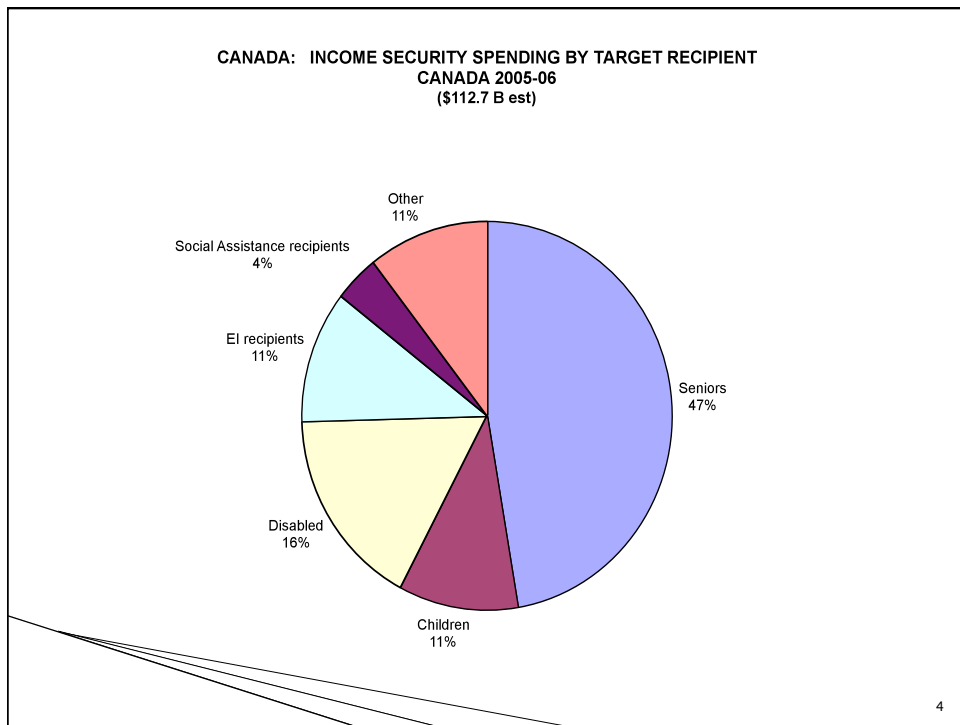
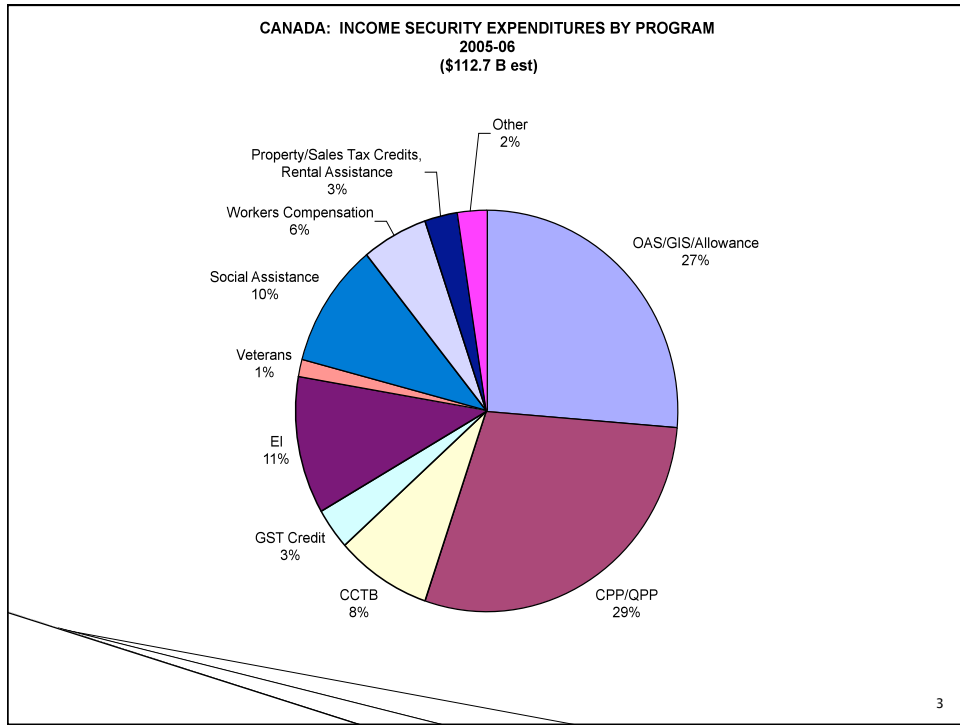


# The Future of Income Security in Canada What happens next?

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## Part 1 Where are we now?



