importance of choices about the welfare mix emerge when lone-parent families are examined. As Table 2 clearly shows for 1996, the poverty rates and risk of poverty are greater everywhere for children who live with only one parent. However, we can also observe that living with one parent is not sufficient to account for child poverty, nor does the country's rate of lone parenthood correlate strongly with poverty rates. Sweden has both the highest rate of lone parenthood and the lowest poverty rates for lone-parent families. In France, the rate of poverty of children in lone-parent families is slightly more than half that of the United Kingdom and exactly half that of Canada, where approximately one of every two children in a lone-parent family was poor. In other words, in these latter countries (and in Germany), living with one parent is very likely to mean a child is poor. The choices about the welfare mix make the statement less true in other countries.

Table 2
Patterns of Poverty for Lone-Parent Families (Selected Countries)

	Share of All Children in Lone-Parent Families (%)	Poverty Rate *Income below 50 percent of national median*	
		Lone-Parent Families (%)	Other Families (%)
France	7.7	26.1	6.4
Germany	9.8	51.2	10.4
Netherlands	7.4	23.5	5.5
Sweden	21.3	6.7	1.5
United Kingdom	20.0	45.6	12.3
United States	16.6	55.4	15.8
Canada	12.2	51.6	10.4

Source: UNICEF, 2000: 10.

These findings support the conclusion that lone parenthood itself is not a sufficient explanation of rates of child poverty. While the *risk* is always higher for lone-parent families, the *rate* can vary significantly from country to country.

There are three major policy instruments that allow for poverty reduction to occur. The first, and the one captured in Figure 2, is payment of child benefits of various kinds. These will be discussed first, then housing benefits and child care services will be described.

Child Benefits: Allowances and Tax Credits

Almost all European countries pay generous, universal, family allowances, usually adjusted for the number of children and sometimes their age (see Table 1 for some examples). Many of these have been in place for decades. Others are also turning to tax credits. The United Kingdom's *Working Family Tax Credit* is an innovation in the programmatic package, added recently precisely with the idea of "making work pay," by reducing families' tax as well as other costs, such as child care fees.[8]

A number of countries pay a special benefit or a higher amount in family allowance to lone-parent families. In other (and sometimes both) cases the government will pay a standard child maintenance amount if the non-custodial parent does not make any payments (details available from MISSOC, 2001: Tables XI).

[8] The Tax Credit will be extended in 2003 to all low-income earners, whether with children or not. It will become, then, even more like the United States' Earned Income Tax Credit (EITC).

The details of child benefits are complicated. They vary not only across countries but within countries according to income, age of the children, family size and family type. A recent and very detailed overview of 22 countries around the world is now available, and it draws the following conclusions (Bradshaw and Finch, 2002: 150):

> For families with school age children non-income-related child benefits and the income tax system are the main vehicles for delivering the child benefit package. There has been a shift, particularly in the Anglophone countries, from income-related child benefits to using the tax system instead. … As long as child care costs are not involved, the child benefit package is a positive contribution to family incomes in most countries.

However, as these same authors observe, child care costs can "wipe out the value of the child benefit package" in many countries. Among the European countries we are following (in Figure 2 and Tables 1 and 2) child care costs have this effect in the United Kingdom and Germany, as they do in Canada (Bradshaw and Finch, 2002: 138-39).

Housing

Housing allowances and other housing programs are also an important part of the benefits package. The distinction between having a low income and being at risk of poverty or social exclusion often turns on the factor of housing costs.

EU Member States are observing (as are many Canadian governments) that the private housing market is not generating sufficient affordable housing. The declining supply of reasonably priced houses at the lower end of the housing market tends to push a rising number of households into the residual segment of the market, and quality in this segment is low and declining. New and precarious forms of accommodation have emerged, as has homelessness. Given the importance of housing expenditures in the total household budget (on average 25 percent in the EU), higher rents have particularly strong "downstream" effects on lower income households. They can be pulled far below the poverty line.

As a result, there are three broad approaches within social assistance regimes. One involves setting social assistance rates at a level that is implicitly meant to be sufficient to allow recipients to afford at least part of their housing costs out of their benefit payments. However, recipients with high housing costs may apply for additional help (for example, the Netherlands). A second approach is that social assistance benefit payments are enhanced to take into account recipients' actual housing costs (up to a ceiling). Germany and Sweden, as well as Canada, follow this model.[9] The third approach removes housing from social assistance, and sets up a separate regime to which social assistance recipients may apply (for example, the United Kingdom and France).

9 Quebec follows the Canadian model for families, but recipients without children only receive a flat amount rather than one that reflects real costs (Kemp, 1997: 56).

France, Germany, Sweden and the United Kingdom provide allowances to those with low incomes from employment, whether they live in social housing, rent-controlled housing or find housing in the private market.[10] Moreover, the predominant pattern in the OECD countries is to provide means-tested housing allowances to mortgage holders (owners) as well as renters (Eardley *et al*., 1996a: 71).

Three key challenges exist to which these practices must respond:

- To increase the supply of affordable housing and accommodation, and particularly identify measures to increase the supply of low-cost housing, and to renovate existing dilapidated housing stock;
- To guarantee quality and value for money at the lower end of the housing market, by better control and regulation of the housing market, particularly where it tends to act exploitatively or to exclude; and
- To improve access and protect vulnerable consumers, via measures to strengthen the position of low-income and other particularly vulnerable consumers within the housing market.

Child Care

In most countries of the EU, by the age of three, children are in the free public education system or low-cost early childhood education facilities. Indeed, in several cases two-year olds are at school as well. This is the result of a "growing consensus in OECD countries that 'care' and 'education' are inseparable concepts" (Bradshaw and Finch, 2002: 77).

Early childhood education is a key component of the package of services deemed essential to achieve a good welfare mix virtually everywhere. As the OECD found in its recent study of early childhood education and care, there is clear movement toward universal access to early childhood education programs. "The trend in all countries is toward full coverage of the 3- to 6-year old age group, aiming to give all children at least two years of free publicly-funded provision before beginning compulsory schooling" (OECD, 2001: 48 and *passim*).

Experts agree that the best child care is an educationally strong and accessible day care or preschool system.[11] European and other countries have addressed this matter by investing in their preschool education programs. The "child care guarantee" that is being given is not simply for a space, but for a place in a quality service. The United Kingdom has joined other European countries in developing a national child care strategy, with the "aim of ensuring good quality, affordable child care for children aged 0-14" and "in England, there is an aspiration to provide a guarantee of a part-time place in nursery education for 3 years olds, whose parents want it, by 2004" (Bradshaw and Finch, 2002: 79, 88). It already has a guarantee of free nursery school

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[10] For a comparison of housing programs, see Eardley *et al.* (1996a: 68-70).

[11] Research consistently identifies three characteristics of quality of child care: low child-to-adult ratios, highly educated staff with specialized training, and the availability of facilities and equipment to provide stimulating activities. These dimensions constitute a clear separation between child care aimed at early childhood development and "custodial" daycare. "Indeed, research has linked quality care, defined in these terms, with linguistic, cognitive, and social competencies of infants" (Kohen, Hertzman and Willms, 2002: 263).

places for children aged four, while in 1996 Germany introduced a child care guarantee for three- to six-year olds. Sweden now guarantees a place to all families whether the parents are employed or not.

Affordable and quality child care is seen by these European countries as part of the policy package to fight poverty for two reasons. When spaces are available and fees are low, parents can take up employment. Hence they emphasize capping fees and controlling costs as well as subsidizing the providers. But the second reason that these countries focus on ensuring that child care includes a developmental component is to provide the sure start that children need to succeed in school, no matter the intellectual circumstances of their own home. Ignoring one of these two dimensions will make it difficult to achieve the goal of reducing risks of poverty. Both these reasons are behind the surge described in *Starting Strong* (OECD, 2001: 7).

The Family Component of the Welfare Mix – Maintenance Payments

One dimension of the welfare mix that has attracted a good deal of policy attention is that of ensuring that both parents take financial responsibility for their children. There are a number of ways that European countries have set out to do this (information from MISSOC, 2001: Table IX, 5). They can be summarized as four different approaches.

One approach is to do nothing in particular, counting on parents and other family members to assume their responsibilities and gaps to be filled by other programs. Seven of the 15 EU Member States fall into this group. Some of them are countries with low rates of child poverty and others have quite high rates. Belgium, Greece, Spain, Ireland, Italy, the Netherlands, and Portugal fall into this category.

Another approach, which is followed only by the United Kingdom, is to *limit government intervention* to those on social assistance. A claimant for Income Support or an Income-Based Job-Seekers Allowance is required to apply for maintenance, and any amount received is deducted from means-tested social assistance benefits. Child support maintenance can be paid either directly to the claimant or through the Child Support Agency. Other families must seek redress through the courts.

A third group of countries will pay an advance on maintenance payments, until a court order comes into effect. In this case, the benefit covers any family and not simply those on social assistance. Austria, for example, follows this practice. If the non-custodial parent does not make the required payments, the government will advance the payment, and then an agency will go after the delinquent. France and Luxembourg are other examples of Member States that use this approach. All families are covered.

Finally, in a fourth group are those that guarantee a maintenance payment to any lone-parent family. If the non-custodial parent does not pay or is not known, then a monthly allowance is paid as part of family benefits. Both Sweden and Germany follow this practice.

Conclusions from the European Experience

A number of observations emerge from this examination of the European experience. First, in the European Union and its Member States, increasing market-based income is a key objective of social policy. It has been identified as the key factor in limiting the risk of being poor and fostering social inclusion. Therefore, all Member States of the European Union are developing employability and other strategies to move people from the margins of society toward the mainstream.

Nowhere, however, do governments assume that market incomes will be sufficient to assure everyone adequate incomes to prevent poverty. Analysis reveals that many categories of labour force participants will still require government transfers (such as child benefits) and services (such as child care). Therefore, transfers designed to supplement incomes as well as services remain crucial parts of the welfare mix.

Specific programs are also a key part of the mix. Two are of particular importance. These governments have concluded that there must be intervention in housing markets so as to prevent market outcomes from de-stabilizing the welfare mix. Second, in order to enter and stay in the labour market, both two-parent and lone-parent families require services, particularly child care. Indeed, child care has taken on particular importance in recent years as more and more governments guarantee a place, often in a pre-school setting.

The United States – A Welfare Mix of Hidden Expenditures and Dramatic Reforms

For many people, the United States is a country where markets rule. Therefore, they assume that governments have little role to play in the welfare mix. While some of this characterization is obviously correct, it is also important to understand that just as in other countries, the United States federal and state governments spend substantial amounts on the distribution of well-being. As everywhere else, choices made about what to do have significant consequences. In an important recent book, Jacob Hacker put it this way (2002: 7):

> The American welfare state has long been viewed as a “laggard” in comparative perspective – less expensive and less intensive, later to develop and slower to grow. Yet American social provision does not stand out in international relief solely because it is more limited than the efforts of other nations. Indeed, … the share of the U.S. economy devoted to social welfare spending is not all that different from the corresponding proportion in even the most generous European welfare states. What is most distinctive about American social welfare practice is not the *level* of spending but the *source*. In the United States, a large share of the duties that are carried out by government elsewhere are instead left in the hands of private actors, particularly employers.

Hacker’s book analyzes in detail past choices made by governments to favour private welfare provision in many policy realms. While this paper cannot consider this history in detail, it is important to recall that much welfare in the United States is distributed as a result of an individual's relationship to the labour market, and via the employment contract. As such, it is a "divided welfare state" (Hacker, 2002).

This said, there are many programs designed and delivered by United States governments that affect families' welfare:[12]

- Via social insurance; among other benefits, Social Security pays survivor benefits to family members of those who have contributed.
- Via tax expenditures; income tax exemptions for dependants or tax credits put money into families' pockets.
- Via means-tested social assistance programs, as well as other programs such as food stamps and Medicaid targeted to low-income families.

In American discussions about the welfare mix, the first two "programs have been almost invisible in debates on policy toward low-income families in recent years – Social Security survivor benefits because they are seen as earned … and tax exemptions because they are buried in the tax code and deliver most of their benefits to upper- and middle-income families" (Weaver, 2000: 14).

In recent years, and at least since the Reagan presidency, governments have sought to increase the contribution that markets make to the revenues of low-income families. In doing so, they have found it necessary to invent new, and redesign old, government programs (Rodgers, 2000: 107ff).

The United States, however, has one of the highest rates of expenditure on social assistance, as a percentage of GDP. Of the OECD countries, only New Zealand, Australia, Ireland and the United Kingdom had higher rates in the 1990s. At 3.7 percent of GDP, social assistance spending in the United States was well above Canada's 2.5 percent (Eardley *et al*., 1996a: 35). Considering the major income-tested benefit programs – and excluding tax credits – state and federal governments were spending more than $368 billion per year in 1996 (Rodgers, 2000: 91, 101).

