
TO: CHAIR AND MEMBERS
SOCIAL ISSUES COMMITTEE

DATE: 2006 November 2

FROM: DIRECTOR PLANNING & BUILDING

FILE: 2410-20
Social Issues Committee

SUBJECT: RAISE THE RATES CAMPAIGN

PURPOSE: To provide an assessment and recommendations regarding the Raise the Rates Campaign resolutions relating to the Employment and Assistance Act.

RECOMMENDATIONS:

1. **THAT** the Mayor, on behalf of Council write to the Premier Gordon Campbell and Honourable Claude Richmond, Minister of Employment and Income Assistance, requesting that the Province:
 - a) Increase income assistance rates;
 - b) Extend earning exemptions to all people on income assistance;
 - c) Repeal the three week wait, two-year independence test and other barriers to receiving income assistance; and
 - d) Increase minimum wage.

2. **THAT** a copy of this report be sent to Burnaby's MLAs and MPs and to the Raise the Rates Campaign, c/o Alan James, Unit 16 – 2600 Beaverbrook Crescent, Burnaby, BC, V3J 7W6

REPORT

1.0 INTRODUCTION

At its meeting of 2006 September 14, the Social Issues Committee (SIC) received a delegation from the Raise the Rates Campaign represented by Mr. Alan James and Ms. Jean Swanson. The delegation expressed concerns relating to Provincial welfare legislation, and its impact on individuals and families in need of income assistance. In their presentation, the delegation presented a draft set of resolutions. The proposals call

upon the City to urge the Provincial government to make changes to the Employment and Assistance Act, as listed below and outlined in Section 2.0 of this report, to:

- Increase income assistance rates by at least 50%;
- Extend earning exemptions to all people on income assistance;
- Repeal the three week wait and two-years independence test for income assistance; and
- Increase the minimum wage to at least \$10 an hour.

Arising from the discussion of the delegation's presentation, the Committee requested a staff report on the matter. This report responds to the Committee's request.

2.0 PREVIOUS CITY INITIATIVES

In 2001, the Provincial Government introduced several amendments to the Employment and Assistance Act which included the following:

- Cuts to basic support rates¹ for single employable parents (with a child 3 years of age or older); single employable people between the ages of 55 and 64; and employable couples between the ages of 55 and 64.
- Cuts to benefits including the capping of crisis grants; discontinuation of short-term homemaker services previously available to those unable to care for themselves or for a spouse or dependent child; reduction of allowable cash asset levels; imposition of a \$5,000 limit on the value of a vehicle; and elimination of many work entry assistance benefits (such as money for work clothes or child care).
- Tightened eligibility criteria with the implementation of the following processes: Three-Week Wait, Two-Year Independence Test; and Electronic Alternative Service Delivery Systems.²
- 24-month (2 years) time limit within a cumulative 60-month period on receipt of income assistance for people classified by the Ministry as employable. The

1 Income Assistance is divided into two categories: support and shelter. The support allowance is for goods and services such as food, household supplies, clothing, personal care items, and transportation. The shelter allowance is for rent, mortgage, taxes, utilities and telephone service (SPARC BC, 2005).

2 *Three-Week Wait*: Prior to receiving income assistance, applicants must demonstrate that they have conducted a three-week job search and have exhausted all their assets and alternative sources of income. In practice, this process may take up to six weeks before the applicant receives any income assistance.

Two-year Independence Test: Applicants age 19 years and older must demonstrate that they have earned a minimum level of income (\$7000 of employment income) or worked 840 hours of employment for two consecutive years before they are eligible to apply for income assistance. This new regulation can deny assistance to any individual regardless of the person's financial need.

Electronic Alternative Service Delivery Systems: Initial inquiries for income assistance are directed to an automated 1-800- line and compulsory on-line computer orientation.

consequence of reaching the 24-month limit depends on the category of income assistance the individual is receiving. For example, a single person will no longer receive income assistance; a couple in which one member has reached the time limit will see a cut of \$300 per month; a single parent will see a cut of \$100 per month; and a couple with children in which both partners have reached the time limit will see a cut of \$200.

- Introduction of the First Job/Entry Level minimum wage of \$6.00 per hour. Individuals with no paid work experience must complete a total of 500 hours of work with one or more employers before they are entitled to regular minimum wage set at \$8.00 per hour. Unattached individuals with a regular minimum wage income are slightly above the Low Income Cut-off (LICO)³ line (\$16,200), following GST credit, with an annual income of \$17,054.

