



The Battle against Exclusion

VOLUME 3

Social Assistance
in Canada and Switzerland



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THE BATTLE AGAINST EXCLUSION

Volume 3

Social Assistance in Canada and Switzerland

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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FOREWORD

Policies designed to assist those at the margins of society seek to end exclusion and reduce long-term benefit dependency. This study looks at how selected provinces and cantons in two federal states – Canada and Switzerland – have tried to achieve those goals. It originates from a decision by the Employment, Labour and Social Affairs Committee to undertake in-depth reviews to promote a better understanding of key developments in social assistance policy, in the light of interactions with the labour market and the general economy.

In order to have an agreed field of study for very different countries, it was decided that for this study social assistance should be defined as: those means-tested benefits, in cash or in kind, having eligibility criteria which target individuals or households in the lower segment of the income distribution, or below some threshold which approximates a similar target.

The first review of social assistance covered Australia, Finland, Sweden and the United Kingdom, while the second considered policies in Belgium, the Czech Republic, the Netherlands and Norway. Both reviews were published in 1998. This third review is based on visits to countries that took place in September/October of 1998. It was discussed by the Employment, Labour and Social Affairs Committee in March 1999, and is published under the responsibility of the Secretary-General of the OECD.

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INTRODUCTION TO THE REVIEW

Background to the review

This report presents the results of a review that was conducted by the OECD Secretariat of social assistance programmes in two Member countries: Canada and Switzerland. It is the third such review: the first review covered Australia, Finland, Sweden and the United Kingdom, and the second covered Belgium, the Czech Republic, the Netherlands and Norway (OECD, 1998 and 1998a). This report is different from the other two in that it covers two federal countries with large discretionary powers for cantonal/provincial legislative authorities. The study covers four provinces in Canada: Alberta, New Brunswick, Ontario and Saskatchewan and four Swiss cantons, Graubünden, Ticino, Vaud and Zürich. This study does not pretend to cover fully the broad spectrum of different social assistance policies in all cantons and provinces of Canada and Switzerland: its focus is thematic as outlined below.

For the purposes of these reviews, social assistance is defined as:

Those means-tested benefits, in cash or in kind, which have eligibility criteria which are designed to target the receipt of benefit on individuals or households that are clustered within the lower segment of the income distribution, or below some threshold which approximates a similar target.

Differences in national and provincial benefit and tax systems mean that a narrow focus on one aspect of the system can be misleading. Hence, the review explores the interaction of social assistance policies with other benefits and policies, including social insurance, employment, taxation and housing policies.

Terms of reference and focus of the report

The terms of reference for social assistance reviews, as agreed by the Employment, Labour and Social Affairs Committee, are:

To promote a better understanding of key developments in social assistance policy, by means of reviews in selected countries, in terms of national and agreed international objectives, and in the light of interactions with the labour market and the general economy.

The review focuses on programmes that support people of working age, as discussions with OECD Member countries have made it clear that this is the area of social assistance policy that is causing most concern to them. Nor does it cover systematically policies towards the long-term sick and disabled.

The main aims of social assistance policies are, in the broadest terms:

- To prevent extreme hardship among those with no other resources.
- To reduce, to the extent possible, social exclusion.

This latter goal gives rise to two particular concerns:

- Minimising any disincentives to paid employment.
- Promoting independence and individual responsibility.

This report reviews the performance of social assistance policies and practice in the two countries in the light of these aims. The description of countries concerns the situation in September/October 1998 and does not account for all policy reforms implemented at a later date.

The first and second social assistance review of Australia, Belgium, the Czech Republic, Finland, the Netherlands, Norway, Sweden and the United Kingdom concluded that in all countries there is a degree of tension between these individually desirable objectives. Maintaining a balance between them has become more difficult as the number of people receiving benefits has grown in most countries. This third review confirms that this is the central dilemma, despite numbers of social assistance clients falling in Canada.

Hence, this third review covers the same issues as the first two reviews. However, three features of the social assistance system are given greater weight in this review. First, social assistance policy design is at intermediate levels of government. The cantons/provinces are also involved in social assistance delivery, while in some cantons and one province under review social assistance is delivered through local governments or institutions closely linked with local government. Common problems, such as the extent to which local autonomy can be encouraged without leading to unacceptable differences in provision and the difficulties of ensuring adequate financing without distorting institutional incentives, receive particular attention. Second, in parts of Canada and in Switzerland, the objective is not to provide a guaranteed minimum income. Potential clients are not encouraged to claim; if anything, the opposite is the case. Access to benefit is restricted, and take-up low. Third, in recent years, caseloads have declined significantly in some provinces in Canada. Such success is not common across the OECD area, and potential causes receive due attention.

Chapter 2 provides a brief description of the overall context of social policy in the two countries, while Chapter 3 discusses the benefits available to social assis-

tance clients. Chapters 4 to 6 examine the performance of social assistance policies and practice under three broad themes:

- First, how do social assistance policies maintain an adequate safety net in times of economic austerity (Chapter 4)?
- Secondly, in what ways do social assistance policies try to avoid long-term exclusion and encourage economic independence, and with what success (Chapter 5)?
- Thirdly, how do intergovernmental relations in a federal set-up affect control over, and administration of, social assistance policies while ensuring financial stability and policy coherence (Chapter 6)?

Chapter 7 draws together the overall conclusions arising from the review.

THE SOCIAL POLICY CONTEXT

This chapter describes those features of the two countries that are of most importance in interpreting existing social assistance systems and the pressures upon those systems to change.

Constitutional structures

Both Canada and Switzerland are federal countries. Switzerland is a Confederation of 23 cantons (of which six half-cantons). There are three levels to its political structure: the confederation (federal state); the cantons (federative states); and the communes. The competencies of the Confederation include: foreign and defence policy; monetary policy; and social insurance. The cantons, who originally were independent states each have their own constitution and parliament. Their competencies cover, among other things, education and social assistance. The autonomy of the communes is determined by cantonal legislation, so their functions are subject to considerable variability. The cantons often exhibit policy trends according to the dominant language. In most German-speaking cantons as in Zürich, the communes play a major role in financing and administering social assistance. In the rest of the country, though communes may play a role, there is a tendency towards centralisation at the cantonal level.

There are ten provincial and three territorial administrations in Canada. As outlined in Canada's Constitution, provinces have responsibility for, among other things, education, health and social services. Income insurance programmes, including employment insurance (EI), are a federal competence: responsibility is shared with the provinces for the Canada Pension Plan (CPP). Municipal governments in some provinces are involved in the administration of social assistance and social services but their competencies are determined, as in Switzerland, by the intermediate level of government.

Because social assistance in neither Switzerland nor Canada is a homogenised product across the country, the review focuses on four intermediate governments in each case. The provinces Alberta, New Brunswick, Ontario and Saskatchewan cover about a quarter of the total Canadian surface area, and together contain about 52% of Canada's total population (Table 2.1). Social policy must adapt to the fact that

Table 2.1. **Population and area**¹

	Population	In percentage of total	Area (km ²)	Population density (inhabitants/km ²)
Canada	30 300 422	100	10 000 000	3
Alberta	2 914 918	9.6	661 190	4
New Brunswick	752 999	2.5	73 440	10
Ontario	11 411 547	37.7	1 068 580	10
Saskatchewan	1 024 387	3.4	652 330	2
Switzerland ²	7 081 300	100	41 284.6	172
Graubünden	186 000	4	7 105.5	26
Ticino	304 800	3	2 812.5	108
Vaud	606 500	9	3 211.8	189
Zürich	1 178 800	17	1 728.8	682

1. Situation at 1st of July 1998 for Canada and early 1997 for Switzerland.

2. Population covers Swiss nationals, international officials and foreigners with residence permits valid for more than one year.

Sources: Statistics Canada, Catalogue No. 91-002, Vol. 12, No. 3; and Kümmerly and Frey (1998).

provinces are vast and thinly populated. Alberta and Saskatchewan stretch from Canada's southern border far to the North, where the climate is very harsh. These provinces' relatively small population is very much concentrated in the southern parts. Alberta is a more urban province than Saskatchewan. Ontario is Canada's most populous province and has its largest city (Toronto). However, although the population is concentrated in the south, it too has an extensive northern hinterland. New Brunswick is one of the provinces collectively known as "the Maritimes".

The Swiss cantons Graubünden, Ticino, Vaud and Zürich cover over a third of total Swiss territory and are the home of about 33% of the total Swiss population. Although much smaller and, compared with Canada, densely populated, Switzerland also has problems of accessibility. The Canton of Graubünden, for example, is mountainous and roads in winter may be impassable. Zürich is a German-speaking canton; Ticino Italian; and Vaud francophone. Graubünden is predominantly German-speaking, but Italian is also spoken in its southern part while Romansch, the fourth official language in Switzerland, is spoken in some rural parts of this canton.

Macroeconomic indicators

Both countries are among the most affluent countries in the OECD, with per capita GDP well above \$20 000 (Table 2.2). The economic crisis of the early 90s hit Switzerland harder than it did Canada and its effects are still being felt. GDP fell in the former country and its growth rates were on average negative until 1997, when annualised growth reached 3¼% in the second half of 1997, though falling somewhat

Table 2.2. **Main economic indicators**

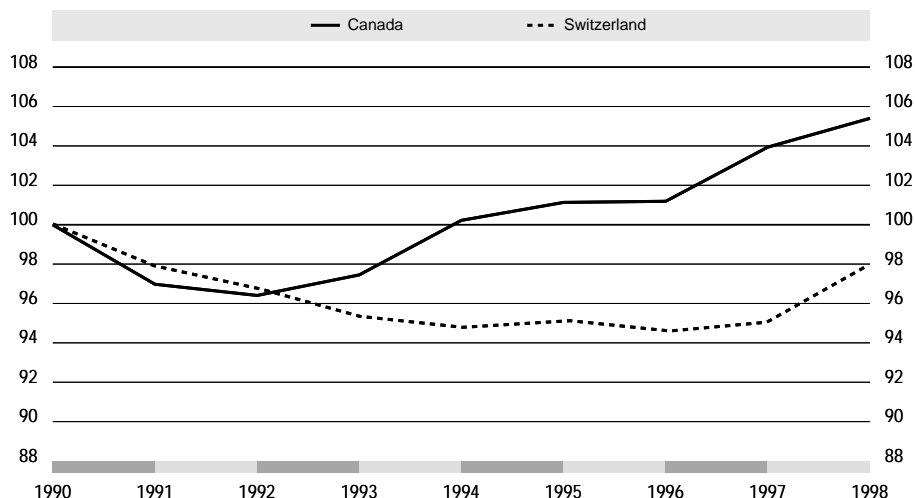
	Population (000) (1997)	Employment (000) (1994)	Annual employment growth 5 year avg. 1997	GDP/capita US\$ PPP, 1996	General government outlays % of GDP, 1997	General receipts % of GDP, 1997	Annual wage growth 5 year avg. 1997	Annual growth in consumer prices 5 year avg. 1997
Canada	30 287	13 291	1.66	23 093	42.6	43.5	2.48	1.48
Switzerland	7 087	3 784	-0.14	25 131	37.0	n.a.	1.24	1.46
OECD	–	–	1.16	–	39.1	37.8	3.34	5.1

n.a.: Not available.

PPA: Purchasing power parities.

Source: OECD analytical database.

during 1998. In Canada, the turn of the cycle came in 1993 and real GDP has been growing steadily since, reaching 4% in 1997 and 3% in 1998 (OECD, 1998*d*). As Chart 2.1 shows, real GDP per capita has yet to attain pre-recession levels in Switzerland.

Chart 2.1. **GDP per capita, 1990 prices (1990 = 100)**

Source: OECD analytical database.

Of the four provinces, per capita GDP in 1997 was highest in Alberta and lowest in New Brunswick (Table 2.3). Indeed, since 1993, Alberta has had the strongest provincial economy in Canada, fuelled mainly by a successful oil industry. GDP growth was 6.5% in 1997. Saskatchewan also benefited from the increased activity in oil and gas and 1997 saw GDP grow by 5.2%. Manufacturing output in Ontario grew by 7% in 1997, contributing to an overall GDP growth of 4.5%. Economic growth was slower in New Brunswick, where GDP grew by 1.1% in 1997.

Inflation has been very low in Canada and Switzerland since the beginning of the 1990s; consumer prices increased by less than 1½% on an annual basis. However, consumer price inflation over the period 1992 to 1997 exceeded nominal wage growth in Switzerland.

General government outlays accounted for 43% of GDP in Canada in 1997, compared with around 37% in Switzerland. However, the trends are somewhat different. In 1992, the ratio in Canada was somewhat over 51%. The reduction in public spending since then has been more substantial than in all other OECD countries other than Greece and Poland. These reductions have not been accompanied by reductions in taxation, and the government's receipts have remained roughly constant at around 43-44% of GDP. As a result, public finances have swung sharply, with an overall deficit which peaked at over 7% of GDP now being converted into a surplus of around 2% of GDP. Canada has a large accrued public sector debt (over 90% of GDP); if the primary budget balance is considered (*i.e.* net of interest payments), the overall surplus exceeds 6% of GDP – the highest level in the OECD area (OECD, 1998*d*). Within general government, the reduction in federal government expenditure has contributed to the consolidation, but is by no means the only cause. The western provinces (including Alberta and Saskatchewan) have restricted public spending but maintained previous levels of taxation, so moving into surplus. New Brunswick has both reduced taxation and run a fiscal surplus. Ontario has decided to cut tax-

Table 2.3. **GDP per capita at market prices in Canada**

	Alberta	New Brunswick	Ontario	Saskatchewan
1992	28 205	19 002	26 992	21 170
1993	30 017	19 880	27 300	22 528
1994	31 379	20 940	28 402	24 097
1995	31 990	22 225	29 736	25 354
1996	33 670	22 185	30 114	27 427
1997	35 616	22 629	31 259	27 773

Sources: Statistics Canada (1997), Provincial Economic Accounts, Catalogue 13-213 and Quarterly Demographic Statistics, Catalogue 91-001, Vol. 12, No. 3; Alberta, New Brunswick, Ontario, Saskatchewan Finance Ministries.

ation sharply at the same time as reducing spending, so the overall provincial budget balance has remained in deficit (OECD, 1997a).

Swiss fiscal policy concerns have echoed those of Canada, but outcomes have differed. The federal government accounts for around 25% of total public spending; cantons 31%; communes 22%; and the social security funds (which in turn receive much of their funding from cantonal and federal government) 22% (OECD, 1997b). There was an intention to close the general government deficit in 1993 (at which point the deficit was 3.7% of GDP) on the expectation that the economy was about to pick-up. This expectation proved optimistic, and as a result a public sector deficit has remained at around 2% of GDP. Both the Confederation and cantons were affected. The rise in payments by the cantons to cover the unemployment insurance fund deficit (cantons are responsible for half of any such deficit; federal government covers the rest) more than accounted for the rise in their deficit in 1996 and 1997. The Confederation launched a modest fiscal stimulus package, the *programme de relance conjoncturelle*, with the aim to bring forward expenditure in the economic cycle so as to support the economy without adding to the long-term volume of public debt.

Labour market indicators

Both countries, amongst the most prosperous in the OECD area, have attracted a steady flow of immigrants over the years particularly to urban centres (e.g. Greater Toronto and Zürich), but also in the tourist industry in Graubünden and Ticino. Population growth was 1.3% in Canada during the period 1991 to 1996, compared with 4.8% in Switzerland in the same period. Immigration explains two-thirds of the increase in the Swiss population since the early 1980s (Kümmerly and Frey, 1998), although Switzerland has been a “net emigration country” since 1994 (Statistik Schweiz, 1999). Historically, Ontario attracts a steady flow of immigrants, and the share of foreign persons in the total population is well above the Canadian average (Table 2.4). There are also significant flows of internal migration: in recent years Alberta has attracted many migrants due to the favourable economic conditions. Over the past decades, Alberta, British Columbia and Ontario have seen their population increase rapidly while other parts of the country, including Saskatchewan, recorded relatively modest population growth, or as in New Brunswick in 1997-98, experienced a population decline (Statistics Canada, 1999).

In 1997, 19% of the total population in Switzerland was of foreign origin (Swiss Labour Force Survey, SAKE 1997), up from 18% in 1990 (Table 2.5). In Zürich, the population share of foreigners is approximately the same as the Swiss average, while in Graubünden this only just exceeds 13%; the share of foreigners in the populations of Ticino and Vaud is well above the Swiss average. About 63% of the foreign population is in work; only in Graubünden the share of employed workers is

Table 2.4. **Immigrant population in Canada,¹ 1997**

	Population	Immigrants	As a percentage of the total population	Net immigration from within Canada ²
Total	30 004 000	4 971 070	17	–
Alberta	2 837 800	405 140	14	26 270
New Brunswick	754 000	24 385	3	–1 260
Ontario	11 260 400	2 724 490	24	1 980
Saskatchewan	1 022 200	52 351	5	–2 800

1. Immigrants are defined as people of foreign origin; data are based on a 20% sample of the population.

2. This column indicates the difference between the average inter-provincial in and out migration in the 1996-97 period.

Sources: Statistics Canada Home Page (<http://www.statcan.ca>); Canadian Council on Social Development Home Page (<http://www.ccsd.ca>).

Table 2.5. **Employed foreigners in Switzerland, 1990¹**

	Population	Foreigners			
		Total	As a percentage of population	In work	As a percentage of the foreign population
Switzerland	6 707 317	1 245 432	18	789 458	63
Graubünden	170 400	23 045	14	17 171	75
Ticino	286 700	72 281	25	42 355	59
Vaud	583 600	152 846	26	93 091	61
Zürich	1 150 500	230 451	20	154 079	67

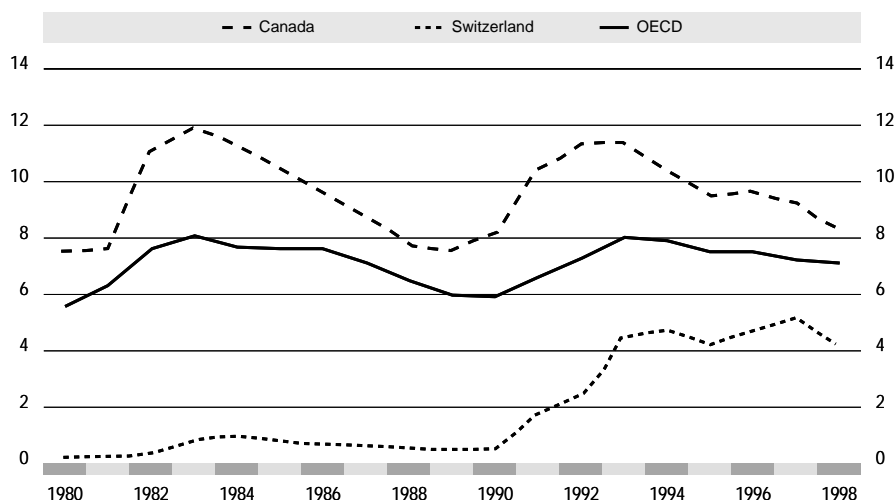
1. More recent data are unfortunately not available for the individual cantons.

Sources: OFS population census, 1990; OFS Internet page: <http://www.admin.ch/bfs/findex>.

higher, which may be caused by the inclusion of workers holding a temporary or seasonal permit. On average around 16% of the foreign employees are cross-border workers (a particularly important feature of the labour market in Ticino) (Kümmerly and Frey, 1998).

In the beginning of the 1990s, Canada was hit by one of the worst economic recessions since the 1930s. The unemployment rate increased to double-digit levels, exceeding the OECD average (Chart 2.2). The rate has since fallen, but with the slowing of economic growth, unemployment is projected to fall only slowly and to remain at nearly 8%. Up until 1990 the unemployment rate in Switzerland was around 0.5%. In 1999, it was 3%: low by international standards, this is nevertheless extraordinary from the Swiss point of view, reflecting the severity of the recession in the 1990s.

Chart 2.2. Unemployment rates



Sources: OECD, *Employment Outlook*, various issues; Switzerland: 1998 updated according to OFS.

The unemployment rate in Canada is above the OECD average, which must be interpreted in the light of female labour force participation rates and employment rates that are well above the OECD average (Table 2.6). Swiss female participation rates are just about the highest within the OECD area – and male attachment to the labour market is also significantly above the OECD average. The increase in unemployment was particularly a male phenomenon in Switzerland. Part-time employment has increased somewhat in Canada during the 1990s (Table 2.7), but is still far less prevalent than in Switzerland, where it accounts for almost half of all female employment.

The share of unemployed who have been out of work for more than 12 months has more than doubled over the past decade (since the beginning of the crisis of the early 1990s) in both Canada and Switzerland (Chart 2.3). The numbers of long-term unemployed in Switzerland are more than twice those in Canada, near to the OECD average but well below the EU average (OECD, 1998c).

Employment and unemployment is not distributed evenly across cantons and provinces. The economy in Alberta is booming, with employment growth of 3.9% in 1998. Because of rapid population growth, the employment rate has been growing much less quickly, but nevertheless is Canada's highest, at over 76% (Table 2.8).

Table 2.6. **Main labour market indicators**

	Employment/population rate			Labour force participation rate			Unemployment rate		
	1990	1995	1998	1990	1995	1998	1990	1995	1998
Males									
Canada	77.9	73.5	74.7	84.9	81.5	81.8	8.3	9.9	8.6
Switzerland	88.8	84.7	87.2	90.0	87.4	90.1	1.3	3.0	3.2
OECD	78.1	75.4	75.8	82.6	81.1	81.0	5.4	7.0	6.5
Females									
Canada	63.0	61.5	63.3	68.6	67.8	69.0	8.2	9.3	8.2
Switzerland	66.9	65.4	71.0	68.7	68.3	74.2	2.7	4.2	4.3
OECD	52.4	53.4	54.0	56.3	58.1	58.5	6.9	8.1	7.8
Total									
Canada	70.5	67.5	69.0	76.8	74.7	75.4	8.2	9.6	8.4
Switzerland	78.1	75.3	79.3	79.6	78.1	82.3	1.9	3.5	3.7
OECD	65.2	64.3	64.8	69.3	69.4	69.7	6.0	7.5	7.3

Note: The year 1990 refers to 1991 for Switzerland.

Sources: Statistics Canada (1997), Provincial Economic Accounts, Catalogue 13-213 and Quarterly Demographic Statistics, Catalogue 91-001, Vol. 12, No. 3; New Brunswick, Ontario and Saskatchewan Finance Ministries; OECD (1999), *Employment Outlook*.

Table 2.7. **Part-time employment**

Percentage of total employment^{1, 2}

	Male		Female		All	
	1990	1998	1990	1998	1990	1998
Canada	9.1	10.5	26.8	28.6	17.0	18.7
Switzerland	8.5	7.2	45.9	45.8	24.4	24.2
OECD	6.4	6.6	25.1	26.5	14.4	14.9

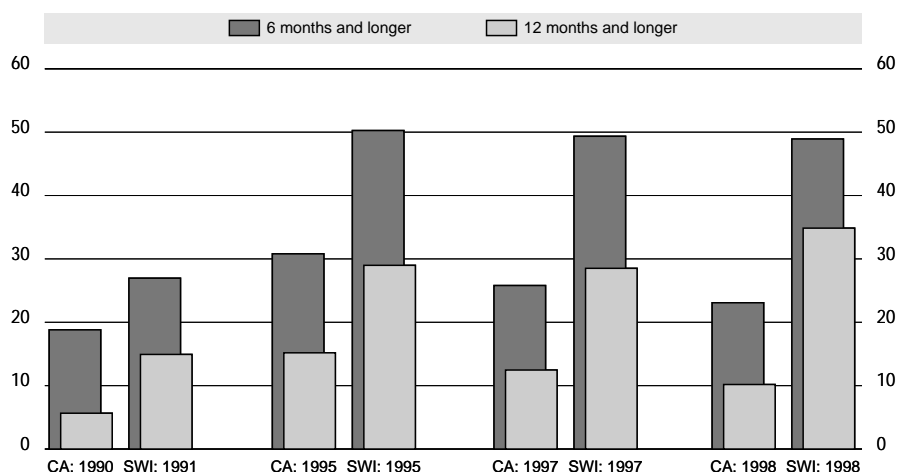
1. Methodological changes in some countries underlie a discontinuity in the OECD series after 1990.

2. The year 1990 refers to 1991 for Switzerland.

Source: OECD (1998c).

After six years of continued improvements in the labour market, the unemployment rate is now below 8%. Employment rates in Ontario and Saskatchewan exceed 70%, but unemployment is falling in Ontario, rising in Saskatchewan. New Brunswick has recently experienced a sharp turn-around in its labour market, with a significant growth in employment and fall in unemployment.

**Chart 2.3. Incidence of long-term unemployment
(percentage of total unemployment)**



Sources: OECD (1998c) and OFS (1998).

Table 2.8. Provincial employment and unemployment rates, annual averages

1998

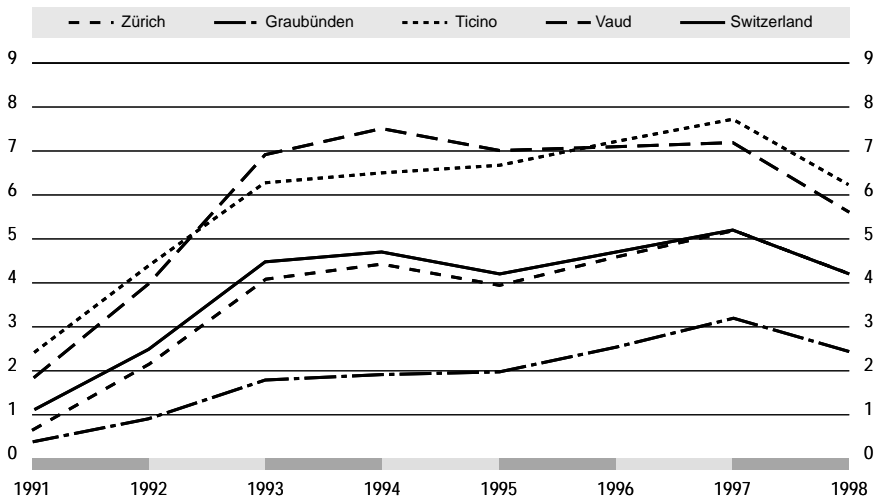
	Employment rate		Unemployment rate	
	Level	1997-98 change	Level	1997-98 change
Canada	59.8	1.1	8.4	-0.4
Alberta	76.2	0.2	5.9	0.0
New Brunswick	61.5	2.3	12.2	-0.9
Ontario	71.1	1.4	7.3	-0.8
Saskatchewan	73.9	-0.1	6.1	1.2

Sources: Statistics Canada (1997), Provincial Economic Accounts, Catalogue 13-213 and Quarterly Demographic Statistics, Catalogue 91-001, Vol. 12, No. 3; Alberta, New Brunswick, Ontario and Saskatchewan Finance Ministries.

The German-speaking cantons in general have much lower unemployment rates and higher employment/population ratios than the French and Italian-speaking cantons (Chart 2.4). In predominantly German-speaking Graubünden,

for example, the unemployment rate in 1998 was 2.8%, compared with 6.3% and 5.6% in Ticino and Vaud, respectively. The Zürich unemployment rate was equal to the Swiss average of 4.2%. The unemployment rate increased in most cantons until 1997, but has since fallen due to improved economic conditions.

Chart 2.4. Unemployment rates by canton



Source: OFS (1998).

Measured by the cumulative earnings distribution, Switzerland has a narrower distribution than Canada (Table 2.9). The table shows the relative gap between three points on the gross earnings distribution: the first decile (D1), the fifth decile (which equals the median income) and the ninth decile. The ratio D9/D1 thus indicates the relative difference between the earnings level at the first decile and that at the ninth decile. The Swiss distribution is very similar to that of Germany, and is close to what can be observed for most other European countries. The earnings distribution in Canada is somewhat similar to that in the United Kingdom and the United States. Canada has the highest percentage of low-paying jobs in the G7 countries other than the United States (OECD, 1998c).

Table 2.9. **The earnings structure**

		Type of earnings data	D5/D1	D9/D5	D9/D1
Canada	1994	Annual	2.28	1.84	4.18
France	1996	Annual	1.60	1.91	3.06
Germany	1995	Monthly	1.59	1.79	2.86
Sweden	1996	Annual	1.40	1.63	2.27
Switzerland	1996	Annual	1.59	1.73	2.74
United Kingdom	1997	Weekly	1.80	1.87	3.37
United States	1997	Weekly	2.09	2.20	4.61

Source: OECD structure of earnings database.

Systems of social protection

Public spending in Canada increased during the 1980s, peaking at 20% of GDP in 1993, and has since fallen to 18.2% of GDP in 1995. The increase of public social spending in Switzerland was moderate during the 1980s, but more pronounced during the first part of the 1990s: spending increased from 15.7 to 20.4 percentage points of GDP by 1995 (Table 2.10).¹ Spending on public social protection in Switzerland is close to the OECD average, and is somewhat lower in Canada.

In 1995, total public non-health related social expenditure amounted to 11.7% of GDP in Canada and 14.3% of GDP in Switzerland: significantly below the OECD average of 16% of GDP (Table 2.10). Public expenditure on health is about 6.5% of GDP in both countries, but underlying trends are markedly different over the first part of the 1990s: somewhat declining in Canada while increasing significantly in Switzerland (by more than 1 percentage point of GDP in 5 years). The magnitude of private health provisions in Switzerland is also significant: almost 12% of private consumption is on health, as opposed to 4% in Canada (OECD, forthcoming).

On top of the basic public pension provisions, private pension arrangements play an important role in both countries. Pension benefits, based on mandatory and voluntary contributions, paid out by occupational pension funds in Switzerland amounted to 4.8% of GDP in 1995 (Table 2.10). Similarly, pension benefits through voluntary and tax-advantaged pension plans amounted to 4.5% of GDP in Canada (OECD, forthcoming; and Adema and Einerhand, 1998).

Social protection systems in both countries face challenges ensuing from significant changes in family composition. Since 1980 the number of marriage break-ups, as measured by the ratio of divorces to registered marriages in a year, has increased from 32 to 49% in Canada and from 30 to 41% in Switzerland. Moreover, in both countries the

Table 2.10. **Public social expenditure as a percentage of GDP, 1980-95**

	Canada					Switzerland				
	1980	1985	1990	1993	1995	1980	1985	1990	1993	1995
Old-age and survivors benefits	3.0	3.8	4.3	4.8	4.8	6.1	6.3	6.0	6.5	7.1
Disability benefits	0.4	0.4	0.5	0.6	0.6	0.9	0.9	0.9	1.0	1.3
Sickness benefits	0.0	0.0	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.3
Services to the elderly and disabled	–	–	–	–	–	0.2	0.2	0.5	0.5	0.5
Occupational injuries and diseases	0.3	0.5	0.5	0.6	0.5	0.9	1.0	1.0	1.1	1.3
Family cash benefits and services	0.7	0.7	0.6	0.5	0.8	1.0	1.0	0.9	1.0	1.1
Active labour market programmes	0.3	0.6	0.5	0.6	0.6	0.1	0.2	0.2	0.3	0.5
Unemployment benefits	1.2	1.8	1.9	2.2	1.3	0.1	0.3	0.1	0.9	1.1
Other contingencies	2.0	2.3	2.5	3.3	3.1	0.3	0.3	0.9	1.1	1.2
Total public non-health social expenditure ¹	8.0	10.2	10.8	12.7	11.7	9.7	10.4	11.0	12.9	14.3
OECD ²	12.3	13.9	14.3	16.0	15.7	12.3	13.9	14.3	16.0	15.7
Total public health expenditure	5.2	6.1	6.7	7.4	6.6	4.3	4.8	5.3	6.1	6.6
Total public social expenditure	13.2	16.3	17.6	20.0	18.2	14.0	15.2	16.3	19.0	21.0
OECD ²	17.5	19.2	19.9	22.0	21.6	17.5	19.2	19.9	22.0	21.6
Mandatory private social expenditure ³	–	–	–	–	–	1.9	2.3	3.1	3.5	4.3

1. Social housing provisions exist in both countries, but this item is not covered by the data.

2. Includes the following spending categories: old-age cash benefits, disability cash benefits, occupational injury and diseases, sickness benefits, services to the elderly and disabled, survivors, family cash benefits, family services, unemployment compensation, active labour market programmes, public expenditure on health, and other contingencies (including non-categorical social assistance benefits). Unweighted average for all OECD countries, except the Czech Republic, Greece, Hungary, Iceland, Luxembourg, Korea, Mexico and Poland.

3. The data on Switzerland includes occupational pension benefits (old-age, disability and survivors) and cover both the mandatory part of the programme (benefits required by law) and the non-mandatory part (benefits exceeding the statutory minimum). The Federal Social Insurance Office is presently not able to provide separate data, but as the mandatory component is deemed to be the largest of the two components, relevant benefits are included here.

Source: OECD social expenditure database.

number of one-person households has been rising steadily as has the number of lone-parent families (LPF), a group that is particular at risk of benefit dependency. Currently, the proportion of LPF in all families in Canada is 14.5%, while LPFs make up 8% of all Swiss households (Statistik Schweiz, 1999; and Statistics Canada, 1999).

Demographic and labour market trends are the main determinant of changes in social expenditure, in turn inducing policy reforms. As Table 2.11 indicates, the results of these are rather different in the two countries. On average, just over half of total public social spending (excluding health spending) in the OECD area has gone to the aged population. This proportion has been edging up since the 1980. Canada has always had a social expenditure system which has been more oriented to younger individuals and families, but the pressures of an ageing population have resulted in a declining proportion of non-health related public social spending going to the non-aged population. In contrast, the Swiss system has historically

Table 2.11. **Public social spending on the working-age population, 1980-1995¹**

Percentage of GDP and of public non-health related social expenditure

	1980		1985		1990		1995	
	Percentage of GDP	Spending share ²	Percentage of GDP	Spending share ²	Percentage of GDP	Spending share ²	Percentage of GDP	Spending share ²
Canada	5.0	62.4	6.5	63.2	6.5	60.4	6.8	58.6
Switzerland	3.5	36.4	3.9	38.6	4.4	42.3	5.8	48.8
OECD ³	5.7	46.6	6.8	48.9	7.0	49.0	7.8	49.5

1. Spending on the working age population: disability cash benefits, occupational injury and diseases, sickness benefits, family cash benefits, family services, unemployment compensation, active labour market programmes, and other contingencies (including non-categorical social assistance benefits). Public expenditure on health is not included.
2. Social benefits to the working-age population as a percentage of public non-health related social expenditure.
3. Unweighted average for all OECD countries, except the Czech Republic, Greece, Hungary, Iceland, Luxembourg, Korea, Mexico and Poland.

Source: OECD social expenditure database.

been oriented towards the older population, with little more than a third of all non-health related public social spending going to the non-aged population in 1980. But the worsening labour market has since led to a doubling of the proportion of GDP devoted to social supports for the non-aged population, which as a share of non-health related public social spending now exceeds the OECD average.

Public expenditure on unemployment compensation benefits was negligible in Switzerland in 1990, but reached 1.6% of GDP in 1993 (Table 2.12).² It has since fallen, but remains well above its historic level. The peak year for spending on cash benefits for unemployment was in 1992 in Canada, and the subsequent reduction has been particularly sharp. In both countries, the decline in unemployment spending after 1992-93 was in part due to a decline in unemployment (which, however, increased again until 1997 in Switzerland). Reforms to the unemployment insurance system in Canada also contributed to the decline in public unemployment spending. These changes are discussed in more detail in Chapter 5.

Table 2.12. **Public spending on unemployment compensation, 1985-1997**

As a percentage of GDP

	1985	1990	1992	1993	1994	1995	1996	1997
Canada	1.8	1.9	2.2	1.9	1.5	1.3	1.2	–
Switzerland	0.3	0.1	0.9	1.6	1.4	1.2	1.3	1.4
OECD ¹	1.6	1.4	2.0	2.2	2.0	1.8	–	–

1. Unweighted average for all OECD countries, except the Czech Republic, Greece, Hungary, Iceland, Luxembourg, Korea, Mexico, Poland and Turkey.

Sources: OECD active labour market policy database and social expenditure database.

A second cause of the increase in social spending on the non-aged population has been increased incidence of disability. Table 2.13 indicates an increase in spending on disability which was relatively rapid in Canada during the 1980s, but which has been held at a constant proportion of GDP thereafter. In Switzerland, the increase in spending on invalidity benefit was particularly rapid in the early 1990s, and total spending as a percentage of GDP is half as much again as the OECD average.

Table 2.13. **Public social spending on disability cash benefits and occupational injuries, 1980-1995**

As a percentage of GDP

	1980	1985	1990	1991	1992	1993	1994	1995
Canada	0.7	0.9	1.0	1.1	1.1	1.1	1.1	1.0
Switzerland	1.7	1.9	1.9	2.0	2.2	2.3	2.4	2.5
OECD ¹	1.6	1.7	1.8	1.9	1.9	2.0	1.9	1.9

1. Unweighted average for all OECD countries, except the Czech Republic, Greece, Hungary, Iceland, Luxembourg, Korea, Mexico and Poland.

Source: OECD social expenditure database.

In the context of overall public social support, social assistance arrangements are an important factor: in 1995 social assistance spending amounted to about 17% of all public social spending in Canada (OECD, 1999). Table 2.14 reveals that from the beginning of the 1990s social assistance spending increased sharply in Switzerland, particularly so in Vaud and Zürich. Increasingly, the cantonal social assistance systems act as a safety net for those who, for one reason or another, are not covered by the social insurance system.

Switzerland

Insurance benefits are based on social risks such as unemployment, sickness and invalidity. At their own discretion, cantons can implement schemes which supplement federal insurance benefits, but in case of medical insurance this is obligatory: if low-income households cannot afford the medical insurance contributions, cantons will subsidise their premiums. The Confederation contributes to these supplementary cantonal schemes, the details of which vary from canton to canton. Federal family benefits are limited to agricultural households. Most cantons have programmes that cover children of all employees, with payments either being made directly from employers to their employees through the pay packet or else via social benefits, financed mainly from employers' contributions.

Table 2.14. **Cantonal spending on social assistance and unemployment assistance¹**

	Spending in millions of national currency								Spending per head
	1990	1991	1992	1993	1994	1995	1996	1997	1997
Graubünden									
Expenditure	6.6	7.38	9.0	9.6	10.2	9.8	10.8	12.3	70
Ticino									
Expenditure	17.4	20.6	29.0	36.2	45.1	49.7	54.8	56.2	199
Vaud									
Expenditure	20.4	24.8	46.3	69.1	85.7	91.6	98.0	102.8	171
Social assistance	17.1	18.5	30.5	38.0	47.5	51.8	58.1	65.7	
Unemployment assistance	3.3	6.3	15.8	31.1	38.2	39.9	39.9	16.7	
RMR (minimum reintegration income)	–	–	–	–	–	–	–	20.4	
Zürich									
Expenditure	38.8	63.7	87.6	133.3	177.4	188.1	197.5	188.8	161
Social assistance	37.9	61.7	78.8	106.1	130.6	140.3	152.5	167.1	
Unemployment assistance	0.9	2.0	8.8	27.2	46.8	47.8	45.0	21.7	
Public social expenditure in Switzerland (billions)	51.7	58.1	65.0	71.9	73.9	76.4	–	–	

1. The expenditure do not cover items such as alimony prepayments, child benefits, or other cantonally provided social services. These can be substantial. For example, in 1997, total social assistance spending (including social assistance and unemployment assistance benefits) were estimated to amount to SF 329 million for the Canton of Zürich.

Sources: OFAS and the OECD social expenditure database.

Cantons are also responsible for benefits paid according to need; in particular, social assistance. Communes may be involved in the financing and delivery of social assistance: this depends on cantonal practice. Although cantons are free to decide the payment rates for social assistance, benefits are roughly equivalent across Switzerland. This is because most cantons follow the recommendations of the CSIAS (*Conférence suisse des institutions d'action sociale*): an independent organisation of public and private social institutions, which publishes guidelines on the setting of benefit rates and other operational aspects of social assistance provision (Chapter 4).

Federal authorities are responsible for refugees and asylum-seekers, although cantons can be involved in operational aspects and payment of benefits (for which they are fully reimbursed). In 1997, the Confederation spent about SF 180 million on provisions for refugees, and it paid SF 678 million to cantons to provide for asylum-seekers (in all about 0.2% of GDP).

An unusual but important feature of the Swiss insurance system is the *prestations complémentaires* (PC). This benefit is paid to those in receipt of old age, survivor or invalidity benefits whose income is nevertheless below a socially acceptable level. In other countries, people with low levels of insurance benefits may be in receipt of income top-ups paid through the social assistance system. This is not the case in Switzerland, as the PC is set above the social assistance level. Thus social assistance is mainly received by able-bodied persons of working age.

The provision of labour market services is the remit of the Regional Employment Service (RES) which is in turn financed by the unemployment insurance fund and is therefore a federal responsibility. However, cantons have organised the development of the regional offices of the RES and have been given responsibility for creating training and work-placement slots for unemployed workers (Chapter 5).

The current social policy debate in Switzerland concerns the redesign of the current social insurance system so that it better addresses present and future needs. The main socio-economic developments which exert pressure are: changes in family composition; the growing incidence of part-time employment; the increase of long-term unemployment; the rising demand for social assistance; and the challenge posed by an ageing population. According to Schneider (1998), to sustain the current system while meeting increasing costs of public retirement provisions and sickness and invalidity insurance, social security contributions need to increase from 33% to about 40% of salaries as long as the unemployment rate is around 2.5%. However, the assumptions underlying this scenario now seem somewhat optimistic.

Canada

The federal government is responsible for employment insurance, but social assistance and health are the responsibility of the provinces. Funding for these schemes is provided partially through a block fund transfer from federal government: the Canada Health and Social Transfer (CHST). Provinces design social assistance programmes and set relevant benefit rates. Consequently, benefit levels differ across the country.

The provinces also have the responsibility for implementing integrational measures for social assistance claimants. In some provinces, local governments are involved in the administration and delivery of social services. Active labour market measures for employment insurance claimants (and those who have exhausted this benefit within the last 3 years) are a federal responsibility, but the governments have been signing labour market development agreements (LMDA) under which operational aspects (and funding) can be devolved.

Federal, provincial and territorial governments have reached a broad consensus to give priority to policies tackling the problem of children in poverty. This led

to an innovative national approach providing enhanced benefits, programmes and services to children in low-income households: the National Child Benefit (NCB). Under the NCB, the federal government provides financial benefits, operated through the tax system, covering all low-income households with children. This has led to some cost-savings at the provincial level, as provinces have been able to reduce rates of payments to families on social assistance benefit accordingly (though in fact some chose not to, so increasing the net incomes of families receiving social assistance). The funds so released were to be recycled into activities that would reduce child poverty. This has been variously interpreted to include increased spending on labour market reintegration, child care, extended health care benefits and early childhood intervention.