## Growth in Number of Working Age Adults in 39 Richest OECD Countries

(Source: OECD)

1950 - 2000: 76%

2000 - 2050: 4% (projected)

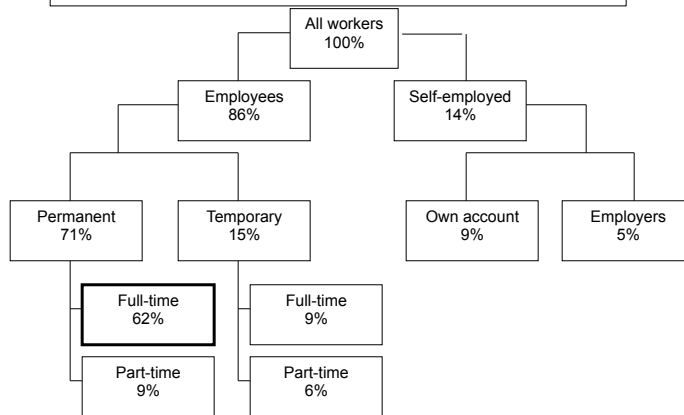
This one fact changes everything.....

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### THE LABOUR MARKET

LESS FULL-TIME, MORE NON-STANDARD WORK – (Labour Market Slides from Tom Zizys)

Classification of workers in Canada, aged 16-69, by type of job (2001)\*



•The **bolded** box represents "traditional" standard employment, which now employs 62% of working people.  
 • Non-standard employment is represented by the **shaded** boxes.

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## What is happening to poverty in this type of recession?

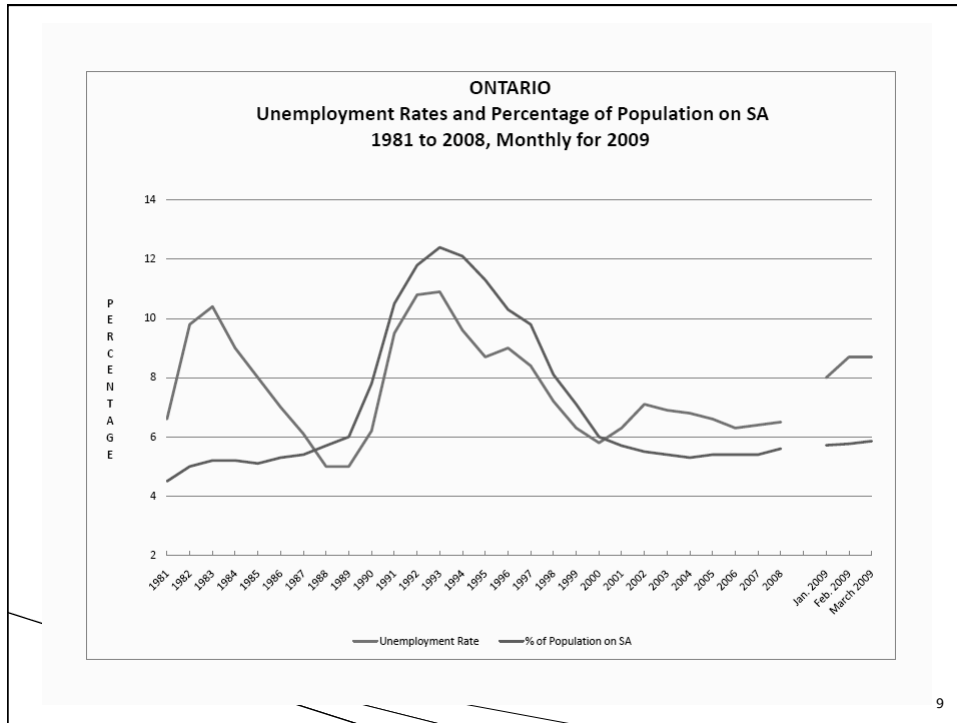
- ▶ Started with a liquidity crisis
  - The crisis caused the 'Crash of 2008'
  - A crisis in confidence followed
  - The real economy was finally ensnared –government fills gap with stimulus
- ▶ Very unlike previous recessions:
  - High inflation results in high interest rates
  - High interest rates cause unemployment
  - Economy goes into recession but interest rates were then lowered – government lowers interest rates

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## What is happening to poverty social assistance and unemployment?

- ▶ Unemployment increasing quickly
- ▶ EI claims climbing fast
- ▶ Social assistance now starting to climb but unclear what will happen next
- ▶ Either way, without social assistance reform, consequences are dire

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Part 2

How did we evolve?