If, in contrast to almost all the European countries, "there is no comprehensive, national 'safety net' scheme in the USA" (Eardley *et al*., 1996b: 422), nonetheless, there are several important programs that have substantial shaping effects on the welfare mix, and which help to explain the high rate of expenditures on social assistance.[13] They are Food Stamps, Medicaid and the Earned Income Tax Credit (EITC), as well as Aid to Families with Dependent Children (AFDC – abolished in 1996) and social assistance programs at the state level, now financed by the Temporary Assistance to Needy Families (TANF) block grant. By the mid-1990s, both Medicaid and EITC each cost more than AFDC, which was the only program whose spending level declined between 1980 and 1996; all others increased substantially (Weaver, 2000: 15, Figure 2-1).

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12 This list is constructed from Weaver (2000: 12-14).

13 These social assistance programs must, of course, be distinguished from other social protection programs that provide entitlements, often via insurance, such as Social Security, Medicare and unemployment insurance.

Even with such programs and such a level of spending, the United States ranks low in the benefits it provides families with children. In a systematic comparison of 22 countries' child benefit packages (including housing and services as well as taxes and transfers), Bradshaw and Finch (2002: 171) place the United States 15th out of 22, with a benefit package that is only 13 percent as large as that provided by the top-ranked country, Austria.[14]

The Sometimes Hidden American Welfare State

Food Stamps is a program administered and funded by the federal government, designed to supplement the food-buying power of eligible low-income households. It has been in place since 1977. In the early 1990s, fully nine percent of the social assistance budget was spent on Food Stamps (Eardley *et al*., 1996b: 421-22). Then 1996 brought an across-the-board cut of three percent, as well reduced eligibility for non-citizens and for Americans 18 to 50 years old without dependants (Blank and Haskins, 2001: 14).

The United States has no universal health care coverage. Public regimes are targeted, so that the key issue is *who* has coverage. Medicaid is a federal-state shared cost program to provide medical care to certain categories of low-income Americans. In the early 1990s, almost 50 percent of the total social assistance budget went to Medicaid (Eardley *et al*., 1996b: 421-422). It has been reformed and added to several times over the last decades, in order to make it mesh better with the needs of low-income families. While at first eligibility for Medicaid was almost completely coterminous with eligibility for social assistance, in recent years it has been redesigned to cover more and more low-income families who depend on market incomes. First, children under six were covered, but not their older siblings or parents. Now children under 18 in low-income families are included, and some states have been permitted to cover their parents as well. There is a move, in other words, towards more families retaining Medicaid benefits as they move off social assistance, if they find work in low-wage jobs without private health insurance (Weil and Finegold, 2002: Chapter 8).[15]

The 1996 reform of the social assistance regime – what the Americans call "welfare" – is discussed in more detail below. Here we will just note that it has also brought some shifts in the way child care costs are addressed. Prior to welfare reform, states were required to provide child care assistance to families leaving social assistance; this entitlement ended in 1996. The 1996 reforms did, however, increase total funding for child care and made it more flexible to administer. Unfortunately, many states then found "themselves in the situation of having to make choices between providing subsidies to TANF clients [that is, those attempting to leave social assistance] or to nonwelfare working families" (Cappizzano *et al*., 2001: 14).

Public support for child care remains focused on low-income families. While employed parents of young children have access to some tax credits, families on average pay 70-80 percent of costs of non-school based child care. With wide variations across locations, the average annual expenditure is more than $3,000, a fee level that is 18 percent of the average income. Child care

[14] The 22 countries included the 15 Member States of the EU, Japan, New Zealand and Australia, as well as the United States and Canada. Canada is only slightly higher, we might note. It is ranked 14th, with a package that is 15 percent of Austria's.

[15] For the comparison to Canada, see Table 6 below.

costs can reach fully 25 percent of the income of poorer families, that is those earning less than $1,200 a month (OECD, 2001: 182-184). Despite this, as the OECD reports (2001: 184): "quality in child care can be very weak, especially for the 0-3 age group, and regulations in many States set standards far too low, even for health and safety issues."

The Earned Income Tax Credit (EITC), enacted in 1975, is designed to increase the rewards of work for low-income families with children (and those without children with *very* low incomes). It is not a poverty-tested scheme but rather is intended to "make work pay." In 1990, the government expended $5.3 billion US dollars on this tax credit. The EITC was significantly enriched in 1996 in conjunction with the reforms to social assistance instituted during the Clinton presidency. It now costs American taxpayers about $30 billion (US) a year.

The credit is designed to support individuals with low incomes and "it is the only income-related scheme in the USA which extends its benefits some considerable way up the income scale" (Eardley *et al*., 1996b: 422). In 2001-02, American families with two or more children with an income less than $32,121 were eligible for EITC support. The income threshold is slightly lower for families with one child ($28,281), while unattached individuals or couples without children (aged 25-64) are eligible for EITC credits if they make less than $10,710. Eligibility is determined when workers complete their annual tax return.[16] If the taxpayer is eligible, she or he receives a lump sum payment which can range from $2,428 for families with one child to $4,008 for those with two or more children.[17] When the family's earned income exceeds $13,500 the credit phase-out begins.

The credit was paid to over 19.2 million families in 2000, and lifted almost 5 million of them out of poverty. Moreover, by 2001, at least 10 states had their own earned income tax credits that supplement the federal EITC, providing additional resources to working families through the tax code (Weil, 2002).

Recently, the United States federal government expanded access to the Child Tax Credit (CTC), created in 1998, for low-income families with earned income above $10,000. It pays *up to* $600 annually for each dependent child under 17.[18] It can be paid in addition to the EITC, but the conditions of eligibility are not exactly the same.

Reforming "Welfare" to Get to Another Welfare Mix

In 1996, the United States federal government undertook a comprehensive reform of the social assistance portion of its social policy.[19] "Resting on a fundamentally altered philosophy, it places federal spending for several major welfare programs on a yearly budget and turns welfare

[16] It is ironic, given the attention to encouraging marriage in United States policy discourse, that the EITC is not neutral as to marital status. If two adults have sufficiently low income, they can experience an increase in EITC benefits if they marry; adults with higher incomes face a marriage penalty. Most states' earned income tax credits have the same structure.

[17] Some people may be able to get a partial advance, paid by their employer.

[18] However, the credit cannot exceed 10 percent of earnings over $10,000.

[19] Unless otherwise indicated, this section is from Weil (2002). For a very detailed history of this reform, including earlier efforts to make change, see Weaver (2000). For a complete list of the legislative provisions, see Blank and Haskins (2001: 8-11).

administration over to the states. States are given a great deal of discretion in designing and administrating their welfare programs, as long as they focus on moving actual or potential welfare recipients into the job market" (Rodgers, 2000: 153).[20]

Its objectives were *both* to increase employment and to encourage certain types of family behaviour, so as to increase the "family responsibility" portion of the welfare mix. With respect to the "family formation" objective, the immediate goals were to induce higher marriage rates and fewer births outside marriage (Blank and Haskins, 2001: Chapter 5). This objective distinguishes efforts to redesign the welfare mix in the United States from those undertaken in Europe or Canada.[21] And, there has also been less success in moving toward it, than toward the objective of promoting labour force attachment (Weil and Finegold, 2002: xvii). The 1996 legislation also involved "exceptionally comprehensive" reforms of child support enforcement. "The general thrust of the reforms was to increase the number of children with paternity established at birth," as well as to give states new instruments for enforcing child support orders, and enabling governments to recoup cash payments made to custodial parents (Blank and Haskins, 2001: 13).

Another element of the American reform that distinguishes it from European redesign of the welfare mix (and many Canadian ones) is that it actually reduces the training or human capital focus present in previous social assistance designs. The turn towards "work-first" strategies and time limits on social assistance make education and training programs much less attractive, and leave little time to individuals to invest in their own human capital, via education or training (Bos *et al*., 2002: 1; Rodgers, 2000: 209).[22]

The program most affected by this reform of social assistance was *Aid to Families with Dependent Children* (AFDC), first enacted in 1935. The new legislation is the *Personal Responsibility and Work Opportunity Reconciliation Act* (PRWORA), which affects the overall structure of social assistance in all states. It is federal legislation that has reshaped the way states deliver social assistance, by setting down a new set of conditions as well as transferring funds in the form of a block grant, *Temporary Assistance for Needy Families* (TANF).

The key new features of PRWORA are the time limits on benefits and the work requirements. Families cannot spend more than five cumulative years on social assistance and, with only a few

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[20] Next to the provisions devolving responsibility for social assistance to the states, the most controversial parts of the legislation were those that "virtually ended welfare for noncitizens" (Blank and Haskins, 2001: 13).

[21] "A host of provisions designed to reduce illegitimacy were scattered across several titles of the 1996 law. Conservatives inside and outside Congress argued that nonmarital births were the nation's major social problem and caused many of the nation's other social problems such as welfare use, delinquency and crime, poor school performance and illegitimacy in subsequent generations. In fact, influential conservative activists … all but disparaged the emphasis on work requirements. They argued that unless something were done about illegitimacy, the emphasis on work, even if successful, would make little difference in the long run" (Blank and Haskins, 2001: 15).

[22] A previous reform, the *Family Support Act* (FSA) of 1988 had put more emphasis on education and training, as well as on collecting maintenance payments from non-custodial parents if the custodial parent was in receipt of social assistance. In addition, "states faced penalties if they failed to establish paternity in a certain proportion of all cases of out-of-wedlock children receiving benefits" (Rodgers, 2000: 134, 133-137). There was little financing available for the FSA programs, however, so few parents could access the training, child care and other services promised by the act.

exceptions, recipients must take up work after two years of going on the social assistance rolls.[23] States require applicants for social assistance to participate in work-related activities, with most states requiring applicants to spend a specified number of hours searching for a job immediately upon applying for welfare. These changes then provoked program transformations in work supports intended to move and keep people off social assistance (Weil and Finegold, 2002: xvi-xvii). For example, there have been significant increases in funds going to child care.

While the general patterns of change can be described here, there is still immense variety across the 50 states.[24] Nevertheless, it is possible to say that states made four major and rapid changes in their social assistance systems after PRWORA was enacted. First, they took clear steps to shift to "work-first" principles. That is, they designed their programs to emphasize rapid labour entry, with less emphasis on skills development or long-term education.

Second, most states modified rules so as to "make work pay."[25] Thirty-one have raised earnings exemptions (sometimes termed "disregards"), allowing recipients of social assistance to keep some cash benefits even when they begin having income from employment, and 16 have developed their own supplements to the federal earned income tax credit.

Third, states moved to comply with federal work-oriented requirements in PRWORA. They designed and implemented sanction policies that reduced or eliminated benefits for families that failed to follow program rules. States implemented the federally imposed five-year time limit on benefits, with 10 states adopting shorter lifetime limits. In most states, the work exemption for lone parents with young children was reduced from three years to 12 months, but many states chose even shorter periods, and a few have no exemption at all.

Finally, states developed programs for communicating these changes to caseworkers, welfare recipients, and applicants. Most states require some form of orientation session for applicants, with the sessions stressing the temporary nature of cash assistance and the requirement that almost all applicants pursue and obtain employment.

A Preliminary Assessment of the Results of this Redesign

A central goal of the 1996 reform was to increase employment rates among those receiving cash assistance. In order to support work, states put more funds into services, rather than cash benefits. In 2000, states were using an average of 30 percent of their TANF (Temporary Assistance of Needy Families) Act funds for child care and other work activities. Four years before, the comparable number was just nine percent. Additional dollars were spent on a range

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23 States may choose to exempt lone parents from the work requirement if they have a child younger than one. Nor must states include these individuals in their calculation of participation rates (which affect their eligibility for the TANF block grant) for 12 months (Bradshaw and Finch: 2002: Appendix, p. 67).

24 For an overview of the experience of one state and the program Colorado Works, see Capizzano (2001).

25 Weaver (2000: 21) describes the situation after the Reagan reforms of 1981 – reforms that severely limited earnings disregards and reduced benefits dollar-for-dollar – and the situation when access to Medicaid depended on receiving AFDC, as follows: "Thus a single mother who decided to forgo AFDC for low-wage employment with no health insurance might find herself only slightly better off in terms of cash-plus-food-stamps income and without health insurance coverage for herself and her children. This was likely to be a particularly poor trade-off if any family member suffered from a chronic illness."

of activities, including transportation support, tax credits for low-income families, and programs to promote marriage or reduce non-marital pregnancies. Combined with earnings disregards, these expenditures are the main pillars of efforts to foster labour force attachment, even for those who continue to receive social assistance.

There has been success on this central goal. First, the increase in work activity by social assistance recipients is striking.[26] Data shows work participation by those receiving social assistance increasing from around seven percent in the early 1990s to 33 percent in 1999. Their median hourly wage was $6.65.

A second measure of success – that is, continuing engagement with the labour market after leaving social assistance – shows that among those who went off the social assistance rolls between 1997 and 1999, only 22 percent were back on the rolls when they were interviewed in 1999. Those who had been on welfare continuously for the past two years and those who had left the rolls and returned had characteristics that suggest their prospects for sustained, successful employment are limited. Poor physical and mental health is a factor for about two-fifths of the returning group, as is low education.