The distribution of income and poverty

In both countries, trends in the distribution of income and poverty are issues of concern to policy makers. Work by the OECD (*e.g.* Burniaux *et al.*, 1998; and Atkinson *et al.*, 1996) indicates that Canada is roughly in the middle of OECD countries, being more unequal than most continental European countries, but with inequality levels equivalent to or less than southern European and Anglophone countries. The only fully internationally comparable data for Switzerland are for the early 1980s (Atkinson *et al.*, 1996) and suggest that it had a significantly greater degree of inequality, exceeded unequivocally only by the United States. The various different measures of inequality weight different points on the income distribution differently. Analysis of the differences between such measures shows clearly that the high level of inequality in Switzerland is due to high dispersion at the top end of the income distribution – *i.e.* the rich are relatively richer than in other countries, rather than the poor being relatively more poor.

The Canadian income distribution has remained approximately the same since the mid-1970s (Burniaux *et al.*, 1998). This experience has been contrary to those other countries within the OECD area for which reasonable time series are available. Indeed, most measures of inequality indicate that between the mid-1980s and the mid-1990s there was a fall in inequality in Canada.³ This, however, hides more detailed changes in the structure of income distribution, which have consequences for the development of social assistance:

- Those at the bottom of the income distribution had very few earnings even in the 1970s. As in nearly all other countries, they have an even smaller share of total earnings now. The fall in the share of total capital and self-employment income has been even sharper, with the result that only 6% of all market income is received by the bottom three deciles of the income distribution.
- The bottom three deciles receive a smaller proportion of transfers from government than previously. However, because the total volume of transfers has

increased significantly since the 1970s (see above), the absolute volume of transfers going to the bottom of the income distribution has increased. Together with a slightly more progressive tax system, this means that the widening of market income has been offset.

Leu *et al.* (1997) used the Swiss Income and Wealth Survey to compare the income distribution between 1982 and 1992. Excluding means-tested benefits (but including PC), the income distribution became wider in the period 1982-92:

- Real incomes increased for most of the population, but not for those in the bottom income decile.
- Incomes of the richest decile increased markedly, with the result that the share of total income received by the bottom four deciles has fallen somewhat.

One of the more or less explicit objectives of social assistance policy in both countries is to limit the extent of poverty. As a widely-accepted definition of poverty is lacking, the most common indicators of poverty in Switzerland and Canada are calculated on the basis of the number of households with incomes less than a particular level. In Switzerland, the number of people that have to live with less than the CSIAS-recommended basic benefit level is one indicator. A second indicator is based on the income-level that equals the *prestations complémentaires* – the supplementary benefits that guarantee a minimum income level for recipients of old age, survivor or invalidity benefits.

Statistics Canada has been publishing Low-Income Cut-Offs or LICOs since 1967. Although regularly used, these are not officially accepted poverty measures, nor do they function as benchmarks for the determination of social assistance benefit rates. The LICOs attempt to account for differences in the cost of living by urbanisation and family size, but fail, for example, to account for provincial or regional variation.⁴ It was last estimated from the 1996 Survey of Family Expenditure, and is updated annually for inflation (Table 2.15). Roughly speaking, LICOs are calculated in two steps:

- The income level where a household will, on average, spend on food, clothing and shelter a share of its pre-tax income that is 20% higher than the average family.
- Variations in family size and urbanisation are taken into account using Engel curves.

OECD studies (*e.g.* Atkinson *et al.*, 1996; and Burniaux *et al.*, 1998) use 50% of median household income as an arbitrary cut-off line for international comparisons of low incomes. Burniaux *et al.* (1998) signalled a consistent and significant decrease in relative poverty to have occurred in Canada during the period 1975 to 1990 (Table 2.16). Since

Table 2.15. **Low-Income Cut-Offs in Canada (C\$/year), 1997**

Urbanisation: population size	Family size			
	1 person	2 persons	3 persons	4 persons
> 500 000	17 409	21 760	27 063	32 759
100 000-500 000	14 931	18 664	23 213	28 098
30 000-100 000	14 827	18 534	23 050	27 903
< 30 000	13 796	17 245	21 448	25 964
Rural communities	12 030	15 038	18 703	22 639

Source: Statistics Canada (1997), Low-Income Cut-Offs, Catalogue 13-551.

then, the proportion of people with incomes under 50% of the median or under the LICOs has increased slightly.

Using 50% of the median income as the income cut-off, Swiss poverty levels are somewhat lower than in Canada, with indicators suggesting that between 5.6% and 9.8% of the population have low incomes (Leu *et al.*, 1997). Furthermore, the incidence of poverty in Switzerland did not appear to increase between 1982 and 1992. However, as noted above, since 1992 unemployment has increased sharply in Switzerland, presumably increasing the exposure of some households to low incomes. Using the poverty indicators that are often referred to in the respective national media, the LICOs and the PC level, suggests greater poverty incidence. LICOs suggest that around 17% of the Canadian population lives on low income, and just under 10% of the Swiss population has an income below the PC level.

Table 2.16. **Incidence of low income in Canada and Switzerland**

		Incidence of low income	
Canada			
50% of median income	1975		11.3
	1985		9.7
	1990		8.1
	1994		8.9
LICO	1992		17.0
	1995		17.8
	1986		17.9
Switzerland			
50% of median income	1992		6.6
CSIAS	1992		5.6
PC level	1992		9.8

Sources: Burniaux *et al.* (1998); Leu *et al.* (1997); Statistics Canada (1996), Catalogue 13-207.

Table 2.17. **The incidence of low income by age and household type, Switzerland, 1992**

	Share in total population (%)	CSIAS level	PC level
Total population	100	5.6	9.8
By age			
20-29	17.6	8.3	12.2
30-39	28.2	7.1	12.4
40-49	21.8	4.4	7.9
50-59	13.5	3.6	5.9
60-69	9.7	3.1	6.6
70-79	6.2	4.4	11.0
80+	2.9	3.2*	10.7
By household type			
Single women	8.0	6.4	11.7
Single men	4.6	10.6	15.6
Couples with 1 or 2 children	32.7	5.5	9.9
Couples with 3 or more children	10.8	7.8	15.3
Couples without children	31.1	3.2	5.8
Lone parents	3.6	11.4*	20.2
By labour force status			
Farmers	1.9	15.4*	24.6
Self-employed	7.4	17.0	22.2
Employees	69.0	3.5	6.8
Old-age pensioners	15.7	3.6	9.5
Invalidity pensioners	2.7	3.7*	10.8
Non-employed	19.0	16.8	28.5

* Not statistically significant.

Source: Leu *et al.* (1997).

Table 2.17 indicates the probability of different Swiss household types having a low income. The risk is highest among households with relatively young heads, especially if the family is large or is headed by a lone parent. Although the incidence of poverty among employees was not high (3.5% or 6.8% according to the respective indicators), about half of all people in poverty in 1992 were in salaried employment. Of all people with an income less than the PC level, 71% had income from work. Non-take up of means-tested benefits among employees is high (Leu *et al.*, 1997). Table 2.18 shows that the incidence of poverty is much higher in the francophone and Italian-speaking parts of Switzerland than in German-speaking Switzerland.

Table 2.19 contains information on poverty for Canada, including changes since 1975. It shows that:

- The presence of children at least doubles the “risk” of any family type having a low income.

Table 2.18. **The regional distribution of poverty, Switzerland, 1992**

	Share in total population (%)	CSIAS level	PC level
By language			
German	72.3	4.8	8.7
French	23.6	6.9	11.3
Italian	4.1	12.3	21.2
By region			
Zürich	17.0	3.7	5.4
North-east without Zürich	12.0	3.5	9.4
Bern	14.2	6.8	10.9
North-west without Bern	17.0	4.2	8.2
Central Switzerland	8.9	6.5	10.7
Vaud	9.2	6.5	11.6
West Switzerland without Vaud	11.6	7.1	10.8
South Switzerland	10.2	8.0	14.9

Source: Leu *et al.* (1997).

- Single adult households are more likely to have low incomes than multiple adult households.
- Absence of work increases the incidence of poverty enormously.
- Reductions in poverty rates have been particularly sharp for older households, especially retired households.

Table 2.19. **Low-income rates in Canada (1991) after taxes and transfers**

Percentage of poor individuals in each group¹

	Poverty rates ²		Change in poverty rates since 1975	
	Non-working	Working	Non-working	Working
Single adult, no children	31.3	16.1	-41.3	-2.5
Lone parent	84.1	36.8	3.2	0.9
Two or more adults, no children	12.4	3.2	-22.1	-1.8
Two or more adults, children	50.5	6.4	-37.2	-1.4
Head below 65	55.8	7.1	-17.8	-1.2
Head above 65	6.6	0.3	-41.1	-0.6

1. It does not include data on Aboriginal people and new immigrants; two other groups prone to low income.

2. The poverty rate by group is defined as the number of poor individuals in a group as a percentage of the total number of individuals in that group. "Low income" individuals are those with adjusted equivalent income below 50% of the median adjusted equivalent disposable income. The equivalence scale elasticity is 0.5.

Source: Burniaux *et al.* (1998).

The changes over time mean that fewer retired people are in poverty, while poverty rates among lone-parent families have gone up. As shown in Table 2.19, those most at risk of poverty are non-working lone-parent families; nearly 85% of individuals in all such households have incomes below 50% of the median. Picot *et al.* (1998) corroborate this finding for the 1990s and also point to an increased poverty risk for single males and two-adult couples with children due to decreased labour market participation rates of these groups.

Conclusion

This chapter described those features of the socio-economic environment, which are central to understanding the role of social assistance in the two countries, and the external pressures that have been influencing the discussion of social assistance reform.

In Canada, the most salient features of the policy environment have been the poor state of the labour market and of public finances. Responding to both challenges has led to a restriction in access to unemployment insurance, with consequences for the type of client left to provincial social assistance systems. The attempt to improve public finances has led to a change in the level and structure of transfers from federal to provincial governments. Disadvantage (at least as measured in the single dimension of relative income) has not increased, but has become more concentrated in families and in non-working households. Hence policy reform has started to address issues such as child poverty which were not previously a priority, and benefit policy is increasingly oriented around reintegration into the labour force.

In Switzerland, the emergence of unemployment has prompted a national response to joblessness. Institutions to deal with labour market problems have had to be created virtually from scratch. The unemployment insurance system has been reformed to support those without work for longer periods. However, how the social assistance system should react as its clientele changes from being primarily those with social problems, to including those whose only real problem is an inability to find work, is an issue which those concerned are only just beginning to address.

THE BENEFIT SYSTEMS

This chapter describes the benefit system as it affects social assistance clients. In order to understand the social assistance system, it is necessary to take into account how other benefits work, particularly unemployment insurance and assistance. Benefits for health, housing, and children are also available for social assistance clients. The chapter finishes with a discussion of caseload characteristics in the four cantons and provinces.

Unemployment benefits

Unemployment insurance

In Canada, all paid workers in insurable employment participate in the federally operated employment insurance programme (EI). Insurable employment implies that a person is in a legitimate working relationship with an employer, which meets specific criteria under Canadian law. Benefit payments are based on total earnings and total hours worked, starting from the first dollar and the first hour. The rate of weekly benefits payable to claimants is 55% of weekly insurable earnings. The maximum annually insurable earnings level is C\$ 39 000 (or about C\$ 750 per week). Employees earning less than C\$ 2 000 a year receive a rebate of their premiums through the tax system. Claimants with children and low family income are eligible for a supplement that will increase their benefit to 70% of weekly insurable earnings (by the year 2000, this will be 80% of C\$ 413 per week). Claimants may earn up to 25% of their weekly benefits or a minimum of C\$ 50, before earnings begin to be deducted from payable EI benefits.

Eligibility requirements for EI and maximum duration of benefit payments vary depending on the unemployment rate in 54 regions. A minimum of 420 hours of work in the preceding 52-week period is required in areas of high unemployment (over 13%) and 700 hours in areas of low unemployment (less than 6%). New entrants or re-entrants to the labour force must have worked a minimum of 910 hours. The benefit is payable for a maximum period of between 42 and 45 weeks, starting after a two-week waiting period. This actual number of weeks also depends on the number of hours of work and the regional unemployment rate.

Access to the benefit is thus made easier in times of high unemployment. In New Brunswick, for example, the unemployment rate is above average: contributory conditions are not as demanding as in the other reviewed provinces and the duration of payment is longer. The system thus reduces the effects of sharp swings in the state of the labour market on the provinces' social assistance budgets.

EI claimants whose annual net income (*including* EI benefits) exceeds C\$ 48 750 (1.25 times the maximum yearly insurable earnings) must repay 30% of those EI benefits that make up the excess. Those who received more than 20 weeks of regular benefits in the previous five years face a lower threshold (C\$ 39 000) and a higher rate of repayment. In all cases, the tax-back rate cannot exceed 30% of net incomes above the threshold.

In Switzerland, all employees who have been employed for at least 6 months during the previous two years (with no minimum number of hours per day/week/month) are entitled to UI; participation in the insurance scheme has been obligatory since 1977. The gross benefit is 80% of previous gross earnings and 70% for claimants without dependent children. Insurable gross income is capped at a monthly maximum of SF 8 100 (SF 97 200 per year); the maximum benefit is therefore SF 6 480 per month or SF 5 670 per month for those without dependent children. Benefit payments are taxable and do not vary across the cantons. Work and benefit receipt can be combined, but all earnings are fully deducted from benefit payments. After a 5-day waiting period, the duration of benefit varies between 30 and 104 weeks, depending on the contributions during the previous two years and on the age of the claimant. Benefit receipt becomes contingent upon participation in an ALMP after 150 days for UI claimants younger than 50 years of age; after 250 days for those aged 50 to 60; and after 400 days for claimants over 60 years of age. Those in receipt of a (partial) disability benefit or whose claim on a disability benefit is being processed and likely to be successful, can receive UI benefits for 520 days (BIGA, 1997).

Table 3.1 shows net benefit rates for unemployment insurance recipients in Canada and Switzerland. In neither case do unemployment insurance benefit levels vary across the country. Differences in net benefit rates are caused by two factors. First, differences in sub-national tax systems are much more substantial in Switzerland than in Canada. Second, there is larger variation in cantonal family benefits than in family cash benefits in Canada (see below).

Unemployment assistance

In Switzerland, the Cantons of Ticino, Vaud and Zürich operate an unemployment assistance (UA) benefit. In Ticino and Zürich this benefit is payable for 150 days, in Vaud it may last for up to two years. Graubünden does not have an "intermediary benefit" prior to social assistance.

Table 3.1. **Net monthly unemployment insurance benefits in 1998 US\$ PPP^{1, 2, 3}**

	Single	Couple	LPF 2 children	Couple 2 children
Alberta	1 153	1 265	1 405	1 517
New Brunswick	1 124	1 248	1 377	1 501
Ontario	1 137	1 255	1 389	1 509
Saskatchewan	1 146	1 261	1 398	1 513
Graubünden	1 553	1 535	1 879	1 809
Ticino	1 249	1 289	1 664	1 722
Vaud	1 267	1 203	1 667	1 575
Zürich	1 224	1 154	1 646	1 559

- 1 US\$ PPP equals CS 1.16 and SF 2.01. Most comparative tables in this review reflect conversions to United States dollars on basis of purchasing power parities. PPPs are the rates of currency conversion that equalise the purchasing power of different countries by eliminating price differences [OECD (1998), *National Accounts, Main Aggregates, Volume 1, 1960-1996*, Paris].
 2. The level of earnings of the average production employee for 1997 adjusted for inflation has been taken as the basis for the calculation of benefit rates for both countries. Regional variation in costs of living are not taken into account.
 3. It is assumed that UI recipients are not in receipt of social assistance "top-up" payments. However, the case of Ticino shows the net income accounting for the parental benefit; in absence of this benefit net income would be at SF 1 693 per month for a couple with two children.
- Sources: Secretariat estimates on the basis of the information supplied by the regional authorities and OECD (1998), *Tax/Benefit Position of Employees*; IBFD (1998), *The European Tax Handbook*.

The goal of the cantonal unemployment assistance programmes in Switzerland is two-fold. First, it prevents those who are not covered by unemployment insurance (the self-employed, for example) or have exhausted their unemployment insurance, from having to rely on the social assistance system – a system which, as subsequent chapters will describe, is highly stigmatised. Second, it provides a focus for cantonal measures to promote reintegration in the labour market.

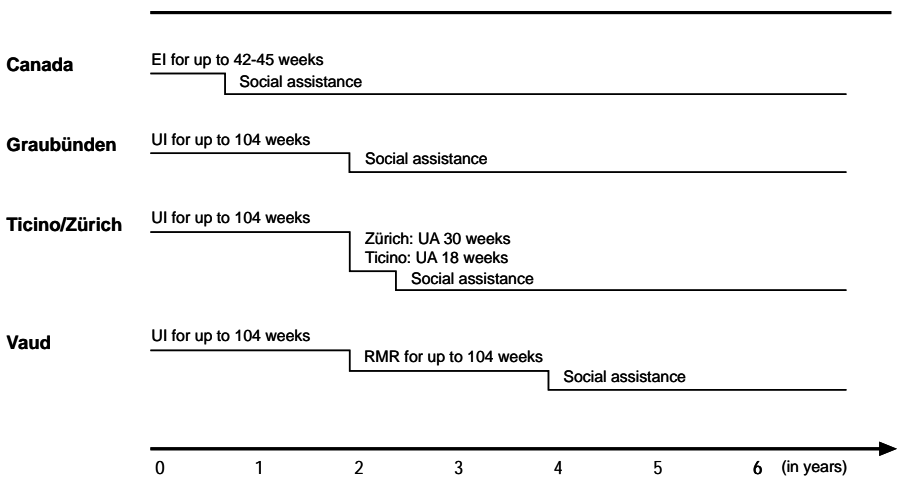
In Ticino, eligibility depends on age and family structure; currently claimants have to be 50 years old (until 1998 the age threshold was 35) unless they have dependent children. Maximum monthly payments amount to 80% of the last UI benefit payment. The duration is limited to 5 months. If the income of claimants is still below maximum social assistance payments it can then be topped-up. In Vaud, the *Revenu minimum de réinsertion* lasts two years. Hence someone entering unemployment will have at least 4 years of benefit receipt before a claim for social assistance will need to be considered. The payment rate depends on family size and is SF 150 above the social assistance level. In Zürich, a payment of 90% of UI benefits is paid for 6 months.

Duration of unemployment benefits

The duration of UI and the presence of unemployment assistance mean that those who become unemployed may consider a claim for social assistance after a

few months in Canada, but possibly not for several years in parts of Switzerland. Chart 3.1 summarises the situation. However, because of stringent needs tests, only some EI claimants flow directly onto social assistance upon expiry of EI (see below).

Chart 3.1. **Duration of unemployment and social assistance benefits in Canada and Switzerland**



Source: OECD Secretariat.

Social assistance

Who is eligible for social assistance?

In Canada, a distinction is made between different groups of social assistance beneficiaries according to their possibility of finding employment. All provinces under review distinguish between employable clients and clients who are more difficult to place or (temporarily) not expected to work (Table 3.2). General social assistance programmes (such as Support For Independence in Alberta, Transitional Assistance Programme in New Brunswick, and Ontario Works in Ontario) broadly cover clients who are expected to work. For example, in Alberta there are no job-search expectations regarding single persons over 50 years of age without dependants and who are assessed as being unable or unlikely to obtain continuous employment. Similarly, in New Brunswick a group of 7 000 clients not in the Extended Benefits Programme are regarded as having long-term or special needs

Table 3.2. **Categorisation of social assistance recipients in Canada¹**

	Interim benefits	General social assistance	Extended benefits
Alberta	No special provision	For employable clients with limited barriers to employment	A distinct benefit for widow(er)s; assured support (AISH) for the disabled is available outside SA; people in training receive a separate allowance
New Brunswick	Clients in need of income support for a very short period of time; clients predominantly concern households without dependent children	For employable clients with limited barriers to employment. This category includes clients with specific needs that limit their short-term employability	For blind and disabled clients with considerable difficulties in finding employment; their expectation of finding employment is limited
Ontario	No special provision	For employable clients with limited barriers to employment	A distinct benefit (FBA) covering many lone parents has been phased out. People in post-secondary education or training receive a separate allowance
Saskatchewan	No special provision	For employable clients with limited barriers to employment	Disabled clients receive enhanced SA rates; people in training receive a separate allowance

1. A "separate" programme means that payments and recipients are considered outside the general social assistance supports; a "distinct" programme refers to specific regulations within social assistance provisions.

Source: OECD.

that hamper employment prospects.⁵ Both in Alberta and New Brunswick these cases are reviewed for continued eligibility less frequently – and with a less intense employment focus – than the employable caseload.

The Social Assistance Programme (SAP) in Saskatchewan covers most client groups (see below), but distinguishes between employables and those who are difficult to place. The latter group includes those with disabilities but can also include older clients who, it is considered, have little realistic chance of finding work. These clients are often covered by separate programmes or distinct regulations (Table 3.2) – Assured Income for the Severely Handicapped in Alberta, the Extended Benefits Programme in New Brunswick, and the Ontario Disability Support Programme in Ontario. But clients in these programmes are not regarded as unemployable and are encouraged to make use of available employment

supports. Other groups where support is expected to be for a more extended period include those who are undertaking long-term education or training with the objective of reintegration into the labour market. In Alberta, through the Students Finance Board, Ontario (Ontario Student Assistance Programme), and Saskatchewan (Provincial Training Allowance), such benefit recipients receive training allowances and grants, rather than social assistance. Attitudes as to who should be expected to work change over time, and so may levels of income support. For example, lone-parent benefit recipients in Ontario who are currently exempt from job-search activities will during the course of 1999 be covered by the general social assistance programme and thus become obliged to look for work. While relevant statutory benefit rates will not decrease, some of these clients may receive less financial benefits than before due to rule changes or changes in discretionary programmes.

The reason for the distinction between extended and general client categories is that social assistance is considered to be a temporary benefit, paid whilst steps necessary for reintegration are undertaken. It follows that a lower benefit can be paid for the employable clientele because support is not intended to span an extended period. New Brunswick goes so far as to have a distinct category for benefit payments of a transitory nature (interim benefits). This benefit is paid to clients who can prove they are in-between jobs or awaiting other benefit income. Families with children in need of support for more than 2 weeks are more likely to be classified in the more generous transitional allowance, while single persons receive interim benefits: 96% of such cases concern single persons and two-adult households without dependent children. Nevertheless, the single persons on the interim caseload make up only 14% of all single persons on social assistance in New Brunswick.

The basic allowance

In Canada, social assistance policy is the responsibility of provinces and territories and payment rates vary across the country. Everywhere the basic social assistance payment is not intended to cover much more than the immediate daily need for food, clothing and recurrent household expenses. In Switzerland, cantons have responsibility for setting payment rates. However, a conference of experts and representatives of the social affairs departments of cantons and communes gives guidelines on social assistance rules – the CSIAS. These guidelines were revised most recently, in November 1998. The Supreme Court has ruled that there is an unwritten constitutional right to support at subsistence level. However, the court ruling does not specify a particular amount of support. Cantons are free in deciding what this minimum amount of support should be, but often operationalise the ruling by following the CSIAS guidelines in payments to social assis-

tance recipients.⁶ Seventeen of the 26 cantons have adopted the guidelines. Two others have set basic benefit payments 10% below the level of the guidelines, for budgetary reasons. Other cantons are in the process of considering whether the CSIAS guidelines should be applied.

There is a pronounced difference in philosophy in determining benefit payment rates between the two countries. In Canada, the basic principle is that social assistance should not exceed the income of low-income households in employment, *not* to give a reasonable standard of living. The CSIAS guidelines in Switzerland define a basic payment rate sufficient to “guarantee the beneficiary an existence which respects human dignity” and to “give (beneficiaries) the possibility of actively participating in social life” (CSIAS, 1998, Section A). Hence, the basic payment rate is set to cover a variety of items including social drinks, tobacco and presents and is generous compared to basic rates in Canada (Table 3.3). Chapter 4 discusses the consequences.

Table 3.3. **Maximum monthly basic payment rates in 1998 US\$ PPP^{1, 2}**

	Interim benefits		General social assistance		Extended benefits	
	Single person without children	Couple without children	Single person without children	Couple without children	Single person without children	Couple without children ⁴
Alberta	n.a.	n.a.	195	367	215	384
New Brunswick ³	228	434	418	643	481	707
Ontario	n.a.	n.a.	167	333	666	890
Saskatchewan	n.a.	n.a.	167	325	203	405
Switzerland	n.a.	n.a.	502	769	675	1 013

1. 1 US\$ PPP equals C\$ 1.16 and SF 2.01.

2. n.a.: not applicable.

3. Basic rates in New Brunswick include payments towards housing, while other provinces have separate shelter allowances.

4. It is assumed that both adults qualify for extended benefits; this is not a requirement in New Brunswick.

Source: OECD calculations based on data provided by national authorities.

Assets' ceilings

Assets tests in both Canada and Switzerland are strict in comparison with other countries (Pearson, forthcoming). Something under PPP US\$ 3 000 in liquid assets can be held in Switzerland; in Canada, even less (Table 3.4). In Switzerland, cars will normally have to be sold, with very few exceptions. In Canada, cars that do not exceed some given value (which varies across provinces) may be retained. In both countries, private pensions play an important role in retirement income

Table 3.4. **Assets disregards for social assistance clients**

	Alberta	New Brunswick	Ontario ¹	Saskatchewan	Switzerland
No. of household members					
1	C\$ 1 500	C\$ 1 000	C\$ 520	C\$ 1 500	SF 4 000
2	C\$ 3 000	C\$ 2 000	C\$ 901	C\$ 3 000	SF 8 000
Each additional adult			C\$ 481	C\$ 500	
Each additional child			C\$ 437 ²	C\$ 500	SF 2 000
Disregard for privately owned residence	Yes, if of reasonable value	Yes, if of reasonable value	Yes, if of reasonable value	Yes, if of reasonable value	Yes ³ , if of reasonable value
Cars, business tools	C\$ 4 000	Yes, at discretion	C\$ 5 000	Yes, at discretion	Normally must be sold ⁴
Disregard for occupational pension (RRSP/RPP ⁵)	No	No	No	No	Yes

1. Assets disregards in Ontario are the equivalent of one month's entitlement; the numbers presented here concern maximum rates/disregards.

2. Children under 13, for older children, more can be disregarded.

3. Privately owned residencies by self-employed claimants without pension rights are disregarded as the house is specifically regarded as a resource in retirement, and treated as equivalent to an old-age pension (CSIAS, 1998, pp. E.2-3).

4. By comparison, in Canada public transport networks are not extensive while distances for shopping, work and access to schools and medical services are much greater. Therefore, cars are considered an essential means of transport in Canada but not in Switzerland.

5. RRSP (Registered Retirement Saving Plans) and RPP (Registered Pension Plan) are fiscally advantaged private pension plans in Canada.

Source: OECD calculations based on data provided by national authorities.

provision. Switzerland exempts private pension assets from social assistance assets tests; Canada does not. It follows that social assistance receipt has consequences for the standard of living that will be supported as the person ages. The CSIAS guidelines in Switzerland leave considerable scope for local decision-makers to apply assets limits as they see fit and there is some variation across and within cantons.

The dominant trend within Canada has been to restrict assets limits (National Council of Welfare, 1998). However, of the four provinces covered in this review, cuts in assets limits concerning claimants without disabilities have been sharp only in Ontario and are now the equivalent of a monthly entitlement.⁷ This is strict even by Canadian standards, which are better reflected by Alberta and New Brunswick. Assets disregards in Saskatchewan are relatively high.

Adapting for differing needs

In both countries, the basic payment rate is intended to cover day-to-day expenses but does not include payments that reflect differing needs across households. Such expenses include health insurance, housing costs, irregular medical expenses, child-care costs, and other unforeseen expenses. Canada and Switzerland treat these items rather differently.

Health benefits

In the four provinces in Canada under review, social assistance beneficiaries receive a health card for which they do not need to pay any fee. This card can be considered as a regular health insurance. However, the coverage of this card differs slightly among the provinces. Table 3.5 provides an overview of health benefits and coverage of social assistance recipients in Canada.

Take-up of health insurance is obligatory in Switzerland under federal legislation. A subsidy is given by cantons to support those who otherwise would have difficulty in paying the health premiums. The subsidy schedule differs across cantons, but is generally based on taxable income, and is often expressed as a proportion of the average premium in the canton. For example, in Ticino in 1998, the average premium was SF 2 640 per year; low-income households are generally expected to pay SF 650 per year out of household income, so the maximum cantonal subsidy is SF 1 990 per year. However, someone on social assistance will often also have the balance of payments covered through the social assistance system. For a single person, the cantonal subsidy is withdrawn gradually between taxable incomes of SF 15 000 and SF 22 000 per year. As a result, the subsidy programmes cover a much greater part of the population (10-20%) than social assistance recipients.

Housing benefits

In Canada, the basic benefit rates are supplemented by a shelter allowance in all four provinces under review except New Brunswick where such payments are included in the basic benefit. Shelter allowances cover rental payments up to a maximum that varies by family size (Table 3.6). Rents are generally higher in Ontario than elsewhere which is reflected in its shelter allowance. The distinction between employable and non-employable clients sometimes affects maximum shelter allowance rates. Alberta pays 80% more maximum shelter allowance to single unemployable clients than to employable clients; Saskatchewan 52%. In contrast to Saskatchewan, Alberta also has distinct shelter rates for employable and not-employable families but differences decline rapidly with family size. In Saskatchewan, those in social housing receive lower subsidy rates reflecting their lower overall housing costs.

Table 3.5. **Health coverage of social assistance beneficiaries in Canada**

	Alberta	New Brunswick ¹	Ontario	Saskatchewan
Dental care	Free-of-charge	30% participation fee	Covered under Ontario Works. In addition, under the CINOT programme dental care is provided to children in schools	For employables restricted during the first 6 months to emergency service only; general coverage thereafter
Drug coverage	Free-of-charge	CS 4 co-payment per prescription	Prescription drugs are covered for low-income parents (Trillium programme)	CS 2.00 co-payment per prescription
Optometric services	Free-of-charge	Free-of-charge	Once every 2 years (OHIP programme)	One exam every 12 months Glasses free of charge
Emergency ambulance	Free-of-charge	Free-of-charge	Free-of-charge	Free-of-charge
Hearing aids	Not covered	Free-of-charge	Once every 2 years (OHIP)	30% co-payment if claimant is over 21 years of age, otherwise it is free of charge
Medical supplies	Free-of-charge	Free-of-charge	Not covered	Free-of-charge

1. Excluding prescription drugs and ambulance services, claimants must be on SA for three months before they are eligible for the other health benefits.

Source: Provincial authorities.

The basic rates in Switzerland are supplemented by payments to cover the monthly rent and utility bills. These costs are covered in full, unless the social worker decides that housing costs are unreasonably high, in which case the claimant will have to look for cheaper accommodation. Separate cash housing benefits do exist in Switzerland, but are by no means universal. In Ticino, for example, communes are responsible for direct financial help with rental costs but this system has proved inefficient and, in fact, only in 6 communes is help available.

Exceptional expenses

In both countries, a number of additional items can be covered by exceptional social assistance payments if there is a proven need. Greater leeway is given to

Table 3.6. **Shelter allowance for social assistance recipients in Canada, 1998 US\$ PPP¹**

	Alberta	New Brunswick ²	Ontario	Saskatchewan ³
Single person	145	n.a.	280	177
Couple	290	n.a.	441	341
Couple plus 2 children ⁴	405	n.a.	519	418
Single plus 2 children ⁴	337	n.a.	469	362

1. 1 US\$ PPP equals C\$ 1.16.

2. n.a.: not applicable, as New Brunswick has no distinct shelter allowance.

3. Shelter allowance rates for the eight largest cities are shown; lower rates are used for more rural areas and smaller towns.

4. Calculations assume children are younger than 12 years of age.

Source: Provincial authorities.

social workers in Switzerland, who can recommend approval of exceptional expenses if they are caused by the claimant's health, family situation or by the exercise of a professional activity.

In Canada, on the other hand, the reviewed provinces generally have lists which specify items that can be covered (Table 3.7). Examples include removal expenses, extra clothing, exceptional travel expenses, work-related expenses and day-care expenses. In both Alberta and New Brunswick, these lists have

Table 3.7. **Exceptional expenditure items covered by social assistance in Saskatchewan**

Clothing, other than day-to-day
Travel expenses, other than day-to-day
C\$ 25 to help disabled people buy services necessary for them to remain in their home
Special telephone equipment for disabled persons
Household items
School allowance for children C\$ 50 to C\$ 130 per year
Job and training start-up costs
Home care services
Baby-sitting/day care
Laundry costs due to a medical condition
Moving costs
Repairs to the house
Back bills for rent and some utilities for the month of application
Funeral expenses

Source: Provincial authorities.

been reduced in recent reforms, which also tightened access in order to reduce expenditure.

Work and social assistance receipt

In both countries, people who work but have low income are entitled to social assistance benefits. In Canada policies aim to help working claimants meet their work-related costs through exempting a certain portion of earned income from the income test. Table 3.8 shows substantial differences between the four provinces under review. In Ontario, the high disregard originates from a commitment made to allow claimants to earn back the reduction in benefit rates without seeing benefit rates reduced. Switzerland, on the other hand, does not have explicit income disregards for working claimants. Until recently, the CSIAS guidelines advised cantons to disregard costs related to a paid or professional activity if they are likely to improve the beneficiary's longer term situation. In 1999, the CSIAS reformulated its guidelines to stress that measures favouring social and economic integration are an indispensable part of social assistance.

Table 3.8. **Earnings exemptions in the SA means test in Canada**

	Monthly earnings exemptions ¹		
	Single	Couple ²	Children
Alberta	Flat rate C\$ 115 plus 25% of the balance	Flat rate C\$ 230 plus 25% of the balance	Flat rate C\$ 350 plus 25% of the balance ³
New Brunswick ⁴	Flat rate C\$ 150	Flat rate C\$ 200	All earnings, including summer employment are exempted if the child is in school or will be returning to school in the Autumn
Ontario	Flat rate C\$ 143 plus 25% of the balance	Flat rate C\$ 249 plus 25% of the balance	About C\$ 50 per child, C\$ 150 for the first child in a LPF
Saskatchewan ⁵	Flat rate C\$ 25 plus 20% of the next C\$ 375; maximum C\$ 100	Flat rate C\$ 50 plus 20% of the next C\$ 625; maximum C\$ 175	None

1. "Balance" refers to earned income after deduction of the flat rate exemption.

2. The income of both partners is considered.

3. Disregard concerns children's own earnings.

4. The exemption can only be given after three months of benefit receipt.

5. Lone parents disregard is equal to C\$ 125 plus child care expenses.

Source: Provincial authorities.

Child and family benefits

There are two approaches to ensuring that families on benefit have sufficient resources. One is to rely on universal benefits which are available to all families regardless of whether they are in receipt of social assistance benefits or not. The other is to adapt benefit payment rates to take account of family size.

In Canada, the National Child Benefit (NCB) is a joint federal-provincial-territorial initiative to assist lower income families regardless of whether they are in work or in receipt of benefits.⁸ Because it covers all those with low incomes, some low-income working families are prevented from having to rely on social assistance and those in receipt of benefit face less of a barrier as they re-enter employment. The introduction of the NCB (Table 3.9) facilitated the reduction of child allowances in the basic social assistance rates. This did not happen in New Brunswick, where social assistance rates were less generous than elsewhere, so the province allowed families on social assistance to retain NCB payments without financial penalty.

The ability of some claimants to enter the labour market is influenced by the costs of work. The most substantial work-related cost is child care, and this has been the focus of some policy attention in Canada. Those parents who work are expected to use a portion of their earnings, disregarded in the needs test, to cover the child-care costs. Alberta and Saskatchewan allow lone parents to include the full cost of registered day-care in specific disregards on top of those in Table 3.8; New Brunswick and Ontario limit the disregards for day care to C\$ 200 and 75% of actual costs up to C\$ 390 respectively. With the recent introduction of the NCB, provinces have been able to reduce the child supplements within social assistance without reducing overall benefits to benefit-dependent families. Provinces have used the funds so released to invest in policies to improve the position of children. New Brunswick used these funds to invest in child-care facilities for those in work.

Table 3.9. **Maximum National Child Benefit as of July 1998**

Maximum monthly rates for families with annual gross incomes less than C\$ 20 921¹

Number of children	Amount (C\$)
One	135.42
Two	254.17
Three	372.92
Four	491.67

1. In Alberta, these amounts vary according to the age of the child. An additional C\$ 17.75 is paid in all provinces for each child under age 7 for whom no child care expenses are claimed to reduce income taxes payable. In Saskatchewan, there are maximum monthly additions, which amount to approximately C\$ 75 for one child, C\$ 170 for two children, C\$ 265 and C\$ 360 for three and four children, respectively, for families with annual taxable incomes less than C\$ 15 921.

Source: Social Union Internet site: <http://socialunion.gc.ca>.

Ontario used the bulk of the savings to provide a refundable tax credit to low-income working families using child care, while extending coverage of the 75% of the C\$ 390 per month per child earnings disregard to parents caring for their own children at home. Saskatchewan invested in the Saskatchewan Child Benefit (SCB) to supplement the Canada Child Tax Benefit.

Most family benefits in Switzerland are financed by the cantons. They are generally restricted to employees (a separate federal programme exists for households in the agricultural sector). For example, in Zürich, SF 1 800 per child per year is paid either by the employer if the parent is working or by the insurance fund if the parent is unemployed. Social assistance benefit rates in Switzerland are related to the number of people in the household. The CSIAS guidelines suggest a monthly supplement of 20% of the basic rate for a single person, if a child is over 16 years of age. Child-care costs are covered by social assistance payments at the discretion of those responsible for benefit award. Ticino is the only canton with generalised child benefit payments, also covering social assistance recipients. Every family with dependent children in financial difficulties can under certain conditions access these child benefits, which in some cases prevents recourse to social assistance.⁹

Both in Canada and Switzerland, authorities assist lone parents in actively pursuing absent fathers for alimony payments. The requirement to pursue alimony can be waived in case of situations of family abuse or default by absent fathers who themselves are on social assistance. In Switzerland, alimony payments are guaranteed by the communes. The advances vary somewhat between the cantons, Graubünden and Zürich limit the monthly amounts to about SF 650. Ticino and Vaud pay higher amounts: SF 1 000 and SF 2 000, respectively.

Net benefit rates

Table 3.10 presents monthly net social assistance payments, including shelter allowances, regular medical benefits and family benefits (as calculated on an annual basis for year-round recipients). For all family types, payment rates in Switzerland are up to US\$ 415 higher than the Canadian rates. The following chapter discusses the adequacy of such payments.

Caseloads

At any one point in time, between nearly 3 and 10% of the Canadian population are in receipt of social assistance or related benefits (Table 3.11). In a year, between 5 and 6% of the population in Alberta, and almost 10% of the populations in New Brunswick and Ontario made use of social assistance provisions (this includes a number of disabled people).

People have recourse to social assistance for a diverse number of reasons. Groups that form the bulk of the caseload in Canada and Switzerland are: immi-

Table 3.10. **Monthly net social assistance payment rates in 1998 US\$ PPP^{1, 2}**

	Single person	Single plus 2 children	Couple plus 2 children
Canada			
Alberta	357	793	949
New Brunswick ³	432	915	967
Ontario	441	964	1 016
Saskatchewan	372	1 014	1 161
Switzerland			
Graubünden	802	1 278	1 431
Ticino ⁴	802	1 278/1 384	1 431/1 722
Vaud	802	1 278	1 431
Zürich	802	1 278	1 431

1. 1 US\$ PPP equals C\$ 1.16 and SF 2.01.

2. Monthly rents are assumed equal to C\$ 300 and SF 500, respectively, for all three family types. These amounts are equivalent to 10% of the estimated average monthly earnings level in both countries. Relevant tax payments are calculated on an annual basis for year-round recipients.

3. New Brunswick rates do not include seasonal supplements for people renting on the private market.

4. Calculations regarding families with children in Ticino cover the Supplementary Child Benefit; the amounts after the slash reflect net family income when including the parental benefit.

Source: OECD calculations based on data provided by national authorities.

grants; aboriginal people (in Canada); lone parents; young people; and the long-term unemployed.

Family breakdown may expose *lone parents* to a labour market with which they had little contact. They must balance the demands of the labour market with that of their family. Provincial attitudes to lone-parents claiming benefit vary. New Brunswick does not oblige lone parents to look for work until the youngest child is an adult, whereas Alberta requires job-search effort 6 months after giving birth. Ontario has had a separate scheme to cover lone parents outside of the social assistance system, and exempting them from job-search requirements. However, the special treatment is being ended. Lone parents will be incorporated into the general social assistance programme and required to look for work if they have no children of under school age.

About 17% of social assistance beneficiaries are lone-parent families with children in the Canton of Zürich (13% of beneficiaries in Vaud) while 19% receive alimony prepayments. In Canada, nearly a third of all social assistance caseloads are lone parents (Table 3.12).

Migration has been an important source of population growth in Switzerland, as noted in Chapter 2. Migrants often have difficulties in finding employment due to their different and often lower level of educational qualifications; language problems; and absence of networks to assist with job search. Recent migrants form a

Table 3.11. **Social assistance caseloads by employability in Canada, 1998¹**

	Interim benefits	Expected to work	More difficult to place	Social assistance total	Separate assistance programmes	Total caseload	Total number of persons on welfare ²	Total number of persons on welfare as a % of the provincial populations ²
Alberta	–	25 041	8 601	33 642	25 316 ³	58 958	77 028	2.7
New Brunswick	2 432	24 488	5 993	32 913	⁴	32 913	67 144	8.9
Ontario	–	230 040	93 960	324 000	189 600 ⁵	513 600	1 091 339	9.6
Saskatchewan	–	26 356	9 050	35 430	⁶	35 430	72 535	7.1

1. Number of cases (not: number of persons) depending on assistance, July 1st, 1998; the table does not include Indian and Northern Affairs Canada assistance cases on reserve.
 2. Measured at 31 March 1998.
 3. Data include 2 631 recipients of the widows' pension and AISH (disabled persons), but do not include student assistance grants (around 15 000 cases) or 1 436 cases of children in need living with guardians.
 4. Caseload information regarding the Special Needs Benefits Programme and the Day Care Assistance Programme is not available.
 5. Including ODSP-caseload (Ontario Disability Support Programme).
 6. Provincial Training Allowance is a separate programme, outside welfare support programmes.
- Sources: Provincial authorities; Statistics Canada, Quarterly Demographic Statistics; Human Resources Development Canada, Quantitative Analysis Division, Social Policy Group, Strategic Policy and Planning Branch.

Table 3.12. **Caseload by family type, annual averages, 1998**

	As a percentage of total caseloads							
	Graubünden	Ticino	Vaud	Zürich	Alberta (January 1999)	New Brunswick (February 1999)	Ontario (March 1998)	Saskatchewan
Single	68%	35%	58%	65%	41%	47%	48%	54%
LPF	19%	–	13%	17%	44%	32%	35%	31%
Two-parent families with children	13% ¹	41% ²	16%	13%	11%	12%	12%	10%

1. Includes couples.

2. Includes single parents.

Sources: Provincial and cantonal authorities.

large part of the social assistance caseload. In the four reviewed cantons, between 25 and 46% of the caseload has non-Swiss origins (Table 3.13). For the whole of Switzerland, 44% of all social assistance recipients are of foreign origin, compared with a population share of 19%.

