



Request to raise the wage exemption of social assistance recipients

Proposition presented to
The Common Front for Social Justice Inc.

to

**Honourable Madeleine Dubé
Minister of Social Development***

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* Copies of this brief are being forwarded to Yolande Cyr, Regional Director, Roger Lessard and Ken Pike, members of the Committee on Social Assistance Reform

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1. Introduction

Some Canadian provinces and territories allow social welfare recipients to keep a certain amount of the money they earn through employment. In some cases, the amount of money is fixed while in others, it is a certain percentage of the salary earned. Afterwards, their social welfare allowance is reduced¹.

In New Brunswick (N.B.), social assistance recipients who are able to work are encouraged to do so. However, many social welfare recipients able to find a job face serious obstacles because their earnings are significantly reduced. Indeed, in N.B., the Policy Manual² states that people on “**Transitional Assistance**” and those in the *Young Participants Program* are only allowed to **keep a maximum of \$150 per month** (Annex A). This allowance does not take into account the expenses they incur in travelling to work nor the working clothes requirements. With a \$150 cut-off, employable individuals on social assistance cannot work more than 15 hours per month at the current minimum wage of \$10 per hour. This corresponds to less than four hours per week. Once the 15 hours of work in a month are completed, they become volunteer workers at the service of their employer. Some personnel managers refuse to ask them for more than the wage exemption because, in their opinion, this constitutes an exploitation of vulnerable people. The Policy Manual states the social welfare recipients in the **Extended Benefits Program** are entitled to a wage **exemption of \$250 per month**. The Policy Manual also states that a **household of more than one person**, if in “Transition Assistance”, may keep a maximum of **\$200** per month. It also says that the Social Development Department allows, **under certain conditions**, an exemption of 30% to 35% of the earned salary to be kept by the social welfare recipient.

2. Wage exemption in light of social welfare recipients’ basic needs

Given the current low rates of social assistance, it is extremely difficult for social welfare recipients to eat the nutritious foods, to find adequate housing, to buy clothes, to pay for transportation, to have a telephone, etc. Table 1 presents data on the required cost, for four types of N.B. households, to ensure that their rights under the Declaration of Human Rights are met.

Table1. Monthly cost of basic needs for four types of N.B. households.

	Single person	Handicapped individual	Single parent + 1 child	Couple + 2 children
Food ³	\$323	\$323	\$464	\$827
Shelter ⁴	\$479	\$479	\$715	\$715
Other expenses ⁵	\$506	\$506	\$658	\$1,013
Monthly total	\$1,308	\$1,308	\$1,837	\$2,555
Social assist. ⁶	\$557	\$730	\$1,348	\$1,648
% of met needs	42.6%	55.8%	73.4%	64.5%

¹ National Council of Welfare Reports. Welfare Incomes 2009, p. 7-1 to 7-4.

² www2.gnb.ca/content/dam/gnb/Departments/petl-epft/PDF/Publications/PBF_FinalEvaluationReport.pdf

³ Cormier, A. 2012. Being Poor and Eating Well: try It! www.frontnb.ca (Reports & Documents – Food Price Survey 2012)

⁴ Fifth Report Card on Homelessness in Greater Moncton - Rent in 2011: Bachelor apt.: \$479; two bedrooms: \$715.

⁵ Mesure du panier de consommation et ses composantes au N.-B. en 2009 : CCPA. 2011. Coût de la pauvreté au N.-B., p. 10.