Of those who left the welfare rolls between 1997 and 1999 and did not return, 64 percent were employed in 1999. The median wage for former social assistance recipients was $7.15, a wage that in 1999 inserted them at the lower end of the labour market. They were not all moving their families out of poverty, however. In order to do so, adults leaving social assistance would have to work full time for a full year *at the median wage* and receive *all supplementary benefits* for which they are eligible. However, most do not receive all of the supplements. And not all earn the median wage. Together these data document that many employed adults leaving social assistance are living on resources below the federal poverty level and information about eligibility for benefits still needs to be improved.

Analysis done before welfare reform found those entering the system through the door of the welfare office were most likely to be informed of, and put in touch with, additional supports such as food stamps, health insurance and, to a lesser degree, child care and child support assistance, while those coming through the employment agency or child support agency were less likely to receive advice about, or help with, coordinating with other agencies. These gaps still remain and may have widened, as caseload data for the Food Stamps program and Medicaid show. Both programs experienced substantial and rapid drops in enrolment after 1996. Analysis of United States reforms found that people who left welfare and remained eligible for these other support programs frequently failed to apply for benefits for which they were still eligible.[27]

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26 As Weil (2002) says: "Increased work may also reflect changed reporting incentives. Under AFDC neither families nor states had an incentive to report earnings. Under Temporary Assistance for Needy Families (TANF), families face work requirements, larger income disregards, and the potential benefits of the EITC, making it more advantageous to report earnings than in the past. States are held accountable to the federal government for meeting work participation targets among their welfare caseloads. The degree to which this increase reflects more accurate data collection is not known."

27 Child care is another story, however. Reform brought increased use of child care supports. Nonetheless, even here, the federal government estimates that only 12 percent of those eligible for child care subsidies are receiving them (Bradshaw and Finch, 2002: Appendix, p. 68).

A group causing some concern among analysts as well as policy-makers is the one in seven of previous social assistance clients who report no visible means of support. In other words, no one in the family is employed, they are not receiving disability benefits and they do not receive social assistance. Little is known about how these people survive, nor about their reasons for complete disconnection from the system. With several hundred thousand families with children falling into this category in 1999, it is a group that warrants more policy attention in the future.

An additional concern is that the safety net is now less effective at supporting the *neediest* families. Analyzing the financial resources of independent lone-parent families, that is those with a single adult caring for one or more children and without any other adults in the household, studies find that the overall financial picture of these families is one of decline. The 1.3 million independent lone-parent families in the bottom quintile of income are shown to have experienced an average net decline in financial resources of $630, or 8 percent of their annual income.

This reform was supposed to help children by breaking the cycle of poverty as well as improving their lives. One study synthesizing research on the effects of welfare-to-work programs on children argues that the lack of conclusive findings follows from the wide variety in policy design across different states. Once these are held constant, clearer findings emerge. For example, "programs that included earnings supplements, all of which increased both parental employment and income, had positive effects on elementary school-aged children. … [and found] higher school achievement. Some of the programs also reduced behavior problems, increased positive social behavior, and/or improved children's overall health" (MDRC, 2001). However, in programs which simply provided – or mandated – employment services or set time limits, the results for children were either mixed or nonexistent. This is to say that higher incomes had a positive effect, but labour force participation alone had little effect on child outcomes.

Studies of this United States experiment have identified a key factor for success in providing integrated services. Administrative arrangements matter. There are two types of issues. First, social assistance bureaucracies administering AFDC were designed to serve those in dire need, who were not employed. They are less well suited to addressing the needs of families confronting issues of work-family balance. Second, separate administrative systems designed around specific programs, services, and providers have yet to coordinate so as to provide a comprehensive package of assistance to meet the needs of families. "Single windows" have been slow to appear.

Making welfare reform work has always been understood to depend on a *total package* of integrated benefits. Therefore, it is crucial that clients are well-informed about the services and cash benefits, including tax credits, available. It is also key that all agencies and partners coordinate their efforts to make this happen. In the United States, coordination of programs remains an issue, as in Europe. Nonetheless, there is awareness of the problem and some efforts hold promising results. For example, there is the question of how to coordinate public housing rents with policies to "make work pay," given that rents traditionally are tied to income. There has been an on-going demonstration project, with the United States Department of Housing and Urban Development and the Rockefeller Foundation as principal funders, that illustrates the importance of program integration as well as exploring the issue of rents. It focuses on public housing residents and rents, in the context of efforts to "make work pay." Box 3 describes its conceptualization and principal findings.

Box 3
Jobs-Plus Community Revitalization Initiative for Public Housing Families

Analysts have long feared that public housing rules that set rents as a fixed percentage of residents' incomes have discouraged residents from seeking paid work. The *Jobs-Plus Community Revitalization Initiative for Public Housing Families* is a national demonstration project operating in six cities (evaluated by the Manpower Demonstration Research Corporation – MDRC). It tests ways to increase employment among public housing residents by combining changes in rent rules and other financial work incentives with employment and training services and social supports for work. It was already in place in 1998, with similar rent-based work incentives to those incorporated into the *Quality Housing and Work Responsibility Act* of that year.

The key findings of the demonstration projects are:

- Even without rent reform, changes in welfare rules and the Earned Income Tax Credit (EITC) have made work substantially more rewarding for public housing residents. The flat or fixed-rent steps, rents based on a lower percentage of income, lower ceiling rents, rent credits, and escrow accounts, are all part of *Jobs-Plus* and they support other work incentives.
- Whether it pays for a resident to go to work depends on much more than rent. It also is greatly affected by how much in social assistance and Food Stamp benefits the person stands to lose, whether there will be subsidized child care, and whether EITC will be received. *Thus, effectively communicating and marketing all available financial supports for work is an important feature of Jobs-Plus.*
- Across all housing developments and for a range of family circumstances, the Jobs-Plus rent rules give residents more incentive not only to accept employment, but also to choose full-time over part-time jobs and to advance into higher-wage jobs than they had under the traditional rules.
- Jobs-Plus rent rules may encourage some residents, particularly second earners in two-parent families, to reduce their work hours. As well, under some plans, residents' incomes may fall over time unless they can increase their earnings to match the higher rent steps.

Source: MDRC (2002).

Conclusions from the American Experiment

As we have seen, the federal and state governments in the United States provide a variety of benefits to support low-income families. Many of these come through the tax system. Particularly important to altering families' circumstances is the Earned Income Tax Credit, and the refundable Child Tax Credit. Others, such as Medicaid, help to stitch up the safety net, by providing benefits to families that do not have access to health benefits through their employment or collective agreements. These programs put the United States very close to Canada in the generosity of the total child benefit package. Both countries, however, rank in the bottom third of an international ranking that includes 20 others from around the industrialized world. In other words, both place a good deal of emphasis on families and markets in the welfare mix.

As we have also seen, the United States has undertaken a redesign of its welfare mix, just as the European countries have. It too has put the emphasis on fostering labour force participation. Eligibility for state-provided benefits is firmly anchored to labour market participation, both by the ETIC and by the reformed social assistance programs funded by TANF. Indeed, as the first phase of the reformed social assistance system came to an end, there was support for increasing the work requirements of TANF (Dionne, 2002). One difference between the United States strategy and that of Europe (and some Canadian jurisdictions) is that there is little attention to improving market wages. There is some experimentation with local regulations in favour of "living wages" (Maxwell, 2002). However, overall the accent is on "participation" more than the adequacy of the earned income, with the result that training, skills upgrading, and so on is not a key part of the policy design.

While solid indicators of success and failure in welfare reform are just coming in, there is already one clear conclusion. As Weil and Finegold write: "… welfare reform has transformed the central question of American welfare policy, from how much to give single mothers who do not work, to how to support low-income families with children. The new frame has different implications than the old one for the politics of welfare and for resources allocation decisions" (Weil and Finegold, 2002: xxviii).

With this shift, the United States is now asking questions about the welfare mix very similar to the European countries already described, and to the way the matter has been raised in Canada.

IV. Redesigning the Welfare Mix for Canadian Families

As in the European Union and its Member States and in the United States, Canada's federal, provincial and territorial governments have been reforming social policy for more than a decade and, in doing so, have been altering the welfare mix. This was considered necessary to do because of two findings. First, as we have noted already, the negative consequences of living in long-term poverty for children as well as adults are very clear. Secondly, as more of the Canadian population resides in large urban centres where living costs are often high, there is an increasing gap between their needs and social assistance benefit levels.[28] Benefits are insufficient to find adequate housing, transportation and even food.

The Adequacy of Social Assistance Benefits

As Table 3 shows, the adequacy of social assistance rates is affected by three things: the dollar amount of benefits; government's choices about benefit levels for different family types; and whether provincial populations live in areas with higher or lower living costs. Of course, the basic level of social assistance and other benefits play a key role, *but* it is not sufficient simply to look at amounts. It is also necessary to assess whether these amounts cover the average needs of low-income residents. These differ substantially by community size. This is the reason the Low Income Cut-offs (LICOs), calculated by Statistics Canada, distinguishes costs of living by size of community to gain a better measure of needs.

[28] Obviously some more isolated and smaller cities, especially in the north, may have high costs of living too. But in overall population terms, it is the big metropolitan areas with their concentrated populations and large numbers of families where the issue of "adequacy" arises most.

Table 3
Rankings of Provinces by Amount of Social Benefit and "Poverty Gap"[29]
2001

I – Total income from social assistance, lone parent with one child, from high to low	II – Poverty gap – lone parent with one child, from low to high*	III – Total income from social assistance, couple with two children, from high to low	IV – Poverty gap – couple with two children, from low to high*
1. Newfoundland and Labrador ($14,670)	1. Newfoundland and Labrador (27)	1. PEI ($19,399)	1. PEI (36)
2. British Columbia ($14,069)	2. New Brunswick (36)	2. British Columbia ($18,412)	2. Saskatchewan (40)
3. Ontario ($13,828)	3. PEI (38)	3. PEI ($18,399)	2. Nova Scotia (40)
4. Quebec ($13,318)	4. Nova Scotia (39)	4. Alberta ($18,395)	4. Newfoundland and Labrador (43)
5. New Brunswick ($12,888)	4. Saskatchewan (39)	5. Ontario ($18,330)	5. New Brunswick (47)
6. PEI ($12,530)	6. British Columbia (40)	6. Saskatchewan ($18,210)	6. Ontario (48)
7. Saskatchewan ($12,367)	7. Ontario (41)	7. Manitoba ($17,725)	6. Alberta (48)
8. Manitoba ($12,330)	8. Quebec (43)	8. Newfoundland and Labrador ($17,474)	6. British Columbia (48)
9. Nova Scotia ($12,250)	9. Manitoba (48)	9. Quebec ($16,919)	9. Manitoba (50)
10. Alberta ($11,619)	10. Alberta (51)	10. New Brunswick ($16,206)	10. Quebec (52)

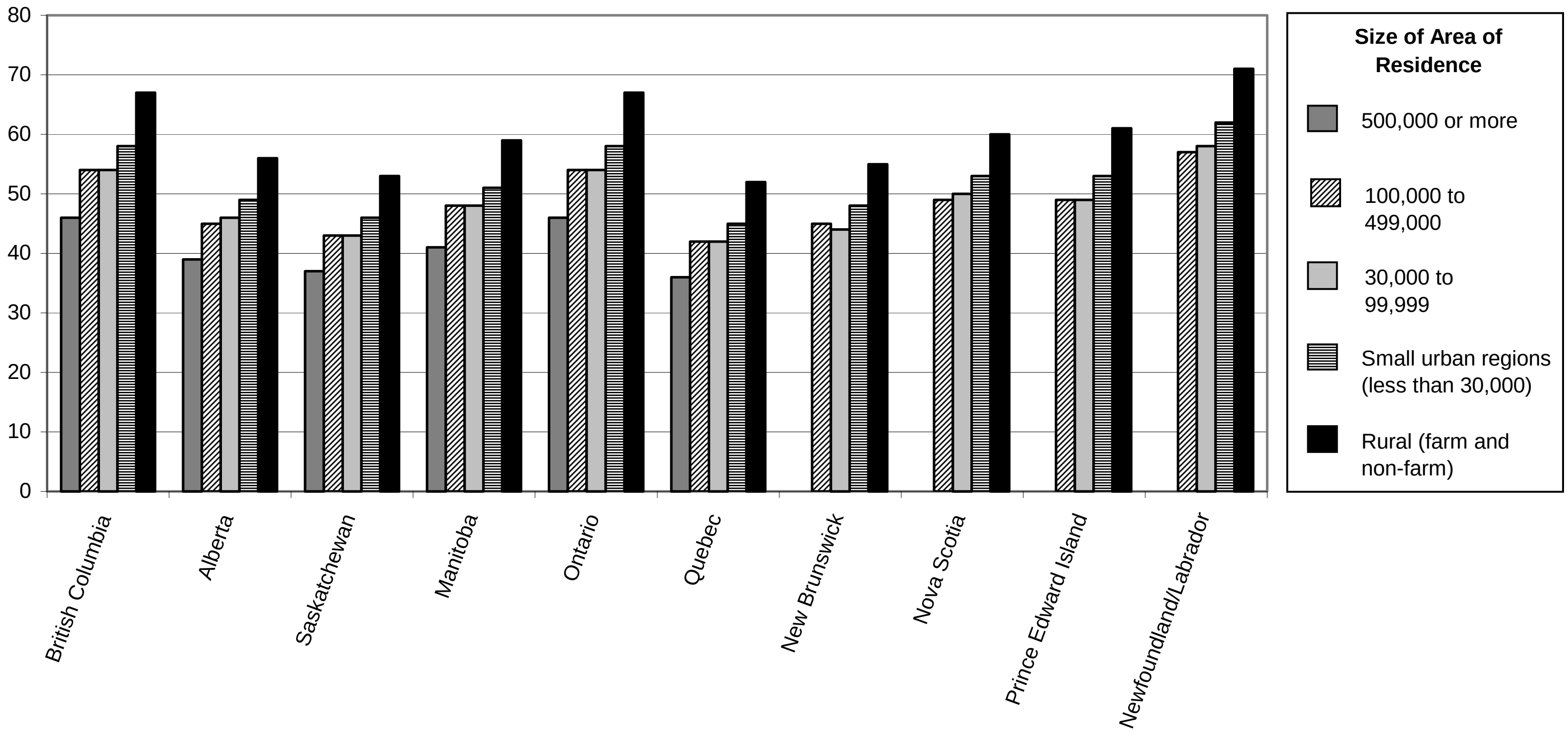
* The number in parentheses is the percent difference between the Low Income Cut-Offs (LICOs) value for the province and the social assistance rate

Source: National Council of Welfare 2002; http://www.ncwcnbes.net.