Migration into Canada is concentrated in certain areas: Ontario, Alberta and British Columbia. Immigration can be controlled through “sponsorship” of new migrants by existing residents of Canada. The sponsors guarantee that the immigrants will not be a financial burden on the state for a period of time. As described in Chapter 6, sponsorship arrangements can break down, leaving the provinces to bear the burden. Internal migration between provinces is common in Canada. Migration flows are strongly linked to the state of the labour market, dampening the effects of any change in relative economic performance across the provinces.

Low literacy skills increase the likelihood of social assistance receipt. Results from the International Adult Literacy Survey indicate that the literacy scores among social assistance recipients are significantly lower than among the rest of the

Table 3.13. **People of foreign origin in the total SA caseload in Switzerland, annual averages, 1998**

	As a percentage of the total caseloads	
	Switzerland	
Graubünden ¹	44	
Ticino ¹	25	
Zürich	34 (1997)	
	46	

1. Data do not cover asylum seekers.

Source: Cantonal authorities.

population (Table 3.14). Although literacy and education are highly correlated, even at the same level of education welfare recipients had a significantly lower level of literacy than non-welfare recipients (Kapsalis, 1998). Low education levels are also often mentioned as a particular problem causing social assistance dependency in Switzerland, particularly among clients of foreign origin.

In Canada, the *aboriginal population* suffers from low educational attainment, and reserves (on which a substantial part of the population lives) are often geographically isolated with little market activity in the surrounding region (Chapter 6). Unemployment rates on reserves are high (averaging 30 to 32%). Social assistance dependency averages 46%, but in isolated reserves is often 70 to 80%. They are strongly over-represented among social assistance clients, with the result that in Saskatchewan, for example, they account for 39% of all cases.

New claimants cite *unemployment* as the most usual reason for the claiming of social assistance in Canada (Table 3.15). This is also the case in the city of Zürich,¹⁰ where about 72% of new entrants are regarded as unemployed (Sozialdepartement der Stadt Zürich, 1997). As noted above, those commencing a spell of unemployment may have to consider a claim for social assistance after a few months in Canada, but possibly not for several years in parts of Switzerland.

Because of stringent needs tests, a relatively small proportion of EI claimants move directly into social assistance. Similarly, not all those who have exhausted their UI benefit in Switzerland flow into social assistance. Almost 57% of the 66 000 people who exhausted their UI benefit in 1995 and 1996 were without employment in March 1997. Of these “exhaustees” only 15% were on social assis-

Table 3.14. **Educational attainment and literacy scores, Canada, 1994¹**

	Social assistance recipients		Non social assistance recipients	
	In work in 1994?			
	No	Yes	No	Yes
Years of completed formal education (grade ²)	9.5	11.4	10.9	13.1
Incidence of low document literacy level ³	76%	55%	60%	38%

1. The sample concerns Canadians aged 26-65.

2. The high school certificate is equivalent to Grade 12.

3. Document literacy refers to the knowledge and skills required to locate and use information contained in various formats including job applications, payroll forms, maps, tables, graphics, etc. For this literacy domain a scale from 0 to 500 was constructed, upon which tasks of varying difficulty were placed. The incidence reported here refers to the two lowest (out of five) ranges of literacy scores.

Source: Kapsalis (1998).

Table 3.15. **Reasons for going on welfare (percentage points¹)**

	Alberta	Toronto
Lost job	45.4 ²	25
Waiting for employment insurance (EI)	– ²	9
Looking for work	– ²	5
Health and mental issue	14.3	11
New resident ³		10
Family break-up	8.6 ⁴	8
Finished education programme		5
Moved out of parental home		4
EI expired		4
Refugee		4
Pregnant – had baby	5.3	
Insufficient income	18.4	
Other	8.0	15
Total	100	100

1. The surveys are different in design while results depend on self-response. Therefore, results should be seen as indicative only.
2. In the survey on Alberta 45.4% of the respondents answered their primary reason for going on welfare was that they were unemployed. This approximates the following answers for the Toronto Survey: job-loss; waiting for EI; and looking for work.
3. Concerns people who moved into Metropolitan Toronto from elsewhere.
4. Includes respondents who indicated they left an abusive situation (0.7%).

Sources: Canada West Foundation (1997).

tance (SA), the other main sources of support were requalification for UI; income of spouse; support by family, parents and friends (Aeppli *et al.*, 1998).

People who have *insufficient employment history* to qualify for benefit (*i.e.* 20 weeks in Canada, 6 months in Switzerland) or who earned less than the qualifying earnings threshold in Canada may resort to social assistance. *Young people* in particular fall into this category. Fifty per cent of all income support (Support For Independence – SFI) claimants in Alberta are aged 34 or under, while almost 30% of new claimants in Zürich is below 30 years of age (Sozialdepartement der Stadt Zürich, 1997).

People whose previous earnings were so low that they qualify for an insurance benefit that is below the level of social assistance, can become entitled to a social assistance *top-up*. However, in both countries UI claimants who previously had earnings at the first decile earnings level would have entitlements above the social assistance level. Hence, most combined take-up will generally come from people who either had part-time or seasonal jobs. In New Brunswick, where seasonal employment is a significant factor in total employment, almost 5% of the employable social assistance caseload was claiming EI in January 1998.

Some *people in work* qualify for social assistance or related benefits if their income from work is sufficiently low (in Canada, benefit levels approach and some-

times exceed minimum wage levels, Chapter 5). In Ontario, 90 000 social assistance-claimants were receiving their benefit payments in addition to earnings from work in 1995 (about 39% of the total employable social assistance caseload). In Switzerland, about 10% of claimants are involved in some work at one point during the year. However, Leu *et al.* (1997) estimate for Switzerland that 83% of those who work but have low earnings are not in fact in receipt of benefit.¹¹

CLIENTS AND SAFETY NET PROVISIONS: ADEQUACY, ACCESS AND ATTITUDES

This chapter is in three parts. The first discusses the philosophy behind the setting of benefit rates, and how well the system covers the needs of different family types. But the generosity of a system is determined not just by how much is received, but also by whether the benefit is received at all. The second section considers those rules that determine whether families are eligible for income support, and the third whether administrations see their role as helping those seeking to claim benefit, or hindering them.

Adequacy

The philosophy behind the setting of benefit rates

In both countries under review, the setting of benefit rates is the responsibility of the cantons and provinces authorities as stipulated in the federal constitution. In Canada, the level of income support varies across provinces, whereas variation is quite limited in Switzerland. Most cantons now take as the basis for their laws voluntary guidelines developed by experts with advice from municipalities and private sector organisations and endorsed by the Conference of directors of cantonal social services. These voluntary guidelines are binding in 17 cantons (in the remaining cantons the formal acceptance of the newly revised guidelines is under debate). Two cantons have used their right to set benefits 10% below the level as stipulated in the guidelines.

A catalyst for change in Canada was the reform of federal/provincial transfer mechanisms. As described in more detail in Chapter 6, transfers from federal to provincial government were both reduced in amount and changed from a “cost-sharing” basis to a block fund transfer. Combined with the sharp rise in unemployment and caseloads during the 1990s, the effect was to both increase the prominence of social assistance spending in provincial budgets; increase the freedom of provinces to experiment with new approaches; and increase the returns to provinces following successful reform:

- Because of federal cost-sharing, provinces had similar programmes of income support. Such uniformity of approach was not required by federal

provisions, but it has only been with the abolition of cost-sharing that provinces have started to follow markedly different approaches. Since June 1998 Ontario has separate programmes covering disabled persons and those expected to work. In New Brunswick, clients are categorised (see Chapter 3), with those considered to have significant barriers to employment (being paid a different rate from those more able to work).

- Those in long-term reintegration programmes are paid training allowances in Alberta, Ontario and Saskatchewan, rather than continuing to receive social assistance.
- Those in work with children, but with low incomes and in receipt of top-ups are covered by a separate scheme in Saskatchewan rather than by social assistance.

There are exceptions to this trend towards compartmentalising clients. In 1999, Ontario will integrate lone-parent households into the Ontario Works Programme. Saskatchewan categorises clients as fully employable and not fully employable, but since 1992 this distinction no longer affects basic benefit rates but is limited to the shelter allowance for single employable persons (Chapter 3) and some eligibility criteria.

The sum of these changes is that social assistance is increasingly a benefit for those who can work and who are expected to work. Administrations have found it politic to create a residual social assistance caseload of employable clients upon which intensive labour market reintegration efforts can be targeted, at the same time transferring claimants with multiple barriers to employment to other programmes.

The basis upon which provinces determine the level of basic social assistance for this group of “employable” social assistance clients has been evolving. The objective of social assistance is now seen not as supporting an adequate standard of living over an extended period of time, but as a bridge to prevent destitution whilst reintegration efforts take place. It follows that benefit rates are kept low and the general preference of policy makers is to target any extra funds which are made available for social policy towards supporting labour market reintegration, not increased income support (see below for a discussion of exceptions to this).

Such an approach towards benefit-setting has been reinforced by political changes. New Brunswick undertook a public consultation exercise to identify in whose interests social assistance policy should be made. The conclusion was that the main stakeholder in social assistance policy was the taxpayer. In Alberta and Ontario, the focus of policy is similarly influenced by political acceptance, rather than by the adequacy of the system from the point of view of the client.

It follows that in none of the four Canadian provinces are income support levels determined by a decision on what should be a socially acceptable standard of living.¹² Benefit levels are not linked to any “objective” measure of poverty as, for example, the Low-Income Cut-Offs (LICOs) generated by Statistics Canada (see Chapter 2), nor have they recently been uprated automatically in line with inflation (a change from the past – see Eardley *et al.*, 1996). Instead, political acceptance and the state of public finances have become the major determinants of benefit rates. Indeed, as emphasised in Chapter 2, the dominant theme of Canadian public policy making in the mid-1990s has been to cut or at least curb public expenditure, and benefit levels have been affected by such considerations. Comparison of benefit levels is made not to any measure of deprivation, but rather to ensure that the benefit system should not support a standard of living that exceeds or even matches that of a working household.

Developments in Switzerland have been motivated by very different considerations. In theory, the scope for variety in benefit setting in Switzerland is endless: the 26 cantons and half cantons have the ultimate legislative responsibility for social assistance policies, which they often leave at the discretion of each of the about 3 000 municipalities. In practice, however, variation of benefit rates in Switzerland is quite limited. The reason for this is that most cantons now take as the basis for their laws, non-mandatory guidelines on benefit rates and operational aspects of social assistance provision as developed by CSIAS.¹⁴ This body has been co-ordinating policy for 90 years, though with greater intensity and uniformity in recent years.

CSIAS is the overarching forum for experts, often employed in public social service institutions, with advice from municipalities and private sector organisations. The CSIAS guidelines are binding in 17 cantons: in the remaining cantons the formal acceptance of the recently revised guidelines, 1 January 1998, is under debate (CSIAS, 1998). In the absence of specific cantonal legislation, the Supreme Court has ruled that there is an unwritten right to minimum means of subsistence, and although the court ruling does not specify a minimum amount, cantons often interpret the ruling in view of the CSIAS guidelines. Two cantons (Solothurn and Uri) have used their rights and introduced legislation setting benefits for social assistance claimants 10% below the level as indicated by the CSIAS guidelines.

CSIAS sets its guidelines with the stated objectives of guaranteeing basic income support, promoting the independence of benefit recipients, and enhancing their social integration (CSIAS, 1998, p. A.1-1). To this end, its guidelines stipulate the provision of a social minimum rather than income at subsistence level. The social minimum is intended to guarantee horizontal equity of social assistance clients with low-income earners not in receipt of social assistance benefits.

As is apparent, this is a very different philosophy from that prevailing in Canada, and it has led to a very different approach in determining how benefits should be set. The basic benefit level is based on surveys of what those in the bottom quintile actually consume, historical benefit levels and inflation. The basic benefit amount is designed to cover essential purchases, including food, clothing, utilities and even making allowance for the giving of (small) gifts. Additional amounts are given to cover housing costs and basic medical expenses.¹⁴

In addition to this basic amount, an additional payment, amounting to about 10% of the basic benefit is recommended. This is given to clients to provide them with a degree of leeway in determining household expenditure, but also to cover expenditure such as membership of sports clubs or other cultural societies, so improving their social integration. The subsistence minimum topped up by an additional benefit component towards living expenses provides social assistance clients with an income level deemed sufficient by CSIAS to *cover basic needs*.

Hence, whereas the Canadian approach can be characterised as primarily determined by *external* factors – the incomes of those in work but with low wages; the state of public finances – that of Switzerland is based on an *internal* logic – what level of benefit is required to support a decent standard of living.

Basic benefit payment rates

The evolution of payment rates in Switzerland has been incremental. They have generally risen in line with inflation, but increases are not automatic. In contrast, more substantial changes have taken place in some Canadian provinces:

- In October 1993, Alberta cut benefit rates: single employable clients faced a 19% cut; 13% for LPF with one small child; and 12% for a two-parent household with 2 children (Boessenkool, 1997, p. 6).
- Although benefit payments in New Brunswick have not been cut, in 1993 access to welfare was restricted.¹⁵
- In 1995, Ontario cut benefit rates by 21.6% (benefit levels nevertheless remained 10% above the average level in the other provinces).
- Saskatchewan introduced compartmentalised benefits in 1984, and cut benefits to fully employable clients by 16.9%. The compartmentalisation was limited in 1992, when benefit levels of the employable clients were levelled up (except for shelter allowances to single employable clients). Further substantial increases have been eschewed, with the current focus being rather on more effective developmental interventions.

In contrast, the injection of resources into provinces through the National Child Benefit was allowed to increase real living standards of families on benefit in New Brunswick, unlike in the other three provinces. However, benefit rates in

New Brunswick have historically been lower than in the other provinces. The rate for single people on interim assistance is widely acknowledged to be meagre. Indeed, advocacy groups assume that anyone receiving that rate for some time *must* be cheating the system somehow in order to live.¹⁶

Meeting exceptional needs

In both countries, there is recognition that the basic benefit level must be supplemented by exceptional payments (for home repairs, clothing other than day-to-day expenses, etc.) which take account of differences in need. In Canada, there has been a tradition of social assistance offices paying for certain substantial items of expenditure. As in other countries (OECD, 1998, 1998a), such a system has proved vulnerable to an inflation of expectations, and there has been a change from such payments being made on a *discretionary* basis to them becoming *de facto rights* of benefit recipients.

The payment of any exceptional expenses by social assistance offices is not easily reconciled with the objective of promoting self-reliance. Yet Alberta and Saskatchewan have been reluctant to convert such spending into a higher basic payment, which would both promote independence and restrict the administrative resources which are “wasted” on administering income support rather than promoting reintegration. In Saskatchewan, the reasons for such reluctance are often quite specific: domestic fuel bills vary substantially (due to climate differences within the provinces but also due to differences in insulation of houses), so utility payments of social assistance clients are usually paid directly by the social assistance offices. In Alberta, utility payments are normally not paid by social assistance offices (SAOs), although this may occur in specific cases. With the 1993 welfare reform SAOs have become more strict in making utility payments to utility boards on behalf of their clients. Until then, as utility boards knew that SAOs would underwrite debts (utility providers cannot pursue social assistance clients for arrears), neither client nor provider had any incentive to restrict consumption.

The philosophy of “providing no more to those on benefit than is available to those in work” has affected this area of policy. The current policy response across provinces is to have a restricted list of one-off benefits which are covered, and detailed (time-consuming) guidelines about when these are to be made. The overall “cut-back” on special benefits restricts room to address individual needs of clients, and has contributed to a decline in the generosity of overall social assistance provisions. One-off payments have been scaled back in Alberta, and New Brunswick. In Alberta, cuts were undertaken as part of the overall reduction in generosity of social assistance provisions. In New Brunswick the award of these benefits by local offices varied significantly across the province until 1993: standardisation

of procedures across the province while tightening access criteria sharply reduced spending (currently at C\$ 13.4 million, down from C\$ 30 million at peak).

The CSIAS guidelines facilitate flexibility in actual benefit award, by having a basic amount and a secondary amount that is designed to facilitate social participation. Award of social assistance benefits is subject to approval of a democratically elected person in Switzerland, who is in a position to decide whether to pay the secondary amount, and it is not unlikely that “need” is an important factor in such a decision.

Chapter 3 described how each province and canton copes with differences in housing and health needs. Actual basic allowance payments depend on family size and composition, while separate shelter allowances are also awarded for clients who are not living in social housing units. In Alberta, Ontario and Saskatchewan these are awarded on basis of a needs-assessment subject to a defined maximum, while in Saskatchewan shelter allowances also vary according to cost-of-living indicators for urban and rural areas. New Brunswick and Quebec are the only two provinces where all basic needs, including housing are covered in the “overall benefit”. The CSIAS guidelines in Switzerland mean that housing costs are generally covered; some communes also have limited housing benefits (Box 4.1).

Most out-of-pocket health care costs in Canada are met through the provision of health cards (though as described in Chapter 3, there is some variation). However, until very recently these were only available to social assistance clients. There is a great deal of anecdotal evidence of some social assistance recipients (lone parents being most often mentioned) fearing the consequences of accepting work and so losing health care benefits. Some provinces have targeted funds released under the National Child Benefit towards extending health benefits to low-income households more generally. Switzerland subsidises the private sector health insurance costs of low-income recipients through cantonal programmes. Where these are insufficient, the social assistance system can cover additional costs.

Adapting benefits to family size

Benefit systems respond in different ways to the addition of more members to a household. In Switzerland, child benefits are not general (Ticino is an exception). However, social assistance rates vary according to family size: the CSIAS uses econometric studies and household expenditure surveys as basis for its determination of benefit rates, with the intention being that rates for different family types guarantee the same standard of living. In Canada, intergovernmental co-operation resulted in the National Child Benefit (NCB) providing enhanced benefits and services to all low-income households with children, not just those on social assistance. The NCB was implemented in July 1998 with the aim of reducing the incidence of child poverty whilst at the same time reducing barriers to

Box 4.1. Social housing

Both in Canada and Switzerland, the main target groups for social housing (senior citizens, disabled persons and low-income families with children) are in competition for limited available resources. Most social assistance clients do not have access to social housing. In Ontario, for example, only 10% of clients live in public housing units. The available capacity of affordable housing is of widespread concern.

Until 1993, federal/provincial cost-sharing agreements determined resource allocations for social housing in Canada. The federal Canada Mortgage and Housing Corporation together with its provincial counterparts, provided a wide variety of housing assistance programmes, but in 1993, the federal government put a C\$ 2 billion cap on the housing grant, and has been withdrawing from its involvement in social housing ever since. Most recently in 1997, devolution agreements were signed with New Brunswick and Saskatchewan. This meant that existing housing stock was left to provincial Mortgage and Housing Corporations while provincial authorities also developed separate initiatives, often based on community-based projects and co-operation with non-profit organisations.

Devolution to the provinces has been rationalised on grounds of subsidiarity (see Chapter 6). Funds devoted to social housing have been sharply reduced and construction of new social housing has been reduced to a trickle. As a result, funds are predominantly used for the upkeep of existing capacity. In some provinces, those in social housing units pay rent up to a maximum of 25% (Saskatchewan) or 30% (Ontario) of their disposable income. Payments in the private sector can be much higher: in Toronto alone, about 80 000 households pay more than 50% of their income on rent (Golden *et al.*, 1998). Fifteen per cent of social assistance claimants in Toronto spend over 50% of their income on housing, up from 4.6% in 1995 when shelter allowances (and social assistance benefits) were reduced. There are 37 000 eligible households on waiting lists and current placement in social units often concern those signed up 8 to 10 years ago. In Calgary (Alberta), 45% of the 3 800 people considered homeless are working, receiving an average hourly wage of C\$ 7.40 (the provincial minimum wage is C\$ 5.40 per hour).

In Switzerland, rapidly increasing housing costs in the late 1980s led all levels of government to introduce initiatives so as to be seen to address the housing issue. The federal government makes transfers to some cantons which (supplemented by their own funds) provide subsidies towards the construction of social housing. Some 20 municipalities, mainly the large ones, also implement their own social housing initiatives (and may also provide cash benefits to tenants). The result is a social housing stock funded by a complex mix of funds from the various tiers of government.

work. It was the intention that as federal benefits for families with children increase, provinces could reduce their social assistance payments to families with children accordingly. Provinces re-invested these funds into policies targeted at

improving the position of children, such as better child-care and early-childhood development policies. Some provinces also increased financial incentives to work for families on welfare by extending health benefits to cover children (and to some extent parents) in low-income families in work (Chapter 5). Indeed, individual provinces are treating the NCB differently. In two cases (including New Brunswick) provinces have not reduced social assistance by the amount of the NCB choosing instead to allow the full amount to pass through to families on social assistance. This was not within the spirit of the agreement, but seems to be tolerated as the provinces involved had the lowest payment rates before (and even after) the increase. Overall, the introduction of the NCB meant that income support to families on social assistance has at least remained the same.¹⁷ The governments involved praise the NCB both for the policy direction but also for the process, which led to it (Chapter 6). The federal government has already announced a significant increase in the level of payments.¹⁸

There is no international consensus on how much extra income must be given to households in order to preserve the same living standard once an additional member is added to a household. However, Atkinson *et al.* (1996) concluded that most estimates fell within a relatively narrow range around a median estimate of the amount given to a single person, multiplied by the square root of household size.¹⁹ Table 4.1. shows that the elasticity of benefit income with respect to household size is not far away from what might be termed the international consensus in Switzerland, except in Ticino where the impact of the parental benefit (for families with very young children) strikingly alters equivalence elasticities to the extent that the presence of the first child in a household leads to a doubling of net benefit income.²⁰ The equivalence elasticities for the first additional adult are high in Canada, but this has to be interpreted in the light of relatively low benefit rates for single people, and a policy intention to give primacy to the avoidance of child poverty, not poverty *per se*.

The provision of services and the role of NGOs

Adequacy in social assistance provision depends not only on cash assistance, but on the range of services which are made available to recipients. Cantons and provinces play an important role in the provision of social care benefits towards marginalised persons, such as the homeless, drug addicts, and ex-convicts. In Switzerland, the provision of social assistance benefits and services is often a municipal responsibility. However, small municipalities cannot contemplate provision of a comprehensive set of services. The various policies that have been introduced to improve provision are discussed in Chapter 6. Larger municipalities in Switzerland and local governments in Ontario also provide child-care facilities, educational assistance, assistance with job search, various family services, housing assistance, debt counselling, etc.

Table 4.1. **Equivalence elasticities for additional household members related to base amount¹**

	Canada			
	Alberta	Ontario	New Brunswick	Saskatchewan
Additional adult (couple)	0.92	0.74	0.55	0.69
Additional number of children				
1	0.88	0.53	0.37	0.72
2	0.41	0.53	0.36	0.66
3 or more	0.36	0.30	0.36	0.34
	Switzerland			
	Graubünden	Ticino ²	Vaud (RMR)	Zürich
Additional adult (couple)	0.53	0.53	0.46	0.53
Additional number of children				
1	0.33	0.96	0.29	0.33
2	0.28	0.64	0.24	0.28
3 or more	0.28	0.43	0.24	0.28

1. The equivalence elasticities are defined as the increase in benefit for an additional household member compared to the base amount (single persons). These are approximate values, as benefits and thus elasticities fluctuate with the age of children in Canada.

2. Estimates on payments to families with children assume that a household receives parental benefit (concerning families with very young children up to 3 years of age). Single persons and couples would receive social assistance payments, whereas families with very young children receive the more generous parental benefit in accordance to the rules as in the *prestations complémentaires*, not social assistance payments.

Source: OECD Secretariat estimates.

In both countries, increasing attention is being given as to how public and private service providers can better work together (see OECD, 1998*b*, for an extensive discussion). NGOs are involved in provision of cash assistance in some circumstances in both countries: Caritas operates in some cantons on behalf of municipalities, while in Saskatchewan, community-based organisations in the three major urban centres deliver social assistance to individuals and families in emergency situations outside normal working hours. NGOs are, however, much more heavily involved in service provision. The Canton of Vaud has sought to include NGOs in its ambitious plans for co-location of service providers. The establishment and strengthening of “Community-based partnerships” are increasingly emphasised in all provinces. Community-based organisations are considered to be better placed to reach clients than public service providers in some circumstances. NGOs often administer the community-based services funded by a combination of federal, provincial and municipal government grants and fee-for-service contracts.

Overall benefit generosity

Those who exhaust their UI entitlement may become entitled to social assistance, although in Switzerland unemployment assistance is available in some cantons upon exhaustion of UI benefit. Two-adult families with children experience only limited income losses (about 15%, although this varies according to the cantonal tax system) at this point in Switzerland (Table 4.2); lone-parent families face somewhat higher income losses. Income drops are about 30% in Canada for both two-adult families with children and LPFs. Single persons face more significant income cuts when moving from UI to social assistance benefit: about 40% in Switzerland, and approximately 65% in Canada.

As is widely acknowledged, the benefit level given in the CSIAS guidelines in Switzerland is relatively generous, and can pose work-incentive problems, particularly for families with children (Chapter 5). In Canada benefits are less generous, particularly for single persons.

Social assistance rates vary across provinces. This variation has fallen somewhat, mainly because of the 1995 reduction in benefits in Ontario. In fact, the Ontario government has committed itself to keep rates at a maximum of 10% above the average of other provinces. The difference across provinces in benefit rates for single persons (about 25%) is much larger than for two-adult families with children (only 8%). Differences in basic social assistance rates in the cantons under review are limited because of the widespread adherence to the CSIAS guidelines. However, as described in Chapter 3, there are two notable exceptions: several cantons have unemployment assistance systems and Ticino has introduced a Supplementary Child Benefit to all families with at least one child under the age of 15 (Chapter 3). These child benefits are generous: they mean that overall benefit rates for claimants can be well in excess of the rates set out in CSIAS guidelines.

Cross-national or even cross-country comparisons of the *level* of benefit are, however, inadequate indicators of whether a social assistance system limits financial hardship. Both countries have, to a greater or lesser extent, sought to reduce benefit *duration* through provision of reintegration supports. A lower benefit paid may lead to less distress than a higher benefit, which is received for an extended period. Some evidence of whether policy is reducing or intensifying distress can be obtained from use of emergency assistance or services. In Canada, food banks provide food and household goods to people in need. The number of persons assisted by food banks more than doubled since 1989 and grew by 5.8% in 1997 (Table 4.3). About 80% of households using food banks in Ontario, New Brunswick and Saskatchewan are social assistance clients (Canadian Association of Food Banks, 1998). In Alberta the number of users with income from work exceeds 20%, and the

Table 4.2. **Financial adequacy of benefits, US\$ PPPs¹**

	Benefit payments ²									Poverty measures		
	Single person			Single plus 2 children			Couple plus 2 children			LICO ³ /PC ⁴		
	SA	UA	UI ⁵	SA	UA	UI ⁵	SA	UA	UI ⁵	Single	LPF	2 adults and 2 children
Alberta	4 278	n.a.	13 836	9 768	n.a.	16 860	11 636	n.a.	18 204	n.a.	n.a.	17 050
Saskatchewan	4 465	n.a.	13 752	10 648	n.a.	16 776	12 423	n.a.	18 156	n.a.	n.a.	16 791
Ontario	5 292	n.a.	13 644	11 807	n.a.	16 668	12 434	n.a.	18 108	n.a.	n.a.	19 881
New Brunswick ⁶	5 189	n.a.	13 488	11 217	n.a.	16 524	11 844	n.a.	18 012	n.a.	n.a.	18 149
Graubünden	9 618	n.a.	18 633	15 331	n.a.	22 449	17 170	n.a.	21 653	8 104	16 607	20 659
Ticino ^{7, 8}	9 618	12 267	14 982	15 331	16 802	19 973	17 170	17 993	20 316	8 104	16 607	20 659
				(16 607)			(20 659)	(20 659)	(20 659)			
Vaud ⁷	9 618	10 513	15 126	15 331	15 406	19 935	17 170	18 066	18 900	8 104	16 607	20 659
Zürich ⁷	9 618	13 108	14 688	15 331	17 879	19 752	17 170	17 676	18 708	8 104	16 607	20 659

n.a.: Not available.

1. 1 US\$ PPP equals C\$ 1.16 and SF 2.01.

2. Net benefit payments of UA and UI benefits vary with the impact of the local tax system.

3. 1992 LICOs are taken for a city of 30 000 to 100 000 inhabitants, updated to 1998 using consumer price index.

4. The PC level is for 1998; LPF are assumed to include two children.

5. The duration of EI benefits in Canada varies with contributory record and regional labour market indicators (Chapter 2). The maximum duration is 45 weeks for unemployed workers in high unemployment areas, but will probably be significantly shorter for most claimants. Therefore, the presentation of annual EI benefit rates for Canada is somewhat artificial.

6. New Brunswick rates do not include the seasonal supplements for private renters: from May to October C\$ 60 per month, C\$ 90 per month during the rest of the year.

7. Calculations on UA rates for Ticino, Vaud and Zürich are based on the assumption that previous earnings equal the APW-level.

8. Numbers in-between brackets denote net family benefit income in the case of parental benefit receipt.

Source: Secretariat calculations based on data provided by national authorities.

Table 4.3. **Use of food banks in Canada, March 1998**

	Food banks ¹	Proportion of people assisted ²	Proportion of children assisted ³	Change in number of people assisted 1997-98 ⁴
Alberta	74	1.3	39.0	-2.9
New Brunswick	35	2.5	35.7	9.2
Ontario	146	2.6	42.5	2.1
Saskatchewan	17	1.7	48.4	2.9
Canada	462	2.4	41.4	5.8

1. The data is survey based and some central agencies responded on behalf of member or affiliated agencies. Therefore the reported total of 462 covers 2 141 outlets. Estimates by the Ministry of Community and Social services refer to approximately 200 food banks in Ontario.

2. Total number of persons assisted over population, in percentage points. The measured number of people assisted only concerns March 1998. It is unknown to what extent these are regular clients and how many other persons use food banks during the year.

3. Number of children related to the total number of persons assisted in percentage points.

4. Increase in percentage points, March 1997 is base.

Source: Canadian Association of Food Banks (1998).

number of people without either income from work or social assistance is higher than anywhere else: about 20%. Children are present in a large proportion of households served by food banks.

NGOs are the main providers of emergency shelter accommodation to serve groups as homeless people, refugees or recent immigrants, or women who are victims of violence and abuse. Homelessness is hotly debated in Toronto, Ontario (*e.g.* Golden *et al.*, 1998).²¹ In 1997, emergency accommodation in Toronto was used by 26 000 persons, with an average of 2 000 families per night. This is a 123% jump over the past five years, and 80 000 other people in Toronto are considered at risk of becoming homeless, figures which have prompted the setting up of a "rent bank" for lone-parent families in order to avoid their eviction rate rising.²²

Evidence of increased use of food banks and homelessness can be interpreted as unambiguous evidence of increased demand for such services only if supply factors are assumed to have remained constant. As NGOs have sought to provide a more effective service, such an assumption cannot be unequivocally supported. Furthermore, the political controversy surrounding benefit reductions and the effect on deprivation will have advertised the services of the emergency assistance providers. Nevertheless, it would be surprising were such factors to have explained *all* the increased use of food banks and related services. It can be concluded that the balance of probabilities is indeed that material hardship has increased in recent years in some Canadian provinces.

Access to benefits

Comparisons of the level of cash income support across different groups, cantons and provinces, and countries cannot give an adequate impression of how the system actually works. The avowed objective of policy in some places has been to tighten significantly eligibility requirements thereby making benefit application and receipt an unpleasant experience. This will encourage potential clients to seek alternative means of support. Even where this is not an explicit aim, some features of policy may have a similar effect. This section considers rules, administrative procedures, and social attitudes that determine whether a claim for benefit is attempted and if it might be successful.

Family resources

As discussed in Chapter 3, the assets of the benefit unit are taken into account when determining eligibility for benefit. In both countries, the assets limits are relatively restricted, requiring cashing-in of private pensions in Canada and sale of cars in Switzerland. The dominant trend within Canada has been to restrict asset limits (National Council of Welfare, 1998), although cuts in asset limits have been sharp only in Ontario (where reductions began in 1993, and most recently occurred in 1998).

The benefit unit has been the subject of a considerable discussion in Canada. There is a sustained lobby attempting to change policy so that same-sex couples can receive benefit on the same basis as unmarried male-female partnerships.²³ Federal government has recently announced (20 January 1999) its intention to recognise same-sex couples in its legislation. Ontario currently uses an array of criteria based on the concept that two adults of the opposite sex cohabit with each other while subsequently accounting for social, economic and familial aspects of the relationship. Currently, this excludes same-sex couples but will cover them if this status is granted by law or judgement. Switzerland takes a more complex route, awarding benefits to individuals, but adjusting the amount given to take account of shared expenses. In New Brunswick the benefit unit is the household. Benefit claims are considered while accounting for incomes and assets of friends or family who live at the same address. Single people are, in effect, forced to live alone if they wish to claim benefit. This did create some socially undesirable anomalies, and various exemptions are now allowed to share accommodation.²⁴ Nevertheless, by ruling out the sharing of costs with other people, the policy excludes one important way in which claimants in other jurisdictions manage their scarce resources.

Family members of claimants can be asked to contribute to the costs of social assistance in Switzerland – public opinion is deemed to consider it as unjust for rich people not to support their relations. CSIAS guidelines are that parents and adult children (but no other family members, so siblings, for example, are excluded) may

be asked to contribute when annual income exceeds SF 60 000 (US\$ 43 000) for single persons or SF 80 000 (US\$ 57 000) for married couples. These limits are relatively high, which means that some cantons feel justified in taking the recuperation of funds from family members very seriously indeed. For example, the social assistance office in Graubünden employs a worker to visit the family of new claimants. In Ticino, an officer visits family members armed with a laptop to serve notice immediately and arrange payment. In contrast, Zürich city treats the provision as something of an archaism, and puts few resources into collecting payments from family members (it recuperated SF 1.8 million or about 2% of social assistance spending in 1997). Such differences across cantons probably accurately reflect differences in public attitudes to the provision.

Repaying social assistance

Social assistance payments in Switzerland are a debt, which in principle is reimbursable. Some cantons take the reimbursement seriously, warn clients making a claim about the fact that they are taking on a debt, and keep client records for many years in order to monitor the debt.²⁵ Other cantons are reluctant to apply this provision extensively.

However, the CSIAS guidelines say that the debt should *not* be reimbursed out of future income from work or savings, as this would be too big a disincentive to exit dependence. In practice, therefore, the main sources of income out of which the debt can be repaid are bequests and winnings from lotteries. Given this, many municipalities regard the maintenance of a register of debts as being too expensive from an administrative perspective.

The role of elected officials and the attitude of staff

Switzerland: professionalism versus political legitimacy?

In Switzerland, professional staff may process benefit applications, but approval of benefit payments is a political decision, made by elected officials (usually communal politicians). This approach is not particularly uncommon; the remnants of such a system persist in several other countries (see OECD, 1998a). But Switzerland differs from these other countries in two ways. First, the views of the social workers are not always accepted without question. Second, the small size of political units in Switzerland qualitatively alters the process of applying for benefit.

In all four cantons under review, benefit applications are dealt with by professional social workers. Direct intervention of democratically elected municipal councillors is limited to processing awards of immediate help in emergency cases (for example in Bellinzona, Ticino) and final approval of benefit award. There is an underlying tension between councillors and professional social workers who pre-

pare benefit proposals. The latter consider that their function is to apply a set of guidelines in an equitable manner across the canton within which they operate. The politicians, on the other hand, may have a very different agenda, such as ensuring that social worker decisions are not out of line with local sentiment and reflect local conditions.

The tensions at their most stark can be illustrated by considering the position of the president of a small rural community. Given the relatively high level of benefit suggested by the CSIAS, it is quite conceivable that the politician is being asked to approve a transfer that matches the income of many members of the local community. Furthermore, in a small community (the median population of communes in Graubünden is just 400), approving such a payment will also lead to a tax increase. It is not surprising that granting approval sticks in the craw of some presidents, who consequently attempt to dispute the validity of the payment. Equally, it is clear that the opinion of the professionals, with their knowledge of the legislation and practice of the system, will usually be proved correct in their opinion. But this does not mean that the process of ensuring democratic legitimacy for each payment is without real consequences, both tangible and intangible.

The most obvious *tangible* result of the system is that it is administratively costly. For each new claim, or change in status, or approval of spending on an ALMP, etc., there is a bureaucratic process that must be followed. Furthermore, councillors sometimes put too much emphasis on financial aspects while not fully considering future social and economic gains. Some professional social workers would prefer to see the role of councillors restricted to strategic policy development and see no virtue in maintaining their discretionary power on a case-by-case basis. Others fear the consequences of removing politicians from the process, so risking an increase in general public suspicion of social workers being too generous.

A second *tangible* result is that rules are pursued with vigour. Assets tests are, for example, taken very seriously as all local offices have stories to tell of councillors noting that claimants are driving a car. Fraud control, too, is pursued with some vigour, with information held by tax authorities and social insurance institutions checked for anomalies. Indeed, it seems likely that the resources devoted to fraud control in Graubünden exceed the likely return, in contrast, for example, with the attitude of professional social workers in Zürich.

The *intangible* effect of all this is that a claimant for social assistance in a small commune can expect no privacy. The file will be sent to the president of the commune – a neighbour of the claimant – and all aspects of the life of the claimant will be open to scrutiny. The cause of any increase in tax bill in the commune will be all too apparent. The partly or wholly intended outcome is that many potential claimants will do almost anything to avoid making a claim in their home community. The

talk of migration of clients from small communes to the comparative anonymity of big cities such as Zürich is wellfounded.

The greater privacy in large cities is not the only reason for making a claim there rather than in a small community. Service provision is higher, and heavier caseloads lead to a low intensity of control interviews (maybe only once per year). For a combination of such reasons, in Zürich city the inflow of clients originating from other cantons is three times as large as the outflow of clients based in Zürich to other cantons. The turnover of clients in Zürich is high: about 30% of SA claimants live in the city for one year or less (as opposed to 9% of overall population who move out of the city within a year). Many of these claimants were on SA in other municipalities prior to moving to Zürich. Zürich is also attractive to new immigrants: 45% of new clients have a foreign passport (the canton has to pay social assistance for such cases for up to 10 years).

Canada: how tight should administration be?

Elected officials in Canada set policy; they have no role to play in administering the system, protection of privacy. The elected officials determine the public disposition of welfare programmes. However, they are increasingly prone to exercise their power to determine the procedures that the professional staff should follow.

There are two extremes in the approach to benefit administration:

- One is that benefits are a right; that potential claimants should be informed of their rights and encouraged to apply; that claimants should be treated as customers of a service; and that the role of the administration should be to process claims as quickly and accurately as possible.
- The other approach is that social assistance is not unrequited (the claimant has to do something in return for benefit receipt). Benefit availability is contingent on tight eligibility criteria and can be accessed only when all other sources have been exploited. Clients need not be informed of any “right” – if they really need help they will apply. Claimants should be discouraged to the greatest extent possible, as the benefit is still fulfilling its role as a safety net even if potential claimants chose to avoid the administrative hassle by seeking other means of support. Claimants are not customers; they are people who have thrown themselves at the mercy of the taxpayer, and the taxpayer has every right to expect that every possible check for eligibility is undertaken, however long that may take.

Whilst no province entirely fits into these caricatures, they can be seen to lean clearly towards one or the other. Inspired by fiscal considerations and concerns about long-term benefit dependency (Chapter 5), policy reform in Alberta has moved the system, in as much as it concerns employable clients, towards the second of the approaches. Prior to reform staff was under instruction to respond to

requests from clients. Success was measured in terms of speed in getting people their welfare cheque. Recent administrative changes have been significant: tightening of entrance conditions; restricting appeal procedures; reduction of dissemination of information on how to get benefits; and changing attitudes among staff. A particularly striking example of the new approach is that on application, those clients who are initially classified as “expected to work” by the receptionist are not scheduled for an interview for two weeks. During that time, people are supposed to explore all other possible sources of support such as family, friends and other sources community supports. Many do not show for the subsequent interview.

The harsh treatment of new employable claimants has had an undeniable effect on new social assistance claims (see Box 4.2), although measurement issues prevent a proper comparison on the intake of clients before and after the reform.²⁶ The view of the Alberta authorities is that these “failed applicants” must have found other supports, and were thus not entitled to benefit. Hence, this is a perfectly satisfactory strategy. The view of welfare advocacy groups is that these practices lead to unmet need.

Box 4.2. Treatment of clients in Alberta

A survey among former welfare-clients in Alberta reveals that there is a wide range of perceptions among former clients on their programme officers (Canada West Foundation, 1997). A sample:

“They are autocratic and totally uninterested. They are vicious towards people that I would call disenfranchised. They are totally irresponsible.”

“They helped me a great deal, as well as being very fair. I’ve been on welfare four times in my life and they’ve always been helpful.”

Respondents were unequivocal on the stigmatising effect of the welfare system:

“It’s really degrading to tell people you are on welfare. You are classified as being on skid row. When some people found out I was on welfare they were very ignorant to me. I was happy to get off it.”

“I was never happy when I was on welfare. I went through hell. I was treated like hell. Honest people get treated like garbage and the people that rip them off are never checked up on.”

The appeals process has also been reformed. Previously, successful appeals were common, with the result that staff became more generous in dealing with claims. With the reform, tight rules have been stipulated which led to containment of the number of appeals.

Despite anecdotal stories to the contrary, there is little evidence that failed Albertan applicants migrated to British Columbia in droves (Boessenkool, 1997; and Canada West Foundation, 1997). Nevertheless, BC tried to implement eligibility restrictions for recent migrants. This was ruled illegal: CHST transfers from federal government have as a condition that provinces cannot introduce a minimum period of residency with respect to social assistance payments.

Recent reforms in Ontario tightened eligibility criteria. Applicants with obvious employment potential in Ontario are not told to go away and to think again, while being directed to an employment service, as they are in Alberta, but otherwise regulations on procedures during the intake interview are similarly restrictive. In comparison with other provinces, an extended amount of time is spent on intake, challenging and checking every detail of a claim in detail so that no-one receives a cent more than he/she is entitled to. As repeatedly stressed in the province, the high level of administrative “hassle” contributes to “clients being uncomfortable with being on social assistance”. Indeed, there is a degree of tension in Ontario between the twin policy objectives of enforcing tight eligibility criteria and increasing awareness among clients of their obligations and devoting resources to reactivation measures, which is also stressed as being a major objective (Chapter 5).