Since 2002, Council and many other municipalities and community organizations in the Lower Mainland have raised considerable opposition to these amended regulations in the Employment and Assistance Act. The Mayor, on behalf of Council has written to the Premier and Minister of Human Resources on a number of occasions, expressing concern about the negative impacts associated with the amended regulations contained within the Act, as well as the repeal of many of these regulations.

In 2004 October 13, Council received correspondence from the City of Port Moody and adopted a resolution to:

- Repeal cuts to benefit rates (support, shelter allowances, and crisis grants);
- Ease the eligibility for child care subsidies;
- Reverse the requirements that single parents seek work when their youngest child reaches the age of three;
- End the three week wait for new financial assistance applicants;
- Abandon the two-year independence test;
- Refrain from privatization of financial assistance delivery or computerized financial assistance determination; and
- Rescind the law imposing welfare time limits.

3.0 RAISE THE RATES CAMPAIGN

The delegation from the Raise the Rates Campaign presented the SIC with proposals for the City to urge the Provincial government to:

³ While Statistics Canada stresses that Low Income Cut-offs (LICOs) are not official poverty lines, the figures are commonly used as a measure of poverty in Canada. A range of LICO figures exist, reflecting differences in community and family size. The cut-offs are established on the basis that families and individuals with incomes below the limits usually spend more than 54.7% of their income on food, shelter and clothing and therefore are considered to be in "straitened circumstances".

- Increase income assistance rates by at least 50%;
- Extend earning exemptions to all people on income assistance;
- Repeal the three week wait, two-years independence test and other barriers to receiving income assistance; and
- Increase the minimum wage to at least \$10 an hour

Each of these proposals is discussed below.

3.1 Increase income assistance

Income assistance is essential to low-income individuals and families in need of support. Income assistance rates in BC, however, have remained relatively static over the past 12 years and are widely acknowledged for being inadequate for meeting the needs of low-income individuals and families in BC.

In 2005, BC ranked as having one of the lowest income assistance rates in the country. For example, a couple on income assistance with two children was at 48 percent of the LICO line and single employable person on income assistance was at 31 percent of the LICO line (National Council on Welfare, 2006).

Notwithstanding increases in cost of living, the Provincial Government reduced income assistance for some recipient categories, as well as crisis grants under the amended Employment and Income Assistance Act. The monthly income losses to single employable parents (with a child 3 years of age or older), single employable people between the ages of 55-64 and employable couples between the ages of 55-64 range from \$47-\$98 (\$564-\$1,176 per year).

The reductions discussed above have been exacerbated by increases to cost of living, particularly housing. As a result, reliance on food banks and other community-based assistance has risen and low-income families have become increasingly vulnerable (e.g. facing challenges in securing and retaining rental housing). The Social Planning and Research Council of BC (SPARC BC) and the Canadian Centre for Policy Alternatives (2003) contend that low-income people have virtually no state support to weather unforeseen events (such as family emergencies) or unanticipated expenses.

Given the above, it is recommended that the Province be requested to consider it to increase the Income Assistance rate to ensure that low-income individuals and families are able to meet their needs.

3.2 Extend earning exemptions to all people on Income Assistance

Earning exemptions are intended to support an income assistance client's personal efforts to join or return to the labour force by allowing the person to retain all or a portion of their earnings. Most provinces and territories in the country allow income assistance recipients to retain a portion of their earned income either through a flat-rate, a percentage of their income, or both. BC, however, is the only province in the country that does not entitle income assistance recipients without a disability to any earning

exemptions⁴. As a result, many recipients are unable to increase their overall income, as well as gain work experience/training and make the transition into the labour market.

It is therefore recommended that the Province be requested to extend earning exemptions to all people on income assistance to support their efforts to join or return to the labour force.

3.3 End the three week wait and two-year independence test for income assistance, as well as eliminate the bureaucratic hurdles, which prevent people in need from accessing income assistance

Income assistance is a program or “social safety net” of last resort, which provides income to people who have exhausted all other income sources. Critics of the Employment and Income Assistance Act, however, state that the welfare application system is designed to delay, discourage and deny people in need of help.

Statistics show that the number of applications for income assistance has significantly dropped since 2002:

- In 2002 the number of applicants who received income assistance declined by 40% from an average of 8,243 entries into the system per month to 4,914 per month.
- In 2001, 90% of people who applied for income assistance were granted support. By 2004, only 51% of those who sought assistance were granted support (Canadian Centre for Policy Alternatives, 2006).
- While the Provincial government attributes the decrease in “caseloads” or number of income assistance recipients to the success of their employment training programs and improved labour market, homelessness and reliance on shelters, food banks and community-based assistance has increased significantly. Based on statistics from the most recent GVRD Homelessness Count, in the 3-year period between 2002 and 2005, homelessness in the region has risen by 94%.