In general, those provinces with the largest "poverty gap" are those with more urbanized populations (see Columns II and IV of Table 3). Thus while British Columbia provides the second highest benefit *rates* to both lone-parent families and couples, it ranks only sixth in the measure of adequacy of benefits with respect to keeping both kinds of families out of poverty. In contrast, New Brunswick has a significantly higher ranking on adequacy (second for lone-parents; fifth for couples) than on income amounts (fifth and tenth).

[29] The Poverty Gap is defined as the size of the difference between total income and the poverty line, defined by the National Council of Welfare as the Low Income Cut-offs (LICOs). The Council finds that market-basket measures generate similar results.

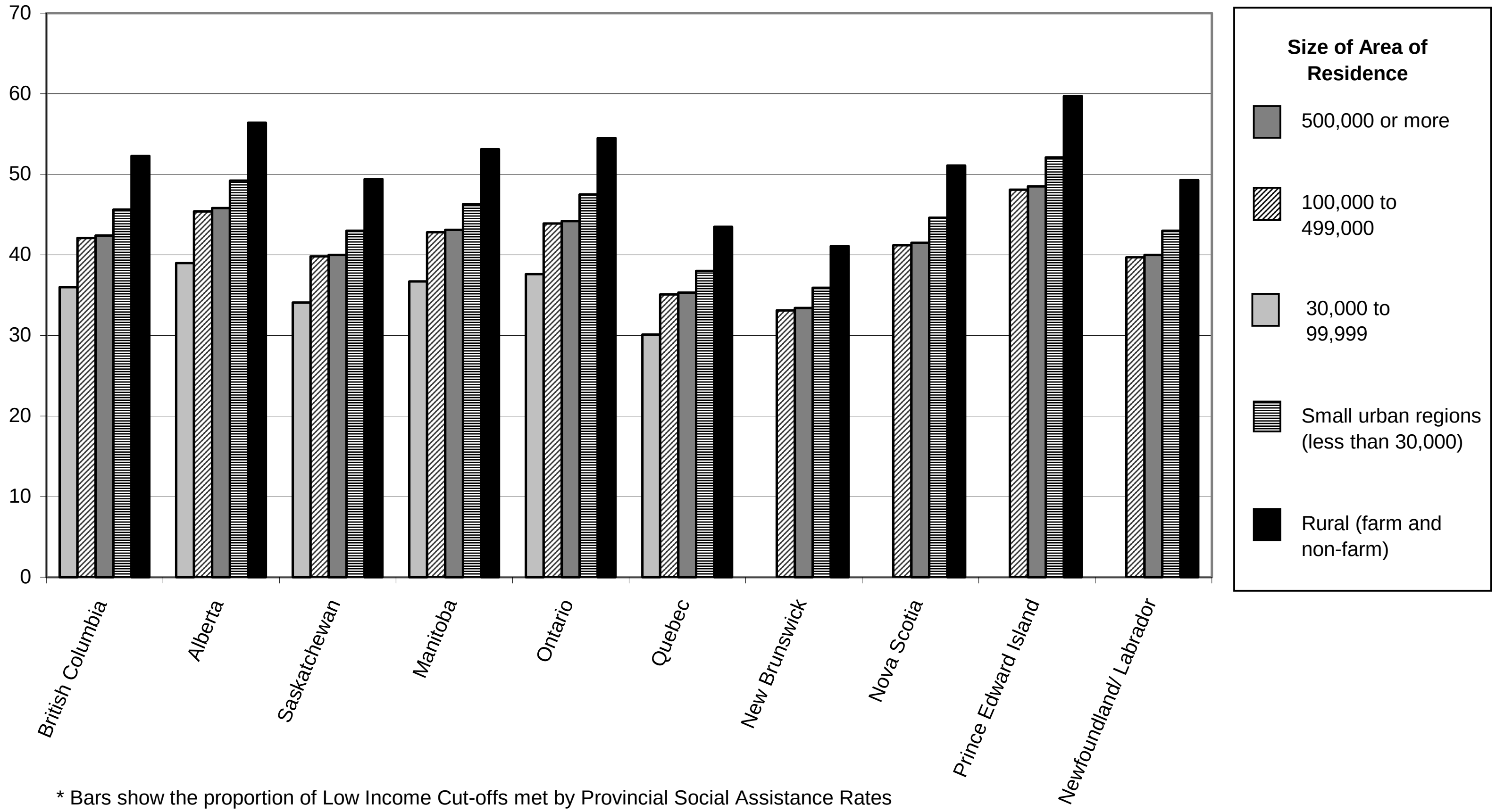
Figure 3
Adequacy* of Welfare Benefits by Province and Location of Residence
Lone Parent, One Child Families



* Bars show the proportion of Low Income Cut-offs met by Provincial Social Assistance Rates

Source: National Council of Welfare (2002); Statistics Canada (2001).

Figure 4
Adequacy* of Welfare Benefits by Province and Location of Residence
Couple, Two Children



* Bars show the proportion of Low Income Cut-offs met by Provincial Social Assistance Rates

Source: National Council of Welfare (2002); Statistics Canada (2001).

Figures 3 and 4 provide similar information, this time by directly examining the adequacy of benefits by size of community. Both graphs show that adequacy of benefits is substantially higher in rural areas and small towns, than it is in large- or medium-size cities. To the extent that some provinces, such as British Columbia, Ontario, Alberta and Quebec have large proportions of their populations in cities, their basic social assistance benefits fall farther below the poverty line for many of their residents.

Such observations about the deep poverty of many families on social assistance has generated interest in Canada, as elsewhere, in ways to increase the market portion of the welfare mix, to ensure that more people have access to market income. As in Europe, the issues of low wages and poverty have prompted a re-thinking about how governments can best contribute to the welfare mix. There is new activity in the area of income supplements for low wages and, in particular in Canada, there is growing attention to "investing in children" so as to limit child poverty and promote their healthy development.

The shift from the post-war Unemployment Insurance to Employment Insurance, establishment of Labour Market Development Agreements (LMDAs), adjustments in the Canada Pension Plan and Quebec Pension Plan, cancellation of the Canada Assistance Plan (CAP) and creation of the Canada Health and Social Transfer (CHST), and development of the National Child Benefit are some of the milestones along this road, as are many provincial programs. One primary goal has been to smooth the transition into work, and reduce reliance on unemployment insurance or social assistance.[30]

As in the countries already examined, policy thinking about the welfare mix simultaneously focuses on increasing labour force participation rates and on dealing with problems of low-income families. Increasingly, there has been a clear understanding that even increasing labour force participation will not *solve* the problem of low incomes. Cash and other transfers as well as services are needed if large number of individuals and families are not to live in poverty. Therefore, along with incentives to work, the federal government and more and more provinces have been providing child benefits, and other benefits and services. Table 4 provides the information for 10 provinces, comparable to that already displayed in Table 1 for a number of countries.

[30] This paper does not discuss the training and other initiatives undertaken under LMDA (Labour Market Development Agreements) because they were very recently reviewed at the February 2002 conference organized by CPRN. See *Active Labour Market Policy in Canada: Lessons From the Labour Market Development Agreements* – 18 January, 2002. A conference hosted by the Canadian Policy Research Networks. Sponsored by Alberta Human Resources and Employment. Telus Centre, Edmonton, Alberta, February 22-23, 2002.

Table 4
Comparison of Provinces' Programs to Foster Labour Force Participation, Aid Transition from Social Assistance to Work, and Ensure Adequate Income

Program Component	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario
• Compulsory labour force participation, including job search for recipients of social assistance income.	Yes	Yes	Yes	Yes	Yes
• Health benefits maintained when leaving social assistance or with low-wage or atypical employment.	*Enhanced Medical Coverage* Lone parents (and their dependants') who find employment retain their enhanced medical coverage for one year.	*Supports for Independence (SFI)* Parents who leave SFI for employment are eligible for the same health, dental and prescription drug benefits they were receiving on SFI. The Alberta Child Health Benefit (ACHB) is available to all children living in low-income families.	*Family Health Benefits (FHB)* FHB provides additional coverage for families eligible for the Saskatchewan Child Benefit and families eligible for the Saskatchewan Employment Supplement (social assistance). The program provides dental, optometry, and chiropractic services, as well as prescription drugs, ambulance transportation, and medical supplies for children and a more limited coverage for parents.	*Extended Health Services Coverage* Lone parents leaving social assistance for employment may continue to be eligible for an extension of the Health Services Program for up to 12 months. Other health benefits are available to low-income Manitobans, whose income is seriously affected by high prescription drug costs.	None The *Trillium Drug Program* is available to persons who have high drug costs in relation to their income.
• In-work benefits.	*Earned Income Benefit*	*Alberta Family Employment Tax Credit*	*Saskatchewan Employment Supplement*	*Child-related Income Support Program*	*Ontario Child Care Supplement for Working Families*
• Age of youngest child when labour force participation of lone parents on social assistance required.	3 years	6 months	2 years	6 years	6 years (school-aged children)
• Maintenance payments covered by government if non-custodial parent defaults.	No	No*	No	No	No
• Child benefit (family allowance).	*BC Family Bonus*	No	*Saskatchewan Child Benefit*	No	No

Table 4, continued

Program Component	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland and Labrador
• Compulsory labour force participation, including job search for recipients of social assistance income.	Yes	Yes	Yes	Yes	Yes
• Health benefits maintained when leaving social assistance or with low-wage or atypical employment.	*Régime d'assurance-médicament* Individuals and families who are not covered by any other insurance scheme are covered by this system for free medication, dental, and optical services for children and partial or full coverage for adults.	*Extended Health Benefits* Social assistance clients who find employment receive health benefits for one year after leaving social assistance.	*Transitional Pharmacare Program* Recipients and/or their dependants who, due to employment income, are ineligible for income assistance may be provided with Pharmacare coverage for one year.	*Family Health Benefit* Assistance for the cost of prescription medications for families with children under 18 and a net household income under $22,000 for one child (add $2,000 for each additional child).	*Extended Drug Card Coverage* Extended drug card coverage for a six-month period for people leaving social assistance for employment.
• In-work benefits.	*Parental Wage Assistance Program* (APPORT)	*Working Income Supplement*	*Family Assistance Program*	No	No
• Age of youngest child when labour force participation of lone parents on social assistance required.	2 years	No formal criteria.	No formal criteria (not until 6 months).	No formal criteria.	2 years
• Maintenance payments covered by government if non-custodial parent defaults.	Can advance payment in certain cases.	No	No	No	No
• Child benefit (family allowance).	*Family allowances*	*New Brunswick Child Tax Benefit*	*Nova Scotia Child Benefit*	No	*Newfoundland and Labrador Child Benefit*

* By directing payments to the Crown for defaulting payers, and issuing full Supports for Independence benefits, Alberta is essentially covering child support payments for *Supports for Independence* clients.