There is a significant contrast between administrative intake procedures in Alberta and Ontario on the one hand, and New Brunswick and, to a lesser extent Saskatchewan, on the other. In New Brunswick, the income support element of new social assistance claims will increasingly be dealt with initially over the phone. Ineligible claims are screened out. The income support details can be checked against other databases, freeing up intake officers to focus on home visits (for up to 40% of post-screening caseload) on groups where such visits are particularly convenient or where claims seem dubious. The Saskatchewan Employment Supplement for low-income parents (a programme separate from social assistance) is also administered entirely by phone through a central call centre, with claims taking 10 minutes and monthly updates 1-2 minutes. Details are checked against EI, Worker’s Compensation and Canada Pension Plan records. The only paper involved is a form confirming that the details given in the initial claim were correct. While Saskatchewan is not considering extending call centre operations to the social assistance programme, Ontario is reviewing the introduction of automated intake procedures and ongoing client maintenance as in New Brunswick.

One area where there is little variation in attitudes across provinces, however, is fraud control, which is intense. Fraud telephone lines have been established which take anonymous information on possible fraudulent claims. These have had some success: in New Brunswick for example, 30% of the telephone calls to the service uncovered fraudulent claims, leading to significant savings. Fraudulent claims often concern undeclared income, undeclared income of spouses, and claimants who no longer live at the address they once submitted. Similarly, welfare reform in

Ontario had a variety of anti-fraud measures: the introduction of a welfare fraud hotline; information-sharing agreements with other government programmes; new legislation to expand powers of investigating staff while imposing eligibility penalties for those convicted; and the establishment of a provincial welfare fraud database to monitor and track results of fraud investigations (Table 4.4). The results are heralded as having led to significant savings to the taxpayers (MCSS Ontario, 1998).

In sum it has to be acknowledged that the differences in rhetoric across provinces are much larger than programme variation. For example, all provinces pursue rigorous anti-fraud policies to assure taxpayers, but the rhetorical attitude is markedly different from “a compassionate” attitude in Saskatchewan to clients having to “Work for Welfare” in Ontario (Chapter 5). The election campaign of the Ontario Premier included a zero tolerance policy for welfare fraud; extending mandatory work-placements; introducing tests on drug-addiction for welfare clients; and, mandatory treatment of those who are (Blueprint, 1999).

Table 4.4. **Fraud investigations in Ontario, 1997/98**

	Number of cases	Percentage
Source of referral		
Welfare fraud hotline	7 910	13
Information sharing agreements	12 514	20
Local provincial/municipal offices	41 229	67
Total	61 653	100
Result of completed investigations		
Termination or reduction of social assistance benefit	14 771	27.6
No fraud or error found	38 681	72.4
Total	53 452	100
Reasons for sanction		
Incarcerated	3 136	21.2
Spouse not declared	3 107	21.0
Undeclared income	2 559	17.3
Undeclared earnings	1 743	11.8
Not at stated address	1 504	10.2
Rent overstated	719	4.9
Child not living with recipient ¹	504	3.4
Duplicate cheques	326	2.2
Undisclosed assets	309	2.1
Other	864	5.9
Total	14 771	100

1. Dependent not living with recipient as declared or dependent 16 or over and not in school as declared.

Source: Ministry of Community and Social Services, Fact Sheet “Welfare Fraud Control Report 1997-98”, Ontario.

Concluding remarks

This chapter has considered three dimensions of the social assistance system: the adequacy of cash income support; the administrative rules determining access to benefit; and the degree of privacy and attitude of the staff in dealing with social assistance clients.

Cash benefits in Switzerland are designed to provide what is needed for an adequate standard of living. As in every other country where this is the starting point for setting benefit rates (see OECD 1998, 1998a), the result is a level of benefit which is high in comparison with the incomes which can be received in the labour market. The consequences for work incentives are discussed in Chapter 5, but the repercussions of high benefit levels go beyond this. In particular, political support for the high benefits is in effect bought through the tightness of the rest of the system. This is also true in other countries, where assets limits may be very low, and interventions from social workers intense. Switzerland, however, goes further, with three aspects of the Swiss system standing out as being unusual:

- The requirement to repay social assistance.
- The responsibility of family members to contribute to social assistance costs.
- The role of local politicians in decision-making.

Most professional social workers are at pains to stress how unimportant these aspects are in practice – debts are *not* normally repaid; family members are *not* normally contacted; local politicians are faced with little choice in rubber-stamping the opinion of the professionals. Several cantons, including Graubünden, Ticino, Vaud, and parts of Zürich, have sought to reduce the role of communes in administering the system. However, these three aspects do clearly have one substantial effect: they contribute to the impression that social assistance is not a *right*. The potential of having a debt hanging over you and of your family being contacted are a very strong incentive *not* to have recourse to social assistance if at all possible. In very small municipalities there is no anonymity; the financial burden of social assistance claimants is obvious to their neighbours. As a result, take-up is very low – few argue with estimates of maybe 50% on average, and in the smaller municipalities the consensus figure is nearer 20%.

The undoubted ability of the Swiss system to support a reasonable standard of living and to adjust benefits appropriately according to need and family size must be interpreted in the light of such low take-up rates. Because benefits vary by region and encourage migration, the system has little horizontal equity for clients nor taxpayers (given the absence of substantial fiscal equalisation). Concern about social exclusion and poverty has risen.

The approach of Canadian provinces has been startlingly different. Benefit levels are determined by the state of public finances and what is happening at the

bottom of the labour market. “Adequacy” according to any external measure of what is necessary to have a given standard of living, is not really the objective of income support. Sometimes, it can be questioned whether this cannot be counterproductive. If, as is clearly the case for single people on temporary support in New Brunswick, benefit levels are below subsistence level, claimants may be tempted to devote their resources to manipulating the system. The limited and sometimes anecdotal evidence of increased homelessness and reliance on food banks in some provinces should be taken as a more serious evidence of policy failure than perhaps it is; it indicates the efforts of the potential social assistance clientele are focused on subsistence rather than being freed to focus on reintegration.

In contrast, the efforts to focus more resources on families with children through the National Child Benefit have been successful.

Whereas the Swiss approach to social assistance sometimes discourages take up without this being the explicit objective of policy, the approach of Alberta is quite explicitly to limit take-up of those clients who are available for work. Social assistance claimants should be forced to consider all possible alternative means of support, or whether they can subsist on their own resources even if these are less than social assistance rates. Both Alberta and Ontario make being on social assistance uncomfortable by regularly reminding clients of their obligations. Social assistance recipients should not live in “comfortable poverty”. The social assistance system exists because taxpayers permit its existence. The taxpayer is the major stakeholder of social policy as voiced most eloquently in New Brunswick but also reflected in attitudes in Alberta and Ontario. But this is not a costless strategy; it involves a diversion of resources away from labour market reintegration and towards policing of income support rules. However, as the following chapter shows, both tightened administrative control and resource shifts towards a more active welfare policy have contributed to success in reducing caseloads.

AVOIDING LONG-TERM DEPENDENCY

Introduction

As discussed in Chapter 3, caseload characteristics differ between Canada and Switzerland. In particular, many long-term unemployed in Switzerland are covered by unemployment insurance and social assistance caseload patterns are therefore not very susceptible to short-term fluctuations in unemployment. Caseloads were negligible during the 1980s and unemployment rates were the lowest across the OECD area: social assistance claimants generally had problems other than those narrowly relating to the labour market problems. However, as Chart 5.1 indicates, caseloads increased continuously with the emergence of persistent unemployment (the incidence of long-term unemployment was 32.8% in 1997, OECD, 1998c).

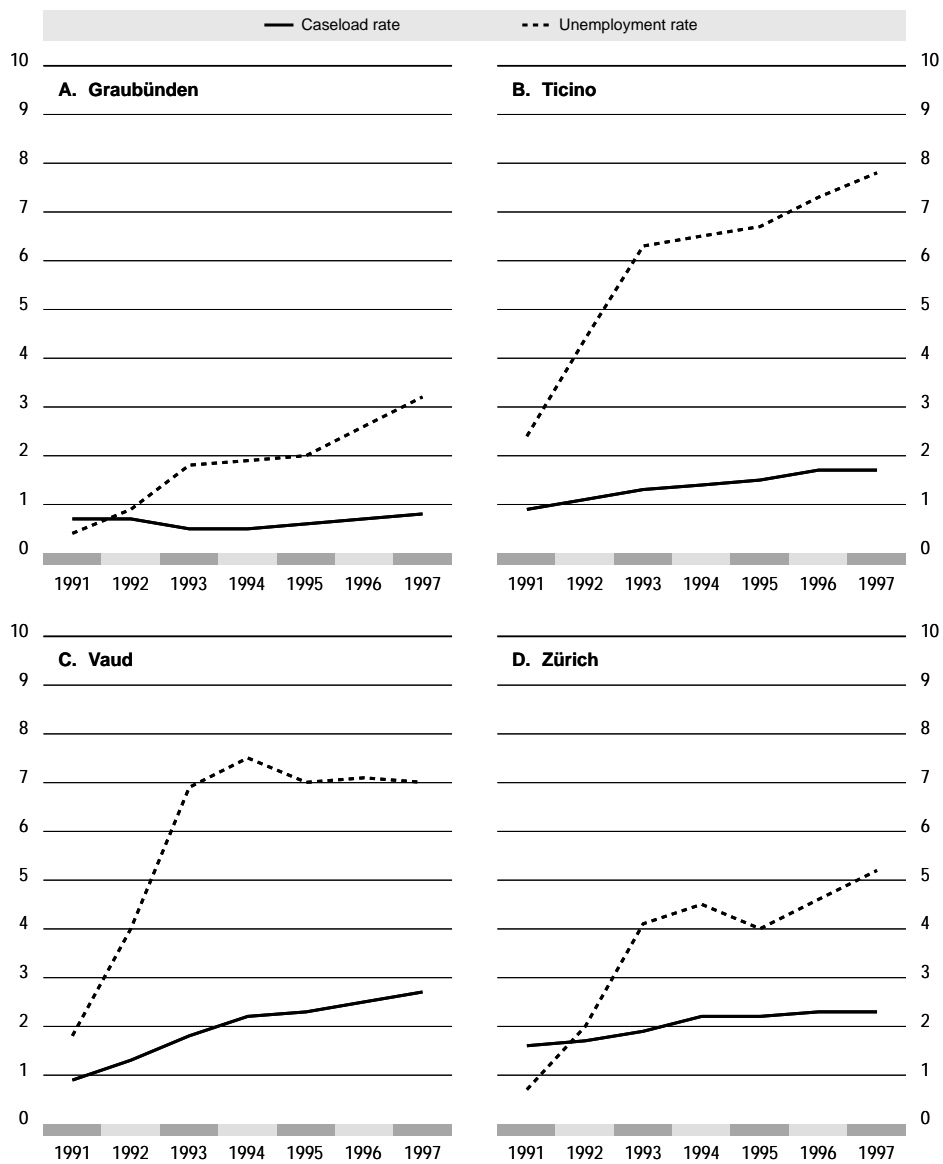
Regional variations in caseloads in Switzerland are not dissimilar from unemployment differentials: Ticino and Vaud have unemployment levels above the national average while Graubünden still has an extremely low unemployment rate at 2.8%. Zürich has a higher caseload than what would be expected on basis of unemployment differentials with other cantons, largely due to it acting as a magnet for internal migration of social assistance claimants (Chapters 4 and 6).²⁷

In Canada the employment insurance system does not cover long-term unemployed persons as the maximum duration of benefits is about 42 to 45 weeks. As a result, caseloads have proved more sensitive to trends in the labour market. Caseloads ratcheted up during the 1980s, peaked around 1993/94 and have been declining since (Charts 5.2a and 5.2b).

Social assistance caseload trends across the provinces differ substantially and do not necessarily follow unemployment patterns. For example, during the 1980s caseloads in Ontario increased while unemployment declined from 1983; whereas from 1990 to 1993 sharply rising caseload trends matched unemployment patterns. More generally:

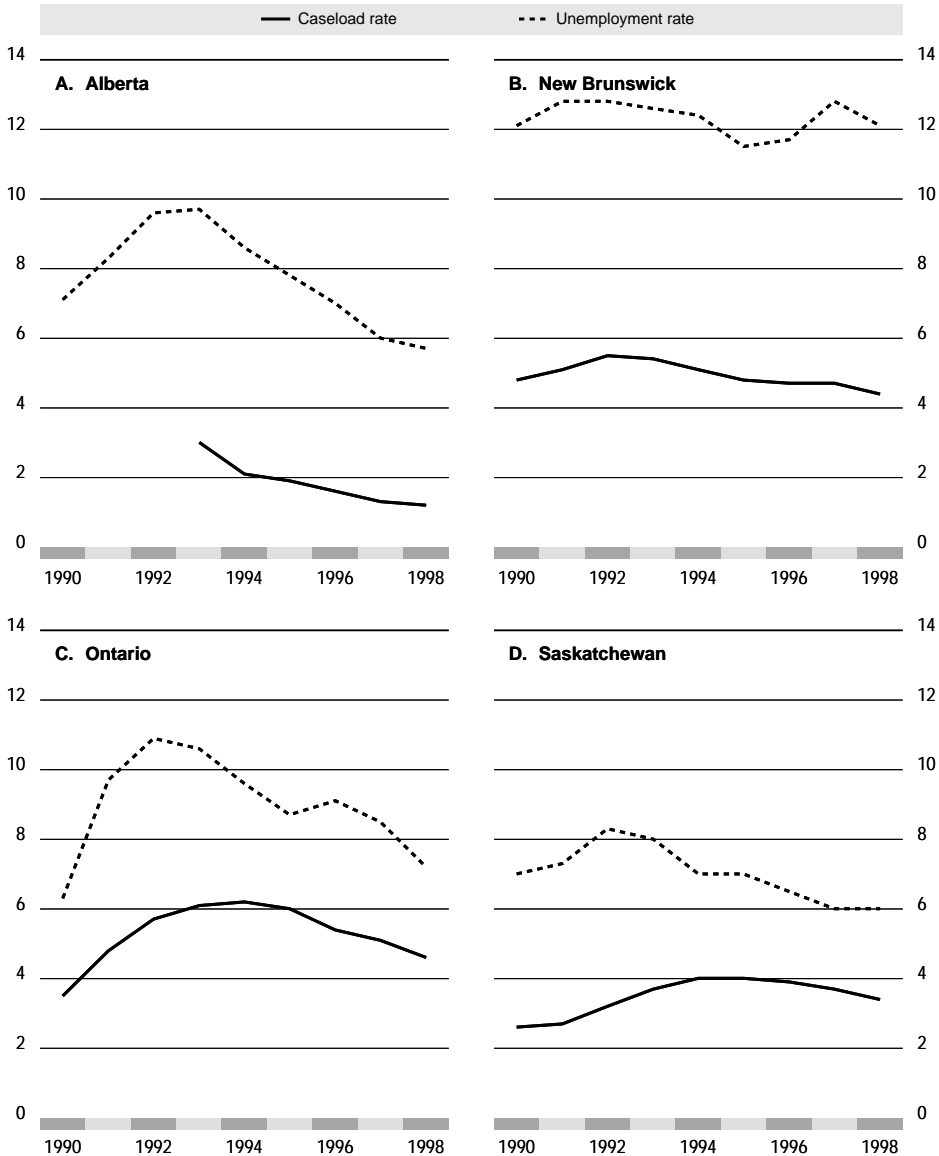
- *1980s*: Caseload trends followed unemployment patterns: sharp increases in the beginning of the 1980s, modestly declining afterwards (except in Ontario where caseloads increased despite falling unemployment). The 25% increase in real social assistance benefit rates in Ontario over the period 1985-1994 has been estimated to have a significant upward effect on provincial caseload (Fortin and Crémieux, 1998).

Chart 5.1. **Caseload¹ and unemployment trends in the cantons 1991-97**



1. Average annual number of cases as related to the population.
Source: OECD.

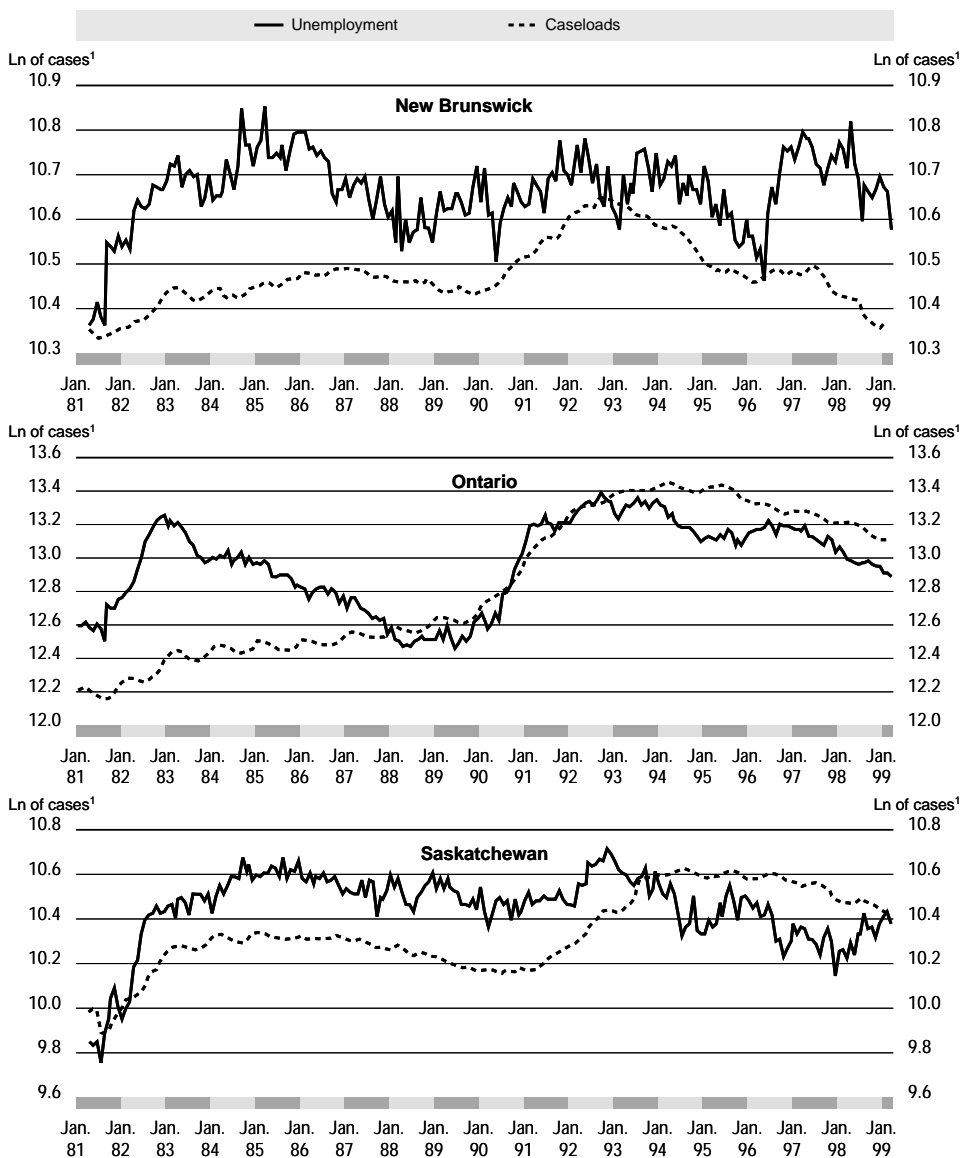
Chart 5.2a. **Caseload¹ and unemployment trends in the provinces 1990-98**



1. Average annual number of cases as related to the population.

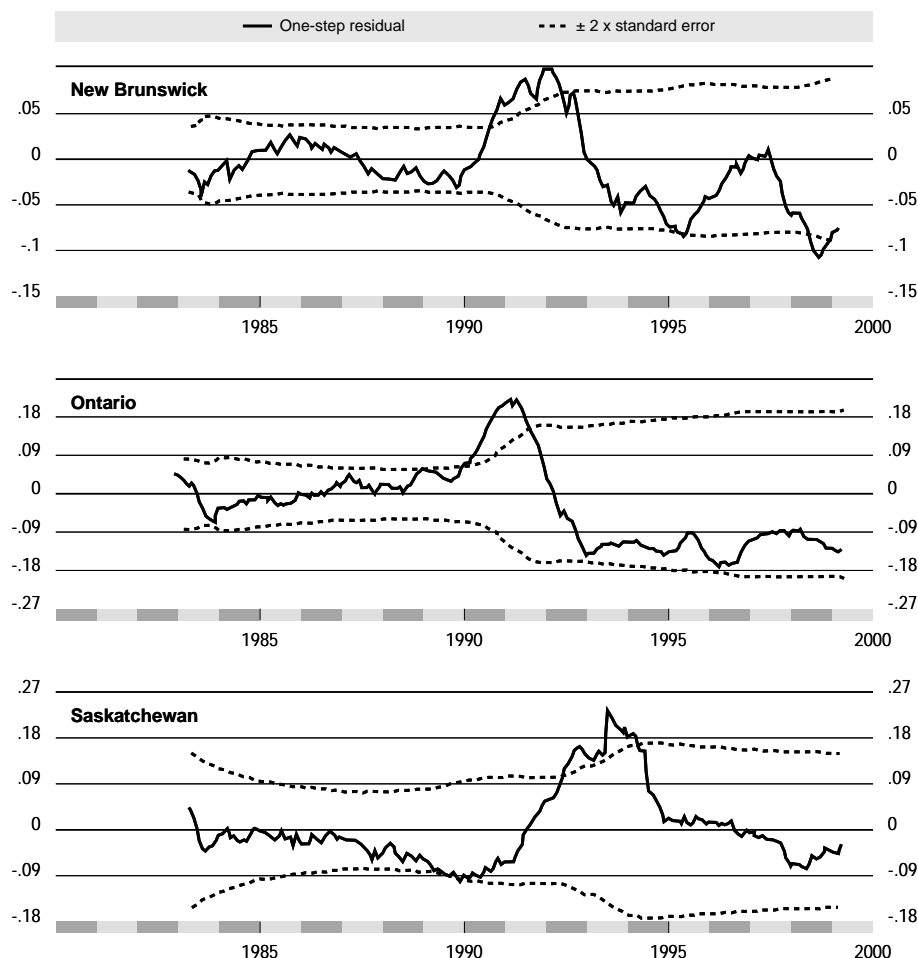
Source: OECD.

Chart 5.2b. **Caseload and unemployment trends in selected provinces, 1981-1999**



1. Refers to the Ln of social assistance cases and unemployment cases.
Source: OECD.

Chart 5.2c. **Structural change in caseload in New Brunswick, Ontario and Saskatchewan**



Note: The charts present the one-step residuals within a band of 2 times the standard error (Chow test on critical value 0.05) of the autoregressive model specification seasonally adjusted monthly data for the sample period 1981(4)-1999(3). Observations outside the error band suggest outliers or – as evidenced by changes in the error band – a structural break in the series (Doornik and Hendry, 1994). The charts clearly suggest these to occur in mid-1990 in both New Brunswick and Ontario, and in Saskatchewan around mid-1992. These results are confirmed by other tests as described in the text [observably, the autoregressive model specifications (one lag, 12 months) suffer from autocorrelation and heteroscedasticity; solving such issues by improving model specifications, e.g. by changing the lag structure, is beyond the scope of simply evidencing possible structural breaks].

Source: OECD.

- *1989-1993*: Caseloads rose sharply with increasing and persistent unemployment.
- *Since 1993*: Caseloads declined significantly in Alberta²⁸ and New Brunswick (by 25%). In Ontario caseload declined by 27% since March 1994, and by 17% since August 1994 in Saskatchewan.

Provincial authorities are understandably keen to claim recent caseload reductions as evidence of policy success. However, the strength of the Canadian economy has clearly been a significant factor (Chart 5.2a). One simple indicator of whether the decline in social assistance caseloads has been what might be expected given improvements in the labour market, is to analyse the relationship between unemployment and social assistance caseload. Statistical tests can be used to show whether caseload trends have been subject to structural changes, and if yes whether these are related to a changing relationship with unemployment trends. Parameter constancy tests suggest structural changes in the relationship took place which at several points coincided with policy reforms, as discussed below (see Box 5.1):

- In New Brunswick: mid-1990 and the end of 1994.
- In Ontario: mid-1990 and the beginning of 1996.
- In Saskatchewan: mid-1992.

This chapter considers how social assistance policies, and related programmes and agencies, endeavour to avoid and reduce long-run benefit dependency. It discusses the immediate financial incentives to work rather than receive benefits. It subsequently considers the broad measures that are available to help those in receipt of social assistance or equivalent benefits, before discussing the impact of recent social assistance reforms and other programmes geared towards promoting independence.

Financial incentives to work

The gap between benefits and earnings: net replacement rates

The higher is the level of benefit, the lower is the immediate financial return to work. Individuals will of course take into account the long-term effects on income from getting established in the labour market, and factors other than pecuniary, such as self-esteem and compliance with social and legal norms are important. Nevertheless, it would be surprising were financial factors to have *no* effect on decisions of individuals. A number of studies in many countries for many different family types suggest that financial incentives do have some, albeit often limited, effect on how intensively people search for work (see *e.g.*, OECD, 1994, and 1997d).

Box 5.1. Testing for the impact of policy reform

Charts 5.2*a* and 5.2*b* show that provincial caseload trends do not rigidly follow unemployment patterns. However, there is clearly *some* relationship for at least part of the time. In order to test whether changes in apparent relationships are random, or whether there are “turning points” where the relationship changes in nature, a series of statistical test was performed. First, for New Brunswick, Ontario and Saskatchewan for which monthly data are available for the period 1980 to 1998, an autoregressive caseload model specification was tested using seasonally adjusted data. Second, the estimated residuals were included in the autoregressive model specification. The model specification also included the lagged dependent variable with a variable number of observations set at zero (starting from the beginning of the sample period). This process was repeated while increasing the number of zero-observations in the lagged dependent variable, with the rationale being that as long as the t-value on this variable is not significant, the hypothesis of a structural change in the caseload parameter can be rejected. The point where the coefficient on the residual variable becomes significant may indicate a structural break. These results were confirmed by analysing the one-step residuals of the autoregressive model specification estimated by Recursive Least Squares, as visualised in Chart 5.2*c*. Third, in order to test the robustness of the results, the autoregressive model specification was re-estimated more directly, but now including step-dummies indicating the structural changes finding the relevant parameters to be significant. These results seem to be corroborated by running forecast and Chow tests while adjusting sample periods and forecasting periods (Doornik and Hendry, 1994). This procedure was repeated for a reduced sample period subsequent to the apparent structural breaks in the beginning of the 1990s, to test for structural changes which occurred afterwards.

The results show an unequivocal change in the relationship between caseloads and unemployment for Ontario in mid-1990. Similarly, the rise in unemployment in 1995/96 coincided with flat caseload trends, while both declined thereafter. In Saskatchewan, the relationship between unemployment and caseloads seems to have changed around mid-1992. A structural change also occurred in the New Brunswick caseload series in mid-1990, and possibly end-1994 (when caseload trends became fairly flat), but the last result is not supported by all statistical tests.

A commonly used indicator of financial incentives is the net replacement rate (NRR) – the ratio of after-tax family income when on benefit to after-tax family income in work, taking account of all benefits. Table 5.1 gives NRRs²⁹ for a single person in receipt of social assistance in the four provinces and cantons.

The NRRs in Table 5.1 have been calculated for different levels of earnings from work. Replacement rates are often calculated on the basis of mean earnings [in this case, the average production worker (APW) level – see OECD 1998*e* for a definition].

Table 5.1. **Net replacement rates for single persons¹**

Earnings level	SA	Min. wage ²	LICO/PC	D1	2/3APW	APW
Canada						
Alberta	100	63	40	41	27	19
New Brunswick ³	100	69	77	50	32	23
Ontario	100	63	50	51	33	24
Saskatchewan	100	66	41	43	28	20
Switzerland⁴						
Graubünden	100	67	119	52	54	38
Ticino	100	83	119	66	68	48
Vaud	100	83	119	64	67	45
Zürich	100	78	119	61	63	43

1. The net replacement ratio is calculated as the ratio of net income to SA. Net income is determined on basis of gross earnings levels indicated in the first row. The exception is the Swiss PC, which already is a net income concept.
2. The minimum wage used is the average provincial minimum wage in the first two quarters of 1998 (HRDC); for Switzerland, by default, the collectively agreed minimum wage for the hotel industry is used.
3. Although the amounts actually paid to families may be different, NRR calculations assume that benefit income includes an allowance to cover annual private rents equal to SF 6 000 and C\$ 3 600, respectively. Private renters in New Brunswick may be given a seasonal allowance equal to C\$ 60 per month from May to October and C\$ 90 during the rest of the year. These allowances have not been included. Were they included, the replacement rates would increase by between 4 percentage points at the APW earnings level and 8 percentage points at the minimum wage level.
4. In theory, incomes in work in Switzerland may be topped-up with SA, in that case replacement rates do not exceed 100%.

Source: Secretariat estimates on the basis of the information supplied by the regional authorities.

However, in practice few social assistance recipients can aspire to average earnings,³⁰ so various measures of “typical” wages at the bottom end of the labour market are used: the minimum wage level;³¹ the level of gross income below which people are often counted as poor (LICO in Canada, PC level in Switzerland); the first decile earnings level;³² and two-thirds of APW. Because the earnings distribution is much wider in Canada than in Switzerland, two-thirds of the average earnings is significantly higher than that at the first decile of the earnings distribution. In Switzerland, in contrast, two-thirds of average earnings is slightly less than the tenth percentile point.

Benefit levels are low when compared to average earnings. In Switzerland, a single person entering work at average earnings would at least double their after-tax incomes; in Canada they would increase them by far more than that. However, compared with the various measures of low income, social assistance rates for single people are somewhat higher, often being between half and two thirds of income in work in Canada, and somewhat higher than that in Switzerland. The pattern of net replacement rates across provinces matches the pattern of benefit payments outlined in Chapter 3. In Switzerland, NRRs are lower for Graubünden because the tax schedule for earners is more favourable than elsewhere.

Table 5.2 shows NRRs for a couple with two children.³³ The NRRs are generally higher for families than for single people. Incomes whilst in receipt of social assistance are higher due to higher basic payment rates; higher shelter allowance maxima (in the case of Canada); and the presence of benefits for children. Incomes in work are somewhat higher as well, because of child benefits and tax allowances, but proportionally the difference is lower. Hence NRRs for couples are much higher. Indeed, in Switzerland income from social assistance matches that of low earnings level. Furthermore net replacement rates as calculated in Tables 5.1 and 5.2 *exclude* benefits for exceptional expenses and do not take account of the costs of work. Hence, there is apparently little or no immediate financial gain from work.

Combining work and benefit receipt

In its simplest form, social assistance acts as a guaranteed minimum income level. If income is low, and other criteria satisfied, it is topped-up to the level of social assistance. This means that individuals have *no* immediate financial incentive to work unless they can earn enough so that net incomes exceed the level of social assistance.

Table 5.2. **Net replacement rates for a couple with two children¹**

Earnings level	SA	Min. wage ²	LICO/PC	D1	2/3APW	APW
Canada						
Alberta	100	62	47	55	49	44
New Brunswick ³	100	76	76	76	58	46
Ontario	100	64	54	62	58	48
Saskatchewan	100	73	74	71	69	57
Switzerland⁴						
Graubünden	100	106	83	85	88	65
Ticino	100	135	83	83	83	71
Vaud	100	137	83	106	110	73
Zürich	100	112	83	97	101	69

1. The net replacement rate is calculated as the ratio of net income to SA. Net income is determined on basis of gross earnings levels indicated in the first row. The exception is the Swiss PC, which already is a net income concept.
2. The minimum wage used is the average provincial minimum wage in the first two quarters of 1998 (HRDC); for Switzerland, by default, the collectively agreed minimum wage for the hotel industry is used.
3. NRR calculations assume that benefit income includes an allowance to cover annual private rents equal to SF 6 000 and C\$ 3 600, respectively. Private renters in New Brunswick may be given a seasonal allowance equal to C\$ 60 per month from May to October and C\$ 90 during the rest of the year. These allowances have been excluded. Were they included, the replacement rates would increase by between 3 percentage points at the APW earnings level and 5 percentage points at the minimum wage level.
4. In theory, incomes in work in Switzerland may be topped-up with SA, in that case replacement rates do not exceed 100%.

Source: Secretariat estimates on the basis of the information supplied by the regional authorities.

It is often argued that this is an inappropriate structure of benefit. Those in receipt of social assistance who find some sort of alternative sources of income should be rewarded by being allowed to keep (some of) this income. This seems expedient on grounds of fairness, and encourages benefit recipients to keep in contact with the labour market (on the assumption that this will aid their full reintegration). However, this poses a policy dilemma as the existence of earnings disregards and reduced benefit withdrawal rates mean that households which take advantage of the provisions need to command even greater wages than otherwise to leave benefit completely (see Box 5.2).

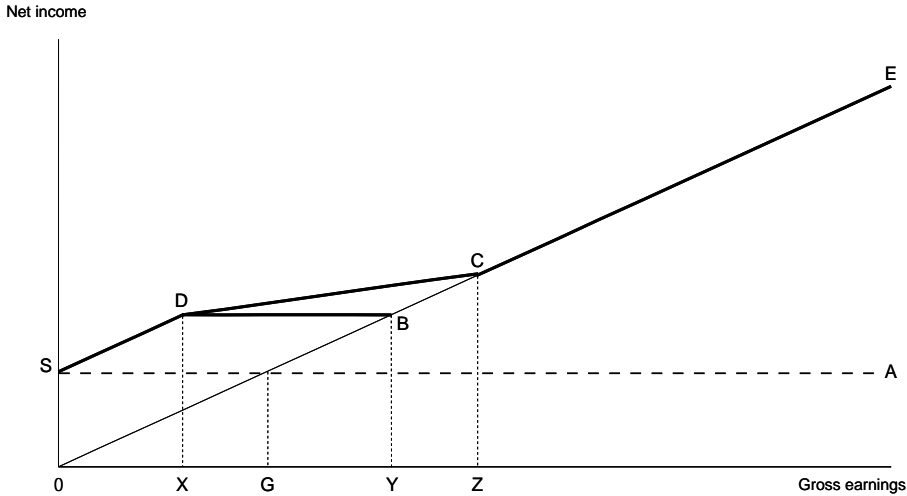
Box 5.2. Earnings disregards and incentives to work

The effects of earnings disregards on incentives to work for social assistance recipients are illustrated in Chart 5.3. This chart shows the net income situation (vertical axis) of a family that starts to work whilst receiving SA and gradually increases gross earnings (horizontal axis). The horizontal line SA gives the total net income that this family would receive whilst on SA. The line OE gives net income from work (it is less than 45 degrees since proportional taxation has been assumed). The break-even point, where earnings after tax equal SA, is indicated as G on the horizontal axis. Hence, only if gross income exceeds G is there is any financial incentive to work. This is the situation in Switzerland in 1998; work expenses are taken into account, but there is no other deduction.

The existence of a fixed amount earnings exemption can be represented by the line S-D-B. Gross income up to X is not deducted from the benefit entitlement. The after-tax earnings are paid on top of SA and increase household income. If earnings go beyond this level, however, social assistance is reduced at the same rate as earnings increase, and there will be no subsequent rise in household income until gross earnings exceed Y. Fixed amount earnings exemptions encourage starting to work, but give no incentive to increase earnings incrementally. As explained in Chapter 3, Canada not only has fixed amount earnings exemptions but exempts a percentage of earnings over and above these fixed amounts as well. This is reflected by the line S-D-C.

The existence of earnings disregards and reduced benefit withdrawal rates means that households which use the provisions need to command higher wages than otherwise in order to become independent. Without earnings disregards, the break-even point is at G and only those earning less are affected by the operation of the social assistance system. With the earnings disregards, earnings must exceed Y or Z to leave benefit dependency. Not only is complete exit from the system made more difficult by the earnings disregards, but also those who have incomes that are only just above the SA payments may be drawn into the benefit system.

Chart 5.3. Financial incentives for social assistance recipients



Source: OECD.

Earnings exemptions and/or disregards have recently been introduced or extended in all four provinces under review (Chapter 3). In New Brunswick, earnings disregards are flat-rate amounts, whereas other provinces disregards generally consist of a fixed amount and 25 % of additional earnings (Table 3.8).

Among these provinces Ontario has by far the largest earnings disregard for social assistance clients, but this is something of an anomaly. When benefits rates were cut (by 21.6%), it was announced that recipients would be allowed to earn this back without penalty, so the earnings disregard was increased accordingly (although its flexible component is gradually phased out over time). However, the government strongly doubts that earning whilst in receipt of social assistance *does* increase the rate of transition out of the benefit system. Rather, they believe that they risk supporting a number of recipients in a tolerable lifestyle with little motivation to increase earnings further. In 1995, about 90 000 people had earnings and were in receipt of SA. To prevent low-income working people who prior to the 1995 reform were ineligible for SA from becoming eligible, the “earn-back” provisions in the SA needs test are conditional on at least three months of previous benefit receipt.

Reducing the clawback rate of earnings not only increases the incentive for benefit recipients to work at all, but also changes the returns to earning more.

The line SDC in Chart 5.3 is considerably less steep than 45 degrees – in other words, households are keeping a relatively small amount of any increase in earnings. Such high marginal effective tax rates (METRs) are caused by the combination of benefit withdrawal, together with taxes and social security contributions paid on wage income. Table 5.3 gives some examples of earnings levels where SA recipients face a METR of near (or occasionally over) 100%. In these earnings ranges, there is little or no immediate financial return to earning more, either by working longer hours, or moving to marginally higher paid work.

For *single people*, the clawback rate within the social assistance system combines with the income tax rate and social security contributions to lift the METR to around 80% in Canada. In terms of Chart 5.3, these people find themselves on line DC. For *families*, METRs also reach about 80%, but the earnings level where they leave benefit dependency is much higher than for single persons, as families with children are entitled to income-tested family benefits. Benefits under the Canada Child Tax Benefit (CCTB) begin to be clawed back at a net annual family income of C\$ 20 921, and are eliminated at a net family income level of C\$ 25 921 (about C\$ 2 500 above the population-weighted LICO for two adults and two children). The Goods and Services Tax Credit (GSTC) fades out at an annual income level of C\$ 34 148, close to average earnings. For bigger families, the credit is higher and so will be the earnings level where the credit is finally exhausted.

The clawback rate of social assistance in Switzerland is equal to 100%: all earned income is counted in the income test (line S-A in Chart 5.3). This situation is often referred to as the poverty trap: workers are unable to leave a situation of poverty through starting to work. Up to a net income level of SF 19 332 for single people and SF 34 512 for couples with two children, increases in earnings do not result in a higher disposable income. (Net median income in 1998 was about SF 45 190 for single persons and SF 50 300 for a two-adult two-children family.) Families with very young children in Ticino face an even deeper poverty trap as the parental benefit programme can top-up family income to the PC level. Accordingly, work only pays when net earnings exceed SF 41 525.

However, take-up of social assistance whilst in woPrk is probably low. This is particularly true for those who may become entitled to the benefit because their earnings are low, rather than moving from social assistance to low-paid work. In Switzerland, the general reluctance to claim a stigmatised benefit, to take on a debt and to subject the family to demands for contributions (see Chapter 4) is significant. More generally, claiming the social assistance supplement requires assets tests to be passed, and also involves a significant amount of effort. Saskatchewan, through the Saskatchewan Employment Supplement, has attempted to reduce the importance of all these factors by enabling claims to be made over the phone, minimising the costs in time of making a claim. Advertising of entitlement has been intensified.

Table 5.3. **Earnings range where METRs are high**

	Single people		Families	
	Earnings range	Cause of high METR	Earnings range	Cause of high METR
Alberta	C\$ 1 563 to C\$ 6 613 (75%) C\$ 6 613 to C\$ 8 297 (82%)	Due to adding the SA clawback rate to the income and social security tax rates; a higher tax bracket causes METR to exceed 80%	Single parents: C\$ 6 733 to APW (> 80%) Couples: C\$ 29 651 to C\$ 34 002 (> 80%)	Due to the accumulation of clawback rate for SA, the CTB from C\$ 20 921 and the GSTC from C\$ 26 699 to about C\$ 34 148. For couples, the change to a higher income tax bracket lifts METRs above 80%
Saskatchewan	C\$ 505 to C\$ 6 304 (> 80%)	The SA means test is the main contributor, and lifts the METR to above 100% if the earnings exemption thresholds are reached	C\$ 10 028 to C\$ 15 511	The SA means test is the main cause; the Saskatchewan Employment Supplement phase-out overlaps with the SA means test and lifts METR up to above 100%; LPFs face a similar pattern
Ontario	C\$ 6 637 to C\$ 11 110 (> 80%)	The accumulation of income and social security tax rates plus the SA clawback rate lifts METRs above 80%	Single parents: C\$ 6 637 to C\$ 24 601 (> 80%)	Due to the accumulation of clawback rates for SA, the CTB from C\$ 20 921 to about C\$ 24 601 where SA is phased out. For couples, the CTB clawback lifts METRs above 87% between C\$ 20 921 and C\$ 25 755
New Brunswick	C\$ 6 673 to C\$ 10 966 (> 80%)	The clawback rate of SA added to income and social security tax rates lift METRs above 80%	Single parents: C\$ 6 637 to C\$ 17 747 (> 80%) Couples plus two children: C\$ 29 651 to APW (> 80%)	The clawback rate of SA added to income and social security tax rates lift METRs above 80%; SA fades out at C\$ 17 747 The GSTC and the CTB are clawed back at almost average income levels; their clawback rates added to income taxes, social security contributions and the SA clawback rate lift METRs above 80%
Switzerland	Up to SF 21 763 (100%)	SA is clawed back with a 100% tax-back rate on net income	Up to SF 47 855 (100%)	SA is clawed back with a 100% tax-back rate on net income

Note: The marginal effective tax rate (METR) is defined as the sum of the marginal income tax rate, the marginal rate of payroll taxes and the clawback rates of the benefits that the family types here assumed are entitled to.

Source: OECD database for benefit systems and work incentives.

Experience from other countries suggests that earnings supplements paid through the benefit system have stubbornly low take-up rates (see *e.g.* Callan and Nolan, 1997, for a summary of the current situation in Ireland). In the one country where high take-up was achieved (the UK), many years of effort were required.

Other barriers to work within the social assistance system

A variety of other factors related to the operation of the social assistance system affect the financial consequences of a transition from benefit receipt to employment.

Health subsidies to cover household expenses can be less generous to those no longer covered by the social assistance system. Until recently, this was the case in Canada, where health cards to cover incidental expenses were not made available to those in work. This has often been identified as a major barrier by social assistance officers (*e.g.* for lone parents with large families – earnings may be significantly more than benefit, but the downside risk if the family gets ill was overwhelming). At present, Alberta, Ontario (the OHIP programme) and Saskatchewan provide sharply reduced or premium-free health insurance to all low-income families, but these programmes do not always cover all items or incidental expenses (*e.g.* dental care and prescription drugs). Under the NCB, many provinces have broadened their health provisions for low-income families. For example, as part of the Building Independence Strategy in Saskatchewan, the Family Health Benefits programme extended full supplementary health benefits to children in families receiving the Saskatchewan Child Benefit (SCB) and/or the Employment Supplement, and partly covers parents or guardians (Table 5.4). The Alberta Child Health Benefit (ACHB) provides full or partial coverage of prescription drugs, dental, ambulance and optical benefits to children in low-income families or SFI leavers. Similarly, Ontario, introduced the Trillium Drug Programme where benefit provisions are subject to a variable co-payment of about C\$ 400 per year for some people. In general low-income earners not claiming social assistance in New Brunswick do *not* qualify for a health card and/or special health benefits for low-income families with children (the Extended Health Card may be available under certain circumstances³⁴). Health insurance fees are partially covered by a special benefit in Switzerland, and this is paid to those in work. However, social assistance may cover the remaining co-payment for those in receipt of benefit.