⁶ National Council of Welfare Reports – Welfare Incomes 2009. p. A 5 : GST refund = \$249; current rate = \$709.67/month

Social welfare recipients in Transitional Assistance Program only get \$537 per month, and if one includes their GST return, they get the equivalence of \$557 per month. At this income level, they only reach 42.7% of what is required to reach the Low Income Cut-off⁷. If the current wage exemption of \$150 was added to the revenue of a single individual, this would only bring that person up to \$707 per month, a value considerably below what is required to cover the basic needs of one person. If a wage exemption of \$250 was added to the \$730 per month income of a person with disability, that would bring that person's monthly income to \$980, again below the \$1,308 required to cover basic needs. The same argument is valid for the two other households described in Table 1. A minimum wage worker earns \$20,800 a year or **\$1,733 per month for a 40 hour week**. Raising the earning exemptions would certainly not bring social welfare recipients to an income level where they would be tempted to refuse a full time job if it were available.

To survive, many social welfare recipients go to food banks and eat at soup kitchens. A publication by the Canadian for Policy Alternatives⁸ indicates that in N.B., the cost of poverty, in terms of increased health cost, amounts to 196 million dollars per year. Economically speaking, it is a poor economic decision to maintain the allowable earning of social assistance recipients to between \$150 and \$250 per month.

3. Urgency to raise earnings exemption for social assistance recipients

There are several reasons indicating that an increase in the wage exemptions is desirable and necessary. The four following arguments support that need.

a. Raising the earnings exemption was promised in the Poverty reduction plan. In the Economic and Social Inclusion Plan launched in November 2009, one of the initiatives to be implemented before 2014 reads "Provide more opportunities to keep earned income as individuals transition to work". That promise is critical if we are to move people out of poverty. On May 25th 2011, CFSJ members met with two members of the Committee on Social Assistance Reform, Roger Lessard and Ken Pike, who were encourage to move ahead with modifications to the earning exemptions policy.

b. Perverse impact of the present wage exemption policy. The social welfare rates being currently so low, the wage exemption policy condemns these people to remain in a situation of poverty. Their total revenue (made up of the basic social assistance rate, plus HST refund, plus the wages earned minus the claw back) is well below the poverty level. The present policy is far from being one which motivates social welfare recipients to hold a job. These people have the impression that it is not advantageous for them to go to work, since after they have earned either \$150, \$200 or \$250 in one month, all additional earnings are clawed back from their social assistance (unless their case manager evaluates their situation and allows them to keep 35% of their hourly rate). A single social welfare recipient loses all its advantages if he or she works a third day during the month. A pay check for **two days** of work (16 hours at minimum wage), amounts to \$160. Such a social assistance recipient is only entitled

⁷ Low Income Cut-off, according to 2010 Statistics Canada's data, is \$15,666 in an area of 30,000-99,000 people.

⁸ CCPA. 2011; Coût de la pauvreté au Nouveau-Brunswick, p.2.

to earn \$150 so what happens is that \$10 is deducted from the social assistance cheque. If that person works during **three days** in a month, the earnings come to \$240, but only \$150 will go into that worker's pocket, forcing the balance to be given as free labour.

c. Public opinion is in favour of allowing more earned wages to be kept. During the 2009 *Dialogue Phase* in preparation for the Poverty Reduction Plan, it was reported that “the wage exemption policies create barriers for welfare clients who are trying to escape the poverty trap”⁹. At the 2006 Poverty Summit (attended by close to 200 participants), it was recommended that a single person should **earn at least \$1,000 per month** in order to cover his or her basic necessities. A **household of two** should be able to earn **\$1,500**¹⁰ per month. For that to become a reality, it is absolutely necessary to change the present policy regarding the earnings exemption.

d. Consideration of peak production periods in private companies. During certain periods of the year, businesses need additional manpower. Social welfare recipients capable of working could fulfill such a need but the present policy discourages them from doing so. There are precedents where the N.B. government recognized this, thus allowing social welfare recipients to keep their earning while still receiving social assistance:

- Since 2002, social welfare recipients who worked as berry pickers and fabricating Christmas wreaths have not been clawed back from the money they earned while doing this paid work, provided that they did not pay into the employment insurance program¹¹.
- People on social assistance involved in potato harvesting have been allowed to keep their earnings¹².
- More recently, *Partners building Futures* allowed participants to move directly into employment as registered apprentices and allowed them to earn an income while they learned, thus minimizing the financial risks in moving from dependency on Social Assistance to employment¹³.