Canada's Strategies for Increasing Labour Force Attachment

As we have already noted, strategies vary for ensuring that an increased portion of families' and individuals' welfare comes from market income, and that social assistance clients join the labour market (see Box 1 above for an overview and reminder about the terminology used in this section). Every Canadian province has instituted legislative reforms for increasing labour force participation, as have many of the European countries and the United States. Since the mid-1990s, all provinces have changed some laws and regulations to tighten eligibility, reduce costs and foster labour force participation by recipients of social assistance. A number of recent examples stand out.

British Columbia, for example, renamed its social assistance program *BC Employment and Assistance* in 2002, cut eligibility for all recipients except the disabled, lowered the exemption for lone parents to when the youngest child reaches age three, and in general became much more stringent. These reforms fall clearly onto the retrenchment side of the ledger because they include no new incentives such as earnings disregards or tax benefits.

British Columbia has drawn closer to Ontario with these changes. Ontario instituted the *Ontario Works* program in 1997, via the *Social Assistance Reform Act*. *Ontario Works,* like the welfare reform in the United States, is mandatory and intended to promote the "shortest route to paid employment." At the same time, the province established a separate regime for people with disabilities. Workfare focuses on increasing labour force participation and reducing social assistance caseloads. Therefore, it is more a "work-first" than a human capital one, that is a short-term more than a long-term labour force attachment strategy. There are some collateral benefits provided, such as access to child care subsidies. As McIntosh and Boychuk (2000: 78) have written:

> Workfare was introduced as part of a package of "tightening up" the social assistance system which had been taking place since before 1993. This tightening of the system included new eligibility restrictions (including restrictions on persons quitting or losing a job) as well as reinstating the spouse-in-the-house rule. Enhanced verification and enforcement mechanisms [were] included. ... Rather than extending benefits for persons leaving social assistance for employment, Ontario began to retract such extended benefits. For example, health benefits, which were previously extended to recipients leaving social assistance, were ended and, as of April 1998, when recipients leave social assistance for employment, they now lose their health benefits.

Other provinces have developed a fuller range of services and incentives to integrate their programs. For example, after the provincial government of Nova Scotia assumed all responsibility for social assistance in April 1998, it began standardizing rates, policies and programs. It also combined programs, integrating the Family Benefits Program with the Social Assistance Program. Employment Support Services (ESS) sought to move social assistance clients into paid work. Then, in March 2001, the Nova Scotia government approved social assistance regulations designed again to help people move toward self-sufficiency and reduce poverty – especially child poverty. The regulations outline collateral supports such as increased allowances for transportation, child care and training, up to a year of continued Pharmacare coverage for those entering the workforce and improved wage incentives. A new wage incentive for youth was introduced. Federal and provincial children's benefits are combined and provided to all low-income families, whether the family receives its income from social assistance or employment. Finally, the new act and regulations created a single system with standard rates and policies for all social assistance recipients. Under the new system, all social assistance recipients will qualify equally for special needs, no matter what their family situation (see the Nova Scotia column of Tables 5).

Alberta has also recently committed itself to reforming programs for low-income Albertans. Following the 2002 report of the MLA Committee to Review Low Income Programs (MLA Committee, 2002), the Minister of Alberta Human Resources and Employment (AHRE) announced that changes would be implemented as budget allowed. For example, an integrated income support program would be developed to replace the range of specialized programs inherited from earlier moments of program adjustment. Collateral supports have also been increased, especially health benefits for children in low-income families (Tables 4 and 6) and for parents leaving Supports for Independence (SFI).

As Table 4 documents, the provinces have moved towards enriching earned incomes with wage supplements. Table 5 provides the details of these provincial programs, and there we note that some are significantly more generous than others. In addition to wage supplements, a key work incentive in social assistance is the continuation of health and drug benefits as one leaves social assistance, if the employer does not provide private insurance (Table 6). If anything, this factor has gained in importance in recent years with ballooning costs for pharmaceuticals and "de-listing" of certain medical procedures in provincial health care systems.

Tables 4 and 6 show that social assistance programs provide not only cash benefits but also extended health insurance to clients and their children. These health benefits are less often available to low-income workers. Indeed, there are several models. One is to provide support to families (for example, British Columbia, which provides support to lone parents, and Prince Edward Island) or primarily to children (for example, Saskatchewan and Alberta). The other is to provide benefits to *any* social assistance client transitioning into work (for example, Nova Scotia, Newfoundland and Labrador, and now Alberta). The second issue is whether to extend such benefits for a limited time (Nova Scotia, New Brunswick, and Manitoba, for example), or to provide the benefit for an unlimited time, in an income-tested way (Quebec, Alberta, and Prince Edward Island, for example).

If there is a trend, it is (with the exception of British Columbia) to move towards coverage of all categories of clients. Thus Alberta has made changes recently to extend coverage to all low-income children and also (as does Nova Scotia) for a limited time to parents. With respect to time limits, there also seems to be a trend. Those provinces that have made their reforms more recently (Quebec, Nova Scotia, Alberta and Prince Edward Island, for example) seem to recognize that low-wage work and jobs without benefits are likely to characterize the new labour market structures, rather than being a "transitory" or "transition" phenomenon.

This trend toward wider coverage and integration reflects a broader trend, that is the better integration of social assistance and employability programs. Alberta, following the *Low-Income Review* of 2002, has promised a part-time and short-term skills training program for social assistance clients that will allow them to "learn while they earn" and acquire the job-specific skills in demand in today's economy. Nova Scotia made this a major theme in its recent reforms. Quebec established *Emploi Québec* as a "single window" where it would be able to achieve the goals set down in its Green Paper on active labour market policy of 1996. New Brunswick has also experimented with this approach, to good effect.

Despite the enthusiasm for single window delivery, it is important to recognize that they bring with them new problems and challenges. Neither the European countries nor the United States have fully succeeded in implementing the new system. An excellent assessment is provided by the paper quoted in Box 4 (HRDC, 2000).

The analysis identifies the importance of "cultural" and administrative adjustments within the public service and among partners. This issue has already been mentioned above, in the section on welfare reform in the United States, where a smoother transition from welfare to work was sometimes hindered by administrative culture and learned habits and practices. Nonetheless, such administrative reforms seem essential, in order to achieve the goals of better integrating work and social assistance.

In addition to the policy and program changes described here, Canada has benefited from its own demonstration project on employability. This is the *Self-Sufficiency Project* (www.srdc.org) set up a decade ago. It experimented in two provinces – British Columbia and New Brunswick – with provision of wage supplements to long-term recipients of social assistance who were lone parents. The New Brunswick experiment also included collateral support services, both pre- and post-employment, termed SSP Plus. The major results are summarized in Box 5.

The Self-Sufficiency Project (SSP) provided a temporary earnings supplement, that is a monthly cash payment, to lone parents who had been on social assistance for at least one year and who left social assistance for full-time work. The supplement was paid on top of earnings from employment for a period of up to three years, on condition that the participant continued to work full-time and remained off social assistance. This supplement provided an immediate payoff from work: a person working full-time at the minimum wage had a total income before taxes that was about twice her earnings.

Since the experiment was conceived as a way of gaining social knowledge, SSP was designed as a social experiment using a rigorous, random assignment research design. A "program group" eligible for SSP and a "control group" were created.

Box 4
Single Window Delivery Systems

Single Window Access Intended to Increase the Effectiveness of Service

This form of delivery has occurred in the context of welfare reform and has taken several forms:

- ***Government departments integrate and/or partner with each other*** to reduce bureaucratic overlap, increase the efficiency of service and program delivery, and better coordinate policy and program development.
- ***Federal-provincial-territorial integration and/or co-management of education and training*** is also occurring in some regions, providing a "shared" approach for addressing a range of labour market development issues.
- ***Co-locating federal and provincial/territorial services*** to provide one-stop, single window access to services at the same place is designed to offer clients a concentrated service. Usually, this co-location is intended to serve a broad range of clients, such as those dealing with Employment Insurance, Old Age Security, Canada Pension Plan, as well as Social Assistance.
- ***Centralizing authority for program and policy design*** has occurred in many jurisdictions to reduce variability in services. Some jurisdictions have maintained a relatively decentralized organizational structure to encourage innovation and programs tailored specifically to regional/local needs.
- ***Co-location also includes traditional face-to-face service***, toll-free phone access, plus currently evolving service modes including electronic kiosks, Internet and e-mail.

Governments have adopted single site delivery for much of the income security system, where clients may arrange Employment Insurance, check the job listings, register for training and a range of other services. Other jurisdictions have merged child support services with income support, to take advantage of overlap between the systems. In relation to recent welfare reforms, the single delivery network allows social assistance administrators to place clients into an employment stream immediately.

Co-location also presents challenges for staff and clients. Staff may come from different organizational cultures and may not have similar expectations of clients. Co-location does not guarantee, in and of itself, that the merging of social assistance and educational services will proceed smoothly. In some jurisdictions, co-location and service integration has proceeded very quickly. Other administrative challenges include how to administer discrete funding schemes and agency procedures, revising the system of cost accounting, and dealing with the overall administration of a new system.

Integration of Departments and Agencies

This shift towards greater integration has also been reflected in other parts of the income security system, as witnessed in the provinces/territories that have signed Labour Market Development Agreements (LMDAs) with the federal government. … Although these developments are more directly related to program delivery (training and education) for Employment Insurance recipients, they will likely also have an effect on social assistance programs, particularly in the Maritimes where Employment Insurance and social assistance are closely integrated due to the seasonal nature of employment in the region.

Box 4, continued

Attitudinal and Cultural Change is Essential

Apart from creating attitudinal changes among clients, welfare reform has also required changed attitudes within the system. Administrators have needed to shift from simply determining eligibility and administering payments, to helping clients become independent. In some jurisdictions, this has meant a radical organizational and conceptual change for front-line workers, welfare administrators, and clients.

Cultural change is often a complex process, involving both a formal vision and strategic plan driven from within the upper echelons of government. In more than one jurisdiction of Canada, interviewees stressed the importance of senior bureaucratic and political support for welfare reform in general, and administrative change in particular. This vision may involve building consensus around key public policy goals, defining a clear mission for the organization, and understanding how changes relate to other programs and government initiatives. It will also require a series of formal and informal changes throughout the service delivery system, as caseworkers' and administrators' perceptions about their role in welfare reform need to be revised.

Selected case studies suggest that organizational change is not always a smooth process, even when the programs' goals are well communicated. In research of the "Work Pays" Demonstration in California, the authors found that front-line workers did not fully implement policy reforms. Workers performed their instrumental functions (collecting and verifying information), but many did not provide and interpret information about welfare reform to their clients (e.g., informative and positive discussions about work, supportive services or other issues relating to self-sufficiency). This implementation failure can easily undermine welfare reform and lead to the conclusion that the reforms have not worked.

Source: Adapted from HRDC (2000: Section 7).

Reports emphasize that the program reduces costs to governments. SSP increased employment, earnings, and income for recipients of social assistance, and it did so without costing the government extra cash transfer payments. In other words, the earnings supplement was paid for by reductions in welfare payments and by the higher payroll and income taxes that resulted from the earnings generated by the program's work incentive. The final report extends the results of earlier reports and argues that SSP continued to have substantial effects, though the effects declined somewhat over time.

Box 5
The Self-Sufficiency Project – Final Results

The study found that SSP had a tremendous impact on the lives of the participants. Within 18 months of the program's outset, SSP had doubled full-time employment. Most of SSP's effects were concentrated in the second and third years of the program. During this period, SSP reduced reliance on income assistance while increasing income and reducing poverty. The program's impact on full-time employment persisted for over four years, and SSP continued to reduce income assistance receipt for more than five years. Moreover, SSP produced these impacts at a relatively low cost to government. After accounting for this cost, SSP produced a net benefit for society.

The effect of the supplement offer was strongest in the second year of the program; while 16 percent of the control group was working full-time, nearly twice as many members of the program group were working full-time. Because SSP had such a large and sustained impact on full-time employment, it also increased earnings in the first four years. In the second year, average earnings for program group members were $1,212 higher than for control group members as a result of the supplement offer. In total, during the follow-up period, the average program group member earned over $3,000 more than the average person in the control group. In each of the five years, fewer members of the program group received social assistance and average payments were also lower. In the second year of the follow-up, SSP had reduced average payments by more than $1,200. In the fifth year, although the supplement was no longer available, the number of people in receipt of social assistance was 3.4 percentage points lower among program group members.

Initially, it appeared that the additional services of SSP Plus put into place in New Brunswick had no effect. In the fourth year, however, the services had incrementally increased full-time employment by 7.5 percentage points, increased earnings by nearly $1,600, and reduced the proportion receiving social assistance by 11.1 percentage points. It appears that the services had helped SSP Plus program group members remain self-sufficient when the supplement was no longer available to them.

The poverty-reducing effects of SSP were important. Some families spent less time living in poverty, which meant that children did not suffer the secondary effects of low-income and social exclusion. For children who were preschool aged when the program began, SSP improved their scores on standardized tests and their achievement in school. Parents reported that their children were doing better in school and, after four and half years, the children of the program group (by then between ages 7 and 9) were still doing better on average than a child living with a lone-parent in the control group.