Work-related expenses, especially child-care costs, can act as a barrier to work. In Canada, several provinces have benefits for child-care expenses, and partly as a result, access has increased. In Alberta the Family Employment Tax Credit provides up to C\$ 1 000 per family per year for low-income families; in Ontario, the bulk of the NCB savings were invested in a refundable tax credit for low-income families for child care and an extra earnings disregard for child care in the SA needs-test. In

Table 5.4. **Saskatchewan additional health coverage to lower income working families: Family Health Benefits**

	Children	Parents or guardians
Dental coverage	Coverage of most services	Coverage not provided
Drug coverage	No prescription drug charge for formular drugs	C\$ 100 deductible every 6 months; 35% consumer co-payment thereafter Drug Plan's Special Support Programme available if it provides better coverage (people must apply)
Optometric services	Eye examinations once a year Basic eyeglasses	Eye examinations covered once every two years
Emergency ambulance	Covered	Coverage not provided
Medical supplies	Supplies require doctor's prescription and prior approval	Coverage not provided
Chiropractic services	Covered	Covered

Source: Government of Saskatchewan.

Switzerland, CSIAS recommends that work related costs are disregarded for those working and receiving social assistance; subsidised child care is often provided by communes and cantons for those in need.

Beneficiaries of SA enjoy *debt protection*, raising the possibility that work is discouraged because exit from benefit means individuals will no longer be protected from creditors. For example, in Saskatchewan any outstanding arrears in the utility bills at the time of the claim stay in abeyance until the client moves off welfare. Around 20% of clients fall into this category. In Switzerland, income from work can be seized by creditors (with workers receiving a limited amount of “pocket money” to live on) whereas social assistance is not pledgeable. Some local social assistance offices go so far as to check whether claimants use their benefit for the purpose of paying back debts. If they do so, this is a sign that social assistance, based in theory on providing the minimum necessary to live upon, is not needed – the person is managing to subsist on less. Until recently, the number of SA clients with significant debts was growing steadily. More recently, banks have restricted their credit facilities, and legislation was introduced to stop the provision of multiple loans. These more restrictive policies have stopped the growth of the debt problem.

Except for Quebec and British Columbia where partial exemptions are offered, *alimony payments* are fully deducted from social assistance in Canada, so that many lone parents are not motivated to pursue their rights. However, all provinces emphasise to clients their duty to collect alimony payments from absent parents

and provide help in doing so. In case of non-collection without good reason authorities may reduce benefits. In New Brunswick,³⁵ refusal of the client to co-operate with the Family Court Worker renders it impossible for the authorities to perform a needs-test, and thus no benefit will be paid. Saskatchewan also provides incentives to obtain support payments by including them in the basis of calculation for the earnings supplementation benefit (SES).

Financial incentives and their consequences for reintegration strategies

Whilst this section has summarised incentives to work, it has taken pains to stress that other factors may be as or more important than financial factors in determining efforts to reintegrate into work. Nevertheless, financial incentives are important for some people and will be an influence on the behaviour of most (see Box 5.3). To that extent, the fact that some parents of (particularly large) families have little financial incentive to work, not just because of the level of benefits but also because of the loss of additional social protection when they enter employment has to be taken into account in programme design. A greater degree of monitoring job-search activity and possibly even compulsion will be called for if people are to be required to take work which may leave them worse off.

Box 5.3. Incentives to work for lone parents: the Self-sufficiency Project

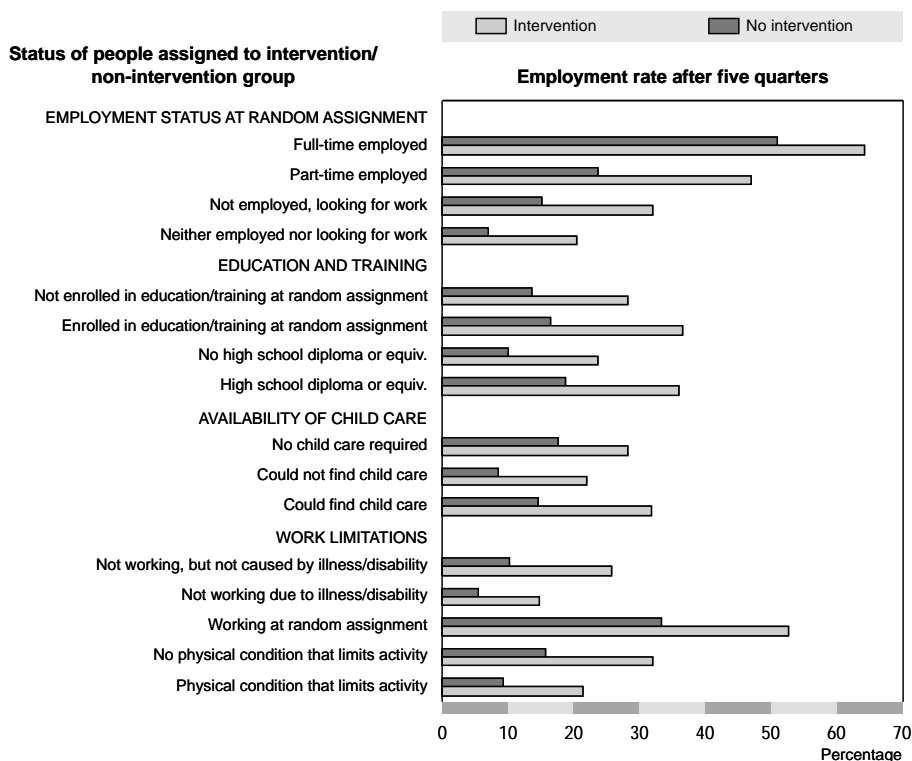
Evidence of the effects of changes in social assistance benefit levels in particular is limited. Fortin and Crémieux (1998) argue that changes in benefit rates in Alberta and Ontario have been significant. Kapsalis (1997) analysed the impact of increased benefit generosity for lone parents in Ontario in the late 1980s and the impact of benefit cuts in 1995. It found that each annual C\$ 1 000 increase in benefits leads to a reduction of the employment rate for lone mothers of 1.9 percentage points.

To shed more light on the impact of incentives, the Canadian authorities introduced the Self-sufficiency Project (SSP) for lone parents (LPF) in British Columbia and New Brunswick. In the latter province participants were enrolled in the project between November 1992 to March 1995 (Greenberg *et al.*, 1995, and SDRC, 1998). As LPFs on income assistance were thought to have little financial incentives to work, SSP offered eligible LPFs an earnings supplement if they left social assistance for a full-time job (exceeding 30 hours per week).

As Chart 5.4 shows, SSP increased the likelihood of clients finding full-time employment (often in the range of 30 to 40 hours per week) across all sub-groups. The number of SSP participants with household income below the LICO was reduced by 12% (SDRC, 1998). However, the increase in participation was insufficiently large to reduce overall transfer payments.

Chart 5.4. **Employment rates after interventions**

Full-time employment rates 5 quarters after being randomly assigned to an intervention or non-intervention group in the “Self-sufficiency Project”



Note: Average monthly full-time employment rate in quarter 5 is average of the percentages employed full-time in each of months 13-15. “Full-time employment” is defined as working 30 hours or more per week in at least one week during the month.

Source: SDRC (1998).

Reintegration strategies

The objective in both countries under review is to move away from passive income support towards a more active approach. This involves revising policies such as, *inter alia*, those enhancing job search activities, provision of job-brokerage and employment counselling services, training facilities, wage subsidies, and direct job creation.

In Canada, the federal Human Resources Development Canada (HRDC) performs the brokerage function for EI claimants, with information on vacancies accessible to all job searchers. It also provides active labour market support for EI claimants and “reachback clients” (those who have recently exhausted their EI entitlements) in Ontario. The other three provinces have signed labour market development agreements (LMDAs), giving them responsibility for the provision of labour market services to EI clients. Provinces were already responsible for the provision of labour market services to welfare claimants, so the LMDAs provide the opportunity to integrate the delivery of such services to all client groups. Regardless of institutional differences there is a *de facto* common structure to labour market services to welfare claimants. All provinces (and municipalities in Ontario) purchase services from the private sector, rather than running all programmes in-house.

In Switzerland the upsurge in unemployment in the beginning of the 1990s, made the inadequacies of the old public employment service apparent. 150 regional employment services (RES), funded by the federal authorities, but organised by cantons, were introduced. As in Canada, information on labour market opportunities is available to all persons who register with the RES, but active labour market programmes (ALMPs) funded by the RES are accessible only to UI recipients. The Canton of Ticino has the RES and SAOs integrated at cantonal level, while regional structures of the RES and SAOs in Vaud and Zürich are parallel to a large extent, facilitating co-operation and sometimes leading to co-location of offices (Chapter 6). SAOs often operate ALMPs for their own clients. The use of private companies for reintegration of social assistance clients is not as prevalent as in Canada: most programmes are run directly by the RES or SAO (*e.g.* in the city of Zürich).

Enhancing job search

Exemptions

In general, all those in receipt of unemployment and social assistance benefits in Canada are required to search for work. Specific exemptions from job search requirements are limited to persons with disabilities (where they are covered by social assistance) and lone parents. However, the attitude towards lone parents is changing: job-search exemptions in Alberta are now for six months after child birth (they used to be two years). The authorities in Alberta believe that given high female participation rates, good child-care facilities, and high success rates in getting lone parents into work, lengthy exemptions from job search would not be acceptable. Ontario is in the process of ending its Family Benefit Programme, incorporating clients (often lone parents) in the general Ontario Works social assistance programme. This will increase their job search requirements. Some provinces (notably Alberta) have decided that there is little point in engaging in the administrative expense of requiring older unemployed persons to look for work. In Switzerland, there is no gen-

eral obligation for social assistance clients to register with the RES and engage in job search. Professional social assistance officers encourage and sometimes pressurise clients to register. However, registration with the RES requires social assistance clients to report regularly job-search activities. Not surprisingly, unless clients are motivated, they do not register with the RES.

Although formally there is no discretion given to provincial social assistance officers in exempting clients from job search, there is sometimes *de facto* discretion. Social assistance officers naturally focus limited resources on clients when there is a possibility of success; hence, hard-to-place clients are not often called for interview. Job-search for social assistance claimants is interpreted more strictly in Alberta and Ontario than elsewhere in Canada or Switzerland.

In general, social assistance clients in Canada are categorised as expected to work and (either formally or informally) temporarily not expected to work. The latter category often concerns those with multiple barriers to employment who often lack of very basic day-to-day living skills (substance abuse, budgeting problems, and gambling addictions).

Often categorisation is based on information gathered during the first interview. The RES in Switzerland uses five categories for profiling. Categorisation into groups 1 or 2 (together around 10% of the total caseload) implies that the clients should be able to find work within 3 months without much assistance. Category 3 asserts that clients are in need of an ALMP to find re-employment again (60 to 70% of all RES clients); category 4 contains people who are difficult to place; and category 5 contains unplaceable clients. Persons over 55 years of age, those with little education and those who have been out of work for a long time dominate the latter two categories.

In Alberta, the receptionist uses a “trained eye” to make an initial judgement as to whom seems employable or not. Employables are turned away to come back in two weeks with an invitation to attend an information session on their responsibilities and a referral to a private sector employment agency. Subsequently an employability categorisation is made by the intake worker, which can, if necessary, be changed by the case worker. The LMMP in New Brunswick has given the province responsibility for the provision of job-brokerage services to EI clients (Chapter 6).³⁶ Categorisation of the unemployed clients is done in order to match the client to employment support functions (and relevant professionals). The exact sequence followed varies according to individual need and across local offices. Table 5.5 gives an example taken from Fredericton.

Caseplans

In many of the cantons and provinces under review, caseplans are made on intake which are updated as circumstances change. These caseplans often take the

Table 5.5. **General categorisation of unemployed clients in Fredericton, New Brunswick**

	1	2	3	4	5
Aim	Personal development	Career decision	Skills enhancement	Job-search	Job-maintenance
Activity	Socialisation	Setting aims for the client	Upgrade skills to aims	Client fulfils categories 2 and 3 (and 1, but that may be uncertain)	Client cannot keep a job due to behavioural problems: issues similar to category 1
Professional workers	NGO: John Howard Society: 8-week socialisation course	Career consultant	Education/training	Employment service	Services available, see category 1

Source: OECD Secretariat.

form of a “contract” between the benefit recipient and the social assistance office. Individuals agree to undertake efforts to improve their employability and the public sector is engaged to help them in this. During the first interview and prior to signing the caseplan, the authorities in Alberta and Ontario take great pains in ensuring client awareness of their obligations while emphasising their expectations about behaviour whilst on social assistance. Emphasis on reintegration activities is often left to subsequent interviews. In New Brunswick, career officers guide claimants on the setting of employment goals, and necessary intermediate steps. Clients have a series of interviews (on average 6 to 8 interviews within a 3-month period) to establish the desired (and feasible) career path of the client. The agreed career path is incorporated in the caseplan.

Typically, a caseplan for the RES in Switzerland will specify future actions regarding employment, possible upgrading of educational attainment and vocational training. Often the caseplans include “intermediate goals” which have to be addressed by clients prior to their next intensive interview with the case worker. Caseplans have to be signed by social assistance clients in all Canadian provinces under review;³⁷ this is also generally the case in Ticino and Vaud.

Caseloads

Throughout Switzerland, the caseload staff-worker ratios are comparable with international norms (Pearson, forthcoming): about 1 staff worker per 125 cases.

However, in some cases in Canada staff have a much heavier caseload: on average 1 to 170 cases in Saskatchewan, but can be as high as 1 to 260 cases for some staff-workers in the provincial capital Regina,³⁸ and 1 to 300 cases in Fredericton, New Brunswick. Part of the reason for such high caseloads is that these case-managers have a low proportion of employable clients. Nonetheless, even for employable clients contact with case-managers is rarely more frequent than every three months, often sliding to once per 6 months on average. If the role of case-managers is to act as advisers on the sort of programmes that are available to claimants, then such infrequent contact may be sufficient. However, their role is usually presented as being much more than this, involving the identification of underlying problems inhibiting reintegration; boosting self-belief of clients; and encouraging them into setting feasible reintegration goals. Such functions require the case-manager to gain the confidence of clients. It is doubtful whether contact every 3 months is sufficient; it is reasonably certain that these objectives cannot be achieved during two meetings per year.

Control measures

Unemployed persons covered by *insurance* benefits are required to forward their control card containing information on job search activities to the employment services. In Canada, the more job ready client is expected to report job-search activities once or twice per month by mail and does not necessarily visit staff workers, while in Switzerland control interviews with UI clients are held on a monthly basis.

Unless Canadian EI clients fail to report job-search activities or to appear at a counselling interview, sanctions are rare. In Switzerland, the duration of unemployment benefit lasts up to two years, but the passive nature of UI receipt is restricted to the first 7 months.³⁹ Thereafter, the UI clients have to adhere to the intermediate goals in their caseplan and non-co-operative behaviour will be sanctioned. Non-compliant behaviour covers not accepting a job-offer which pays less than UI benefit (supplements can be claimed when this is the case), and clients must accept any jobs which involve two hours or less of travel each way. Sometimes sanctions are applied almost automatically: in cases where a client does not appear at an interview, sanctions are for 10 days. Refusal to participate in an ALMP can lead to sanctions of up to 60 days of UI receipt. However, use of sanctions varies across RES offices. For example, the Canton of Zürich sanctions three times more often than the authorities of the city.

The CSIAS guidelines stipulate that sanctions cannot reduce social assistance benefits below the subsistence minimum (Chapter 4). The four cantons under review all adhere to the CSIAS guidelines and professional workers criticise

attempts – as allegedly occur in rural parts of Switzerland – to force clients to take on “bad” jobs.

Caseplans of “employable” social assistance clients in Canada include “intermediate goals” which have to be addressed by clients prior to their next intensive interview with the case worker. Default, can lead to sanctions for employable welfare claimants in Alberta, Ontario and Saskatchewan: benefits can be suspended until a “new” caseplan is agreed upon and the clients adhere to its stipulations. For example employment support workers in New Brunswick have no desire to waste their time and energy on unwilling clients, and refer these persons back to the case manager. However, cutting benefit payments is restricted to single young claimants who can face benefit cuts from C\$ 300 to C\$ 50 per month if they do not comply with the stipulations in their caseplan. In all other cases, staff rely on “push and persuasion”.

Reintegration of persons with unemployment benefits

In both countries, unemployment benefit recipients undertake job-search activities at their own discretion during the initial period of benefit receipt: 3 months in Canada; 7 months in Switzerland. After the initial period EI claimants will be called to the employment service centre to participate in intensive job-counselling interviews. At this point, case managers will try to engage clients in ALMPs, if participation is deemed to enhance their opportunities (see Box 5.4). Clients at this stage are half way through maximum EI receipt (see below). If significant upgrading of skills is required the period of training may well last longer than the remaining period of benefit.

The duration of unemployment benefit is two years in Switzerland, but UI receipt is conditional upon participation in an ALMP after seven months. From the beginning, the RES calls claimants in for intensive job counselling, and caseplans are revised to incorporate intermediate goals to be met prior to the next meeting. If appropriate to the clients’ need, the RES will offer participation in an ALMP, with continued benefit receipt, special daily benefits (depending on the nature of the programme), compensation for travel costs, and supplements if wages are below the benefit level (BIGA, 1997). Failure to attend the course leads to sanctions.

This more active approach to UI benefit has existed only since 1997, when reforms not only changed the RES into a regionalised employment service (OECD, 1996), but increased the existing capacity of employment places. Federal authorities obliged cantons to create 25 000 employment and training places (*Jahresplatze*) and in fact 28 000 places were created in 1997. Each of these places is equivalent to one full year of placement, but as placements are of short-term duration about 210 000 persons were covered.

Box 5.4. Federal spending on labour market policies in Canada and Switzerland

During the 1990s spending on labour market policies (including employment insurance) in Canada fell rapidly after 1993 when unemployment was at its peak, and amounted to 1.7% of GDP in 1996/97. In Switzerland spending has risen, albeit intermittently, since 1990 (Table 5.6 and Tables A.1 and A.2 in the Annex). Switzerland now spends 2.2% of GDP on labour market programmes despite having a relatively low unemployment rate. Passive income support amounts to 65% and 70% of total spending in Switzerland and Canada, respectively. Most importantly, the share of active spending has increased markedly: from about 22.5% in 1990 to about to 31% in Canada (1997) and 35% in Switzerland (1997).

In Switzerland most spending on ALMPs is directed towards training and direct job creation in the public sector (see text). Spending on direct job-creation in Switzerland has continued to increase, now accounting for 50% of spending on active policies. The number of people in training courses has declined from 1997 to 1998 in Switzerland as a whole, but not in Zürich (Table A.3 in the Annex).

In the past, ALMPs in Canada had some successes (wage subsidies targeted at the long-term unemployment towards employment in the private sector proved to be successful), but also many failures [a tax credit to employers hiring unemployed persons had dead-weight of up to 67%; substitution of 13% and only 5% of the participants were retained by employers (Marchildon, 1995)]. Advantage was taken of the introduction of employment insurance in 1996 to revamp the range of ALMPs. HRDC clients can now participate in the following Employment Benefits and Supports Measures (EBSMs) of a long-term nature: targeted wage subsidies for private sector employment; training; subsidised employment in the public or non-profit sector; and self-employment initiatives. In 1997/98 about C\$ 2 billion was spent on EBSMs, up from C\$ 1.8 billion in 1995/96 (including income support to EI recipients in training). Short-term interventions (community-based employment assistance; individual counselling and group service provision) constitute 11.4% of total expenditure on EBSMs in 1997/98 compared with 4.4% in 1995/96. Of the provinces under review, Alberta seems to rely most heavily on community-based employment assistance services, Ontario makes frequent use of group services while Saskatchewan and New Brunswick emphasise individual counselling (HRDC, 1998a). The shift towards less costly short-term interventions implies that more clients are being served, a change in resource allocation facilitated by the strong labour force attachment of EI recipients who are, in comparison to welfare clients, less in need of intensive labour market supports.

Considerable attention is given in both countries to the problems of unemployed youth. The Youth Employment Strategy introduced in 1997 in Canada provides young persons with work experience and training through wage-subsidies and internships and helps young people to access information on jobs and education. In 1997 in Ontario, 5 300 people were in internships and 11 400 students were helped into work through work-placements upon completion of their studies (HRDC Ontario Region, 1998). 3 000 young Ontarians participated in employability and life skills programmes (Youth Service Canada). Participants have a strong incentive

Box 5.4. Federal spending on labour market policies in Canada and Switzerland (cont.)

to complete the programme as they receive a grant on completion and proof of transition into work or education. This programme had considerable positive effects on the situation of participants: 50% of participants were in work one year after completion while another 20% had returned to education (HRDC, 1997). In Switzerland high placement rates (up to 80%) are also achieved for young ALMP participants, particularly if programme design increases vocational training while participants gain work-experience in the private sector (KIGA Zürich, 1998).

Table 5.6. Expenditure on labour market policies in Canada and Switzerland, as a percentage of GDP¹

Programme	Canada			Switzerland		
	1990	1996	1997	1990	1997	1998
Public employment services and administration	0.23	0.19	0.18	0.07	0.15	0.14
Labour market training	0.26	0.17	0.15	0.01	0.23	0.19
<i>Training for unemployed adults and those at risk</i>	0.23	0.16	0.15	0.01	0.23	–
<i>Training for employed adults</i>	0.04	–	0.00	0.00	0.00	–
Youth measures	0.02	0.02	0.03	0.02	–	0.01
<i>Measures for unemployed and disadvantaged youth</i>	0.02	0.01	0.02	0.02	–	0.01
<i>Support of apprenticeship and related forms of youth training</i>	–	0.01	0.01	–	–	0.00
Subsidised employment	0.02	0.06	0.08	0.00	0.23	0.21
<i>Subsidies to regular employment in the private sector</i>	–	0.01	0.01	0.00	0.01	0.01
<i>Support of unemployed persons starting enterprises</i>	–	0.02	0.02	–	0.00	0.01
<i>Direct job creation (public or non-profit)²</i>	0.02	0.02	0.05	0.00	0.22	0.19
Measures for the disabled	–	0.03	0.03	0.17	0.15	0.15
<i>Vocational rehabilitation</i>	–	0.03	0.03	0.12	0.15	0.15
<i>Work for the disabled</i>	–	–	0.00	0.05	0.00	0.00
Unemployment compensation	1.89	1.16	1.02	0.93	1.41	1.07
Early retirement for labour market reasons	–	–	–	–	–	–
Total	2.42	1.64	1.49	1.23	2.16	1.77
Active measures	0.53	0.48	0.47	0.29	0.75	0.70
<i>Work as a social objective</i>	0.02	0.02	0.05	0.05	0.22	0.19
<i>Non-targeted training</i>	0.04	0.01	0.01	0.00	0.00	0.00
<i>Other (not including employment services and administration)</i>	0.25	0.24	0.29	0.14	0.39	0.37
Passive measures	1.89	1.16	1.02	0.93	1.41	1.07

1. For Canada, period refers to fiscal year from 1st April to 31st March.

2. Includes spending on enhancement of “partnerships”.

Source: OECD active labour market policies database.

Notwithstanding the provision of employment and training places, many people exhaust their benefit period without having found employment. In Switzerland, exhaustees lose access to all the services of the RES other than job-brokerage. Some cantonal authorities have unemployment assistance programmes and have made *Jahresplätze* accessible to recipients (predominantly UI exhaustees, but also the previously self-employed). However, the amount of money spent on such measures is well below that spent on UI recipients. In Vaud, for example, the amount spent per RMR recipient is about 10% of what is spent on UI recipients. In the city of Zürich, of the 1 200 available cantonal employment and training places 450 are reserved for UA claimants. City authorities believe that 4 000 UA recipients could benefit from active measures.

There is some evidence on what happens to the about 25 to 30 000 UI benefit recipients who exhaust their insurance benefit entitlement each year in Switzerland (Aeppli *et al.*, 1998). After about one year 43% of exhaustees were in employment (of the other 57%, 15% had entered a job, but had subsequently lost it). Just 15% were in receipt of social assistance. Two thirds of those who found employment were earning less than they earned in their previous occupation while 40% of those in employment earned less than UI benefit income – jobs they would probably not have accepted whilst on UI. Aeppli *et al.* (1998) suggest that re-employment for the “exhaustees” is certainly possible, so the insufficiency in providing employment support measures for this group is a policy error.

In Canada, benefit exhaustees become “Reachback” clients and can use the employment supports provided by the employment service for up to three years (five years in some cases). Due to its recent introduction (July 1996) information on the impact and success of the reachback initiative is not available.

Reintegration of social assistance clients: the short road towards employment?

Chapter 4 argued that the “attitude” of public bodies towards social assistance clients differed substantially between provinces and countries. Differences in attitude also underlie the focus of reintegration strategies. Governments in both Alberta and Ontario are pursuing policies that aim to restrict the number of employable people in receipt of social assistance in the short run. Policy towards employable clients who are in receipt of benefit focuses on getting them into work, “any kind of work”, as quickly as possible. “The shortest road to employment” justifies an emphasis on intensive and immediate job-search assistance. Work itself is considered to be the best approach to upskilling clients, through the development of work-related skills. Hence in Alberta (the situation in Ontario is more complex because of the role of municipalities), compulsory help with job-search precedes even the processing of an income support claim.

Of course, neither Alberta nor Ontario neglects measures aimed to improve the employability of long-term benefit recipients.⁴⁰ Indeed, the very success of Alberta in particular, in reducing caseloads is increasingly leaving behind a hard-core clientele that requires a much more resource-intensive intervention strategy to achieve reintegration. Savings from reduced intake and reduced spending on special benefits in Alberta have led to a shift of resources to training and work-oriented programmes. Between 1993-96 more than 35 000 people were covered by such programmes (Boessenkool, 1997). Alberta has explicitly shied away from workfare (see below), but does have programmes that promote work placements in the voluntary sector (such as the "Alberta Job Corps"). In order to introduce a shift towards activation, AFSS and the career development services (Alberta Advanced Education and Career Development, AECD) co-ordinated their provision of employment support measures (employment preparation and work placement programmes are provided by the AFSS and long-term employment-oriented training programmes by the AECD). AFSS now spends about C\$ 110 million on training and employment programmes, mainly for (potential) welfare clients and C\$ 312 million on income support. This indicates a relatively "active" orientation in social spending.

Other provinces and the various cantons do not follow the approach of "the shortest route". Rather, barriers to employment and training are assessed and remedial actions taken. For example, authorities in New Brunswick have shifted the focus of social policy towards promotion of employment, but argue that the shortest route to employment is not *always* the best approach. Depending on the qualifications of the client counsellors will focus on re-employment or training. Indeed, New Brunswick focuses increasingly on improving the poor educational heritage.

NB Works was a pilot programme that provided a continuum of counselling, education and work experience for longer-term and repeat social assistance clients (it ceased to exist in autumn 1997⁴¹). It also served as a learning base for current programme design, which encapsulates the values of case-management and long-term commitment to clients making the transition to work. The federal government paid for 20 weeks of employment, which qualifies participants for EI, thus gaining access to federal funds. Thereafter, participants re-enter education in order to finish high school, and, possibly, undertake long-term skills training, followed by counselling services and if necessary a wage subsidy. Over 50% of the original participants are no longer on SA.

The recently introduced Saskatchewan Training Strategy also has the objective of developing the human capital of the province. Training, including for social assistance clients, is linked to the needs of employers, as expressed through a process of consultation and consensus building among unions, business and students. "Quick response training" (a programme open to all people without job) is of short duration and designed to react quickly to employer needs.

The medium term objective is to shift income support for those in education or training from being based on the characteristics of the person towards becoming based on the type of training received. At the moment, in Saskatchewan as in other provinces, some people on the same course may be in receipt of social assistance; others, unemployment insurance; yet others, loans for students. In the future, the balance between the grant and the loan element will reflect the extent to which gains from the course will benefit the individual, as opposed to society in general. Hence social assistance clients on a computer-programming course will receive more support in the form of a loan than those undertaking less marketable courses.

This raises some complex issues. In particular, the rate of return to a course can only be assessed by discounting future earnings. Insofar as individuals discount future income at different rates, so the return to the same course differs. Social assistance clients, being by definition cash-constrained, will presumably have higher discount rates than other groups, and so the provision of support in the form of loans may act as a barrier to take-up.

In Switzerland the focus of policy is to deal first with barriers to work, before pushing hard for entry into employment. Specialisation of service provision is promoted through regionalisation (see Chapter 6). CSIAS guidelines are being developed to cover reintegration policies (CSIAS, 1998). Social assistance officers are unwilling to exacerbate the hardship of clients by pressurising them into labour market measures or "bad" jobs. Programmes for social assistance clients in Switzerland are therefore primarily concerned by social and professional integration. For example the "Soliwork" programme in the city of Zürich is intended for long-term unemployed persons who often are in receipt of social assistance (Sozialdepartement der Stadt Zürich, 1997a). The objective is work socialisation.

Activation measures have been introduced in Vaud and Ticino (Radeff, 1998). In Vaud, the introduction of the RMR was intended to stimulate clients through the provision of social and labour market programmes. The reinsertion element of the RMR has not yet succeeded in fulfilling the hopes of those who backed it, partly because it has been difficult to find appropriate work placements (see below). Reintegration has been broadly interpreted to include social activation. Few would deny that social activation may be useful for those clients who cannot work. The problem in Vaud, as elsewhere when the strategy has been attempted (see OECD, 1998a) is to identify an appropriate target group and objective for policy. Certainly some courses seem unlikely to have been particularly effective.

Placement in the primary and secondary labour market

Avoiding competition with the primary (or market) labour market severely constrains labour market measures in Switzerland. There is great resistance to subsidising unemployed people to work in the private sector, as it is thought that this

might displace other workers from employment.⁴² Of course, this is an issue in many other countries (OECD, 1998a). Similar concerns exist in Canada, the “Alberta Job Corps” is not allowed to compete with the private sector, and unions are unsympathetic towards provincially financed private sector wage subsidies in Ontario, fearing displacement effects of both the wage subsidies to the private sector and mandatory placements in community-based projects. However, the interpretation of avoiding *any* displacement of workers is far stricter in Switzerland than elsewhere. As *completely* avoiding displacement is all but impossible, the result is that work experience programmes in Switzerland focus on the public sector, not the private sector, and have a tendency to be “make-work” programmes, rather than to have substantive content. Typical jobs include sorting electronic waste and clearing forest paths. The obvious cost is that programmes are unlikely to increase significantly future employment prospects.

Historically, Switzerland has had limited experience with high levels of unemployment and this may account for the high level of suspicion of employers/unions about employment competition. Cantons and communes can subsidise private sector employment – some cantons pay 40% of wages (and sometimes more) for 6 months or pay social contributions – but in general it remains a minor element in the ALMP mix.

In contrast, in 1998 Saskatchewan introduced two-wage subsidy programmes on behalf of social assistance recipients: the “Community Works Programme” for placements in the public and not-for profit sector; and the “Work Placement Programme” which provides wage-subsidies in the commercial private sector (1650 places in all). This was a break with the past, when only placements in the public and non-profit sector were allowed. The justification is the hope that private sector placements will be more effective in reducing long-term benefit dependency.

Compulsory participation in ALMPs and workfare

Requiring people to work in order to ensure continued receipt of income support, has become much more familiar in a number of OECD countries (Pearson, forthcoming). Workfare exists for social assistance clients in some Swiss cantons as well as for UI clients in Switzerland and requirements either to work or participate in ALMPs have been introduced in Ontario. There are four very different (but not mutually exclusive) philosophies that are used to justify compulsion:

- Social assistance benefits should be reciprocal to some extent – those in employment must work in order to receive remuneration, so this should also apply to benefit recipients. This line of argument has some resonance amongst electorates.
- Workfare provides a check against people claiming benefit whilst working in the shadow economy. This has received some limited support, albeit for a

small proportion of those receiving benefit, in those countries where workfare has been introduced (OECD, 1998a).

- Individuals do not always act in their own best interests, and often refuse to participate voluntarily in programmes, even when they would find them of long-term advantage.
- If workfare is required for all benefit recipients, then it forces administrations to consider measures for even the hardest, most difficult cases, who otherwise – inevitably – are neglected by resource-constrained administrations.

In Switzerland, social assistance recipients are sometimes required to work on projects such as the establishment or maintenance of “mountain trails” for visiting tourists. The motivation would appear to be along the line of “not paying something for nothing”, with the objective of making social assistance an even less pleasant experience than it otherwise would be.

As noted above, with the labour market reforms of 1997, after 7 months of unemployment benefit receipt, the RES takes a more active and *sometimes* coercive approach towards claimants in order to get them into ALMPs. Whether compulsion is applied depends on the opinion of the RES staff. Compulsion is not general, so reducing the quality of life is not the objective (after all, this concerns an *insurance* benefit, to which claimants have contributed); nor can it be seen as a method of systematically forcing the bureaucracy to implement plans for all benefit claimants. Hence, the underlying rationale appears mainly to be paternalistic – forcing clients to act in their own best interests. However, the quality of the mandatory employment and training places varies. In Ticino, the RES serves about 11 200 participants in one year (60% in courses; 30% in work placements; and 10% in other programmes). The available evidence is limited: overall, 21.6% of the participants are no longer registered with the RES two months upon completion of their course.⁴³ The most effective programmes are training periods and highly targeted training: temporary work is deemed less effective. There is no counterfactual to assess whether this should be regarded as a success; in fact, the general view is that it is disappointing. Programme designers are aiming to increase the amount of vocational training involved, responding to the fact that the most successful form of aid – professional training aimed at the young and work-experience placements in the private sector – has achieved placement rates exceeding 80% in Zürich.

In Ontario, a still different set of motivations lie behind the introduction of compulsory participation in labour market programmes for welfare recipients. In moving from passive to active welfare support changes amounted to a redefinition of the rights, responsibilities and opportunities of the individual and the public authorities. Reflecting a trend also experienced in other countries, labour market supports are maintained or even enhanced, but it is the duty of benefit recipients to avail themselves of the schemes on offer. Failure to do so is *prima facie* evidence of a lack of interest in keeping duration on benefit as short as possible, and there-

fore undermines the legitimacy of any claim to continued social support. "Ontario Works" is intended to promote self-reliance through employment; provide temporary financial assistance to those most in need while claimants have to satisfy obligations to become and stay employed; effectively serve people in need of assistance; and be accountable to the taxpayers of Ontario. Being tough on welfare claimants, including the introduction of obligatory participation in work programmes, ALMPs or structured job-search programmes, was a main plank of the government's election programme, as was cracking down on benefit fraud. However, local offices have been left a great deal of flexibility in implementing the programmes, permitting a certain degree of tailoring of measures to reflect individual need. "Ontario Works" (OW) requires all employable clients to be in either:

- Employment support (structured job-search programmes).
- Community participation (skill development and acquiring work-experience in mandatory work placements in the public or NGO sectors).
- Employment placements (wage subsidies for placements in the private sector and self-employment support).

About 40% of people covered by Ontario Works are on welfare for less than 4 months. This client-group is served by employment support programmes. There appears some operational diversity as the programmes under this heading vary enormously, sometimes consisting of little more than an orientation course followed by individual, unstructured job-search as was the case prior to implementation of OW.⁴⁴

OW was introduced in May 1998. There are a number of issues which remain to be ironed out, some of which are perhaps inevitable when introducing such substantial changes:

- The accountability of the municipalities in implementing OW is laid down in a "business plan" as negotiated between provinces and municipalities. Service targets set in the business plans are based on the provincial minimum expectation levels of services to be provided and local conditions for each of the 3 broad categories of OW. Nonetheless, some municipalities feel that this approach takes insufficient account of local conditions and sometimes find it difficult to meet their targets for reasons unrelated to their competence or effort. For example, the aim is to place 15% of clients in community participation. One of the reasons that targets are not always met is that turnover in community participation is higher than expected due to people getting jobs. In addition, however, NGO and labour union mistrust of OW has also made it difficult to achieve targets.
- Unions have successfully argued that the minimum wage must be paid to those in community participation. Dividing the level of income support by the minimum wage gives a maximum number of monthly hours that can be spent in a programme of just 70. By design therefore, community participa-

tion leaves clients time to undertake other employment-oriented activities such as job search. However, the “70-hour maximum” also limits the utility of community participation places in terms of “real” work-experience.

- During 1998 employment placements were targeted at the most job-ready clients. Placements consist of job-referrals in the private sector (with a wage subsidy) or support for self-employment. However, not all municipalities met their targets. The Ontario government believes that this might be because some municipalities have had difficulties promoting the programme and countering the opposition by advocacy groups and labour unions to some aspects of the programme. In addition to union mistrust of the programme, two other reasons are given by local administrators as to why this might be. First employers prefer to take on other unemployed persons (EI and EI “reachback”) who come with a higher wage subsidy (Chapter 6). Second administrators find that clients do not always have the right attitude and lack motivation.
- Funding for municipalities in OW depends on the service units provided under each of the three broad OW categories (as laid down in the business plan). Some municipalities would prefer a funding system based on outcomes (success in reducing the caseload). Whether the municipality as a whole is better or worse off when a client moves into employment is very complex – income supports are cost-shared with the provincial authorities (who bear 80% of the costs and administrative costs are split 50/50). A move to a block grant formulation (Chapter 6), perhaps with outcome related incentives might be considered, but after various reforms concerning health, education as well as welfare, municipalities might be suffering from reform-exhaustion to a certain extent.

A critical factor in the implementation of Ontario Works is the ability of local authorities to market the community participation and employment placement components in their community, *e.g.* to local employers. Welfare reform in Ontario thus required a sharp change in focus of staff within a limited period of time. Such a substantial change leads almost inevitably to implementation problems. Despite these problems, case managers are keen to emphasise that introduction of Ontario Works has focused staff to consider reintegration opportunities for *all* their clients, not just those who are easy to place.

The design and reality of Ontario Works is far removed from the political rhetoric. Despite the latter, “Ontario Works” is so designed that only a small proportion of clients is to be involved in mandatory work placements (community participation), and in that regard change has not been as sweeping as suggested (Morrison, 1998). Furthermore, at present, the reality is that community participation is mostly voluntary from the perspective of clients who often organise relevant activities themselves.

Nonetheless, political rhetoric continues to use the community participation component of OW as evidence to taxpayers that clients are “being required to work for their welfare cheque”.⁴⁵ Local offices are required to use the “employment support option”, as much because it is *cheap* as because it is effective but it is clear that in some cases, clients are only nominally in any sort of support at all. In part these problems reflect implementation problems, but are also due to a lack of adequate financing. Ontario is planning to increase the resources committed to OW and has already allocated extra resources to facilitate the extension of Ontario Works to single teenage parents (MCSS, 1999).

The other provinces and cantons reviewed do not have workfare. Certainly, there are some aspects of policy which have similar underlying philosophies as have motivated workfare elsewhere. The RMR in Vaud embodies the notion that clients should do something to aid their reintegration into the labour market and/or society, and emphasises the duty of the State aiding its citizens to remain integrated. But the RMR is first and foremost a positive signal towards clients to stimulate their integration activities; failure to meet the objectives does not lead to sanction. Similarly, in Graubünden, New Brunswick, Saskatchewan, Ticino and Zürich compulsion does not take place: if people do not want to benefit from formal programmes, then as long as they satisfy requirements for job search, the official view is that forcing them into programmes would lead to resentment and be counterproductive. This is also the view in Alberta, where despite similarities in political tone with Ontario, policy makers are keen to emphasise that workfare does not exist.

In a number of cantons and provinces where compulsion is *not* applied, various social assistance officers argue in favour of the paternalistic approach. Voluntary participation is best, but failing that, the option of compulsion would be a powerful motivating influence in the minority of cases where clients do not want to improve their labour market prospects.

One lesson that seems to emerge from workfare experiences in Ontario and Switzerland is that to cover an entire class of benefit recipients in anything more than a nominal way requires substantial resources. If this is not forthcoming, workfare will inevitably be partial, or of low quality, or with little administrative follow-up. In that event, it is unlikely to meet any of the possible aims of the policy.

The impact of policy reform on caseloads

The effect of social assistance policy reforms

Policy reforms since 1990 can be crudely characterised as following one or more strategies. All classification implies simplification, and this one is no exception. All provinces have extended coverage of activation measures, and all have extremely

tight checks on eligibility on entry into the system. New Brunswick and Saskatchewan may not have cut benefit rates recently, but that is partly because rates were already low. Alberta, Ontario and Saskatchewan have extended health care benefits to cover low-income earners, but New Brunswick has not; Saskatchewan has also floated those in training off social assistance; and as described above, elements of a workfare strategy certainly exist in some cantons. Despite these qualifications, the broad strategies being followed are:

- *A retrenchment strategy.* Alberta and Ontario⁴⁶ cut benefit rates in 1993 and 1995 respectively (Chapter 4). Assets limits were reduced and intake policed much more heavily. These policies have been combined in Alberta in particular with new categorical benefits to cover those in education or training (reducing caseloads in Alberta by 15 000 cases and in Ontario by 8 000 cases); disabled claimants are not on welfare but served by separate programmes (23 000 cases in Alberta); and various other changes in treatment of those claiming benefit but working, etc.
- *A workfare strategy.* Clients are obliged to undertake activities leading to speedy labour market reintegration. Although mandatory work placements are currently limited in Ontario, its application is uncertain and its existence acts as a deterrent. The possibility that local municipal councillors in certain parts of Switzerland may insist on work placements contributes to the low take-up of social assistance.
- *A long-term reintegration strategy.* Social workers in Saskatchewan and New Brunswick, in particular, stress their attempts to improve the employability of clients, rather than trying to push them into work at whatever wage they can command. Most Swiss cantons can be characterised as pursuing this strategy, both within the social assistance system and through programmes such as the RMR in Vaud.⁴⁷

Policy makers need to know which of these strategies is most effective in reducing caseloads. To date, evidence is limited and inconclusive. The striking policy reforms in Alberta and its success in reducing caseloads from their peak by two-thirds have attracted interest among researchers. Researchers have attempted to disentangle whether reduced *intake* or increased *exit* explains the change in caseload:

- Canada West Foundation (1997) finds that 53% of the clients left welfare because they found a job. However, this study does not capture the period immediately after reforms (tightening access and cutting benefit generosity) in which caseloads declined most sharply.
- Boychuk (1998b) states that the most important change in social assistance provision in Alberta is not a shift from passive to active programming, but simply the restriction of eligibility and reduction of benefits.