For government as well as employers, encouraging people to join the workforce is a win-win situation. For social assistance recipients, employment puts more money into their pocket. They can have nutritious food, a better home and an improved their self-esteem.

4. Earnings exemptions in N.B. and elsewhere in Canada

The National Council of Welfare (NCW)¹⁴ provided valuable information on wage exemption in Canada but it was recently disbanded by the Federal government.

⁹ New Brunswick Government. 2009. A Choir of Voices – The “What Was Said” Report, p. 11.

¹⁰ In 2012, the cost of food for a two-person household was \$465 per month, compared to \$323 for one person, an increase of \$142/month. Table 2 indicates that rent for a 2-bedroom apartment was \$745/month, compared to \$479 for one bedroom, namely \$236 more. With additional expenses for transportation, personal items, etc., it makes sense to allow a household of two on social assistance to earn \$1,500, compared to \$1,000 for one person.

¹¹ Comité des 12. 2003. No 5 – Des droits tenus secrets, p. 5.

¹² Personal communication with Claude Snow, Caraquet.

¹³ www2.gnb.ca/content/dam/gnb/Departments/petl-epft/PDF/Publications/PBF_FinalEvaluationReport.pdf

¹⁴ National Council of Welfare. Winter 2010, Volume 129, page7-2.

Information updated to 2012 is hard to come by. In its 2009 report, the NCW states that N.S., **N.B.**, Ontario, Saskatchewan and British Columbia reduce the applicant's welfare benefits by some amounts of earnings. In Quebec, for example, exemptions of \$200 are allowed for single persons considered employable. In Ontario, once recipients have been on social assistance for three months, **50% of their net incomes are exempt and a single social welfare recipient is allowed to keep a maximum of \$500 of the wages earned.**

With the inflation rate occurring every year, it is very hard for social welfare recipients to meet their basic needs unless the government offers them some type of relief. Raising the wage exemption rate is one possible measure.

5. Conclusion

The wage exemption policy, as it currently stands, has a very negative impact on the welfare of hundreds of social welfare recipients. It aggravates their condition and they are unable to meet their basic needs.

The Common Front for Social Justice urges the Department of Social Development to rapidly implement a significant overhaul of the wage exemption policy. This was promised in the Poverty Reduction Plan launched in 2009. By limiting earnings from \$150 to \$250 per month, part time jobs offering 15 to 25 hours of work per month (4 to 8 hours of work per week) are hard to come by. The present wage exemption does not correspond to what most employers need in terms of part time work. Many employers refuse to exploit their manpower by asking them to work for nothing.

The public in general will applaud the government when it announces an increase in the portion of wages that social welfare recipients may keep. Business people will also be pleased to see such a change. They will probably employ more social welfare recipients who are willing to earn a decent wage, reassured that no one will accuse them of exploiting them as a volunteers.

6. Recommendations made by the Common Front for Social Justice

- 6.1** That the wage exemption be raised for all social welfare categories in N.B.;
- 6.2** That single employable individuals be allowed to keep their monthly earning, up to a total of \$1,000, including their social assistance and medical card and that this amount be revised periodically, especially if social assistance rates are increased;
- 6.3** That a two-person household be allowed to keep monthly earnings up to \$1,500, including their white card and that this policy be revised periodically.

ANNEX A

WAGE EXEMPTION AS PRESENTED IN THE POLICY MANUAL

http://www2.gnb.ca/content/gnb/en/departments/social_development/policy_manual/assets_and_income/content/wage_exemptions.html

There are two types of wage exemptions:

- Wage Exemption and
- Extended Wage Exemption (EWE)

 Only one type of wage exemption can be applied to wages at one time.