The SSP was expensive, but calculations of the savings in the social assistance budget plus the new tax revenues and higher incomes of the participants lead the evaluators to the conclusion that, on balance, SSP represents a net gain to governments (after costs) of over $2,500 per program group member. The effects on children and long-term effects on self-esteem and labour force participation cannot, of course, be assigned a metric but they seem positive as well.

Source: Adapted from Social Research and Demonstration Corporation (2002: 1-6).

Work and Family – Child Benefits and Other Supports for Families

The second theme that has emerged from discussions of the welfare mix is how to generate sufficient family income and control poverty rates, especially those for child poverty. In Canada, the federal-provincial-territorial governments made a clear commitment to engaging with this issue in the late 1990s, especially via the National Child Benefit (NCB) agreement signed in 1998. The federal government's contribution to the NCB is composed of the Canada Child Tax Benefit (CCTB) and the National Child Benefit Supplement. They have both allowed the federal government to provide its share of a new welfare mix, and to release provincial funds for reinvestment according to provincial priorities, particularly in services.[31]

In adopting these policies, Canadian policy-makers have been following – and sometimes leading – international thinking about the need to provide both cash benefits and services to families in order to allow them to maximize their welfare. Section III documented, with the data from the UNICEF studies, how important these programs, available to families as tax credits or grants, were for lowering poverty rates. While pre-tax poverty might be quite widespread, after taxes and transfers several countries made significant reductions, as Figure 2 dramatically documents. On average, Canada succeeded in reducing child poverty rates by nine percentage points by redistributing taxes and transfers.

As Tables 5 and 7 document, in the 10 provinces there have been four basic approaches followed:

- The first is to provide a supplement to earned income, usually in order to "make work pay." These supplements, paid only to families with sufficient amounts of market income (see Table 5 for the amounts required), are part of the welfare mix in eight of the 10 provinces; only Nova Scotia and Newfoundland and Labrador have not included them in their package.

- A second approach involves making a benefit available to *all* low-income families with children, whether they earn market income or not. In other words, the benefit is de-linked from labour force participation. This approach, sometimes termed a family allowance or integrated child benefit, is widely used in Europe (see Table 1) and usually universal. Canada's history since the 1970s has been to move away from universality. However, both the CCTB and benefits in several provinces maintain a commitment to providing a benefit because of the presence of a child in the household. Six provinces currently have such programs. However, as with the CCTB, all these family allowances are income-tested (although they do not require *employment* or *earned* income – see Table 7 for details).

- A third approach is to provide a variety of needs-related benefits (such as health benefits or housing and child care subsidies), and Table 6 maps some of these programs for children, both those whose families are on social assistance and those who are not.

- Finally, there is the service that almost all analysts identify as key to ensuring that activation initiatives and family supports mesh well. This is child care. Table 8 provides information on the two ways this is done in Canada. In nine of the provinces, subsidies are paid directly to the providers who care for children of low-income parents. The Quebec cells in this table are empty because its subsidy program was eliminated when the government decided to provide universal access to child care spaces (in an early childhood centre or family day care) at $5 per day.

[31] There is no detailed discussion of these two federal tax benefits here. Those who wish to review the details may consult Beauvais and Jenson (2001: Table 2, p. 40 and passim). For the most recent reports by governments see: The National Child Benefit – 2001 Progress Report at http://www.nationalchildbenefit.ca/ncb/NCB-2002/toceng.html

Because of the identification of child care as key to a successful welfare mix, it is worth stopping at this point to give it some attention. Canada's child care subsidy regime described in Table 8 (with the exception of Quebec's current policy) was put into place in the 1960s to mesh with the rules of the Canada Assistance Plan (CAP) begun in 1966. It subsidizes the costs of only low-income parents, and can be paid only to licensed care providers.

Since the 1960s, however, new knowledge from a wide range of sources has appeared. Whether from experts on brain development or on children's social development, the advantages of high quality early childhood care and education have come to be widely understood, and assimilated into program design by governments concerned about the current and future welfare mix. Canadian researchers, especially those linked to the Canadian Institute for Advanced Research (CIAR) and HRDC's National Longitudinal Survey of Children and Youth (NLSCY) accumulated significant amounts of data about the importance of good quality early childhood education. In Section III, as well, the OECD study, *Starting Strong* (2001) was cited several times, because it is a systematic study of both services available and thinking about early childhood education. There we saw that the direction of reform in most countries is towards universal services for young children, that is full coverage of three- to six-year olds.

The area of child care is one in which Canada is now somewhat of an international laggard, for several reasons. First (and again with the exception of Quebec), there is little sign that universal coverage of early childhood education is on the near horizon. Second, in some instances, Canadian jurisdictions are actually *moving away* from best practices used in other countries, which are built on widespread scientific consensus.

For example, in the reforms of social assistance undertaken by New Brunswick at the end of the 1990s and Nova Scotia more recently, one of the services provided to social assistance recipients seeking transition to the labour force was the option of subsidized *informal* child care, including that provided by relatives. In other words, these governments were willing to invest in that form of child care which has been generally shunned by experts in the field, precisely because it does little to guarantee that the preschool educational and developmental needs of young children will be met so they will be prepared for school (Kohen, Hertzman and Willms, 2002; McCain and Mustard, 1999).

This option often appears as an attractive short-term solution to the pressing problem of the lack of sufficient child care spaces or to provide parental "choice." However, as many governments have come to understand, this short-term "solution" has long-term costs; therefore, they invest much more in child care and guaranteeing a space to all children from the age of three (OECD, 2001; Bradshaw and Finch, 2002: Chapter 5).

The costs of not providing reliable and quality child care appear when school readiness is measured. Using data from the National Longitudinal Survey of Children and Youth, Dafna Kohen, Clyde Hertzman and Douglas Willms found that "children from low-income families who are cared for in *facilities* outside the home, either regulated or unregulated, have superior vocabulary skills to those who do not participate in care arrangements" (Kohen, Hertzman, and Willms, 2002: 274). They expect that at least some of these differences are attributable to attendance at child care centres.

Indeed they conclude that "all children need rich and stimulating experiences, particularly in early childhood, to support healthy development. The findings from this study suggest the importance of making high-quality care arrangements available to all Canadian children who need them, particularly as the number of dual-earner families continues to increase" (Kohen, Hertzman, and Willms, 2002: 275). They join a growing body of studies that indicate that informal care by inexperienced or temporary care givers is not as beneficial for children as that provided by people who provide child care as a profession, whether in centres or family day care.

There are also costs in terms of enabling labour force integration of parents moving off social assistance. Studies in the United States have found that the breakdown of informal child care arrangements and the lack of child care alternatives were significant factors accounting for low-income parents losing or leaving a job (Radcliffe Public Policy Center, 2002).

Third, there are costs in terms of health and well-being. The study by Dr. Gina Browne and her colleagues provides additional scientific evidence about the pay-offs from provision of a comprehensive range of services to lone mothers on social assistance (see Box 6). This study demonstrates that making a combination of services available to children and their parents provided benefits to both and allowed them to achieve higher levels of independence and well-being.

Another key service which governments provide, both through the justice system and social agencies, is to help parents obtain maintenance payments due to them from non-custodial parents. Table 1 reports on the practices of some other countries, and there one can note that some governments are quite active not only in ensuring enforcement but also in filling the gap with their own funds. Because they provide advances out of the public treasury, these governments have every interest in ensuring that the defaulting parent pays up.

Table 9 documents the situation in the Canadian provinces. It is immediately clear that the provincial governments are less active than their European counterparts in ensuring that income from maintenance is available to parents with custody. In all cases there is an enforcement program to encourage compliance. In a more limited number of cases (Alberta, New Brunswick, Nova Scotia and Prince Edward Island), the social service agencies help their social assistance clients obtain court orders and/or pursue delinquent payments. Only Quebec is willing, and *only* in some limited cases, to provide advance payments. Other low-income lone parents who are getting by with market incomes but are without support and maintenance orders are left to obtain them, and then to institute the sometimes costly procedures to ensure enforcement.[32] This means that overall Canadian lone-parent families can rely less on maintenance payments (the non-custodial parent's market income) than in other countries.

[32] Alberta's *Low-Income Review* (MLA Committee, 2002) recommended that the government extend its help in obtaining child maintenance from the non-custodial parent to all low-income families, and not just social assistance clients the limited number of others receiving services from the Family Maintenance program (see Table 9).

Box 6
The *When the Bough Breaks* Demonstration Project

The program offered mothers on social assistance a complete range of medical and social services for themselves along with free access to high quality child care and well-supervised recreational experiences for all children from birth to age 18. The study involved 765 households in Hamilton with 1,300 children. Each family was randomly assigned to one of four groups:

- Group A received no additional services;
- Group B received the full spectrum of services: home visits from public health nurses; job retraining; recreation for children.
- Groups C and D received only one of the three types of services available to Group B.

The designers of the study believed that providing comprehensive care for single mothers on welfare and their children, instead of leaving individuals to fend for themselves in a fragmented system, would produce short-term financial gains as well as long-term social benefits. The study involved the System Linked Research Unit at McMaster University and was designed by Dr. Gina Browne. The unit consisted of 16 Hamilton-Wentworth and Halton County agencies – including the YMCA and other nonprofit youth agencies providing many of the recreational activities and was affiliated with the Faculty of Social Sciences of McMaster University. Funding came from the Ontario Ministry of Health.

Results

The studies proved that it is equally effective, but less expensive to serve people's whole circumstances with proactive, comprehensive health and social services for mothers, and quality child care and recreational services for their children. The study found:

- Of the families offered the *full range of services*, 25 percent left social assistance, compared to 10 percent of those without the services, or 10 percent on the province's workfare program. This represents a $500,000 saving within two years over and above the cost of providing the comprehensive service for the 100 mothers. It is estimated that this program, if adopted throughout the province, would save $12 million in two years just due to exit from welfare.
- Receiving *recreational services alone*: helps disturbed children on welfare maintain their social/ physical/academic competence at the same level as children without disorders. Without the services, the child's competence level dropped. Recreation pays for itself by reducing the rate of social and health services (probation; child psychiatry and psychology; social work). Providing recreation for children is also good for mothers, because it results in fewer nervous system problems, less use of medication, less anxiety, less use of subsidized child care, less counseling, and less use of food banks. Recreation services alone produced a 10 percent exit from social assistance, compared to those not receiving this service.
- Those receiving *public health visits alone* experienced a 12 percent greater exit from social assistance, compared to Group A (no service). Fifty percent of the heads of sole support families were depressed and 10 percent also had chronic illnesses. Treating these disorders gave mothers confidence and self-esteem to leave social assistance. The cost of the additional Public Health Nurses was more than offset by reductions in emergency visits, visits to specialists, and hospitalizations.
- Receiving *training alone* also resulted in a 10 percent larger exit from social assistance.

Follow-up studies after four years also found that parents and children were still less likely to be using social assistance and health care services. The researchers calculate an average net $200,000 saving for every 100 mothers treated with proactive services.

Source: The Sparrow Lake Alliance (1999); Browne *et al*. (2000: 30-31).

Concluding Remarks about Canada

This analysis of the Canadian case leads to a number of observations. First, the federal-provincial-territorial governments face the same issues that we observed in the European Union and the United States, that is, how to ensure that people on the margins of the labour force and society are included in the mainstream, and how to limit the extent and consequences of poverty. The responses of Canadian governments are also quite similar to what is being done elsewhere. Social assistance has been redesigned in an attempt to ensure that the welfare mix is one in which as many people as possible gain the bulk of their income from paid employment. However, Canadian governments, as those elsewhere, have also recognized that achieving this redesigned welfare architecture requires a role for government in ensuring that income and services are sufficient, such that people can effectively gain entry to the labour force, avoid poverty, and ensure their children will have full opportunities.

To address the simultaneous challenges of integration into the labour force and ensuring adequate income, provinces have instituted a range of programs. All have decided to provide wage supplements to low-income earners, although the amounts and eligibility criteria vary. This practice is also followed in the United States, which uses the instrument of a tax expenditure – the Earned Income Tax Credit – as its principal way of providing assistance to low-income families.

Some provinces have also decided to follow the pattern set by the federal government's innovation in the move to the Canada Child Tax Credit (CCTB), that is, to provide a benefit to families with children, no matter the source of their income. As we saw in examining the situation in the European Union, these benefits, now usually termed child benefits (Bradshaw and Finch, 2002), are effective in reducing the poverty rate of families.

The provinces have also moved, and continue to do so, to remove other disincentives to employment. In particular, the provision of extended health benefits to workers leaving social assistance and, increasingly, the provision of such benefits to low-income families is an important step in this direction. Moreover, lessons of experiments like those conducted by Dr. Gina Browne and reported in *When the Bough Breaks*, reinforce the decision to provide extended services, not only in the area of health, but also for recreational and other supports. The savings are by far larger than the expenditures.