- Boessenkool (1997) suggests that intake fell sharply because of the new attitude making intake more unpleasant, but argues that the training and employment measures have had a significant positive impact.
- Fortin and Crémieux (1998) believe caseload reductions are due to reduced benefit generosity and more severe administrative rules and a modest recovery (a conclusion they also make for Ontario).

The statistical tests referred to in the introductory section of this chapter also point to the impact of policy changes in Ontario. In that province, the relationship between unemployment and caseloads appears to change in 1990, coinciding with a more generous income support regime; and again in 1995/96, concurrent with the recent welfare reforms curtailing generosity and changed administrative rules. The Saskatchewan experience also provides some evidence of the effects of reform. As early as May 1984, Saskatchewan introduced a distinction between fully and partially employable clients and cut benefits to the former by 16.9%. The difference in rates between the two categories remained about 30% until 1992, when the compartmentalisation was suspended, and benefits levels for employables were increased by 39%.⁴⁸ This increase in basic benefit rates and a more client-friendly application of rules reflected a shift in attitude to a more compassionate social policy in Saskatchewan. As Chart 5.2*b* reveals and corroborated by the statistical tests, over 1992-94, Saskatchewan caseloads increased rapidly relative to unemployment, suggesting (but not, of course, proving) that caseload was responding to the policy change.⁴⁹ In New Brunswick, caseloads increased rapidly compared to unemployment over the 1990-93 period. The increase was predominantly concentrated among temporary benefit recipients (particularly young single males): the annual average caseload for 1993 was about 50% higher than in 1989. Apart from the improving economic climate, caseload decline over the 1993-1995/96 period in New Brunswick may be related to the impact of employment support programmes as NB Works and the Self-sufficiency Project, as well as tightening eligibility. The authorities argue that were it not for the change in EI, social assistance caseloads would have fallen.

The effect of unemployment insurance policy reform

In both Canada and Switzerland the federally operated unemployment insurance systems have been subject to regulatory changes affecting accessibility and duration of benefit. The extent to which unemployed persons are covered by insurance benefits is an important determinant of the residual nature of social assistance caseloads (OECD, 1998a).

Accessibility to unemployment insurance in Switzerland was tightened in 1996. Changes included: penalties in case of “non-co-operative” behaviour; a

waiting period of 5 days; school-leavers without a contribution history have to wait for 120 days before payment of benefit; the maximum duration for short-term workers and bad weather payments was halved to 12 months and 6 months, respectively (OECD, 1997*b*). On the other hand, although initial income benefit receipt was limited to 150 days for claimants younger than 50 years of age,⁵⁰ total duration, including mandatory participation in an ALMP has been extended from 170, 250, or 400 days (depending on the contributory record) to 520 days for all clients with a contributory period exceeding 6 months in the last 2 years (or 12 months when the applicant claimed UI benefit in the last 3 years). Although corroborating evidence is not available, it is likely that the extension of duration and the introduction of ALMPs during the period of UI receipt, have had a reducing effect on the inflow into cantonal unemployment assistance, and ultimately social assistance caseloads.

In Canada access to employment insurance (EI) has also been restricted, and, in contrast to Switzerland, duration of benefits has been reduced (see Box 5.5). The number of unemployed persons who are in receipt of EI benefit has declined significantly over the first part of the 1990s. The reasons are twofold: the cumulative effect of successive EI reforms and changes in the composition of unemployment. Across Canada, the latter effect accounts for slightly more than half of the decline measured by the ratio of regular EI beneficiaries to survey-based unemployment, but this is subject to considerable variation across provinces (Table 5.7). Unemployment hits persons the EI programme was never designed to cover (HRDC, 1998).^{51, 52}

Box 5.5. Regulatory reform of the Canadian unemployment insurance system

Since 1990 the Canadian unemployment insurance system has undergone significant changes. Reform was motivated in part by the realisation that industrial structures, particularly in the Maritime provinces, had adjusted to the system, using UI as a subsidy to seasonal employment. Reforms changed entrance criteria; duration of benefit; repeater clauses; and based entitlement on hours not weeks worked (Table 5.8). Eligibility and benefit duration are dependent on regional unemployment indicators. For example, at a regional unemployment rate of 7% an individual needs 665 hours of work to establish eligibility while the maximum duration of benefit is 15 weeks. At a regional unemployment rate of 10.5% that same individual would need 525 hours, with a maximum duration of 23 weeks (HRDC, 1998, p. 23).

Table 5.7. **Declining EI coverage of Canadian unemployment, by province, 1989-1997**

	Alberta	Ontario	New Brunswick	Saskatchewan
Regular EI beneficiaries to unemployed ratio, percentage points ¹				
1989	0.68	0.59	1.25	0.68
1997	0.32	0.30	0.80	0.36
Overall	-0.36	-0.29	-0.45	-0.32
Proportion of the decline explained by (%):				
Labour market change	8	63	37	10
Programme reforms ²	83	27	54	79
Other	9	10	9	11

1. The ratio of EI beneficiaries, including those with earnings, to unemployed persons is not a perfect indicator for measuring the number of unemployed persons covered by EI benefit. It does not cover EI related sickness and maternity benefits or fishing and training beneficiaries. The number of unemployed (the denominator of the ratio) are estimated from Statistics Canada's Labour Force Survey, and therefore covers many persons who are not eligible for EI: new entrants; people who have worked only a few weeks, re-entrants with no work in the last 12 months, the self-employed and people who left their job voluntarily. Moreover, the unemployed as measured by the Labour Force Survey include many persons who are in receipt of EI benefit. This particularly concerns high unemployment regions such as New Brunswick, where many EI recipients, otherwise employed in seasonal industries, report to the unemployment survey that they are not looking for work. A phenomenon which contributes to the ratio exceeding 1 in New Brunswick in 1989.
2. This covers a policy change component which refers to regulatory changes made to the employment/unemployment insurance programme, but also an induced-programme component which refers to the built-in features of the EI programme that links entrance requirements and duration of benefits to the level of regional unemployment rate.

Source: HRDC (1998b).

Due to the changing composition of unemployment and the successive EI reforms, coverage of unemployment by EI is much lower than in the beginning of the 1990s. In effect, the federal programme is designed to cover those with strong full-time labour force attachment, while not covering those with greater problems or lesser attachment. Because of stringent means tests, a relatively small proportion of EI claimants flow directly onto SA upon expiry of EI. Although still subject to further research, initial estimates suggest a significant impact of the EI restrictions during the 1990s, which may have cumulatively increased the population on provincial social assistance from 10 to 25% (Fortin and Crémieux, 1998).⁵³ Thus, the decline in social assistance caseload in various provinces has happened *in spite of* changes in EI reform since 1990. This effect seems to be most visible in Saskatchewan (Chart 5.2), where authorities deem that EI reform explained 50% of the cumulative caseload increase (equivalent to about 7 000 cases). Similarly, the hiatus in the New Brunswick caseload decline in 1995/96 is also related to the impact of EI reform by provincial authorities.

Table 5.8. **Regulatory changes to employment insurance**¹

	Act	Nature of regulatory changes
1990	C21	Increasing the minimum contributory record from 10 to 14 weeks to 10 to 20 weeks (depending on occupation/type of work); increased penalties for people who left jobs voluntarily.
1993	C113	Except in some cases, "voluntary quitters" are no longer eligible for EI.
1994	C17	Changes to entitlement structure: reduction of benefit rate from 60 to 55% of last earnings. Change to entrance requirements from 10 to 12 weeks in high unemployment areas.
1996	C12	Entitlement rules based on hours rather than weeks worked (on average week is 35 hours). It has extended coverage to more part-time workers. Reduction of benefit duration from 50 to 45 weeks in high unemployment rate areas. Re-entrance requirements were tightened up for new entrants and re-entrants to the labour force. Introduction of Family Income Supplement for claimants with children. These claimants are exempt from the "intensity rule" regarding repeat users (see note).

1. The current "intensity rule" towards repeat users stipulates a reduction of 1% of the benefit-claim (per repeat-spell) down to 50% of last earnings. Regulations on part-time earnings have also been tightened: in the past, a claimant could earn 25% of benefit-amount, while additional earnings have to be paid back on a "dollar for dollar" basis; the current threshold is C\$ 50.

Source: Human Resources Development Canada.

Are those who left social assistance back in work?

The increased visibility of social assistance in Switzerland and the introduction of welfare reforms in Canada have exposed the lack of statistics on clients and ex-clients. Analysis is hampered by the lack of relevant panel data, and evaluations often concern micro-studies of a particular programme or one of its aspects. In both countries, the statistical base is being improved: New Brunswick has revamped its administrative database, which will over time create an extremely rich source of panel data. HRDC has developed a database that tracks interventions and outcomes. Presently, the SOMS database is used mainly for profiling clients and assessing which labour market intervention might be most appropriate. However, matching with social assistance benefit receipt data is possible and this will provide a rich data source for examining the recent history (1992 on) of SA incidence, and the socio-demographics of the recipient population, as well as the links or ties-ins to EI, reachback, and other HRDC programmes. In Switzerland, the Federal Statistical Office has initiated a project that will enormously increase the database available for assessing social assistance.

Notwithstanding the limited nature of existing data, some studies have shed light on benefit exit. Canada West Foundation (1997) considers a limited

sample of those who left welfare in Alberta (the study does not cover the initial period of caseload reduction after the 1994 reforms). Although subject to design flaws and sample selection bias (Boychuk, 1998b) the study finds that finding a job was primary reason for leaving welfare for 53.3% of those who participated in the survey. Other significant reasons were becoming a student with grant (7.8%); became eligible for EI, workers compensation, etc. (7.8%); and being cut-off welfare (7.3%). Data for Ontario⁵⁴ (EKOS, 1998) show a similar pattern. Over 50% of those who left welfare did so for employment-related reasons, although this percentage is significantly lower for LPFs (39%) (Table 5.9). Changing living arrangements (11%) and increases in assets and income (11%) were other common reasons for exit.

Data from the city of Zürich reveal that employment-related reasons are less important in causing exit than in Canada. Only about 25% of leavers (6% of the stock)

Table 5.9. **Primary reason for leaving social assistance in Ontario, 1996-97¹**

	Percentages				
	May 1996	November 1997			
	Overall	Overall	Type of respondent		
			Single employable	Family employable	LPF
<i>Sample size</i>	(2 159)	(2 041)	(549)	(557)	(273)
Employment-related reasons					
Found a job/recalled to an old job	57	50	62	52	28
Found a better job/more hours at old job	2	6	4	6	8
Spouse/partner found a job	3	2	0	12	2
Spouse/partner found a better job	0	0	0	1	1
Sub-total: employment-related reasons	62	58	66	71	39
Other reasons					
Living arrangements changed	11	11	5	3	18
Entered an educational training programme	2	11	7	7	21
Ineligible	1	8	9	7	10
Received income not related to job	11	7	8	8	9
Voluntary withdrawal	3	4	4	2	2
Other reasons	10	1	1	2	1
Sub-total: other reasons	38	42	34	29	61
Total	100	100	100	100	100

1. The sample month in the two years under consideration is not the same which somewhat distorts comparison due to seasonal effects. Furthermore, November coincides with the beginning of the academic year, inducing a positive bias to the observation on entering training programmes.

Source: EKOS (1998).

left social assistance because they found work – (Table 5.10, Sozialdepartement der Stadt Zürich, 1997a). The relatively high percentage of leavers gaining eligibility for unemployment compensation (15%) and taking up invalidity benefit (14.2%) indicates that cost-shifting to other public providers of social support is more common than in Canada (Chapter 6). The probability that client will leave social assistance for employment-related reasons falls after having been on social assistance for more than 2 years (Table 5.11). Take-up of UI benefit is an important reason for those who leave social assistance benefit within 6 months.

Information on the effectiveness of labour market interventions is usually limited to “success rates” – the number of people leaving welfare. However, these data are subject to sample selection bias and there is no good counterfactual. Nevertheless, the data are useful in showing that significant movement off welfare takes place. Table 5.12 shows that in Alberta participants in ALMPs move off welfare at a fairly impressive rate: 60 to 80%. This needs to be interpreted in the light of 65% of respondents to the Canada West Foundation Survey having a negative view of the welfare programme and related employment supports (Chart 5.5).

Clients who participated in the Soliwork project in the city of Zürich, which is primarily focused on social rather than labour market integration, were much more positive about their treatment: 88% of the Soliwork participants felt socially accepted at their workplace. However, only 27% of participants ended up in employment. The remainder of clients stayed on social assistance or qualified for UI or invalidity benefit (Sozialdepartement der Stadt Zürich, 1997).

Table 5.10. **Reason for termination of social assistance benefit receipt by age of client for the City of Zürich, 1993-95**

Percentages					
	Age group				Overall
	20-29	30-39	40-49	50-64	
<i>Sample size</i>	<i>(1 341)</i>	<i>(1 726)</i>	<i>(1 039)</i>	<i>(836)</i>	<i>(4 942)</i>
Overall	100	100	100	100	100
Reason for termination					
Employment-related	27.8	28.6	26.3	14.1	25.4
Improvement of income situation	15.1	14.6	15.4	14.0	14.8
Unemployment benefit	17.4	16.1	15.8	10.5	15.4
Invalidity/supplementary benefit	5.1	11.6	16.8	30.7	14.2
Emigration	12.8	9.4	6.4	4.7	8.9
Death	2.5	4.5	5.7	9.2	5.0
Other	19.2	15.2	13.6	16.7	16.2

Source: Sozialdepartement der Stadt Zürich (1997a).

Table 5.11. **Reason for termination of social assistance by duration of benefit receipt for the City of Zürich, 1993-95**

	Percentages							
	Duration of social assistance benefit prior to leaving							
	Months							Overall
	< 1	1-3	3-6	6-12	12-24	24-60	60 >	
<i>Sample size</i>	<i>(295)</i>	<i>(557)</i>	<i>(644)</i>	<i>(847)</i>	<i>(856)</i>	<i>(997)</i>	<i>(711)</i>	<i>(4 907)</i>
Overall	100	100	100	100	100	100	100	100
Reason for termination								
Employment-related	23.7	28.5	27.0	31.5	29.3	22.7	13.8	24.5
Improvement of income situation	27.5	15.3	14.1	14.3	14.1	15.4	10.7	14.9
Unemployment benefit	20.3	31.6	25.9	17.9	12.0	6.8	4.5	15.4
Invalidity/supplementary benefit	2.4	2.5	5.0	6.4	11.9	23.1	36.1	14.2
Emigration	5.1	6.6	8.1	10.4	11.8	9.6	7.0	8.9
Death	1.0	1.8	2.8	3.4	3.7	6.3	12.7	5.0
Other	20.0	13.6	17.1	16.1	17.1	16.0	15.2	16.2

Source: Sozialdepartement der Stadt Zürich (1997a).

Table 5.12. **Success rates for Alberta employment and training initiatives, 1996-97¹**

Programme	Positions completed	Completely off SFI (in percentage of leaving participants)	Working getting SFI top-up	
			In percentage of leaving participants	Average monthly earnings, C\$ ²
Alberta Community Employment	2 551	74	8	658
Employment Skills Programme	430	70	12	634
Alberta Job Corps	1 168	75	7	608
Basic Foundation Skills (upgrading) ³	3 399	56	11	604
Skills Training (post-secondary schooling under 2 years) ⁴	2 447	69	10	558
Training on the Job ⁵	25	64	16	515
Employment Alternatives Programme ⁵	5 850	70	10	611
Job Placement ⁵	3 985	83	5	603
Integrated Training ⁵	545	68	17	630
Workshop (AECD Exposure Courses) ⁵	1 569	73	8	571
Native Services ⁵	589	81	5	594

1. 12-month post-programme participation as compiled by participant database.

2. These average wages refer to those who receive a social assistance (SFI) top-up. Information on the wages of all leavers is not available on a comprehensive basis.

3. 7 634 welfare recipients participated in this programme in 1996/97, 55% continuing in school in 1997/98.

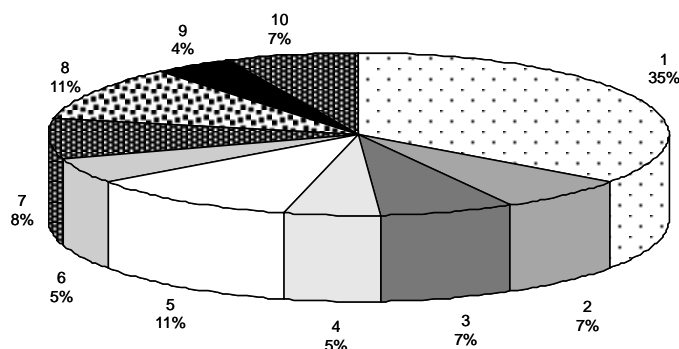
4. 4 884 welfare recipients participated in this programme in 1996/97, with 50% continuing in school in 1997/98.

5. Data provided by AECD's Employment Programme Tracking System (EPTS) for 1996/97.

Source: Government of Alberta.

Chart 5.5. **To what degree did Alberta's welfare programme help you to become independent? Scale 1 to 10**

(1 = not at all, 10 = a great deal)



Source: Canada West Foundation (1997).

As Table 5.13 reveals, the average earnings of those who found employment are well below the provincial poverty lines: average earning of those exiting assistance in Ontario is about C\$ 16 923 (for comparison, in a city with more than 500 000 inhabitants, the LICOs in 1997 were C\$ 17 409 for a single person and C\$ 32 759 for a 4-person family). Similarly, Aeppli *et al.* (1998) finds that those who managed to find a job after having exhausted their UI benefits in Switzerland had low wages.

Conclusions

In Switzerland the focus of social assistance policy is to provide a decent standard of living. This is influenced by history: caseloads have historically been small, and underlying causes were often social, not employment-related. Only recently has rising and persistent unemployment fuelled interest in reintegration policies. In Canada, caseloads started to rise during the 1980s and during the beginning of the 1990s, prompting a reorientation of objectives towards employment.

The positive lessons of recent Canadian and Swiss reforms are:

- Whatever view is taken of the social costs of discouraging clients from claiming benefit, it is clearly one reason why Swiss caseloads are low. Where claim-

Table 5.13. **Hours worked and earnings of respondents in Ontario currently employed at the time of the interview, by type of respondent, November 1997**

	Percentages				
	Type of respondent				
	Overall ¹	SA single employable	SA family employable	SA LPF ²	FBA LPF ²
<i>Sample size</i>	(882)	(240)	(248)	(113)	(281)
Hours					
Full-time (30 or more hours per week)	77	78	86	74	68
Part-time (less than 30 hours per week)	23	22	14	26	32
Average hours worked per week	36.0	36.1	39.3	36.0	33.3
Status (first job)					
Permanent	71	67	74	23	12
Temporary	17	20	15	62	77
Casual	11	12	8	12	11
Do not know/no response	1	1	3	3	0
Earnings³					
Average hourly wage (C\$)	9.04	8.30	10.10	10.00	9.60
Average gross weekly earnings (C\$)	325	300	397	360	320
Average gross annual salary ⁴ (C\$)	16 923	15 581	20 640	18 720	16 623

1. Responses of the proportion of respondents currently employed who recall both the hours worked and wages for the specified week.

2. LPF may be in receipt of mainstream social assistance, or FBA – a family benefit.

3. These wages are net, rather than gross values.

4. Assumes 52 weeks of continuous work at reported earnings level.

Source: EKOS (1998).

ing benefit has been made more difficult and unpleasant in Canada, intake into social assistance has fallen.

- Benefit rates affect caseload. The balance of evidence seems to suggest that benefit cuts contributed to falling caseloads in Alberta and Ontario. Again, the social costs must be set against such a policy.
- Ensuring that those in work but with low incomes have access to the same range of support as those without work has reduced barriers to work in some provinces.
- Authorities in both countries have succeeded in transforming the administrative culture of social assistance offices and related services, in order to give far greater weight to reintegration measures. The turn-around in the operation of unemployment insurance in Switzerland has been even more remarkable, with an extremely high proportion of the caseload in receipt of activation measures.

Issues that may need further consideration include:

- In much of Switzerland, too little concerted attention is paid to reintegration measures for those who are on unemployment assistance or social assistance. In part this reflects institutional failings which are discussed in the following chapter. Some reactivation programmes that do exist focus too much on social integration and lack clear objectives.
- The efficacy of employment placements in Switzerland is limited by excessive concern about avoiding competition with regular employment. This indeed should be an area of concern, but current interpretations condemn benefit recipients to near-useless “make-work” programmes.
- The justification for using case managers to assist clients is that time can be taken to identify problems and help orient clients in the labour market. This requires regular contact. Staff/caseload ratios in some parts of Canada are too high to permit such contact, with the result that part of the caseloads receive little attention.
- The objectives of compulsory participation in labour market programmes vary across and within countries. If compulsion is left to the discretion of case workers, then workfare can be implemented without significant extra resources being required. In Ontario, however, workfare is supposed to be general, whereas working for welfare – in contrast to prevailing rhetoric – only concerns a small group of clients, and then often on a voluntary basis. Ontario Works is so designed that many clients are involved in structured job-search programmes (the “employment support option”). The provision of intensive labour market interventions to a large group of clients with multiple barriers to employment requires considerable financial resources. In 1999, Ontario freed resources to finance such interventions for teenage parents; additional resources will be needed to extend coverage of intensive labour market interventions to a group of clients who – as the easiest cases have already left – will be increasingly in need of such employment supports.

POLICY COHERENCE

Introduction

Social assistance, to be effective, requires the supplying of resources necessary to satisfy basic needs; the delivery of social services to meet and treat social difficulties; and the provision of labour market supports in order to enable the individual and family concerned to become self-supporting. Previous chapters have described how different administrations and tiers of government have a stake in social assistance policy-making and delivery. This raises the question of how to ensure that these disparate bodies are able to ensure that clients receive the right form of assistance at the appropriate time.

This is always a complicated issue; it is particularly so in the case of Canada and Switzerland because of the federal structure. The distribution of functions between levels of government and the financial flows of resources vertically between these levels and horizontally within each level are politically controversial, and a great deal of history lies behind current arrangements. Nevertheless, the economics of “who does what” is having an influence on current debates in both countries. Broadly speaking, this branch of economics suggests the following:

- *Subsidiarity*. If preferences vary across a country, then allowing sub-national political units to determine policy trade-offs will increase well-being. This suggests devolving policy to lower levels of government.
- *Mobility*. Efficient allocation of resources requires that where people live and work should not be overly influenced by the welfare system. This has been interpreted as requiring that residency requirements of any sort are avoided at sub-national levels of government, and even that minimum standards of provision must be maintained across a country.
- *Incentives for cost-efficiency*. The more the financial costs of inefficient administration are felt by the operational organisation, the less will inefficiency be tolerated.
- *Economies of scale*. Where units administering social assistance are too small, they will be unable to offer a full range of services; unable to dedicate pro-

fessional staff; and may be overly vulnerable to financial risks beyond their control.

- *Policy competition.* Different institutions are able to experiment in how to provide better services at lower cost, in a way that monolithic bureaucracies find difficult. If one agency has a policy success, those in other jurisdictions may follow suit.

In both Canada and Switzerland, interested parties have been searching to find better ways:

- To provide appropriate services to a heterogeneous clientele by ensuring specialisation and professionalism whilst preserving a comprehensive coverage so that people do not “fall between the cracks” between different agencies.
- To better balance policy functions and financial resources between different tiers of government.

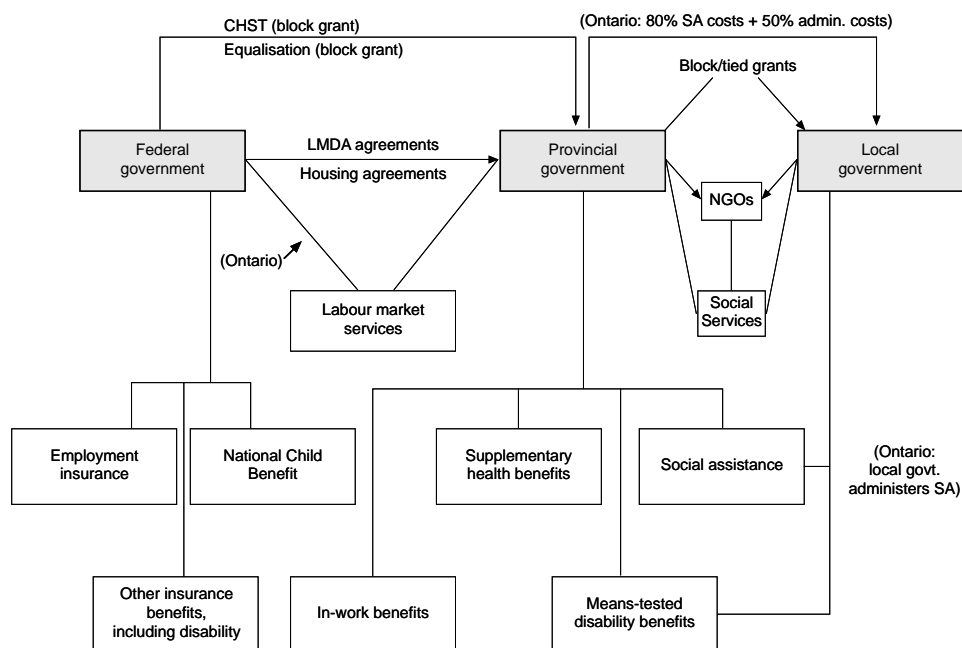
In both countries, there have been large-scale reforms, which have altered the nature of social assistance policy either directly or by changing the provision of related benefits and services. However, there remain serious flaws in policy design, which inhibit effective reassimilation of social assistance clients into the labour market and society.

This chapter first reviews the responsibilities, briefly outlined in Chapter 3, of the different governments and government departments in social assistance delivery. It then goes on to consider trends in “who does what”, assessing how the two countries are balancing the sometimes competing claims of subsidiarity and minimum standards. The fourth section looks at the financial relationships between central, intermediate and local governments, and how well rules operate which are designed to prevent administrations from shifting costs from their own budgets to those of other governments. The particular issues raised in ensuring that appropriate labour market services are provided to social assistance recipients are discussed in the fifth section.

The organisation and financing of social assistance

Canada

Federal government has responsibility for the insurance system (Chart 6.1). The details of employment insurance vary somewhat across the provinces, with higher rates of unemployment leading to an increased duration of maximum benefit receipt. Furthermore, federal government uses its personal income tax system to pursue social objectives. In particular, families with low incomes received refundable tax credits (in effect, child benefits paid through the tax system), and an

Chart 6.1. **Organisation of social assistance and related policies in Canada**

Source: OECD.

employment conditional benefit, which raised the return to work. Following negotiations with the provinces, this system has been replaced with a National Child Benefit, again paid via the tax system. The reasons for and consequences of this change are discussed below.

Provincial government has responsibility for last resort benefits – social assistance, and payments to lone parents and means-tested disability benefits. Provinces also ensure that medical expenses that are not covered through social insurance do not lead to deprivation. Several provinces have employment-conditional payments, targeted at those in work but on low incomes, as a measure to keep them off last-resort benefits.

Local governments are dependent for their existence and their financial resources on provincial legislation. In some provinces, they have been devolved responsibility for some social policies. Of the provinces covered in this review,

Ontario has gone farthest down this route, with local governments being responsible for social assistance delivery while sharing relevant costs (provincial authorities bear 80% of the costs of income support, and administrative costs are split 50/50). Local governments are often responsible for provision of social services, though provincial governments may also provide services directly. NGOs are responsible for the delivery of many social services; both local and provincial governments may contract out services to private organisations, both profit and non-profit making. In Alberta, various social services operate on a cost-sharing basis, with the provincial Family and Community Support Services Programme financed on a formula of 80% provincial and 20% municipal.

Both federal and provincial governments have a high tax capacity. Of all tax revenues in 1996 (C\$ 252 billion) 47.8% went to the federal authorities, 41.1% to the provinces, and 11.1% to local governments (OECD, 1998*f*). As a general rule, the direct taxes available to local governments are limited to property taxes. Provincial governments tax personal income, usually through agreements on joint collection with the federal fiscal authority.

Until 1996, federal government participated with provincial governments in the finance of the social assistance system. For every \$1 spent under legislation compatible with the Canada Assistance Plan (CAP), provinces would receive 50¢. However, in order to limit federal spending, a “cap on CAP” was instituted at the beginning of the 1990s; cost-sharing was subjected to an upper limit, restricting transfers to the richer provinces. This system and the larger block grant referred to as “Established Programme Financing” have been replaced by the “Canada Health and Social Transfer” programme (CHST). This is not a cost-sharing arrangement: provinces receive block funds⁵⁵ to finance programmes in the area of social policy and health. Far fewer conditions are placed on how provinces spend CHST money than existed under the CAP. As Table 6.1 shows, the amount of money transferred under the CHST is significantly lower (by about C\$ 150 per capita) than under the last year of the CAP.

In addition, funds are reallocated between provinces through “equalisation” grants. These are based on the relative revenue-raising capacity of the provinces, with the objective that all provinces would be able to provide approximately the same level of public services if they had approximately the same levels of taxation. In general, Alberta, British Columbia and Ontario receive no funds from equalisation (the “have” provinces); the Maritime provinces receive relatively high transfers (the “have-not” provinces), with Saskatchewan occupying an intermediate position. Whereas cuts in the CHST (as compared with the CAP) were evenly distributed across provinces, “have-not” provinces have in some cases seen increases in the equalisation payments which, in the case of New Brunswick, have maintained total federal transfers at

Table 6.1. **Major federal transfers to provinces, 1993-98^{1, 2}**

		CAP era			CHST era		
		1993	1994	1995	1996	1997	1998
Absolute value of transfers (total, C\$ millions)							
Alberta		2 583	2 512	2 574	2 314	2 236	2 324
New Brunswick		1 519	1 610	1 564	1 585	1 633	1 619
Ontario		10 320	10 536	10 739	9 651	9 253	9 453
Saskatchewan		1 349	1 293	1 166	1 009	854	1 151
Canada		37 433	38 345	38 992	36 005	35 519	35 775
Per capita value of transfers (C\$)							
Alberta	EPF/CAP, CHST ³	963	925	940	833	790	800
	Equalisation ⁴	—	—	—	—	—	—
	Total major transfers	963	925	940	833	790	800
New Brunswick	EPF/CAP, CHST ³	1 007	1 004	1 020	917	859	862
	Equalisation	1 105	1 224	1 155	1 313	1 450	1 431
	Total major transfers ⁵	2 012	2 126	2 068	2 110	2 168	2 152
Ontario	EPF/CAP, CHST ³	956	964	978	871	824	830
	Equalisation ⁴	—	—	—	—	—	—
	Total major transfers	956	964	978	871	824	830
Saskatchewan	EPF/CAP, CHST ³	958	973	990	885	831	837
	Equalisation	481	408	261	220	115	398
	Total major transfers ⁵	1 334	1 278	1 151	994	835	1 123
Canada	Average EPF/CAP, CHST ³	1 003	1 005	1 017	908	857	860
	Average major transfers ^{5, 6}	1 295	1 312	1 318	1 215	1 185	1 241

1. In 1998 total federal transfers amounted to C\$ 36.4 billion, the intergovernmental transfers included here cover about 95% of the total.
2. The recording period refers to the relevant financial year; *i.e.* 1993 refers to the financial year 1 April 1993-31 March 1994. Observations on 1996 and 1997 may be subject to revision while data for 1998 concern estimates.
3. The Canadian Health and Social Transfer (CHST) superseded the Canada Assistance Plan (CAP) and Established Programme Financing (EPF) in April 1996; EPF is included in the numbers for 1993, 1994 and 1995.
4. Under the current equalisation formula Alberta and Ontario do not receive federal transfers.
5. Equalisation associated with the CHST tax transfer is included in both CHST and equalisation. The totals have been adjusted to avoid double counting.
6. Totals include transfers under the Territorial Formula Financing which regulates federal transfers to Yukon and the North West Territories.

Source: Finance Canada (1999), *Major Federal Transfers to Provinces, Annex B* (Internet: <http://www.fin.gc.ca>).

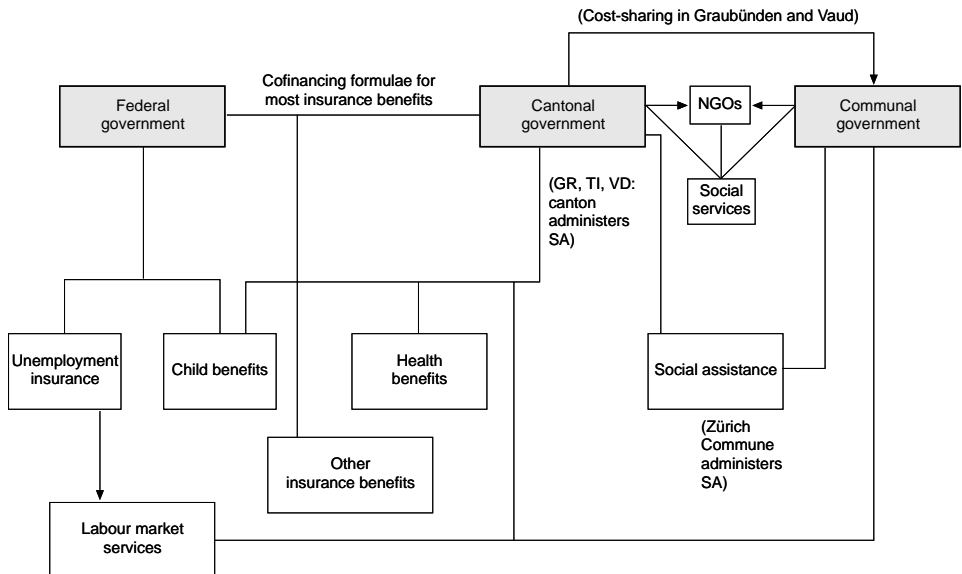
an approximately constant level. Overall, since April 1995, total federal transfers to provinces declined by almost C\$ 3.2 billion: on average for Canada, an annualised reduction of transfer-spending per capita of 3.4 percentage points on all major transfers compared with an annualised reduction of CHST spending per capita of 5.2%. Nevertheless, major federal transfers provide between 14% and 42% of the revenues of provinces (Finance Canada, 1999).

Switzerland

As in Canada, federal government is responsible for social insurance programmes, including unemployment insurance and the *prestations complémentaires* (Chart 6.2) with the middle tier of government (the canton) having responsibility for setting social assistance rules and regulations. Local governments usually (but not universally) have the responsibility for administering and financing social assistance. However, of the cantons covered in this review, Ticino and Graubünden operate a canton-wide system and Vaud a system based on a fourth tier of government – the region – which lies between the canton and the commune and which was created to manage social assistance. In the Canton of Zürich, several communes have voluntarily joined together in regional bodies so as to better administer policy.

Tax raising powers of the cantonal and communal tiers of government are based on the income tax system, and are high, so although there is an extensive tied-grant system, the lower tiers are not heavily dependent on transfers from the higher tiers in order to finance their activities. Cofinancing of activities is common,

Chart 6.2. Organisation of social assistance and related policies in Switzerland



particularly in the area of social insurance. Although federal government has responsibility for setting social insurance rules and regulations, cantonal governments contribute much of the funds, based on their financial capacity (and sometimes use of the benefits concerned) – see Table 6.2. Cantons may also introduce whatever other benefits they feel fit.

Table 6.2. **Cantonal contributions to social insurance in Switzerland**

Social insurance sector	Nature of cantonal contribution	Calculation of cantonal contribution
Disability insurance	Cantons pay 12.5%; the Confederation 37.5%. Rest is from contributions.	The total of contributions is divided among the cantons, by taking under consideration, for each canton, the actual payments of benefits, adjusted according to financial capacity of the canton.
Old age and survivors' insurance	Cantons pay 3% and the Confederation 17% of the annual total (these contributions should respectively be changed, for a limited period of time, to 3.64% and to 16.36%, as a "measure of stabilisation").	As for disability insurance.
Supplementary old age survivors and disability benefits	Each canton finances the payment of supplementary benefits to its residents. But federal subsidies cover part of the costs.	Federal subsidies vary between 10 and 35% of the expenses, according to the financial capacity of the canton (10% = high capacity, 35% = low capacity).
Sickness insurance	The Social Sickness Insurance is obligatory and is run by non-profit-making private or public institutions, entrusted with public laws. The cantons subsidise the premiums of those with low income. In the end they receive subsidies of the Confederation and are asked to provide a minimum complement. Should a canton decide to reduce its contribution, the federal subsidies are reduced consequently; about half of the cantons ask the Confederation for an amount inferior to the maximum amount of federal subsidies they actually receive.	Federal and cantonal subsidies are based on the population and the financial capacity of the canton and the level of cantonal premiums.

Note: The financial capacity of the cantons is based on a scale consisting of four coefficients: cantonal income per inhabitant, fiscal force (tax revenue per inhabitant), fiscal expenses (all cantonal and communal taxes) and data indicating the surface suitable for cultivation in mountain regions. The financial capacity is as is or well balanced according to the regulations of the concerned insurance sector.

Source: Swiss authorities.

Where social assistance has been devolved to the communes, they usually bear the financial burden of the payment. However, in Graubünden a system of cost-sharing has been developed between the communes. Other cantons use various means such as regionalisation and cantonal finance to prevent too heavy a burden falling on small communes.

Social service provision comes from either cantonal or communal sources, sometimes via non-governmental organisations. Most labour market services are provided by regional employment services (RES) financed by the unemployment insurance fund. Only some of these RES services, such as help with job search, are open to social assistance clients. Communes and cantons have often stepped into the breach, providing services sometimes separate from, but more usually in co-operation with, the employment services (see below).

Balancing subsidiarity and minimum standards

The underlying structure of social policy in Switzerland is based on the principle of subsidiarity – and legislative federal power is restricted to those areas stipulated in the federal constitution; in all other cases cantons are responsible. At its best, the result is a system flexible to local wishes, but with “creative chaos”, so that new successful policy developments can be copied by other jurisdictions, and failures rapidly abandoned. Such policy experimentation is enhanced by the relatively small size of cantons and communes.

The Canadian system is not explicitly or solely based on subsidiarity. Federal government has played a prominent role in social policy, often through conditions attached to tied grants. The underlying logic of the approach has been to facilitate the constitutional responsibility of provinces to introduce or enrich social programmes and to ensure that inter-provincial migrants do not lose coverage when they move from one province to another. Whilst not directly ensuring *minimum standards* federal intervention implied a basic common framework to the structure of these programmes and the provision of services of reasonably comparable quality, whilst providing a means for transferring resources to the poorer provinces so that they could match these standards.

The constitutional settlements, both explicit in the powers associated with each level of government and implicit to the extent that these powers are in fact exercised, have been evolving in both countries. From different starting points, the trend in policies important to social assistance clients has been towards a greater stress on subsidiarity in Canada, and towards uniformity in practice in Switzerland. The process has been more apparent in Canada, because it has involved high profile changes in federal policy, but the somewhat less spectacular changes in Switzerland have been equally significant.

The trend in Canada is towards greater decentralisation to the provincial level in social assistance policy,⁵⁶ employment services, and in some sense even unemployment insurance. There is much less evidence of further decentralisation to the local level. The Ontario government plans to eliminate what it views as a costly and outdated two-tier delivery system (MCSS, 1999). Since April 1999 the almost 300 local government delivery centres have been consolidated to 47 municipal service managers. Where the municipal role has increased in Canada, it has been because higher levels of government have reduced funding of that particular area (such as housing).

In Switzerland, the cantons and federation have been “untangling” social policy tasks. Complex formulae determining contributions to insurance funds, and systems of joint competency over supplementary benefits to the elderly and disabled and for sickness premium reductions have been the result. However, the intermediate tier of government, whilst reserving sovereignty over social assistance policy, has *de facto* passed responsibility for social assistance policy making to a national body (CSIAS), not part of federal government.

The new Social Union

The Canadian settlement is in a state of evolution. The latter part of the era of the CAP was characterised by bitterness and mistrust in federal/provincial relations. The two key factors in the improved climate of relations are:

- A greater willingness on the part of federal government to accept that differences at the provincial level are at least not of concern and at best should be encouraged.
- A remarkable consensus across the federal/provincial and political divides that the greatest social problem needing addressing was the position of children.

In the first instance, improved intergovernmental co-operation resulted in the establishment of the National Child Benefit (NCB). The NCB was implemented in July 1998 with the intention that as federal benefits for families with children increase (the CCTB), provinces could free resources accordingly and invest these funds into policies targeted at improving the position of children, such as better child-care and early-childhood development policies (Chapter 4). Amongst representatives of the governments involved, virtually no-one says a bad word about the NCB, which is praised both for the policy direction but also for the process which led to it.

The positive experience with the NCB further improved the climate of inter-governmental relations, which led to the signing in February 1999 of the “Social Union” by all governments involved, except Quebec. The Social Union aims to enhance fairness and equality of opportunity for all Canadians, while ensuring ade-

quate, affordable stable and sustainable social programmes and services of comparable quality to which all Canadians should have access. New social policy initiatives are not to create new barriers to interprovincial mobility (Government of Canada, 1999). The agreement provides a framework for the way in which social policy is made in Canada. The agreement enhances the role of the provinces, while incorporating a continuing role for the federal government in national social programmes – a role that is challenged by Quebec. Federal government health and human resource ministers will not initiate new national spending programmes funded by intergovernmental transfers without provincial agreement⁵⁷ and the ministerial council of federal and provincial health and social ministers will meet regularly to manage the Social Union.

Although not part of the new Social Union discussions, there are also signs that one of the most complex issues in social policy in Canada – the provision of assistance to aboriginal peoples – may also be addressed. As recognised by all governments the problem has been the reluctance of different tiers of government to accept responsibility for social assistance policy on aboriginal lands. The consequence for the peoples themselves has been particularly unfortunate (see Box 6.1).

Similar discussions about the division of responsibilities in Switzerland have had a lower profile, and have been less focused around immediate policy priorities, such as the NCB. However, a dialogue to match better responsibilities with financial means is underway. Responsibility for providing services to the elderly and disabled both directly and by subsidising other organisations has now been clearly allocated to cantons. Where joint responsibility between federal and cantonal administrations has been accepted, financial arrangements have been altered accordingly.

Subsidiarity and minimum standards in social assistance policy

Cantons exploit their power to set different rules for social assistance only rarely. Nearly all policy parameters (asset ceilings, earnings disregards, familial financial responsibility, repayment of benefits, etc.) are agreed within the CSIAS guidelines. Indeed, benefit levels are now subject to juridical appeal, following the judgement that there is an unwritten constitutional right that guarantees coverage of basic needs. Cantons are responsible for provision of benefits, which meet those needs, and often cantons legislate minimum income levels to coincide with the CSIAS guidelines. In addition to the legal ruling of the federal Supreme Court, which applies when there is no cantonal legislation, the pressures that have encouraged uniformity are:

- The effects of internal migration. Receiving cantons and communes wish to avoid being overly “generous” in order to minimise poverty migration. Originating communes and cantons also wish to avoid too much poverty

Box 6.1. Social assistance for First Nations populations

There are about 800 000 to 1 million aboriginal people in Canada (measurement problems are related to self-identification in surveys): 30 to 40 000 Inuit; 600 000 Indians; and about 350 000 Métis (aboriginal people of mixed Indian and European descent). Federal government, through the Department of Indian and Northern Affairs (DIAND), promotes the well being of the Inuit population and the about 350 000 status (*i.e.* belonging to a band led by a chief and council) Indians living on reserve. It also monitors the situation of Indians not living on reserve and the Métis population.