The Wage Exemption and the Extended Wage Exemption (EWE) are intended to exempt a portion of wages earned from part-time and full-time employment and/or self-employment when calculating income. The wage exemptions benefits are available to clients; but are **not** available to applicants. Wage exemptions are not to be considered in determining eligibility. The wage exemptions are applied to a case, not to a particular member and therefore apply to the total wages in the household.

The wage exemption will be applied when determining eligibility for applicants who have been Basic Assistance clients within the past 30 days (e.g., Case is closed on Jan.10th, client reapplies on Feb. 8th, the wage exemption will be used to determine eligibility).


Business Deduction

A deduction to allow for business expenses may be provided for the following types of wages, and may be provided in addition to a wage exemption:

- [Boarders](#) - 25%
- [Self-Employed](#) - up to a maximum of 50%

Wage Exemption Amounts

One person households receiving Transitional Assistance or Youth Participating Rate are entitled to a **maximum Wage Exemption of \$150 per month**. One person households receiving **Extended Benefits Program are entitled to a maximum Wage Exemption of \$250.00 per month**. Households of **more than one person receiving Transitional Assistance and Youth Participating Programs are entitled to a maximum Wage Exemption of \$200 per months**. Household of more than one person receiving Extended Benefits Programs are entitled to a maximum Wage Exemption of \$300 per month.

 A month is defined as the 22nd to the 21st as per income reporting periods. The reporting period for July would be May 22nd to June 21st and for August, June 22nd to July 21st and so on for other months.

Also see Clients Who Become Employed for example calculations.

Extended Wage Exemption

The EWE is a benefit structure separate from the usual Wage Exemption and is available to those clients who meet the eligibility criteria. The EWE is intended to offer support and incentive during the transition from assistance to self-sufficiency.

Eligibility Criteria for Extended Wage Exemption (EWE)

An open case with at least one wage earning member may be eligible for the EWE if both of the following conditions are met:

- During the first month that the EWE is to be applied, earnings must be an amount where the application of the appropriate EWE would result in an exemption in excess of the usual Wage Exemption.
- A case plan must be in place in which it is indicated that the employment is consistent with the goal of self-sufficiency. That is, clients working in a job where it does not appear they will ever earn enough to be self-sufficient would not be eligible for the EWE. Clients experiencing a seasonal increase in hours worked would also not be eligible for the EWE.

Extended Wage Exemption (EWE) Amounts

The amount of the EWE is changed according to three different time frames within the two year duration of the benefit. The first two time frames are six months in duration each, and allow clients the option of having a percentage of their salary exempted; which results in a higher exemption than the usual Wage Exemption. This option is used when it is beneficial for clients. In months 13 through 24, the wage exemption amount will revert back to the appropriate maximum flat rate amount; that is the usual Wage Exemption.

When the net income is equal to or greater than the usual Wage Exemption amount for the case; the exemption amount will equal 35% of net income; or the usual Wage Exemption amount, whichever is greater.

When the net income is less than the usual Wage Exemption amount for the case, the amount exempted will be equal to the net income.

The appropriate percentages to use in making the calculation are:

- Singles and families with no dependent children aged less than 19:
 - 30% of net income for the first six months
 - 25% of net income for the next six months
 - In the following months as per the "Wage Exemption Policy"
- Families with dependent children aged less than 19:
 - 35% of net income for the first six months
 - 30% of net income for the next six months
 - In the following months as per the "Wage Exemption Policy".

Tracking the Extended Wage Exemption (EWE)

NB Case tracks the EWE beginning with the first month following the date on which the applicable income was created to a maximum of 25 months. The case manager can determine how many months the EWE has been activated by looking at the date the income is input, irrelevant of the income start date.

Examples:

- On December 4th 2003, you add an income source with a start date of October 1, 2003. The first month the EWE would be applied is January 2004.
- On December 30th, 2003, you add an income source with a start date of April 1, 2003. The first month the EWE would be applied is February 2004, since the basic assistance for the month had already been determined at the time the income was added.