The major difference between Canadian provinces' initiatives and those of European countries (although less in the United States) is the long-standing one of the treatment of child care. With the exception of one province, public support for child care support remains limited, and spaces are in inadequate supply. This gap is surprising, given the growing social knowledge disseminated in – and even from – Canada about the importance of early childhood education for preparing children for the new economy.

Table 5
Provincial Income Supplements for Families with Earned Income

Program Description	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario
• **Program name**	*Earned Income Benefit*	*Alberta Family Employment Tax Credit*	*Saskatchewan Employment Supplement*	*Child Related Income Support Program (CRISP)*	*Ontario Child Care Supplement for Working Families*
• **Department responsible for policy**	Finance and Corporate Relations	Finance	Social Services	Family Services and Housing	Finance
• **Eligibility**	Families with earned income of more than $3,750 may be entitled. Amounts are reduced if family net income is more than $20,921.	Families with children under 18 and at least $6,500 in family *working* income but less than $50,000 in family net income.	Families with children, with incomes between $3,000 and $25,000 per year from employment income, child support, or income from farming or self-employment.	Families with incomes below $14,188 receive the maximum. Current family assets may not exceed $200,000.	Families with children under seven, with at least one parent employed, studying or in training. Maximum benefit to families with incomes under $20,000.[1]
• **Benefits**	Maximum benefit is $50.41 per month for a family with one child, $84.16 for two children, $111.66 for three children, and another $27.50 per month for each additional child.	Semi-annual payment. Maximum annual credit is $500 per child ($41.66 per month) or $1,000 for families with two or more children ($83.33 per month). The tax credit is calculated at a rate of eight percent of family *working* income above $6,500, up to the maximum amount. It is reduced by four percent of family *net* income over $25,000.	Up to $2,200-$3,996 depending on the number of children. Maximum benefits to families with an annual income of $12,000 (up to $185 a month for one child, $222 for two children, and $259 for three children). Benefits are reduced when family income exceeds $15,000.	Monthly supplement up to $30 per child.	Maximum annual benefit of $1,100 ($92 per month) for each child under seven. The maximum annual benefit for single-parent families is $1,310 ($109 per month) for each child under seven.

Table 5, continued

Program Description	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland and Labrador
• **Program name**	*Parental Wage Assistance Program* (APPORT: Aide aux parents pour leurs revenus de travail)	*Working Income Supplement*	*Family Assistance Program*	*No program*	*No program*
• **Department responsible for policy**	Employment and Social Solidarity	Finance	Community Services		
• **Eligibility**	Families with children under 18, earning at least $100/month ($1,200 annually) but no more than $22,000 ($15,000 for single parents), and assets under $45,000 for renters and under $90,000 for homeowners.	Families with children under 18 and earned income greater than $3,750 but under $25,921. Maximum to families with income under $20,921.	Families with children under 19 and earned income less than $16,500, and who have not received social assistance for more than three months in the previous year.		
• **Benefits**	Benefits can reach $3,782 per year ($315 a month) for one-child families with an annual income of $12,000. Access to child care at $2 per day.	Additional benefit of up to $20.83 per month.	$250 per year.		

[1] Benefit reduced by eight percent of net family income in excess of $20,000. Families with earnings up to $5,000, and families with no earnings who are attending school or training can qualify for an annual benefit of 50 percent of qualifying child care expenses as reported on their previous year's tax return, up to the maximum benefit level. For families with earnings in excess of $5,000, the benefit is calculated as *the greater of* a percentage of the family's net earnings in excess of $5,000, *or* 50 percent of the family's qualifying child care expenses, up to the maximum benefit level.

Source: Relevant provincial Web sites.

Table 6
Child Health Benefits

Province	Programs for Families with Dependant Children, Who Receive Social Assistance	Programs for Low-Income Families with Children, Who Do Not Receive Social Assistance
British Columbia	***Healthy Kids*** Children under 18 in families on social assistance are provided with a partial or full medical service plan.	***Healthy Kids*** Children under 18 in low-income families not covered by federal or employer-sponsored insurance plans are provided with a partial or full medical service plan.
Alberta	***Supports for Independence*** Persons eligible for Supports for Independence receive a medical services card, which covers eyeglasses, dental care, ambulance service, diabetic supplies and prescription drugs.	***Alberta Child Health Benefit*** Eligibility is based on family size and the previous year's family net income. Children under 18 in families (with one child) with an annual income below $22,397 or whose parents are in an upgrading program and receive student assistance, are covered for prescription drugs, dental, optical, ambulance and diabetic supplies.
Saskatchewan	***Family Health Benefit*** Families who receive social assistance and the Saskatchewan Child Benefit receive full, non-taxable supplementary health benefits including drug, dental, and optical services.	***Family Health Benefit*** Low-income families receiving Saskatchewan Employment Supplements and/or Child Benefits receive non-taxable health benefits including drug, dental, and optical services. Parents are eligible for partial supplementary health benefits and children receive the full supplementary health benefit.
Manitoba	***Health Services Program*** Participants in *Employment and Income Assistance* (EIA) and their children receive essential drug, dental and optical supplies and services.	***Extended Health Services Program*** Sole-support parents leaving social assistance for employment may continue to be eligible for an extension of the *Health Services Program* for up to 12 months.
Ontario	***Ontario Drug Benefit Program (ODB)*** People on social assistance (*General Welfare* or *Family Benefits Assistance*) are eligible for ODB coverage, which includes most of the cost of prescription drugs, basic dental and optical services for children and the disabled, and emergency dental services for adults.	***Trillium Drug Program*** This program helps people who have high drug costs in relation to their income. People can apply if their private insurance does not cover 100 per cent of their prescription drug costs and if they are not eligible for drug coverage under the *Ontario Drug Benefit Program*. The program has an annual deductible that is based on income and family size.

Table 6, continued

Province	Programs for Families with Dependant Children, Who Receive Social Assistance	Programs for Low-Income Families with Children, Who Do Not Receive Social Assistance
Quebec	***Régime d'assurance-médicament*** People on social assistance are automatically covered by this system, which includes free medication, dental, and optical services for children and partial or full coverage for adults.	***Régime d'assurance-médicament*** People who are not covered by any other insurance scheme (by a job, a spouse or a professional association) are covered by this system for free medication, dental, and optical services for children, and partial or full coverage for adults.
New Brunswick	***Health Benefits*** People on social assistance who are not covered under another plan receive coverage for dental, optical and other costs.	***Extended Health Benefits*** Social assistance clients who find employment receive *Health Benefits* for one year after leaving social assistance.
Nova Scotia	***Family Benefits Pharmacare Program and Social Assistance Pharmacare Program*** Both programs include drug coverage for prescriptions and are available to income assistance clients. All beneficiaries of the *Family Benefits Pharmacare Program* are required to contribute 20 percent of the cost of each prescription or a minimum of $3, to a limit of $150 per person per year. There is no annual limit for the *Social Assistance Pharmacare Program*.	***Transitional Pharmacare Program*** Recipients and/or their dependants who, due to employment income, are ineligible for income assistance may be provided with Pharmacare coverage for one year from date of discontinuation of assistance, regardless of the date of activation.
Prince Edward Island	***Financial Assistance Drug Plan*** People on social assistance are eligible for dental services when in pain and suffering, an optical exam every two years, and $115 for purchase of glasses, with no co-payment required.	***PEI Family Health Benefit*** Families with incomes below $20,000 who are not on social assistance receive drug coverage that requires co-payment of up to $13 per prescription plus the pharmacy's dispensing fee.
Newfoundland and Labrador	***Drug Card*** Families on social assistance receive coverage for unlimited prescription drug costs.	***Extended Drug Card Coverage*** For social assistance clients who find employment, coverage can be extended for a six-month period after leaving social assistance.
Source: Relevant federal and provincial Web sites		

Table 7
Provincial Child Benefits

Program Description	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario
• **Program name**	*BC Family Bonus*	*No program*	*Saskatchewan Child Benefit*	*No program*	*No program*
• **Department responsible for policy**	Finance and Corporate Relations		Social Services		
• **Administrative responsibility**	Revenue Canada		Revenue Canada		
• **Eligibility**	Families with a net income below \$20,500 in the previous tax year are eligible. Families with a net income above \$20,500 may also be entitled to a basic Family Bonus amount depending on their net income and the number of children they have.		Families with a net income below \$15,921 with children under 18 receive the maximum benefit. Families with incomes between \$15,921 and \$30,000 are eligible for partial benefits.		
• **Benefits**[1]	Tax-free, maximum monthly benefit of \$10.25 for the first child, \$26.00 for the second child, and \$31.91 for each additional child.		Tax-free, maximum monthly benefit of \$20.83 for the first child, \$37.83 for the second child, and \$43.83 for each additional child.		

Table 7, continued

Program Description	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland and Labrador
• **Program name**	*Family Allowance*	*NB Child Tax Benefit*	*Nova Scotia Child Benefit (NSCB)*	*No program*	*Newfoundland and Labrador Child Benefit*
• **Department responsible for policy**	Régie des Rentes du Québec	NB Finance	Community Services		Human Resources and Employment
• **Administrative responsibility**	Régie des Rentes du Québec	Revenue Canada	Revenue Canada		Revenue Canada
• **Eligibility**	Families with children under 18, with net income below $15,000 for a single parent and $21,000 for two-parent families receive full benefits. Partial benefits are provided to families with incomes of less than $60,000, depending on the number of children.	Families with a net income of $20,000 or less receive an annual tax-free payment of $250 for each child under age 18 living at home. Families with a net income of $20,000 or more may receive some benefits, depending on their income and the number of children.	Families with net income up to $15,999 receive full benefits. Families between $16,000 and $20,921 receive partial benefits.		Families with net income below $16,744 receive the full benefit. Families with net income between $16,744 and $21,744 may receive part of the benefit.
• **Benefits**[2]	Tax-free, maximum monthly benefit. *Single-parent family* with: One child – $160.42 Two – $187.50 Three – $264.58 Four – $316.67 *Two-parent family* with: One child – $52.08 Two – $104.17 Three – $156.25 Four – $208.33	Tax-free, maximum $20.83 per month per child.	The NSCB is combined with the National Child Benefit Supplement to establish a standard benefit of $1,700 annually for children of families who receive maximum payments through the NSCB.		Tax-free monthly payment. Up to $17/month for the first child, $26 for the second, $28 for the third, and $30 for each additional child.

[1] Canada Customs and Revenue Agency and provincial Web sites.
[2] We used the amount published by the Canada Customs and Revenue Agency. Provinces use a different model to calculate amounts, by including the federal part of the benefit.

Source: Canada Customs and Revenue Agency and relevant provincial Web sites.

Table 8
Subsidy for Low Income Parents' Child Care Costs, Paid Directly to Service Providers

Program Description	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario
• **Program name**	*Child Care Subsidy*	*Child Care Subsidy*	*Child Day Care Subsidy*	*Child Day Care Subsidy*	*Child Care Fee Subsidy*
• **Department responsible for policy**	Human Resources	Children's Services	Social Services	Family Services and Housing	Community and Social Services
• **Eligibility**	Parents who are working and earn a low income, are seeking work, are attending school or training for job programs, or have child care recommended by the Ministry of Children and Family Development (MCFD) as part of a risk reduction plan.	Low income parents who need at least 50 hours of child care per month. Parents must be employed, looking for work, in school or training, with a child under seven and not yet in Grade 1.	Low-income parents who need at least 36 hours of child care per month. Parents must be employed, looking for work, in school or training, with a child under 13.	Parents who are employed, seeking employment, in training or attending school, those with a medical need and those whose family or child has a special need.	Low-income parents, Ontario Works participants and parents of children with special needs.
• **Benefits**	Subsidy may be directed to arrangement of choice (licensed or not, preschool, out of school, in home, out of home).	Subsidy may be directed to licensed day care centres or approved family day homes.	Subsidy may be directed to licensed child day care centres and licensed family child care homes.	Paid to licensed facilities on behalf of eligible families.	Subsidy may be directed to nonprofit or for-profit service providers (licensed child care centres and private home day care agencies).
• **Tests**	Income tested	Income tested	Income tested	Income tested	Needs tested
• **Amount of subsidy**[1]	A maximum subsidy is set. Parents pay the difference.	A maximum subsidy is set. Parents pay the difference.	Up to 90 percent of actual fee. Parents pay the difference.	A maximum subsidy exists. Families may receive part or full subsidy.	Up to 100 percent of actual fee but municipalities may set other limits.