The economic situation of First Nation (FN) reserves is poor. Unemployment rates average 30% to 32%. Social assistance dependency is rife, averaging 46%, but in isolated reserves is often as high as 70% to 80%. The average income per capita is just C\$ 6 542 (as compared with C\$ 9 905 for those who live off reserve, and C\$ 19 320 for Canada as a whole). The deprivation is perhaps best expressed with reference to the UN index of human development. On this measure, Canada is the most developed nation in the world. Were the FN population on reserve to be treated as a country, DIAND calculates it would rank with Brazil: 63rd out of 173 countries.

Federal government believes the provinces should administer social assistance to First Nations (FNSA) living on reserve. The provinces think that federal government should be responsible. The current situation is that DIAND is responsible for paying FNSA, according to the relevant provincial regulations. An exception is Ontario, where following an agreement dating from 1965, the province administers social assistance, often by treating the reserves as being municipalities which can therefore take responsibility for administering the system themselves. Over 90% of the funding comes from federal sources. In 1997/98, DIAND spent C\$ 671 million on FNSA.

This arrangement at least ensures that the FN population receives social assistance payments. But it also means that the provinces do not take the special needs of FN communities into account when making social assistance policy (because they deny that FN reserves are their responsibility) and nor does DIAND (because to do so would be to accept the stance of the provinces). The losers are the FN communities. Social assistance policy has undermined traditional social arrangements by, for example, being based on individuals or the nuclear family rather than the extended family; by encouraging young people to leave the parental home (individual payments exceeding those made to an additional adult in a multi-adult household); and by paying more than traditional band activities can yield. That dependence has arisen from years of passive social assistance payments in areas with little economic activity is hardly surprising.

Three developments are contributing to a recognition that reform of the FNSA system is necessary despite the provincial/federal stand-off: the very fact of high and rising welfare dependency rates; a move by FN leaders towards more self-government; and a growing disparity between on and off reserve conditions. DIAND has developed "Canada's Aboriginal Action Plan" in response to a 1996 report by the Royal Commission on Aboriginal Peoples. The ensuing Income Security Reform (ISR) is intended to alter the focus of FNSA from passive income maintenance to active measures as well as reducing overall spending (not dissimilar to provincial reforms following the introduction of the CHST).

Box 6.1. Social assistance for First Nations populations (*cont.*)

Even assuming that FN chiefs and councils can be won over to the approach, the policy challenge is frighteningly large. Reserves in the populated south may have some economic viability, with residents able to travel off reserve for employment. In some such reserves, programmes *have* been developed with some success, involving a holistic approach that addresses issues of multiple deprivation (low educational attainment, poor health, alcoholism and other substance abuse) prior to emphasising labour market reintegration.

An example of such a programme is “Innovations” as operated on the Six Nations Reserve (one of the largest FNs in Ontario). The programme involves: stabilising addiction and building self-esteem; building life skills; education; training; and employment placement. It can take up to 4 to 5 years before an outcome is obtained. The programme, run by 3 officers, has 522 registered clients, and got 70 people into employment in a 6-month period, and 43 in post-secondary education. The project shares its employment focus with OW, but is not compulsory, and it does not target on the “shortest route to employment” so may not be compatible with the new provincial focus.

A preliminary evaluation of a project in Prince Albert, northern Saskatchewan, targeted at young persons of which 80% belong to FN or Métis populations, points to similar lessons. The provincially funded programme is characterised by extensive consultations in order to gain local community support. Client counselling is intensive and case management spans a long period. Employment placements are being arranged through continuous contacts with the business community, but are limited by the economic capacity of the area.

In the North, there are few such success stories upon which to base policy. Training schemes have been tried, and tried again, with the result that inhabitants are often skilled, but the only way for them to exercise these skills is to leave the reserves. Hence an activation strategy which focuses on *individual* development, as is increasingly the trend in social assistance policy across Canada, may not be appropriate. For example, attempts to implement compulsion in activation measures, as in Ontario with OW, may be unworkable. There is insufficient meaningful activity on reserve to place people. Even in the South, placement off reserve would be necessary, provoking band concerns about forced assimilation. Band chiefs and councils are often favourable to the concept of workfare, but many believe that OW as currently formulated is unworkable. Provincial staff continues to work with FNs to ensure that an active approach to social assistance is developed and is relevant to FN communities.

First Nations feel that they should have more say in the development of what they consider to be their land, covered by treaty with the British Crown. There is a move towards more self-government by chiefs and councils. In the long run, they look to gaining more control over exploitation of forestry and natural resources, building on the experience in the Northwest Territories which has been split into two parts on 1 April 1999, one of which (Nunavut) is FN dominated. However, the

Box 6.1. **Social assistance for First Nations populations** *(cont.)*

choice of suitable financial arrangements elsewhere remains contentious. Experiments based on giving chiefs and councils access to cash that would otherwise go on welfare payments in order to use it for economic development have been tried. As with similar arrangements with aboriginal peoples in other countries, the difficulty is in giving enough autonomy to satisfy the bands, whilst satisfying taxpayer demands for accountability.

migration, as the system that facilitates destination communes to recuperate benefit payments from communes of origin means that they retain financial responsibility, but lose operational control.

- The political culture. As bills can be challenged through referenda, policy makers will depart from national norms only if they believe that the measure concerned will stand such public scrutiny. There is a reasonable assumption that national guidelines will be supported, and departures from these treated more critically, leading to harmonisation of regimes.

To assert that social assistance policy was not a major political issue anywhere in Canada before the beginning of the 1990s would be to exaggerate only a little. It has become so, at least in some provinces, for three main reasons:

- In the past, conditions were attached to federal matching grants to provinces. With the move to a block fund system, these conditions have now been reduced to one – that no residency requirement is applied to benefits. Even prior to this change, it is difficult to argue that federal rules severely constrained policy.⁵⁸ Nevertheless, the impression existed that social assistance policy in Canada should be of a particular form, with a single benefit covering both employables and unemployables. The move to a block fund emphasised the policy freedom, which provinces have in this area. Perhaps as important is the reduction in the overall level of transfers. The ultimate financial cost to provinces of social assistance – and the benefits arising from successful reforms – has increased.
- The rise in caseloads in the beginning of the 1990s was a clear indication that something was going badly wrong.
- The increasing interest in, and eventual reform of, “welfare” in the United States raised the profile of social assistance in Canada. The various Canadian

programmes in fact are very different in coverage from the US welfare programmes, but the rhetoric and, in some cases, the reforms are similar.

Unlike in Switzerland, there is little evidence of centripetal forces resulting in a convergence towards a common system. There is less variation in rates of social assistance than a few years ago, but this is due entirely to one province – Ontario – reducing rates sharply towards the average in other provinces. In other dimensions of social assistance policy there is no evident convergence of approaches.

Consequences of the financial arrangements

Fiscal arrangements between federal and intermediate governments

In both countries, the approach to social policy is to allocate responsibilities for policy between the tiers of government – as laid down in the constitutions of both countries – and then to come to an agreement about the transfers of resources between the tiers to reflect differences in fiscal capacity (so that governments do not have to raise large amounts of money from mobile or otherwise fragile tax bases). Such an approach is efficient under two conditions. First, the definition and practice of who receives what benefit must be clear-cut and tightly administered, so that it is not possible for one part of government to attempt to push individuals into a situation where they are the financial responsibility of another. Second, the system must be able to cope with the consequences of one government changing policy so affecting the financial situation of others.

It is accepted in Switzerland that the effects of a policy change on the finances of the different governments should be considered, and financial flows adapted if necessary. If, for example, federal government were to change an insurance programme with the effect that social assistance outlays were to increase, then a readjustment of financial flows would, *in principle*, be called for. The advantage of such a “guiding principle” is that policy can more easily be separated from institutional rent seeking which, in a confederation of 26 cantons and half-cantons, and several thousand communes, would be catastrophic. Policy can focus instead on the best stance from the point of view of voters and recipients. Such an approach does not prevent cost-shifting in the *administration* of the programmes. If an individual commune manages to requalify a social assistance client for unemployment insurance or helps him/her to gain access to invalidity benefits, then communal outlays are reduced to the detriment of the insurance system (see below). But a consensus against cost-shifting through *policy* is achieved.

Reality can never quite match this ideal because of the complexity of the Swiss Confederation. Attempts to apply it have led to a complex and impenetrable system of transfers. There are over 100 tied grants (*e.g.* for social insurance programmes which relate to the number of benefit recipients, expenditure on

police, etc.) determining intergovernmental flows between cantons and the federal government (none directly related to social assistance expenditure as the Confederation is not involved in this area). Within each canton, a similarly complex set of transfers determine flows between communal governments. It follows that adjustments for every single policy change would involve an unacceptable amount of institutional wrangling.

There is a great deal of dissatisfaction with this system, which is held to stifle policy innovation, to respond poorly to differences in need, and to be administratively burdensome. A commission has been set up to consider whether tied grants could be folded into a system of block grants. In addition to basing cantonal contributions to various social insurance funds on their fiscal capacity, there is a system of allocating funds from richer to poorer cantons, but in comparison with the tied grants these are minor. The alternatives – an inefficient status quo, or increased federal taxing power and reduced communal competence – may be sufficiently distressing to the richer cantons to persuade them of the need for the net financial outflows which would be involved. The gains could be substantial; the association of cantonal finance ministers talks of up to 10% of the total value of intergovernmental transfers being wasted in administrative costs and in inappropriate cost-shifting.

In contrast, just two transfers from federal to provincial government in Canada (CHST and equalisation), together with the special arrangements for Territories, account for 95% of all such flows. However, unlike in Switzerland, there is no understanding that major policy changes, which affect costs falling on other governments, should necessarily lead to a readjustment in the financial flows. A recent example of the tensions which can arise has been the changes to the employment insurance scheme which have had the effect of reducing the proportion of the unemployed who are in receipt of EI. In 1989, the ratio of regular EI beneficiaries to unemployment was 83%. The current figure is just 42% (see Chapter 5),⁵⁹ but variations across provinces are substantial, with a figure of 79.2% in New Brunswick compared with just 29.5% in Ontario, 32.2% in Alberta and 35.7% in Saskatchewan (HRDC, 1998). The implicit inter-provincial transfers arising from the reform have become controversial (see Boothe, 1998).

This change in insurance coverage has more profound effects than altering the flows of resources between provinces; it has changed the balance of responsibilities between the different tiers of government. As discussed in Chapter 5, the overall coverage of unemployment by EI has declined because of changes in the composition of unemployment, and the successive EI reforms restricting access to and duration of benefit. Federal government is now responsible for a smaller part of the working population than before: those with strong attachment to the labour force.⁶⁰ Because of stringent needs testing, only a relatively small proportion of EI claimants flow directly onto SA upon expiry of EI. The NCB provides some baseline support for families with children (and will transfer increased funds to provinces hit

hard by a recession). However, any future downturn will both leave a substantial proportion of the labour force without income and will increase provincial SA spending.

The role of local government

Cost-sharing and equalisation arrangements

In Switzerland, cantons may set social assistance rules and regulations, but as discussed in the previous chapters, in many, communes have a role in implementation of policy. They also have a role in the financing of the system. In Zürich, the communes pay all social assistance costs [though for a variety of reasons, such as the mechanism for financing recent migrants (see below), in practice around a quarter of all social assistance expenditure comes via the canton (Fürsorgedirektion des Kantons Zürich, 1998)]. Zürich, Switzerland's biggest city, has a high concentration of social assistance clients. In part this reflects the general tendency for cities to have greater deprivation than the rest of the country compounded by a high concentration of immigrants in Zürich.⁶¹ Furthermore, as described in Chapter 4, the lack of privacy and stigmatisation inherent in the Swiss social assistance system is reduced in a big city, where people take a less intimate interest in the doings of their neighbours. Finally, there is a belief that Zürich attracts social assistance recipients who believe that they will be treated rather better there than elsewhere, because of less intense enforcement of repayment and family contributions and a more extensive system of social services.

The Commune of Zürich has much higher expenditure than the communes which encircle it – about half of all social assistance and unemployment assistance recipients are in the city, which contains just 30% of the population of the canton (Fürsorgedirektion des Kantons Zürich, 1998). These communes have resisted any measures to share the financial burden of social assistance more widely.

Much interest is expressed in Zürich in the burden-sharing between the communes of Graubünden. The basis of this system is *mutual insurance*. Fifteen per cent of the communes in Graubünden have less than 100 inhabitants, and the median number of inhabitants is under 400 people. The financial consequences of, for example, a divorce that left the commune supporting a large family could easily require an increase in the local tax rate. Whilst communal politicians wish to preserve independence to the greatest possible extent, this has had to be set against their vulnerability to financial shocks. Of the total:⁶²

- 1/3 is paid by the commune of residence.
- 40% of what remains is paid by the canton.
- The rest is divided on a per capita basis between all the communes of Graubünden.

- If any commune is due to pay more than 5% of its budget on these payments, the canton will pay this excess. The assumption was that most communes would be below this limit. However, in 1997, 30 of the 213 (mostly small rural communes) were in this position.

Whether this approach provides a model of burden sharing which can be adopted more generally can be doubted, however, for two reasons. The first is the distributional effects of the change. The system was agreed at a particularly propitious time, when social assistance costs were relatively low and it was not obvious that transfers would necessarily be from rural to urban, or large to small communes (in fact, they are predominantly from rural to urban areas because of the increase in claims in the latter). In other cantons, particularly Zürich, there can be doubt about the likely direction of financial flows.

The second reason is that whereas communes pay for social assistance in Graubünden, the canton operates all administration and in particular labour market reintegration measures. This ensures an appropriate degree of professionalism in service delivery (see below), but also has the advantage that it limits the disincentive effects of cost-sharing on investing in prevention or reintegration measures. Suppose that a reintegration measure (or an investment in fraud control, etc.) costs 100 units. Were a commune to be concerned *only* with its financial situation, it would engage in such investment if it believed its future costs (suitably discounted) would be reduced by at least 100. The more it shares costs with other bodies (e.g. the canton or other communes), the less will successful integration reduce its own. Hence the incentive to engage in such activities is reduced.

Communes are not only concerned with financial objectives: far from it, the objective of preventing poverty through reintegration justifies use of public funds even where a strict financial calculus suggests that the result is a net financial outlay. However, it would be a strange organisation indeed which did not find the financial returns to be at least a factor in determining the total allocation of resources to reintegration or fraud control. In Graubünden, costs are shared, so reducing incentives for communes to engage in expenditure that reduce costs. But it is the canton, which undertakes reintegration activities,⁶³ so the fact that returns are spread across communes becomes irrelevant.⁶⁴

Of the four provinces covered in this review, only Ontario retains a role for local governments.⁶⁵ At the time of the review (October 1998), there were about 300 municipalities providing services under Ontario Works. Since April 1999, municipal service delivery has been consolidated under 47 Municipal Service Managers. Eighty per cent of income support costs for social assistance are borne by the province, and 20% by the municipality.⁶⁶ The benefit for lone parents was until January 1998 funded entirely by the provincial government. Administrative costs are shared evenly between the two tiers of government.

The incentives given by such a financial structure can lead to rent-seeking behaviour. For example, local offices had an incentive to put resources into rapid processing of claims, in order to move potential clients as rapidly as possible into benefits so that costs fall on the province. Recognising this, the province has restricted the amount of front-desk administrative expenses that they will cover. This in turn, however, risks causing other distortions, as local authorities will be reluctant to spend over the limit, even when the overall financial returns (for example, in reduced fraud) would make it worthwhile, because they would only save 20% of the resulting income support costs.

More generally, because of the low proportion of costs borne by local governments in Ontario, there is little incentive for local governments to seek to move people off benefit by checking for fraud or by funding labour market activities. The province must ensure that administrative procedures are tight through guidelines and requirements. The province takes the responsibility of financing labour market services directly or via agreements with the local authorities – grants are tied to “Business Plans” under Ontario Works, – rather than leaving such decisions to local decision makers. There are disadvantages in having greater local control; notably, the absence of a standardised service across the province and potential policy breakdown in some areas. However, there are also disadvantages in the route followed: too few or too many resources being devoted to particular activities in an area because of the “one-size-fits-all” approach; the administrative costs of compliance with the regulations are high; and there is little incentive for local experimentation in new policy responses.

Under cost-sharing arrangements a reduction in central control can only be brought about by a simultaneous increase in the vulnerability of local government to financial stocks.⁶⁷ Alternatively, block funding reflecting the fiscal capacity and needs of local governments could be considered within the province. However, Ontario argues nationally that there should be limited equalisation between provinces, preferring per capita redistribution (it is one of the richer provinces). Given this, to introduce equalisation within the province might be difficult.

Regionalisation

An alternative to equalisation and cost-sharing between tiers of government is to group small authorities together so as to better able to provide specialised services and reduce financial exposure.

In Ticino, the approach has been to give responsibility for social assistance to the cantonal level. Costs are shared with the communes – the latter pay 30% of the assistance to all those from their jurisdiction – but the administrative machinery is increasingly concentrated at the cantonal level. The communes retain discretion in the giving of special assistance and there is a growing tendency for claimants to

approach the canton directly, rather than via the commune. Disputes between communes and the canton (for example, on whether to approve a particular payment) are dealt with bilaterally.

In Vaud and in parts of Zürich canton, an approach of “regionalisation” has been followed. Rather than leave small communes to bear the risk of social assistance unaided, in Vaud (by compulsion from the cantonal authorities) and Zürich (voluntarily), communes have been brought together to administer and finance social assistance. The justification for forced regionalisation in Vaud is that there are 384 communes, many of them are simply too small to operate any sort of social services effectively (almost 60% of communes have less than 500 people). The regional social services combine social insurance, assistance, employment services, programmes for young people, housing, and also private sector and non-governmental social service providers under one roof. This makes for much easier, and more effective co-ordination. Some services, notably those for asylum-seekers, drug addicts, deserted parents, ex-convicts, women’s shelters and homeless people, are left to centralised, cantonal structures. The regional authorities have their own structure of political accountability.⁶⁸ The regionalisation of social services is even now resented by some communes, which feel that they have given up more than they should have.

In Zürich, too, many communes outside of the big cities are very small (there are 171 communes, with 380 000 of the 1.1 million inhabitants of the canton living in the city of Zürich). However, cantonal initiatives to impose regionalisation were challenged on the grounds that the independence of communes was threatened. The canton accepts that there is a case for a greater spreading of the burden on the city of Zürich but does not have enough financial resources to take on the costs; hence its role is limited to co-ordination and advice. However, some communes have voluntarily combined to administer social assistance and related services. In Affoltern am Albis, for example, regionalisation was accepted by the elected representatives of 14 communes and in referenda of the 40 000 people covered. In order to retain democratic accountability, 10 of the 14 communes must be in favour of policy decisions. The costs of the regional centre are divided across municipalities on basis of tax base of the communes. In addition to social assistance, the regional centre concerns itself with refugees, the employment service, housing, addiction, etc. But regionalisation is not universally seen as an appropriate solution. A community such as Uster of 28 000 inhabitants considers itself too big to make co-operation with other communities worthwhile.

Advantages ascribed to the regionalisation of services in Vaud and Zürich are:

- *Economies of scale.* It is quite common for the smaller communes to have no more than a handful of social assistance cases per year. Demand for particular services can be even less common. Left to themselves, communes would

be unable to provide many services necessary to assist reintegration into society and the labour market.

- *Increased expertise and professionalism.* For the same reasons of small size, even when services are provided, there will not be a dedicated staff involved.
- *Anonymity and confidentiality.* Arbitrariness across communes is reduced, and information and awareness of the conditions attaching to benefit receipt increased. These effects collectively contribute to reduced stigmatisation and increased benefit take-up. Whether this is viewed as being a positive development varies.

Against these must be set the disadvantages:

- Yet another tier of government and administrative structure.
- Communes resent their loss of power and control.
- The move to professional decision-making reduces political interest in social problems.

Possibilities for cost-shifting

Cost-shifting may occur at the administrative level when it is possible for one administration to take measures to ensure that another public organisation takes financial responsibility for a case, without addressing the fundamental problems of the client. The problem of cost-shifting is particularly difficult in federal countries, as agreement on a common agenda on what is the best policy for clients is more difficult to obtain. Two sorts of cost-shifting of social assistance clients are common across countries (see OECD 1998, 1998a) – onto invalidity benefits and onto unemployment benefits. Variants of both forms of cost-shifting exist in Canada and Switzerland; the discussion of the relationship between unemployment insurance and social assistance raises more general questions and is deferred to the following section. In federal countries, other forms of cost-shifting can take place, when responsibility for benefits is held by different fiscal tiers, notably the treatment of immigrants to a country, internal migration within a country, and the willingness of one part of government to make information available to other jurisdictions.

Invalidity benefits

In Switzerland, the medical tests necessary to examine a claim for invalidity benefit are paid by the disability insurance. These regulations are designed to keep access to invalidity benefit tightly linked to medical factors, not social and labour market circumstances. However, there are many anecdotes of doctors in Switzerland who assess the incapacity to work rather more easily when unemployment is high. Furthermore, the current relatively rapid growth in payments from

the invalidity fund (which increased by 50% in real terms between 1990 and 1995) may in part be caused by actions of SA officers. In some areas, for example, it is normal practice to call for a medical examination of a social assistance client after two years on benefit in order to assess whether they might be eligible for invalidity benefits. As a result, 30.7% of those aged 50-64 exiting SA in the city of Zürich do so to invalidity benefit (Sozialdepartement der Stadt Zürich, 1997).

Because provinces are responsible for both social assistance and means-tested payments to disabled persons, there has been no incentive to cost-shift by moving people from one benefit to the other. Indeed, until recently, provinces usually paid the same amount of income support to both claimant types. Intriguingly, recent changes in Ontario have had the unintended consequence of introducing incentives to cost-shift in the *opposite* direction to that usually encountered; namely, to push invalidity benefit recipients onto social assistance.⁶⁹

Poverty migration

Anecdotes of communes paying the removal costs of social assistance clients if they move to other jurisdictions are still told of the Swiss system (see Eardley *et al.*, 1996). Whilst hard evidence of this is not forthcoming, it certainly is the case that people living in small communes migrate to larger communes in order to escape the lack of privacy, financial burden on their neighbours and lack of services. The inflow of clients into Zürich City is three times the outflow, for example. The receiver communes – the big cities – would potentially face a heavy burden were they to be fully financially responsible for all social assistance cases in their area.

Until 1995, if a social assistance client had lived in the commune where a claim for help was made for less than two years, then this commune would reclaim funds from the commune of previous residence for the first two years of benefit receipt. For the following 8 years, costs would be split on an equal basis between the receiving and originating communes. Since 1995, the originating commune has full responsibility for the first 2 years, and thereafter the claimant is entirely the responsibility of the receiving commune. The costs taken into account include not only the income support payments, but also the cost of reintegration measures.

The system allows receiving communes to maintain their social assistance system and continue with reintegration measures appropriate to the individual circumstances in a way which would have been impossible were there no such financial flows. However, the system is administratively burdensome, requiring the commune to notify its canton, the canton to notify the originating canton, and the originating canton the originating commune. This is required for each change in circumstances.

Immigration

As Chapter 2 showed, both Canada and Switzerland have substantial numbers of migrants. Both have measures designed to prevent migrants becoming dependent on social assistance. In Switzerland, residency is subject to possession of a valid work contract. Upon losing work, and therefore access to income, residency conditions are no longer fulfilled and those affected are theoretically required to leave the country. In cases where, for whatever reason, this is not possible, the federal government takes full financial responsibility, reimbursing cantons which determine eligibility according to the local criteria.

In Canada, residency is obtained in part on a concept of “family class sponsored immigration” (as opposed to independent migration or business-based migration). If a Canadian resident agrees to sponsor an immigrant (usually a member of the family), the chances of that person being accepted for residency are much increased. The sponsor is responsible for the immigrant for 10 years. Thus no claims on the social assistance system should be made. However, breakdown of these agreements was quite common. 1993/94 data for Ontario (Thomas, 1996), when caseloads were high, suggested that:

- 10-12.5% of the total caseload was a sponsored immigrant, costing C\$ 200-300 million in Toronto (C\$ 250-350 million in Ontario as a whole).
- This amounts to 13.9% of sponsored immigrants being in default.

Many breakdowns took place in the first three months of residency in Canada, which suggests that the sponsor had little intention of taking their responsibilities seriously.⁷⁰ However, the extent of the problem of sponsorship breakdown should not be exaggerated; in the period of the study, assistance receipt by sponsors (13.9%) was little different from proportion of the population who received assistance during the year (14.3%). The issue remains contentious, however, as immigration is a federal responsibility.⁷¹ As sponsors go into default, provinces inform the federal authorities. Provinces argue that until attitudes changed in 1996, little was done to follow up on these cases, and so the provinces were left to pick up the tab. Various measures have now been taken to improve enforcement of sponsorship obligations (see Table 6.3). However, such is the financial incentive that some provinces get involved in enforcement (through removal or confiscation of driving licences, etc.).

Data sharing

Federal government in Canada has data files (*e.g.* tax records⁷²) which are of use in maintaining the integrity of the social assistance system. However, Revenue Canada has as a priority the preservation of voluntary compliance with its self-

Tableau 6.3. **Changes in family class sponsored immigration legislation in Canada**

Issue	Pre-April 1997	Post-April 1997
1. Sponsor and welfare	Must not be on welfare at time of application	Must not have been on welfare for 12 months (unless spouses/children who are the largest group of sponsored immigrants)
2. Low income and sponsor	Must be above LICO	Must be above LICO (some technical changes – still quite low)
3. Spouse co-signature	Not required	Required in some circumstances
4. Calculation of income	Discretionary	Based on previous 12 months
5. Length of sponsorship	Up to 10 years	Always 10 years
6. Treatment of prior default	No element	Relevant for all except spouses/children (but see 1)
7. Treatment of spousal default	No element	Relevant for all except spouses/children (but see 1)
8. Sponsoree party to an agreement not to default	No element	Required, and sponsor must signify that debts are not a factor
9. Sponsor a resident of Canada	No element	Tougher wording to ensure this
10. Sponsor under an order to leave the country	No element	Cannot sponsor
11. Incarcerated	No element	Cannot sponsor
12. Pending charges	No element	If charges are pending, deferral of sponsorship until actions concluded.

Source: Taken from letter of Mrs. Robillard, Minister of Citizenship and Immigration Canada, 6/12/96.

assessment system of personal income tax. Therefore guarantees of privacy are stringent. Data comparisons with other databases are possible if there is “informed consent” on the part of the data provider. Revenue Canada interprets that as requiring a specific reference on a particular form. Broadly speaking, Alberta, New Brunswick and Saskatchewan are also able to verify the data they need, but this is not yet true in Ontario as discussions are continuing on consent and privacy issues.

Employment services and social assistance

In many countries, there are difficulties in ensuring that adequate attention is devoted to reintegrating social assistance clients into the labour force (OECD, 1998,

1998a). The reasons, though various, are invariably related to institutional relations and/or the financial structure of social assistance and labour market services. For example:

- Costs of income support may be shared between tiers of government, so diluting the financial incentive for any one organisation to engage in reintegration.
- Bodies responsible for labour market service provision may direct their efforts towards requalifying social assistance recipients for unemployment insurance, rather than reintegration in the labour market.
- A body may be responsible for provision of labour market services, but may neglect the interests of social assistance clients, either because the body is itself funded through the insurance system so its clients receive privileged treatment, or that the reintegration priorities lie elsewhere (usually with easier-to-place clients).

These problems exist in Switzerland. In Canada, the situation is somewhat different: measures have been taken to ensure that access to labour market services is reasonably general. However, this has not been done through a clear assigning of roles to one or several particular bodies. Rather, a number of agencies and more than one tier of government are involved in managing and financing labour market services. The result is a complex system.

This section first describes the structural reforms to the provision of labour market services and how these have in turned been determined by the division of income support responsibilities between governments. The second part of this section considers the effectiveness of the attempts, which have been made to promote coherency in delivery of services.

Who provides services?

In an imaginary situation, where policy was being created without any need to consider historic competencies, the natural starting point for allocating responsibility for labour market service provision would be to require those bodies with financial responsibility for income support to pay for the services. The rationale is that successful reintegration would lead to financial rewards in the form of reduced benefit payments (and therefore reduced taxation). There would be no over-investment in reintegration, as this would not lead to cost-savings; obviously, failure to invest sufficiently in reintegration activities would eventually lead to higher income support payments and taxes.

There is sufficient force in this line of argument for it to have motivated reforms in both countries. But the real world (or at least, the Canadian and Swiss portions of it) manage to reveal complexities which do not exist in its imaginary counterpart:

- Communes are small in Switzerland; too small to be effective service providers. The regionalisation referred to above is a response to this, but not one

that is yet general enough to have entirely changed the social policy landscape.

- Federal government may ultimately be responsible for unemployment insurance in both countries, but labour market services must be provided locally to be effective. The lower tiers of government argue that they are more in touch with local conditions than a central body, even one with local offices.
- Perfectly matched financial incentives and integration responsibilities also maximise the incentive to engage in cost-shifting (see above). Some social assistance offices arrange for active labour market policies to be salaried at the minimum wage level. If employment at this wage level is of a sufficient length of time (one year, in the Swiss case), the contributions are sufficient to enable a move off social assistance and into the unemployment benefit system.⁷³

Reforms matching service provision and financial responsibility

Responding to the rise in unemployment early in the 1990s, the federal government in Switzerland introduced Regional Employment Services (RES). The RES are established under federal law, and are funded by the unemployment insurance fund. The justification for introducing the RES was that a relatively modest reduction in the average duration of unemployment would lead to savings in unemployment insurance outlays. The RES, which came into operation in 1996, have as their aim the achievement of this objective. Reducing the duration of social assistance receipt is *not* part of their remit. Indeed, active labour market policies funded by the employment service are legally restricted to those in receipt of unemployment insurance. Job-broking services may be provided to those not in receipt of unemployment insurance, but only if they register with the employment service. Generally, social assistance offices do not oblige people to do so (though they may, in some cantons, encourage them). Being registered with the employment service commits recipients to regular reporting of job-search activity; it is hardly surprising that few recipients wish to so burden themselves, so thus exclude themselves from assistance with job search.

Relatively little attention was given as to how social assistance offices and their clients fit into this RES structure and the initial collaboration between the two organisations was difficult almost everywhere. Radeff (1998) suggests that this reflected both the internal priorities of the RES as it constructed itself, and the difference in culture between the organisations. In some smaller cantons, the RES and SAO officers know each other and exchange information on an informal but efficient basis (Wyss, 1997). In a few cases, steps are being taken to improve (or create) the interface between the two systems and bodies, for example, by weekly meetings

between the heads of local services (Radeff, 1998). In some areas, RES officers inform clients on the role and existence of social assistance offices, as they approach the end of their UI entitlement.

In the absence of a co-ordinated approach, the typical social assistance client relies on the social assistance office to arrange labour market services. Many, but by no means all, do so. There is no legal reason why a social assistance officer could not, on behalf of the canton or commune, purchase the services of the RES. In practice, however this is rare. It is not clear what factors prevent such arrangements. Possible reasons include the relative novelty and untried nature of the RES; the up-front costs to small communes; and a certain feeling that after devoting so many resources to creating workfare places for insurance recipients (see Chapter 5) further transfers of resources to the RES are undesirable.

Although contact between social assistance offices and the RES is not always all that might be desirable, the use of unemployment assistance programmes in some cantons has provided a framework for more structured agreements. The canton may finance the RES or those contracted by the RES to make some services available to UA clients. In Zürich, for example, there is a fund operated by cantonal authorities that finances some projects for UA clients.⁷⁴ In Vaud, some of the same measures that the RES offers to UI recipients are also offered to RMR recipients.⁷⁵

In Canada, federal government finances provision of labour market services for employment insurance clients through a network of local offices. As federal government has also had financial responsibility for paying income support to such clients, this is an example of service provision and income support being closely aligned. Federal responsibility has now been extended beyond this clientele. As requirements to EI were tightened so the proportion of those receiving insurance benefit has declined sharply (see above). Some of those who do not qualify for EI under the new rules will have found their way onto social assistance, so became a provincial responsibility (for both income support and labour market services). Others have not qualified for social assistance, but may, depending on provincial activities, have received labour market help. This change in EI regulations would have had increased provincial outlays, and left a proportion of the jobless with unsatisfactory access to labour market services. The development of a policy allowing federal funds to be used for measures towards benefit exhaustees (known as “reachback” clients) can therefore be seen as balancing the financial costs of a policy change with those responsible for making the shift (although the main financial beneficiaries of any successful use of federal funds to reintegrate reachback clients will not be the federal authorities, but rather the provinces, as future claims on social assistance will be reduced).

Reforms that reduce links between service provision and financial responsibility

As the caseload of social assistance recipients increased in the early 1990s, so did the organisation of labour market service provision evolve at the provincial level (see Chapter 5). An overlap between federal and provincial activities became apparent. Therefore in addition to federal government accepting financial responsibility for the labour market services provided to those who have exhausted their employment insurance (as described above), it has partially devolved responsibility for administering labour market services to provincial government. The federal government is in the process of withdrawing from the purchase of employment services in Canada, with Labour Market Development Agreements (LMDAs) being signed with all provinces other than Ontario. These consist of either:

- A “transfer agreement”: provinces assume full responsibility under the LMDA in which case the federal role is limited to transferring funds. Transfer agreements are signed with Alberta, New Brunswick, Quebec, Manitoba, Saskatchewan and the North West Territories. Negotiations for a transfer agreement with the Province of Ontario have not yet been concluded. Federal staff who were employed in labour market service provision are generally transferred to provincial employment.
- A “co-management” option that gives leverage to provincial authorities while the federal authorities operate programmes. It is assumed that co-management agreements are particularly suitable for smaller provinces.

Programmes offered must be “similar” to those run by HRDC. This is to ensure that measures are active, not to determine the type of active programme preferred. In order to adjudicate the functioning of the LMDAs the federal authorities make use of the following “key accountability indicators”:

- Number of clients served.
- Number of clients who find job after participation in ALMP.
- Savings to EI account.

Money is not tied to failing to meet these targets. If there were failure, the LMDA would probably be renegotiated. There is no set time for renegotiation, however – the LMDAs are open-ended. “Reachback” cases are covered in the general devolution of powers under LMDAs. The objective is to place 65% of active claimants and 35% “reachback” clients. However, these ratios are not reflected in key accountability indicators (British Columbia is the only province with a specified target for reachback clients).

The stipulation that ALMPs operated under a LMDA are to be similar in nature across the provinces and the use of accountability indicators are intended to preserve minimum national standards. However, it is hard to see how federal authorities can enforce national standards in practice, given that they are no longer

operating training programmes in provinces with a transfer agreement. This points to a questioning of why the transfer of resources to provinces has taken this form, rather than a simpler and more transparent block grant transfer. This, however, is not possible under legislation controlling employment insurance, which specifies that funds cannot be distributed to the provinces. Thus the only way of transferring funds is under a form of sub-contracting – the federal authorities retain control in theory, but devolve it in practice. The result is that separate accounting of expenditure and outcomes of federal and provincial funds is required of labour market service providers. As discussed below, this complication is not costless.

In Switzerland, too, there have been some developments that deliberately do not match responsibility for employment service provision with the same public bodies, which are financially responsible for income support. As noted in Chapter 5, in 1997 federal authorities obliged cantons to create 25 000 employment and training places for unemployment insurance recipients – a federal benefit. Cantons have to make a contribution amounting to SF 3 000 per place. In order to give cantons some extra “encouragement” to provide this service to UI recipients, failure to provide a placement to a client within 150 days extends UI benefit receipt by 80 days and the canton is obliged to cover 20% of the relevant costs.

Improving coherence in delivery of labour market services

In both countries, co-location of various services offered to social assistance clients is being actively pursued. The benefits being pursued by such co-location are variously presumed to be:

- Reduced costs (shared rents, equipment). Sharing in these costs which inevitably rise given any commitment to have a strong local presence in a community has resulted in immediate financial savings.
- A more integrated service (so more stress on integration even in income support administration, etc.). Anecdotal evidence in both countries gives examples of clients who were ill served by failure to integrate systems. For example, claimants have been refused labour market help because they were approaching the end of the duration of one benefit, even though the same help was compatible with receipt of other benefits.
- A better façade for what would otherwise be a complex and confusing set of institutions run by different organisations and tiers of government.

Co-location of income support and employment service provision in both countries is justified by the need to change the culture of both social workers and the clientele. Under a “traditional” structure, claims for income support are dealt with in one office, with clients told to contact an entirely different institution, to discuss labour market requirements and measures. With such arrangements, there is a risk that registration with the employment services is seen as being another hur-

dle that needs to be passed in order to gain access to the income support, rather than being the main focus of assistance.

The extent of the co-location sometimes goes very far indeed. In Vaud, for example, a regional service centre may incorporate social housing; insurance funds; the employment office (responsible for registering foreign workers and health and safety inspections); and social workers (who operate the unemployment assistance programme and help for young people, as well as social assistance). Furthermore, various NGOs are encouraged to co-locate (many financed by the communes or cantons), so that there is a great concentration of social service providers. One central reception desk and one telephone number serve for all the various functions.

However, the role of the RES in this structure, as in other cantons in Switzerland, is ambiguous. The RES is unlikely to be a wholehearted partner in any system of joint service provision, because its key target groups do not overlap with that of the social assistance office. As a result, sometimes a local RES is co-located with social assistance offices; sometimes not. Even where co-location does take place, it is often not fully integrated into the other activities of the centre, keeping different reception desks and phone numbers.

Such considerations are less important in Canada, at least outside Ontario, with LMDAs giving provinces the power to organise labour market services howsoever they wish. All provinces are seeking to develop new models of provision in order to better serve clients. This has, naturally, led many of them to consider whether it is possible to move to a unified system of labour market service providers. In practice, they are finding this rather more difficult than might be expected, because of the need to remain accountable to different funding bodies. As these are located in different governments, so is the objective of a unified system being downgraded to maintenance of separate systems, but on a common, co-located site (see Box 6.2 on Alberta).

As in Alberta, there are complications in co-locating in Ontario (see Box 6.3 on Ontario). It is possible to channel resources to a particular client from three sources (HRDC, the provincial education and training service, and municipal OW staff) but all three funding bodies have, naturally, reporting requirements and operational targets, and different fiscal years. Thus whilst the objective might be to create a seamless whole – with clients moving from one course to another, without it being necessary to say whether finance was from one body or another – this is not feasible. The result is that three different cost-centres remain. Whilst it would be wrong to interpret the outcome of co-location of services as being simply the sharing of offices, it is apparent that complete functional integration does not take place.

So far, the problem of different reporting requirement and accountability procedures has not constrained actions too much in Ontario (reporting requirements of the various bodies requesting information on how many people have found jobs

Box 6.2 Co-location and integration in Alberta

In Alberta, three entities were involved in providing income support and employment-related services to overlapping client groups: HDRC for employment insurance; AFSS for welfare; and AECD for student and career development. Not surprisingly, this led to some belief that they could rationalise services.

The original intention was to integrate all career development and income support services from the federal and provincial level in one office. To this end, various joint centres were set up to provide co-located services to provide one-stop shops for users. This was also seen as an opportunity to strengthen the idea of active as opposed to passive income support. The activation theme was also symbolised by the fact that funds were taken from the welfare budget and moved to the AECD (in particular, the Student Finance Board) so that they could pay grant to students rather than welfare. This transfer not only clarified funding mechanisms, but also reduced the potential for clients getting trapped on welfare. The result was that AECD got more involved than before with clients with multiple barriers to employment.

However, more recently the revisiting of federal and provincial roles and responsibilities led with the LMDA signed by Alberta to the devolution of services for EI clients. This involved increased federal transfers to the province of C\$ 100m, and about 200 staff from the federal level.

Total functional integration of all career development and income support services is not feasible because providers have different reporting requirements, while further complications arose from computer-related issues. As a result, the welfare/AECD project as envisioned initially in these centres did not become the norm across the Province of Alberta. Different software systems continue to coexist and social assistance offices finance career counsellors, separate from those involved in career development. However, the idea of one-stop shops persists, and is intended to be realised as circumstances provide opportunities in the future.

after attending courses financed with “their” funds are being interpreted creatively). As long as an approach appears to be working, some flexibility has been shown. However, caseloads have been falling rapidly. It is easy to be relaxed about not following every letter of regulations when costs are falling; quite another if they were to start to rise again.

Sorting out the accountability and reporting requirements will not be easy. Certainly, signing an LMDA will make things easier in that instead of having federal, provincial and local government employees trying to co-operate, there will just be provincial and local officials.⁷⁶ But as the Alberta example shows, provincial officials still have to account for the federal funds they have spent separately from the provincial funds. In the short term, what is within the powers of provincial government would be to determine an appropriate framework to account for successful interven-

Box 6.3. Co-location and integration in Ontario

Because of the involvement of local government in administering social assistance in Ontario, potentially three tiers of government are involved in social assistance administration. Co-location takes place solely on the initiatives of the various local offices.

In *Dufferin*, co-location includes federal HRDC officers (for EI clients) and those responsible for running the Ontario Works programmes for social assistance clients (local government officers), as well as the provincial education and training service. The outcome of co-operation is a highly visible, accessible location in a shopping mall and a streamlined service in place of what was uncoordinated provision with unclear boundaries in the responsibilities of the different actors. There has been a sharp fall in caseload – numbers of social assistance clients have halved in the three years of co-location – which those responsible assign in part to the advantages of the new arrangements. Such has been the success of the programme that the local government has put in extra resources to improve services (despite the fact that placement of clients saves the municipality only 20% of the reduced income support).

In *Burlington*, co-location has gone even further, with income support services also included. The office mission is to co-locate services to facilitate easy access for clients to all offices and to integrate services so that clients perceive income support and employment support as a “seamless whole”. Duplication is reduced and clients empowered. The employment-orientation of support programmes is emphasised from the start of a claims process, rather than being one element of many in a claim for income assistance.

tions for OW clients more broadly than currently. An office should not be faced with a dilemma of wishing to use OW funds rather than EI reachback funds to pay for an intervention for a particular client, simply because this will help satisfy OW reporting requirements. Similarly, successful placements in a reachback-subsidised job that follows OW job-readiness preparation or OW training and support, should be acknowledged as a successful outcome. Reporting back (to the funders) should have some provision to recognise the efforts of all possible parties involved in making clients job-ready and moving them into work (in the case of Dufferin: municipal authorities, provincial education and training authorities and HRDC).

Conclusion

The essential balance which both countries are attempting to achieve is on the one hand, that institutional incentives are sharp and conform to actions which are in the best interests of the client; and on the other, that institutions have sufficient

financial and professional resources to meet the needs of the clientele, avoid duplication in provision and are robust to changing circumstances. Institutional incentives are sharp when the institutions are small, costs are not shared with other institutions, and financial responsibilities are clearly assigned. Financial stability is increased if costs are shared; economies of scale are achieved when institutions are large and monopolise provision of services. It follows that there can be no “ideal” division of responsibilities and set of financial arrangements; policy trade-offs are unavoidable.