While the tightened eligibility regulations may have some public benefit in terms of reducing the number of welfare fraud cases, the three week waiting period and other barriers to income assistance represent serious hardship for people who are in need. In some cases, the tightened eligibility regulations reduce the ability of people to access resources to actively seek employment and become self-sufficient.

The two-year independence test, in particular, affects young adults (age 25 and under), as this age group is likely to not have accrued the requisite two years of paid employment. Social service agencies report that this regulation has resulted in more young people living on the street. Youth who choose to leave the parental home or are forced out by

⁴ Income assistance recipients with a disability are entitled to earning exemptions after the first 3 months of receiving income assistance, following which they are entitled to \$500 per month.

abuse may find their situation compounded by cuts to youth employment training and apprenticeship programs and reduced minimum training wage.

Given the above, it is recommended that the Province be requested to consider the repeal of the three week wait and two-year independence test for income assistance, as well as eliminate the bureaucratic hurdles which prevent people in need from accessing income assistance.

3.4 Increase the minimum wage

In 2001, the minimum wage in BC was set at \$8 per hour, up from \$7.60 per hour.

The annual rate of inflation in BC has been relatively stable at 2% since 2002; that said, with the minimum wage at \$8.00 per hour for the past 5 years, the real purchasing power of low-income families has been eroded over that period. The inadequacy of the minimum wage to meet the needs of individuals and families is demonstrated by the following:

- A full-time working single unattached individual on minimum wage would make an annual income of \$16,000 per year. This figure places the person slightly above the LICO cut-off. It is widely recognized, however, that the minimum wage does not adequately meet the needs of a full-time single person, particularly those that may be seeking post-secondary education or vocational training. The First Job/Entry Level minimum training wage of \$6 per hour, however, puts first time workers below the LICO line for over a year before earning regular minimum wage.
- It is widely believed that most minimum wage earners are single unattached individuals. According to BC Statistics Earning and Employment Trend data, however, of the 72,600 minimum wage earners in BC in 2001, only 20% were single unattached individual, or children aged 25 and under and living at home were earning minimum wage.
- The remainder were families living on minimum wage income.

Given the above, it is recommended that the Province be requested to consider raising the minimum wage to a level that ensures low-income individuals and families are able to adequately meet their needs.

4.0 CONCLUSION

The Raise the Rates Campaign highlights the inadequacies of the Employment and Assistance Act and their impact on low-income individuals and families. The reduced rates and tightened eligibility requirements for income assistance, and the relatively low minimum wage rate have made it difficult for low-income individuals to meet basic needs. These factors have also continued to undermine low-income people's ability to find and retain employment.

To: Social Issues Committee
From: Director Planning & Building
Re: Raise the Rates Campaign
2006 November 2 Page 7

The Provincial government recently acknowledged that the amendments introduced in 2001 to the Employment and Assistance Act have resulted in increased poverty in BC. In a recent speech to the UBCM (2006 October 28), Premier Gordon Campbell announced that the government would increase the shelter allowance portion of income assistance payments in 2007.

In a 2006 October 30 Federal report, following two Federal inquiries, several changes to the Canada Labour Code, which include the re-establishment of a Federal minimum wage,⁵ were recommended. As noted by Harry Arthurs, the labour mediator who headed the federal inquiries: "The government should accept the principle that no Canadian worker should work full-time for a year and still live in poverty....This is an issue of fundamental decency that no modern, prosperous country like Canada can ignore." While no dollar figure for a Federal minimum wage was recommended, the NDP will be introducing a bill that will propose that the figure be set at \$10 per hour.

Given the foregoing, and consistent with Council's previously expressed concerns regarding the Employment and Income Assistance Act, it is believed that the thrust of the Raise the Rates Campaign's resolutions deserves support. To this end, it recommended that the Mayor, on behalf of Council write to the Premier and Minister of Employment and Income Assistance requesting that the Province:

- Increase income assistance rates;
- Extend earning exemptions to all people on income assistance;
- Repeal the three week wait, two-years independence test and other barriers to income assistance; and
- Increase the minimum wage.

It is also recommended that copies of this report be sent to the Raise the Rates Campaign, as well as Burnaby's MLAs and MPs.



B. Luksun, Director
PLANNING & BUILDING

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Copied to: City Manager
Director Parks, Recreation & Cultural Services

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⁵ The Federal minimum wage was eliminated in 1996.