Table 8, continued

Program Description	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland and Labrador
• **Program name**	*None*[2]	*Day Care Assistance Program*	*Day Care Subsidy*	*Child Care Subsidy Program*	*Child Care Subsidy*
• **Department responsible for policy**		Family and Community Services	Community Services	Health and Social Services	Health and Community Services
• **Eligibility**		Low income parents who are working, attending school, undergoing medical treatment or disabled.	Parents must be employed, seeking work, in training or attending school, in medical treatment or have a child with special needs.	Parents working or in training programs; parents who have children with special needs or who are at risk; with emergency medical needs; or for school readiness.	Working parents or social assistance recipients, if children attend child care for child development purposes.
• **Benefits**		Subsidy may be directed to regulated nonprofit or for-profit child care centres or community day care homes (family day care).	Only registered centres (nonprofit centre in community-based organizations) and nonprofit family day care agencies may receive subsidies.	All licensed nonprofit or for-profit child care centres (including before and after school programs).	Any licensed nonprofit or for-profit child care centre.
• **Tests**		Needs tested	Income tested	Income or needs tested	Income or needs tested
• **Amount of subsidy**[3]		Subsidy on sliding scale based on family income and number of children attending day care.	Parents pay the difference between maximum subsidy and actual fees.	Full or partial subsidy, based on family income and number of children attending day care.	Parents pay the difference between the subsidy and actual fees.

[1] Subsidies cover school-aged children to some extent, although the age range covered may vary by province. The subsidy levels vary by age and type of care.
[2] Quebec provides child care spaces at $5 per day.
[3] The subsidy levels vary by age and type of care.

Source: Relevant provincial Web sites.

Table 9
Child Maintenance Services

Program Description	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario
• **Program name**	*Family Maintenance Enforcement Program*	*Maintenance Enforcement Program (MEP) and Family Maintenance Program (*FMP)	*Maintenance Enforcement Program*	*Maintenance Enforcement Program*	*Family Responsibility Office (FRO)*
• **Eligibility**	Any parent with a court order, maintenance or written agreement.	MEP – Any parent with court ordered maintenance. FMP – Single parents/blended families receiving SFI/ AISH benefits	Any parent with a court order, maintenance or written agreement.	Any parent with a family support order or agreement.	Person with custody, care or control of a child, with child support order, or domestic contract filed with the court and with FRO.
• **Benefits**	Provides enforcement for and monitoring of agreements/orders. Family Maintenance Incentive encourages non-custodial parents on welfare to provide family maintenance payments on time.	MEP – Provides enforcement for all who register. Enforces Crown claims when creditor is receiving SFI benefits. FMP – Program helps clients on social assistance obtain orders or agreements and also provides some limited services to any low-income lone parent or parent of a blended family who requests assistance to receive child support.	Provides enforcement to ensure compliance.	Provides automatic enforcement and computerized monitoring of payments.	Provides enforcement to encourage compliance.

Table 9, continued

Program Description	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland and Labrador
• **Program name**	*Support Payment Collection System (Régime de perception des pensions alimentaires)*	*Family Support Orders Service*	*Maintenance Enforcement Program*	*Family Support Orders Program*	*Support Enforcement Program*
• **Eligibility**	All separated parents.	Any parent with a family support order or agreement.	Any parent with a court order or registered agreement.	Any parent with a support order in receipt of social assistance (either financial assistance or a day care subsidy).	Any parent with a support order or an agreement that has been filed with the court.
• **Benefits**	Provides enforcement and can also advance payment.	Provides enforcement to ensure compliance and also assists parents on social assistance to obtain a child support order.	Government may issue garnishment of income sources, issue a lien on real property, seize bank accounts, etc. Special enforcement is provided for single parents on social assistance by the Family Maintenance Income Support Program.	The Family Support Orders Program is a welfare service established to obtain support agreements or court orders for single parents who are receiving or who are eligible to receive welfare assistance services or day care subsidies. These agreements or orders may include child custody, access and/or division of assets.	Receives and disburses court-ordered funds for support and maintenance, traces delinquent payers, transmits support orders to other provinces, and garnishees wages.

Source: Relevant provincial Web sites.

V. Conclusions – Finding the Combination

> *A clear overall message emerges from this cross-national analysis of child poverty rates. All of the possible factors examined – lone parenthood, employment and its distribution, wage inequality, and state transfers to the workless and low paid – are important but none is pre-eminent. Children are kept in poverty not by a padlock to which there is a single key but by a combination lock that requires an alignment of factors if it is to be released.* UNICEF (2000: 16)

This quotation from UNICEF confirms the assumption of this paper as well as earlier work by CPRN. We need to identify an appropriate policy mix. There is no single key to unlock the problem. Finding the "combination" is the key challenge policy-makers face right now when they seek to adjust their policies and programs for low-income groups. They need to find the best policy mix.

The starting point of this analysis was the notion that many governments are currently engaged in *redesigning the welfare mix*. In this paper we have deliberately used the definition of "welfare" employed by economists and social policy experts, rather than the more popular use as a synonym for social assistance. This is because welfare (that is well-being) is always generated in a mixture, coming from four sources of welfare: markets, families, governments and communities. All four have to be considered if the right combination, called for by UNICEF, is to be identified.

For several decades after 1945, market incomes consistently provided a reliable and adequate income source for the vast majority of the population; this is less the case now. Post-1945 social policy used blueprints appropriate for the 1940s and 1950s (Jenson, 2001). Assumptions that were made as many social programs were initially developed both about family forms (stable two-parent families) and about labour markets (wages high enough to support a family with a single wage-earner) no longer represent the reality of today's world. There are proportionally many more lone-parent families than in those years. But even more importantly, the restructuring of the labour market has eliminated many of the semi-skilled industrial jobs that generated high "union" wages. Now the growth sectors of labour market demand are in services – often low-wage. One result of such new social and economic structures is a high rate of poverty, especially among families with children.

Moving into Employment

Because of their responsibility for ensuring that all citizens have access to an adequate level of welfare, governments have been assessing the range of possible policy actions to increase the proportion of welfare that comes from markets and especially market income. This has led to a widespread commitment to the need to move as many people as possible from social assistance into work, or into a combination of both. The Europeans call this "activation," by which they mean enabling people to take an active part not only in the labour force, but in the broader community. For Europeans, "activation" is a way to combat social exclusion.

Whatever the label, many governments have developed new programs that are intended to "make work pay" and remove the blockages to labour force participation that had inadvertently come to characterize the existing structure of social assistance. In some cases it was a welfare wall. The loss of key benefits (reasonable rent, health protection, and assured income) prevented social assistance recipients from taking jobs. In other cases, and particularly in Europe, it was a protected labour market that threw up huge barriers to new entrants. Whatever the mix of issues, the emphasis on employment is now dominant.

There are at least *two* methods of designing employment-centred policies. One is to ensure that as many people as possible have access to what remains (indeed has become even more) the major route to participation in mainstream society, that is, a job. Supplements to earned income may bridge the gap between what the job pays and what the worker needs to live. Or the employer may be subsidized for hiring a designated worker (young, long-term unemployed, and so on). The latter two can be grouped under the heading "wage supplements."

A second method is try to improve the quality of work, by opening access to jobs with better wages and benefits, stressing the quality of the job. Doing so involves training, skills upgrading and education so that the non-employed will be able to find new and better work. It also may mean, as it has in some experiments, insisting that employers pay a "living wage"; this strategy makes jobs pay better and often results in longer-term employment relationships (Maxwell, 2002).

Many policy-makers have chosen the first. For example, as Section II describes, the welfare reform in the United States (and Ontario), with its commitment to "work-first" principles, pays little attention to training, skills development, and the other investments in human capital that might ensure workers are able to move up the job ladder and not stay at the entry point of $6.50 or $7.00 an hour where they start. Indeed, the structure of the policy embeds *disincentives* to invest in human capital at its core. The imposition of time limits, plus the rewards for immediately reducing caseloads, means that policy-makers and program designers have every incentive to move people into a job, any job, even if it is a dead-end.

Other policy-makers, recognizing the need for a combination-lock approach, have come to recognize that success in the economy of the future will go to those families and countries that prepare for the new labour force demands and that can, therefore, capture the quality jobs to be had. The European Union with its emphasis on promoting quality have understood the importance of training, upgrading, skills development and education as they pursue active labour market policies. Indeed, the policies for social inclusion are a subset of more general labour and social policies (see Section II above). Canadian provinces have also understood the importance of skills upgrading as well as basic skills, for social assistance clients as well as for the unemployed.

A policy challenge remains, however, both in Europe and Canada. Officials in the European Union recognize that they are not yet quite "walking the talk," and that the links between social inclusion and labour market policy still need to be untangled. Canadians, who may have had even more difficulty linking the realms of work and social assistance, need to resist the temptation of measuring success of reform *simply* as a reduction in caseloads. Some programs and jurisdictions do so. For example, the Self-Sufficiency Project, for all its strengths, and even *When the Bough Breaks*, at least partially measure success by the number "still off" social assistance, or not on it. Less common is the assessment of the adequacy of incomes or the robustness of labour force attachments.

Access to adequate market income and quality jobs is important for the future as well as the present. While child benefits and tax credits targeted to families with children will address child poverty now, they do not deal with the issue of adults' long-term low income and dependence on wage supplements. The danger with this form of dependence is not only that it is costly for public finances. It is also that when their children are grown – and, therefore, they are no longer eligible for earned income supplements, extended health benefits and so on – these adults will fall into deep poverty themselves, and will face an old age of poverty too. In other words, "work-first" is a siren call dangerous for the present and into the future as well.

Ensuring that Families have Adequate Income

Wage rates do not have any way of taking into account the number of people who will live on that wage. Salaries are not set according to the number of children the employee has, or whether there are two incomes supporting the household. And, this is appropriate. However, this characteristic of wages has always been a problem, especially at the low end of the scale. People have often not been able to earn a "family wage," that is enough to support their family.

Recognizing the existence of this issue, even in the boom years after 1945, many countries instituted universal family allowances, or what we now call *child benefits* (Battle *et al*., 2001). They were designed to redistribute income horizontally, partially to compensate for the extra costs faced by families with children. Canada was one of the countries that, in the 1940s, put such a program into place, but by the 1970s its universality was already being questioned.

The gap between income and needs became more pressing as rates of poverty for families with children rose through the 1990s and as more and more research has shown the negative consequences of living on the margin of society and at risk of exclusion. As UNICEF's experts at the Innocenti Centre recently wrote (UNICEF, 2000: 3):

> Whether measured by physical and mental development, health and survival rates, educational achievement or job prospects, incomes or life expectancies, those who spend their childhood in poverty of income and expectation are at a marked and measurable disadvantage.

The data presented in Section III dramatically illustrates the importance of benefits, whether delivered by taxes or transfers, in lowering this risk. In countries where generous child benefits exist, the capacity to reduce the poverty rate of families is great (see Figure 2). France and Sweden start with relatively high child poverty rates when only market incomes are considered, but after the application of all taxes and transfers the rate is very significantly reduced in both countries.

In Canada, a number of provinces – but many fewer than pay wage supplements – are now paying integrated children's income benefits to low-income families. In these cases (except

Quebec, which does not participate in the NCB) the provincial child benefits are paid in conjunction with, and as a complement to, the CCTB that the federal government finances. Sometimes provinces deploy part of their NCB reinvestments to do so and sometimes they use additional funds. These child benefits also respect the same principle that the CCTB does – that is, access does not depend on the family having a source of market income.

Of course, one might fear that de-linking child benefits from earned income would encourage parents to remain out of the labour force. Neither Sweden nor France, which have long experience with generous universal child benefits, have seen such a response from parents; indeed their employment rates of women and of lone parents are among the highest. Nor do the other countries adopting such child benefits seem to fear such a reaction.

The Last Tumbler in the Combination Lock – Child Care

Throughout the analysis of other countries and Canadian provinces, services provided to foster labour force participation have been identified as important as cash benefits and tax credits. Indeed, in the first section of this conclusion, services for skills enhancement have already been identified as indispensable. Here we turn to the last piece of the policy puzzle, one that virtually all analysts identify as indispensable to a prosperous future for families and countries.

Child care is important not only (albeit certainly) because it allows parents to balance their work and family responsibilities. It is also absolutely key to ensuring positive developmental outcomes. The OECD has joined this chorus recently. Its report, as the title indicates, emphasizes *Starting Strong* (OECD, 2001: 37). It states: "Research shows that participation in quality, centre-based ECEC [early childhood education and care] *programmes* can have important and immediate short-term impacts on the cognitive and socio-emotional development of disadvantaged children." According to the OECD, the international institution that has done the most to promote employment policy based on increased participation rates and making work pay, this advantage is huge.

Yet, despite this widespread social knowledge, policy-makers in Canada seem not to be listening. This means that, in contrast to so many other countries, several Canadian provinces are still holding the line on child care spending, although there is still a good deal of unmet demand for affordable care and quality spaces. Moreover, as described above, there has been a tendency to embrace *informal* forms of child care (neighbours and relatives) as a solution to meeting the needs of low-income parents leaving social assistance or employed in low-wage work, despite the evidence that simply investing in custodial care has significantly fewer payoffs in terms of good child outcomes. The necessity still exists, in other words, to imagine creative ways of meeting parents needs for flexible, reliable, and developmentally appropriate care in the system.

Given its commitment to competing in the knowledge economy and making the most of its work force, Canada cannot afford to ignore the contribution that quality early childhood education and care programs can make to achieving goals for *both* adults and children. Child care needs to a key component of any low-income strategy.

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