Recent reforms have improved policy coherence in various ways:

- The creation of the RES in Switzerland has successfully filled the void, which previously existed where there should have been active labour market policies for unemployment insurance recipients. Local knowledge has been used by having the cantons organise the service, maximising the possibilities for co-operation with other cantonal services.
- The reform of EI has sharply restricted the proportion of the unemployed receiving federal income support in Canada. In these circumstances, the passing of responsibility for labour market support to the provinces is appropriate.
- CAP cost-sharing may not have restricted provincial actions in the field of social assistance as much as sometimes argued, but its replacement with a block fund has acted as a catalyst to reforming systems, moving them from passivity to having a much more active focus.
- Given the small size of local governments in both countries, but particularly in Switzerland, the move towards regionalisation is a necessary precursor to developing effective services.

The issues, which remain in need of further reform are:

- The emphasis on UI recipients receiving labour market services in Switzerland may have been an appropriate first step, but it has exposed the lack of coherent policy towards reintegration of UA and SA clients. The RES should make job-broking services available to all those in receipt of benefit; indeed, cantons should make registration with the RES a condition of continued social assistance receipt. Active labour market policies for SA clients should be increased. Extending the responsibility of the RES in this direction is unlikely to be successful, given the continued financial incentive to focus on UI clients. Given that many institutions financially responsible for social assistance – the communes – are too small to bear the costs, a greater focus on such measures at the cantonal level would appear to be the best option. But this effort must be more clearly focused on reintegration in the labour market than some of the expenditure which are currently taking place, which (as described in Chapter 5) seem unlikely to be in the long-term interests of

clients. One possibility is to require cantons to purchase services from the RES, as an intermediate step.

- Two, three or even more institutions may be involved in providing labour market services in Canada. Co-location and integration is the obvious way of reducing duplication of effort and realising economies of scale. But diversity in accounting mechanisms currently prevents full functional integration. The medium term aim should be to move the financial transfers onto a block grant basis.
- Cost-sharing between intermediate and local levels of government should be phased out. Institutional incentives are softened by such arrangements. Use of block grants, linked not to numbers of recipients, but related variables, such as number of long-term unemployed, lone-parent households, and recent immigrants could be used instead. Financial stability can be ensured by the intermediate level of government acting as “banker” when liabilities are too great for a locality to bear.
- The long-running institutional stand-off over responsibility for First Nation policy is hardly in the best interests of the clients.
- A common policy objective prevents institutional cost-shifting. Canada achieved just such a common objective in spectacular fashion with the NCB. It has gone a long way to having a common agenda regarding the primacy of labour market reintegration of social assistance clients (though some cost-shifting still takes place). Switzerland is some way short of the ideal; there is still a tendency to view shifting a client onto another benefit as being a successful outcome.

CONCLUSIONS

Objectives of policy

Social assistance policy in both Canada and Switzerland is intended to provide cash support to those otherwise unable to support themselves and to provide services that will assist claimants back into a position where they can support themselves without public subsidies.

More precise definitions of objectives expose differences between the two countries and, to a lesser extent, within the countries. In Canada, provinces differ in the spin they give to policies, but underlying these apparent differences there is a model that has fairly general acceptance. There is little pretence that cash income support is determined by anything other than the state of public finances and public acceptance, symbolised most eloquently in New Brunswick with the identification of the taxpayer as the main stakeholder in social assistance policy. The aim is not to provide some quasi-objectively defined “adequate” standard of living. Comparisons are made to the bottom end of the labour market, not in order to identify a minimum acceptable standard, but rather to ensure that those on benefit receive income no greater than that of those who work. If a social minimum does exist, it is therefore determined by the minimum wage (which sets a lower bound for full-time in-work earnings) plus in-work benefits. In fact, minimum wages in Canada are set at a very low level. Support is supposed to be temporary, with the transition to employment being the underlying objective of policy. Help for exceptional expenses is increasingly frowned-upon: those in work do not receive such supplements, so why should benefit recipients? If money is available for social assistance, then the preference is to target it towards reintegration or towards supporting families as public opinion finds this more acceptable than general increases in benefit.

In Switzerland social assistance policies are the responsibility of cantons. Most of these adhere to national guidelines that calculate the level of cash income support and increments to adjust for family size according to budget standards using more or less objective criteria. Cash income support is set at a level deemed to promote social integration. The result is a benefit level that is high in comparison with the income levels of those in work with low pay.

Adequacy, access and attitudes

This contrast in underlying approach has consequences throughout the social assistance system and accounts for many of the differences in how social assistance is administered. Switzerland can justify its relatively generous benefits through retention of some provisions uncommon elsewhere: recipients can be required to repay social assistance; family members can be asked to contribute to social assistance costs; and local politicians have a prominent role in benefit award.

Chapter 4 indicated that, in practice, these provisions play a minor role. Nevertheless, these provisions do clearly have one substantial effect: they contribute to the impression that social assistance is not a *right*. The potential of having a debt hanging over you and of your family being contacted is a very strong incentive *not* to have recourse to social assistance if at all possible. In very small municipalities there is no anonymity; the financial burden of social assistance claimants is obvious to their neighbours. As a result, take-up is very low – maybe 50% on average, and in the smaller municipalities the consensus figure is nearer 20%. The archaic features of the system are therefore very important: the overall cost of the system is kept low *despite* the high benefit rates; and the voting population can be reassured that claims for social assistance will be made only as a last resort.

Benefit rates in Canada are low. Both Alberta and Ontario have reduced benefit rates so as to better align them with the bottom end of the labour market (though in Ontario, benefits still exceed the average level of other provinces). Among the provinces under review benefit levels are lowest in New Brunswick which took advantage of the National Child Benefit to direct more money to social assistance recipients with children.

The rate of payments in Canada may be meagre compared to Switzerland, but that does not mean that access to benefits is made correspondingly easy. Across Canada, assets limits are tight – tighter than Switzerland in that pension plans must be cashed in; less tight in that vehicles up to a certain value may be retained. Given an objective of reassuring voters and taxpayers, fraud control is taken very seriously. However, there *are* substantive differences across provinces. In Alberta the objective is to make claimants think twice before they pursue their claim. Reforms in Alberta have had at their core the approach of registering a claim, directing claimants to labour market service providers, but not acting on processing the claim for income support for two weeks. This is widely held by both those who support the approach and those who do not, to have been one of the main causes for the spectacular change in caseloads. In effect, both Alberta and Ontario have put resources into administering the income support element of the system more rigorously. Taxpayers are reassured that claimants receive not a cent more than that to which they are entitled. Although equally committed to the notion of taxpayers as stakeholders in social policy, New Brunswick has moved to *reduce* the resources devoted to clerical processing

of intake. Call-centres have allowed much routine intake to be processed on the phone, with resources freed-up both for the more detailed checking of those cases where the chances of incorrect payments are highest, and reintegration activities. Ontario is considering introducing a similar system while Saskatchewan operates its earnings supplement programme completely by telephone.

The reductions in social assistance payments in the recent past in some Canadian provinces were motivated as much by public finance considerations as by any desire to increase work incentives and move to an active social policy. Public finances across Canada have now improved sharply. Yet a reversal in the trend towards benefit reductions looks unlikely. Those unable to respond to increased incentives (those with health problems; sometimes also those who have been out of the labour market for too long to make reintegration a realistic objective) have in many provinces been floated off the mainstream social assistance rolls and onto separate benefits. Similarly, those who are engaging in training or education, or who are working albeit for a payment below the social assistance rate, are increasingly in receipt of newly-created categorical benefits, not social assistance. The remaining, residual social assistance clientele is able-bodied and of working age, but not participating in long-term education or training. Increases in benefit payments for such a clientele look unlikely to be popular, and further reductions in benefit possible.

Reintegration

Evidence of intergenerational transmission of disadvantage, sometimes anecdotal but no less compelling for that, exists in both countries, as elsewhere in the OECD. Children of benefit recipients themselves looking to the benefit system for support once reaching adulthood embody the failure of passive social assistance. Both countries are by seeking ways of moving to systems, which place reintegration at the heart of social assistance policy, rather than income support.

The labour market reintegration strategies followed have to take into account a very different institutional structure and clientele. In response to the rise in Swiss unemployment, UI benefit has been extended in duration to two years. In contrast, coverage of unemployment by employment insurance in Canada has fallen sharply due to changes in the composition of unemployment and restriction of benefit eligibility. Consequently, those seeking to reintegrate social assistance recipients into employment in Switzerland are dealing with a clientele, which is far less likely to have been working recently than their counterparts in Canada.

Although the overall duration of Swiss UI benefit was extended, it is no longer fully passive: recipients have to participate in ALMPs after 5 months. Employment support is provided through a network of regional employment services engaging in job brokerage and operating active labour market programmes. The active labour market programmes are, however, limited to the clientele of the fund itself – those in receipt of insurance benefits. They are *not* open to social assistance clients.

Social assistance offices and cantons often step in, providing labour market programmes. This may be done through unemployment assistance programmes, which are paid to those who have exhausted their insurance entitlements. However, such programmes often have a perspective of social integration, rather than more narrowly a labour market objective and little is spent on ALMPs, even for those in receipt of unemployment assistance, when compared with unemployment insurance. Similarly with job-search more generally: because the main job-brokerage organisation is financed by the insurance fund, social assistance clients are not often obliged to register with them; and the policing of job-search requirements by the social assistance office itself is, at best, patchy. In other countries with high benefit rates, interventions by social workers to encourage job search are frequent. This sometimes happens in Switzerland, but is by no means general. This absence of a strategy to get clients off social assistance and into work is a major failing of the Swiss system.

Federal government has a number of programmes open to Canadians receiving employment insurance, and has reacted to the reduction in coverage of the system by extending some programmes to cover those who have exhausted their benefit entitlement. This raises problems of co-ordinating these programmes with those of the provinces, which support social assistance recipients. Federal government is in the process of devolving provision of labour market services to provinces through contractual arrangements, allowing a reduction of wasteful duplication and competition. In order to better serve clients whilst enhancing co-operation between staff co-location of different service providers on one site is increasingly common. However, the different funding organisations require service providers to account for their spending. Thus it is not possible to seamlessly allocate people to appropriate labour market supports; they must consider whether funding for that particular course for that particular client is available. However flexibly provisions are interpreted, complete functional integration is not possible, and resources are wasted in administration.

Labour market services in Canada are built around the concept of case management. This system is predicated on case workers being able to gain the confidence of the client, and gaining sufficient insight into their problems to identify appropriate measures. However, there is a tendency to load too many cases on each worker. The norm internationally is to aim at caseloads between about 80 and 120. In some provinces, caseloads of 240 exist. Some case workers talk of seeing some part of their clients very infrequently – only once or twice per year. Such infrequent contacts are not in the spirit of case management – no personal contact is gained; no real support given to clients; and the abandoning of clients, whilst logical given restricted resources, reinforces the isolation of the client.

In Switzerland, social assistance clients can be required to work or undertake training, whether or not they wish to do so. This provision is used sparingly in some cantons, heavily in others, according to the opinion of local politicians. Ontario has

sought to introduce mandatory participation in labour market support programmes for *all* clients (not including the disabled). Compulsion has been considered, but so far rejected, in other provinces, on the grounds that it would alter the relationship between case workers and clients, and unwilling participants are unlikely to gain much from any interventions. Some case workers in other provinces, however, argued that compulsion in certain circumstances and on the discretion of the social worker would be a useful tool of last resort. The *generalised* compulsion used in Ontario has the advantage of forcing social assistance officers to consider the entire caseload, including difficult clients. Most clients are in fact in structured job search programmes. Additional resources will be needed if intensive labour market measures are to be extended to a larger group than at present.

The stated objective of the authorities in Ontario and Alberta is to use the *shortest* possible route to get people into employment, while in New Brunswick and Saskatchewan it is the *best* route. In the vast majority of cases, the two approaches are identical (generally, differences in practice across Canada are not as large as political rhetoric sometimes implies). Nevertheless, there is considerable anecdotal evidence of clients being unable to hold down a job and quickly exiting employment to reapply for social assistance. Some sort of flexibility may be needed in determining when time could beneficially be spent on dealing with underlying problems, be they social or due to a lack of labour market skills. This is becoming more and more apparent, particularly in Alberta, where success in reducing caseloads has inevitably led to an increase of the proportion of clients who are more difficult to place in the labour market.

Recent policy reform in Canada has enhanced the financial incentives to work. Provinces have introduced or extended earnings disregards and also extended other benefits which facilitate the transition to work such as extended health benefits for low-income households (except in New Brunswick), and improved child-care provisions. In Switzerland, an earnings disregard is not available to social assistance clients, but increased attention is being given to cover work-related costs and child-care provisions. Whereas the NCB affects all low-income households, and thus enhances incentive to work for families with children, similar provisions are not always available to Swiss low-income workers. In Ticino, the introduction of a benefit for families with very young children risks reducing labour force participation. Finding the right balance between these considerations is one of the prevailing policy concerns in both countries.

Policy coherence

Many institutions are involved in social assistance policy. Three broad issues arise: first, who does what; second, how to ensure that financial capacity matches the functions of each institution; and third, how are different institutions co-ordinated.

In both countries, the intermediate tier of government has responsibility for social assistance and the federal government responsibility for insurance programmes. This arrangement has allowed social assistance policy to vary according to local preferences. But the roles of different governments are evolving. Federal government in Canada is reducing its role even in setting minimum standards for social assistance across the country. It has also left provinces a much greater role in administering labour market services. In Switzerland, the tendency has rather been towards a national policy for social assistance, albeit one that does not involve an increased role for federal government. Instead, cantons voluntarily sign up to a common system, developed through consultation with interested parties.

Financial flows from federal government to provinces have changed substantially in Canada. Until recently, federal government would pay half the costs of social assistance in the provinces, subject to an upper limit. The move to a block fund system has increased the returns to provinces that reduce their social assistance rolls. This has contributed to a great increase activity in social assistance reform.

In Switzerland, policy responsibility is with cantons, but administration and finance was left to communes. However, the communes are often too small to cope with the sharply increased caseloads either financially or administratively, and regionalisation or cantonal administration has increased, with various cost-sharing arrangements. These do not always align financial incentives and administrative responsibility, so reducing incentives for institutions to engage in tight administration, fraud control and reintegration activities.

The number of governments involved in social assistance policy opens the possibility of cost-shifting of two sorts: at the policy-making level, as governments alter their programmes to leave a greater number of people the responsibility of other governments, and at the policy-*implementation* level, with administrators looking to push benefit recipients onto other programmes. In Switzerland, the former sort of cost-shifting is contained through a general agreement that when policy changes, then in principle financial flows should alter to take account of this. In Canada, there is no such agreement, and one of the sources of resentment about the employment insurance reforms has been that federal costs have been reduced, whilst provincial costs increased. However, an alternative approach – dialogue about the objectives of policy – has proved very effective. All governments accepted the need to reduce child poverty. Federal government increased their commitment of financial resources for child benefits, while provincial governments to devote more resources to promoting early childhood education, child care and labour market reintegration. This process is an example of the intergovernmental co-operation, which will be pursued through the new Social Union.

One area where jurisdictional disputes have been particularly unfortunate has been in policy for aboriginal peoples in Canada. Passive cash assistance paid at a rate in excess of the returns to any market activity would always have risked dependency. Unfortunately, things have been made even worse by neither provinces nor federal government wishing to take responsibility for policy. The result is that social assistance policy has not adequately taken the needs of First Nations into account. Thus, benefit rules have been based on the individual or nuclear family, not the extended family, and efforts to improve the labour market prospects of First Nations have been based on improving skills that have no outlet given the absence of economic development.

Cost-shifting in administration is present in both countries. Migration of claimants from one jurisdiction to another is common in Switzerland, so a system of financial transfers from origin to destination communes has been developed. The absence of a similar provision in Canada sometimes causes tensions. Requalifying individuals for unemployment insurance through employment still takes place in Switzerland (though to a lesser extent than before since insurance regulations were changed), and older claimants in particular are often invited to put in a claim for invalidity benefit.

Caseloads

Discussion of social assistance has often been based on a particular and disturbing trend. Every recession caused an increased inflow onto social assistance, as long-term unemployed people exhausted their insurance benefit entitlements, and other groups at risk failed to become established in the labour market. When the recession ended, social assistance caseloads did not fall accordingly. As a result, social assistance caseloads “ratcheted-up”.

Anyone looking at trends in Swiss caseloads would recognise this pattern. Canada, too, suffered from the same problem. But in a number of provinces, caseload has recently fallen, and fallen sharply. An improvement in the labour market has contributed to this; but improvements have happened in the past without having such a spectacular effect. Some of the improvement is statistical, with individuals reallocated to other benefits. However, such factors do not account for all of the change. There has been a genuine, sustained and substantial reduction in social assistance dependency. Furthermore, as Chapter 5 showed, changes in the relationship between the labour market and social assistance caseload have roughly coincided with policy reforms in some provinces.

Identifying precisely which aspect of policy has caused the change in caseload is not yet possible. One or more of the following presumably causes the improvement in caseload:

- The falling caseload has coincided with a reduction in benefits in some provinces (Alberta and Ontario), but has also occurred in New Brunswick and to a

somewhat lesser extent Saskatchewan, where benefits have been maintained in value.

- In Alberta, and Ontario, administration of benefit became much more rigorous, eligibility criteria were tightened and benefit generosity reduced.
- All the provinces have put much greater emphasis on work, both in enforcing job search and in promoting active labour market policies.

Of course, the Canadian caseload was much greater than that of Switzerland, and so a greater proportion of the stock in Switzerland has problems that require attention before successful labour market reintegration. As the “easier” clients have been reintegrated into employment, so further reductions in the caseload become more difficult. Nevertheless, the success of Canada in reducing social assistance benefit dependency stands out in an area of social protection where across the developed world there are remarkably few such successes.

ANNEX

Table A.1. **Labour market expenditure in Canada**
Percentage of GDP¹

Programme	1985	1990	1992	1993	1994	1995	1996	1997
Public employment services and administration	0.24	0.23	0.22	0.23	0.22	0.21	0.19	0.18
Labour market training	0.35	0.26	0.32	0.31	0.28	0.25	0.17	0.15
<i>Training for unemployed adults and those at risk</i>	0.32	0.23	0.30	0.30	0.27	0.25	0.16	0.15
<i>Training for employed adults</i>	0.03	0.04	0.01	0.01	0.01	0.01	0.00	0.00
Youth measures	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.03
<i>Measures for unemployed and disadvantaged youth</i>	0.03	0.02	0.02	0.01	0.01	0.01	0.01	0.02
<i>Support of apprenticeship and related forms of general youth training</i>	–	–	–	0.01	0.02	0.01	0.01	0.01
Subsidised employment	0.02	0.02	0.07	0.08	0.07	0.07	0.06	0.08
<i>Subsidies to regular employment in the private sector</i>	–	–	0.01	0.01	0.01	0.01	0.01	0.01
<i>Support of unemployed persons starting enterprises</i>	–	–	0.01	0.02	0.02	0.03	0.02	0.02
<i>Direct job creation (public or non-profit)</i>	0.02	0.02	0.06	0.05	0.04	0.03	0.02	0.05
Measures for the disabled	–	–	–	0.03	0.03	0.02	0.03	0.03
<i>Vocational rehabilitation</i>	–	–	–	0.03	0.03	0.02	0.03	0.03
<i>Work for the disabled</i>	–	–	–	–	–	–	–	–
Unemployment compensation	1.84	1.89	2.24	1.93	1.50	1.29	1.16	1.02
Early retirement for labour market reasons	–	–	–	0.01	0.01	0.01	–	–
Total	2.49	2.42	2.86	2.60	2.13	1.87	1.64	1.49
Active measures	0.64	0.53	0.62	0.66	0.61	0.57	0.48	0.47
<i>Work as a social objective</i>	0.02	0.02	0.06	0.05	0.04	0.03	0.02	0.05
<i>Non-targeted training</i>	0.03	0.04	0.01	0.01	0.01	0.01	0.01	0.01
<i>Other (not including employment services and administration)</i>	0.35	0.25	0.34	0.37	0.35	0.33	0.24	0.29
Passive measures	1.84	1.89	2.24	1.94	1.52	1.30	1.16	1.02

1. Year refers to relevant fiscal year, for example 1995 refers to the period 1st April 1995-31st March 1996.

Source: OECD active labour market policies database.

Table A.2. **Labour market expenditure in Switzerland**

Percentage of GDP

Programme	1985	1990	1992	1993	1994	1995	1996	1997	1998
Public employment services and administration	0.08	0.07	0.09	0.11	0.11	0.11	0.12	0.15	0.14
Labour market training	0.01	0.01	0.03	0.06	0.08	0.09	0.06	0.23	0.19
<i>Training for unemployed adults and those at risk</i>	0.01	0.01	0.02	0.06	0.08	0.08	0.06	0.23	–
<i>Training for employed adults</i>	–	0.00	0.00	0.00	0.00	0.00	0.00	0.00	–
Youth measures	–	–	–	–	–	–	–	–	0.01
<i>Measures for unemployed and disadvantaged youth</i>	–	–	–	–	–	–	–	–	0.01
<i>Support of apprenticeship and related forms of general youth training</i>	–	–	–	–	–	–	–	–	0.00
Subsidised employment	0.00	0.00	0.00	0.01	0.05	0.09	0.16	0.23	0.21
<i>Subsidies to regular employment in the private sector</i>	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01
<i>Support of unemployed persons starting enterprises</i>	–	–	–	–	0.00	0.00	0.00	0.00	0.01
<i>Direct job creation (public or non-profit)</i>	–	0.00	0.00	0.01	0.04	0.08	0.16	0.22	0.19
Measures for the disabled	0.10	0.15	0.17	0.20	0.20	0.19	0.19	0.15	0.15
<i>Vocational rehabilitation</i>	0.06	0.10	0.12	0.13	0.14	0.15	0.15	0.15	0.15
<i>Work for the disabled</i>	0.04	0.05	0.05	0.06	0.05	0.05	0.04	0.00	0.00
Unemployment compensation	0.27	0.13	0.93	1.61	1.41	1.15	1.28	1.41	1.07
Early retirement for labour market reasons	–	–	–	–	–	–	–	–	–
Total	0.46	0.36	1.23	1.99	1.85	1.63	1.81	2.16	1.77
Active measures	0.19	0.23	0.29	0.38	0.44	0.48	0.53	0.75	0.70
<i>Work as a social objective</i>	0.04	0.05	0.05	0.07	0.10	0.13	0.20	0.26	0.19
<i>Non-targeted training</i>	–	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Other (not including employment services and administration)</i>	0.08	0.10	0.14	0.20	0.23	0.24	0.22	0.35	0.37
Passive measures	0.27	0.13	0.93	1.61	1.41	1.15	1.28	1.41	1.07

Source: OECD active labour market policies database.

Table A.3. **Indicators on ALMPs in Cantons, 1997-98**

	1997					1998				
	Spending as a percentage of GDP	As a proportion of spending or the number of participants in Switzerland as a whole				Spending as a percentage of GDP	As a proportion of spending or the number of participants in Switzerland as a whole			
	Federal	Graubünden	Ticino	Vaud	Zürich	Federal	Graubünden	Ticino	Vaud	Zürich
Public spending on ALMPs	2.16	n.a.	n.a.	n.a.	n.a.	1.77	n.a.	n.a.	n.a.	n.a.
Administration expenditure ¹	0.12	1.4%	4.1%	9.8%	12.5%	1.43	1.4%	4.1%	9.8%	12.5%
Subsidised employment ²										
Expenditure	0.22	n.a.	n.a.	n.a.	n.a.	0.13	1.3%	7.0%	10.6%	14.6%
Participants	n.a.	n.a.	n.a.	n.a.	n.a.	156 216	1.5%	7.2%	10.9%	12.5%
Training ³	0.23					0.19				
of which:										
Benefits paid during training	0.15	1.2%	5.2%	10.9%	16.8%	0.12	1.5%	4.5%	12.2%	21.0%
Participants in courses	259 178	2.2%	4.9%	8.8%	15.7%	237 088	1.8%	5.0%	9.1%	19.7%
<i>Memorandum items:</i>										
Population ⁴	7 081 300	2.6%	4.3%	8.6%	16.6%	n.a.	n.a.	n.a.	n.a.	n.a.
Unemployment rate	4.2	3.2	7.8	7.2	4.2	3.9	2.5	6.3	5.6	4.2

n.a.: Not available.

1. Operation costs of Regional Placement Offices, labour market measures operated by the Cantonal Employment Service and Unemployment Insurance Funds.

2. Includes direct job-creation (*programmes d'occupation*), direct job-creation for young persons (*programme d'occupation; fin de scolarité*) and apprenticeships (*stages professionnels*).

3. Labour market training courses.

4. Cantonal population presented as a proportion of the Swiss population.

Sources: ALMP database; Office fédéral du développement économique et de l'emploi; and OFAS.

NOTES

1. However, this comparison is somewhat distorted as comprehensive data on social assistance spending is not available for all Swiss cantons (crude estimates on the magnitude of social assistance spending range from 1.5 to 3% of GDP).
2. In Switzerland, the unemployment insurance fund ran a large deficit during the early 1990s. As a result, the contribution rate was increased sharply (from 0.4% to 2% of wages) in 1993. Although social insurance is primarily a federal responsibility, cantons contribute to its costs out of their own revenues according to their relative wealth (Chapter 6).
3. The broad stability in final income distribution has been confirmed by numerous national studies (*e.g.* Blackburn and Bloom, 1991; Gottschalk and Smeeding, 1995). Hatfield (1996) confirms the importance of more public transfers and more progressive taxation in offsetting the widening in market income distribution. Erskoy (1994) suggests that one third of the increase in market income inequality since the mid-1970s is due to increased unemployment. Zyblock (1996) suggests that the increase in lone-parent families has been significant in increasing market income inequality. He also suggests, however, that inequality has increased in virtually all sub-groups of the population, suggesting that changes in the general economic environment (globalisation, technological change, etc.) have been the most important cause of widening market income inequality.
4. The failure to properly account for provincial differences in living costs makes the LICOs somewhat difficult to interpret. House rents, for example, vary widely from one province to the other. As a result, the incidence of poverty defined using LICOs will be overestimated for provinces where rents are high (*e.g.* Ontario) compared with provinces where rents are low (*e.g.* Saskatchewan). Alternative poverty indicators have been developed to remedy the perceived deficiencies of LICOs (see for example, HRDC, 1998, which discusses a "Market Basket Measure" as an alternative poverty indicator).
5. In the past, New Brunswick had the curious practice of awarding higher benefit payments with seniority. Thus, over the years, someone of 45 years of age with a long claimant history (*e.g.* 10 years) could move from the Transitional Assistance Programme (TAP) to the Extended Benefits Programme (EBP), so obtaining higher benefits. New Brunswick has stopped this practice, but there are still some claimants belonging to this "grandfather caseload".
6. Financial benefits to asylum-seekers are about 20% below the amount specified in the CSIAS guidelines.
7. Previously, assets limits could also vary from one municipality to the other. Recent revisions restricted assets limits for lone parents and able-bodied social assistance recipients; they were increased for claimants with disabilities.

8. Low-income families with children in receipt of employment insurance are entitled to Family Income Supplements (FIS). Payments are equivalent to Child Tax Benefit payments under the NCB programme. Nevertheless, FIS remains a separate programme.
9. The Supplementary Child Benefit is intended to prevent costs relating to children from being the cause of poverty. The maximum benefit of SF 645 per month is income-tested, in correspondence with the rules on child payments as in the *prestations complémentaires*, and paid to all families with at least one child under the age of 15, who have lived in the canton for at least three years. Furthermore, Ticino operates a generous income-tested parental benefit intended to give people the option of looking after their own children without being forced to work. Family income is topped-up to the minimum level as according to the *prestations complémentaires* (Chapter 2) for families with at least one child up to 3 years of age, if one parent spends at least 50% of the day at home with the child. The two benefits will cost the canton around SF 14.5 million per year, which is equal to 8% of total income support payments that are made by the canton.
10. Data on SA entrants are not comparable across countries because of differences in survey design.
11. This will in part be due to the potential claimant having too many assets.
12. In rate-setting consideration may be given to a plethora of items such as minimum wages, market baskets measures, rental rates, housing capacity.
13. These guidelines are endorsed by the Conference of directors of cantonal social services (CDAS). Conferences act on basis of unanimity, and can offer advice to policy makers at federal and cantonal level.
14. In case of serious sanctionable offences by the client, the CSIAS foresees a reduction in payment of 15% for a maximum period of 6 months (CSIAS, 1998, p. A.8-3).
15. Earnings now have to be below the social assistance level for a person to become entitled to social assistance. Prior to 1993, earnings less than the benefit plus disregard would be sufficient. Earnings disregards now only become effective after three months of being on welfare.
16. However, the interim caseload is small (almost 2 300 cases in June 1999) and average duration low (about one month) as it often concerns claimants waiting for other benefits such as EI.
17. Social advocacy groups and welfare recipients have been critical of the NCB for precisely that reason. In their view the NCB should have been passed on to families on social assistance in all provinces, and since that has not been done they feel that the NCB helps low-wage workers at the expense of families on social assistance. They also criticise the intergovernmental process leading up to the NCB for its lack of transparency.
18. The NCB expands and enhances the C\$ 7 billion that governments currently provide in income support for families with children every year. The federal government is already providing C\$ 850 million to enhance the Canada Child Tax Benefit, and is committed to increase this amount by C\$ 425 million in July 1999 and C\$ 425 million in July 2000.
19. In other words, in order to provide the same standard of living as experienced by a single person with an income of 100, a two-person household would need $100 \times 2^{0.5} = 141$; a three-person household 173, etc.
20. Equivalence elasticities concerning one additional adult for Belgium, the Netherlands and Norway were 0.33, 0.41, and 0.50, respectively (OECD, 1998a).

21. Funding for emergency accommodation is shared by municipalities (55%) and the province (45%), as opposed to the standard allocation key of funds towards the provision of services: 20% by municipalities and 80% by the Province of Ontario.
22. As reported in *Toronto Globe and Mail*, 14 January 1998.
23. This would mean that the partners' income and assets would be taken into account in determining eligibility. Furthermore, the rate for a two-adult benefit unit is less than twice the rate for a single person. It follows that the groups campaigning for such a change are doing so despite, rather than because of, the financial consequences.
24. Including certified blind and disabled people; teenage single parents living in the parental home (prior to November 1997, they were subject to a 25% reduction of the shelter allowance); single parents who are actively involved in a caseplan; individuals in the Extended Benefits Programme and other claimants with long-term or special needs; and adult children in the parental home earning less than C\$ 15 000 per year whose parents are in receipt of social assistance.
25. As in some other OECD countries (OECD, 1998 and 1998a) all jurisdictions in Canada require repayment of SA benefits paid while a person is awaiting another benefit that is paid retroactively (e.g. Old Age Security) or after a waiting period (e.g. employment insurance). Many Canadian provinces also require repayment of social assistance benefits to home-owners that is equal to the increase in equity in their homes during the time they were on assistance.
26. Repeat users used to be defined as those who used social assistance more than once within a two-year period, currently the definition of repeat use concerns a six-year period. Therefore, the *apparent* reduction (from 14 000 to 4 000 new cases) overstates the real decline.
27. In Zürich, the number of social assistance cases was well above the number of unemployed until 1992; for example in 1983, there were almost 4 700 of social assistance cases and about 2 000 unemployed persons. In 1997, the number of cases had risen to 10 900 while the number of unemployed exceeded 14 000 (historical data provided by the Department of Youth and Social Affairs of the city of Zürich).
28. Social assistance caseloads in Alberta are a third of their peak level. However, part of this decline is due to some categories of beneficiaries being reallocated to non-social assistance benefits. The underlying decline has nevertheless been substantial – around 45%.
29. For the purpose of the table the net replacement rate (NRR) has been defined as:

$$\text{NRR} = (\text{SA} - \text{IT}_b - \text{SSC}_b + \text{RA}_b + \text{CB}_b + \text{CCB}) / (\text{GE} - \text{IT}_w - \text{SSC}_w + \text{CB}_w + \text{IWB})$$

Where IT is income tax; SSC, social security contributions; RA, rent assistance; CB, child benefits; CCB, child care benefits; GE, gross earnings; and IWB, in-work benefits. The subscript *b* indicates that the tax or benefit is calculated when the person is not working; *w* when the person is working.

To calculate the value of social assistance (SA), assumptions about housing costs are made. Even though in fact these vary from area to area, here it is assumed that they are C\$ 3 600 per annum in Canada and SF 6 000 per annum in Switzerland.
30. A study on SA leavers in Calgary, Alberta, finds an average starting wage of C\$ 8 per hour for SA leavers. This is well above the minimum wage level of C\$ 5.40 per hour (Canada West Foundation, 1997) but just below the first decile earnings level.
31. Canada has provincial minimum wages. In Switzerland, there are no statutory minimum wages, so the minimum wage set for the hotel industry through collective bargaining has

been used. About 45% of all salary and wage earners in the private sector are covered by collective agreements that may include minimum wage arrangements (OECD, 1996). For some sectors, including the machinery and equipment industry, collective agreements do not include minimum wages.

32. The point where 10% of the working population earns less and 90% more than the point on the earnings distribution. Earnings data are country wide, not specific to canton or province.
33. It is assumed that the children are aged 11 and 10 years old, and are not in day care. In work incomes are calculated on the basis of one parent working whilst the other remains non-employed and not entitled to any benefit. The NRR is redefined to include child benefits in the numerator and the denominator.
34. An Extended Health Card is available to target and active social assistance clients who are involved in training or are working, and who may not qualify for regular financial assistance. The Extended Health Card may be issued for up to a twelve-month period to assist clients in this transitional period. In addition, low-income individuals not eligible for social assistance benefits may be granted a health card only, the eligibility of which is determined by a needs test.
35. In New Brunswick, HRD-NB has the responsibility to negotiate Voluntary Support Agreements on behalf of custodial parents in receipt of SA.
36. HRDC staff who used to be involved in employment service delivery are now on the provincial pay roll.
37. In some cases the practice of signing caseplans is perhaps rather *over-used*. In Saskatchewan clients may have up to 3 caseplans with three different organisations: the SAO; the employment service (used to be a private organisation but was recently incorporated in the provincial civil service); and the public Crown Corporation operating a "Work Preparation Centre" to help clients acquiring life-skills. With the signing of the LMDA and the opening of new "CanSask job centres" (January 1999) the number of caseplans has been reduced.
38. The Regina region has structured their service delivery to include a specialised intake/application unit. Workers in this unit administer less than the average number of cases resulting in other case workers managing higher than average numbers of cases.
39. Exceptions concern workers over 50 years of age and UI claimants who have filed for invalidity benefit.
40. For example, during the course of 1999, Ontario is phasing in a special programme to help teenage parents to stay in school, give parenting courses and improve their long-run independence prospects.
41. Federal and provincial authorities financed NB Works on a 70/30 basis. Due to changes in the EI legislation and the demise of the Canada Assistance Plan NB Works cannot be continued in its original form.
42. To deal with the primary/secondary labour market competition issues, Vaud set up a commission with representatives of unions, employers, communes and the canton to adjudicate all offers. Interestingly, the professionals believe that the commission may have become more relaxed over time about what degree of competition might be considered acceptable.

43. In the first year, the only measure of efficacy is a survey of how many are still on RES books 2 months after the measure is completed. This is an imperfect measure, given that if they are no longer entitled to UI, they may not register with the RES.
44. For example, employment support may consist of placement with a temporary agency; if the agency does not find suitable work, individuals are left to their own devices.
45. The political proponents of "Work for Welfare" propose to extent workfare to "parks and roads maintenance programmes" (Blueprint, 1999).
46. Benefit cuts had an immediate impact on caseloads in Ontario, as caseloads dropped by 18 000 in October 1995. However this figure is diluted as concurrently a substantial number of lone parents were no longer eligible to welfare due to tightened eligibility criteria regarding co-habitation.
47. The 1999 guidelines advise cantons to have claimants sign a contract which covers the rights and obligations related to benefit receipt including the coverage and amount of financial aid, the goals of the integration activities, and the possible consequences of not adhering to the contract.
48. In May 1984 Saskatchewan introduced a distinction in basic benefit rates between fully employable clients (C\$ 123 per month) and partially employable clients (C\$ 178 per month). This distinction was limited in application in 1992, when basic benefit levels of the employable clients were levelled up to those of partially employable clients. The only remaining difference concerns the shelter allowance for single employable and partially employable clients.
49. In 1993, caseloads also increased as Saskatchewan assumed financial responsibility for 4 000 FNs during their first year off-reserve.
50. Claimants can receive UI benefit for 520 days but this is contingent upon participation in an ALMP after 150 days for UI claimants younger than 50 years of age; after 250 days for those aged 50 to 60; after 400 days for claimants over 60 years of age. Those in receipt of a (partial) disability benefit or whose claim on a disability benefit is being processed and likely to be successful can receive UI benefit for 520 days.
51. Unemployment is composed of a large proportion of individuals who would never have been covered by either EI or UI, its predecessor. In 1997, 51.7% of unemployed individuals had either never worked, not worked in the last 12 months, returned to school, were self-employed or unpaid family workers prior to unemployment, or left their last job involuntarily without just cause. 78% of workers who were laid off or left with just cause were eligible for EI benefit in 1997.
52. The other 22% of those who were laid off or quitted their job with just cause were not eligible for EI benefit as they had not met the minimum entrance requirement (420 hours of work in the last year) or did not meet the regional entrance requirements. In regions with relatively low unemployment rates individuals must have worked additional hours to be eligible for EI.
53. Initial research by Fortin and Crémieux (1998) estimated that up to 25% of the cumulative caseload increase was due to EI reform. However, research is still ongoing to improve the methodology to better pin-point the effect of interacting variables and extend coverage to all provinces. HRDC suggests that the cumulative impact of EI reform on caseload increases is likely to be closer to about 10%.
54. Information on exits in the Metropolitan Toronto area reveals that 43% of those leaving social assistance had left for employment-related reasons. Receipt of other government

- income support was the reason for leaving welfare in 27% of the cases, as compared to 7% for the province (Talcon Corporation, 1997).
55. The block fund is only partly in cash. It also consists of “tax point” transfers, which are nominal transfers of tax raising capacity. In other words, the federal government lowers its taxes so that provinces can raise theirs at no net cost to taxpayer. The CHST fund in 1998-99 was C\$ 25.8 billion; actual cash transferred was C\$ 12.5 billion.
 56. There are other conditions relating to health policy.
 57. An example of the bitterness, which has resulted from failure to agree federal and provincial roles, has been “Millennium grants” for college students. Student grants are normally a provincial responsibility; the provinces argue that the unilateral announcement of a federal programme distorts decisions about the nature and focus of their programmes.
 58. The “cap on CAP” was imposed on transfers to some provinces, so marginal changes in social assistance expenditure did not result in changes in federal transfers.
 59. The EI system is operating a large surplus (income C\$ 19 billion; expenditure C\$ 11 billion). The federal treasurer has used this to improve public finances, running a budget surplus of C\$ 3.5 billion. Contribution cuts worth C\$ 1 billion were announced late 1998.
 60. This new *de facto* division of responsibilities between federal and provincial bodies has never been explicitly made.
 61. Over 26% of the population is of non-Swiss origin in the city of Zürich, compared with 17% in the rest of the canton. Non-Swiss residents are between 2 and 3 times more likely to be in receipt of social assistance or unemployment assistance in Zürich than those of Swiss nationality (Fürsorgedirektion des Kantons Zürich, 1998).
 62. The cost-sharing arrangements include social assistance and alimony payments. Communes guarantee alimony payments, so if an absent parent does not pay, the commune will step in.
 63. In principle, communes retain the right to approve or reject a particular reintegration approach. In practice, the opinions of the cantonal authorities tend to dominate.
 64. On the other hand, it becomes at least possible that other inefficiencies are introduced – that there is over or underinvestment in particular cases, reflecting the concerns of the canton to have a good geographical coverage in its processes, or the effect of capacity constraints in other areas, etc.
 65. Historically, local governments in Canada have had a much more substantial role than they now do in social policy. Local governments administered social assistance in Saskatchewan until the 1930s, for example. In March 1994, Manitoba, Nova Scotia and Ontario were the only Canadian provinces which operated multi-tiered social assistance systems. Nova Scotia has since unified its system and Manitoba is working towards this goal.
 66. Municipal funds come from tied grants; user fees; and the property tax. There is no explicit equalisation apart from tied grants, except in the greater Toronto area, where there is pooling between the suburbs and the city. However, those areas with a lot of commercial property are also those with a lot of social problems, giving some rough justice.
 67. At one point provincial authorities in Ontario suggested a 50:50 split for all costs relating to social assistance, which might have permitted a reduction in central control. This was not popular with local governments as it would have significantly increased exposure to financial risk. Until recently, if the caseload for the social assistance exceeded more than

- 4% of the population, the province would pay 90% (rather than 80%) of the costs above this level.
68. Each commune involved in the regional authority sends one person to the decision-making body, with voting power on the basis of 1 vote per 500 communal inhabitants, so giving larger communes more say but on a less than proportional basis.
 69. Following recent reforms, municipalities pay 20% of the costs of people on means-tested invalidity benefit (ODSP) and social assistance (OW). The disability programme involves a monthly payment of C\$ 930. The municipalities' share is C\$ 187. The equivalent figures for OW are C\$ 520 and C\$ 104. Each person on OW brings a payment from the province of approximately C\$ 250 per year to pay for labour market measures. Local government has an incentive to keep people off invalidity benefit and on social assistance, continuing to make reintegration efforts. This is quite conceivably a unique incentive structure, as the incentive for cost-shifting across OECD countries is almost always in the opposite direction.
 70. For example, welfare clients were not (generally) allowed to sponsor new immigrants. Some therefore voluntarily withdrew from welfare, sponsored people, and then reapplied for aid in order to obviate their sponsorship obligations. To avoid this, sponsorship is only possible if people have not received welfare for a full 12 months.
 71. Different arrangements apply for immigration into Quebec.
 72. Social assistance clients have to fill in a tax form even if they have no taxable income, because this is necessary to claim refundable tax credits.
 73. This approach was not followed everywhere, for various reasons. The up-front cost of paying the salary and related costs was sometimes more than could easily be paid by small communes. Furthermore, some communes took the view that exit to work is the objective of policy, rather than exit to another benefit.
 74. The fund is in fact to be abolished, but a new financing mechanism is being arranged.
 75. This is not considered an ideal situation. After 2 years of courses offered to UI claimants, to be told that the only things on offer to RMR recipients are more of the same might be a bit demotivating. The RMR is relatively new, and consideration is being given to whether tailored programmes should be arranged.
 76. The absence of an LMDA agreement means that institutional competition takes place. For example, "reachback" clients can obtain wage subsidies, while OW allows for assistance with work costs when clients enter private sector employment. The fact that the federal programme is significantly more generous than the provincial one has contributed to difficulty in meeting the OW placement objectives.

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