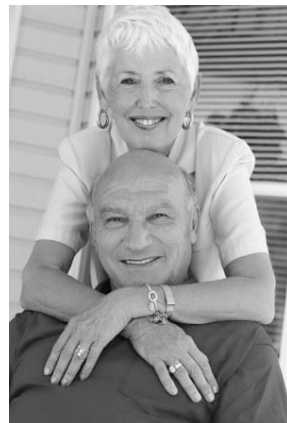
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## The Evolution of Income Security for Seniors

- ▶ In 1929, any Canadian over 70 could get a means tested \$20 a month and earn an additional \$125 a year.
- ▶ In three years, applicants doubled government expectations.
- ▶ In 1932, Ontario began filing claims against estates of deceased recipients.
- ▶ Old Age Assistance was changed to the Old Age Pension program in the post-war period

## The Evolution of Income Security for Seniors

- ▶ 20 years later, Old Age Security, The Guaranteed Income Supplement, The Canada Pension Plan evolved as a solution to seniors' poverty.
- ▶ RRSPs, became popular in the 1970s.
- ▶ Seniors were taken off of welfare and, out of poverty.
- ▶ This approach has been working for 40 years.



## The Evolution of Child Benefits

- ▶ Child benefits began as a family allowance with tax exemptions and were first paid under welfare-based Mother's Allowances.
- ▶ This program was replaced by the Child Tax Benefits in 1979 and again in 1993.
- ▶ In 1972, RESPs were introduced.
  - In 1998, governments introduced the Canada Child Tax Benefit (CCTB) and the Ontario Child Benefit (OCB).
  - Matching saving incentives were introduced with the Canada Learning Bond (CLB) and Canada Education Savings Grants (CESG).



## The Evolution of Child Benefits

- ▶ These changes show how we're taking children off of welfare and striving toward ending child poverty.
- ▶ The next logical step is a stronger, more adequate set of benefits for all low-income children, supported by all Canadians.



## The Evolution of Income Security Programs for Seniors and Children

Income security programs for seniors and children started as welfare programs and then evolved to developed four features:

1. a base benefit – widely available federal benefits;
2. an income-tested benefit (extra help for people with low incomes);
3. a registered, tax-saving instrument;
4. matching or separate contributions to reward individual savings.

## Common Features of These Programs:

- ▶ They are supportable in the long-term.
- ▶ They work.
- ▶ They are acceptable to Canadians.
- ▶ People believe the programs are fair: something for everyone-- more for those who work and save, less for those who can't or don't.
- ▶ People believe they are progressive
- ▶ People appreciate how these programs provide rewards to those who take steps to take care of themselves.

## Common Features = Program “DNA”

- ▶ We seem to be in the process of creating an income support system for working-age adults that resembles Old Age Security and Child Benefits.



## Attitudes toward Poverty

Angus-Reid (2007) CCPA (2008) polled Canadians on their attitudes to poverty and found the following:

- ▶ Most Canadians think poverty is a serious problem.
  - Most Canadians believe governments are not providing the right solutions.
  - Many Canadians think poverty is a *structural problem* caused by where in life we each got our start.
  - A minority of Canadians think poverty is a *personal deficit*.



## EI and CPP

- ▶ CPP and EI, were set up through constitutional amendments, funded through payroll taxes and employer contributions indicated on pay statements.
- ▶ Both EI and CPP have not been improved over time
- ▶ CPP and EI are large programs that have repelled fundamental change .

## Part 3

# Where are we heading?

## Harper's 3 New Programs

1. Working Income Tax Benefit
2. Registered Disability Savings Plan
3. Tax Free Savings Account



Each program fits neatly into the DNA described.

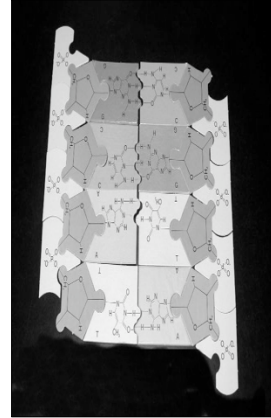
Make it easier for Canadians to understand and to take advantage of them.

### An Accounts based Model for Income Security Benefits

	Children	Seniors	Comparable Programs for Working Age Adults
base benefit	CCTB	CPP/OAS	EI
income tested benefits	NCBS, UCCB, OCB	GIS	EI/Welfare, GST refundable credit, other refundable credits WITB
registered tax savings instruments	RESP	RPP, RRSP	TFSA, RDSP
matching contributions	CLB, CESG, Millenium Scholarships	tax credits and/or exemptions	An EI account could pay for training based on contributions over time, RDSP matching credits

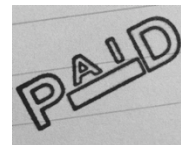
## For Programs to work, the new model has to have the needed DNA:

- ▶ create support through a federal tax and EI account, where contributions would result in a minimum level of refundable credits;
- ▶ create low-income benefits to help alleviate working poverty(eg:WITB)
- ▶ use instruments to allow low-income adults to contribute money that is redeemable before retirement;
- ▶ create programs to match contributions



## What's the Difference?

- ▶ This approach is a shift from the welfare model for working-age adults.
- ▶ Rather than limiting support to those in dire need, it stresses the transition to greater self-reliance as the most important goal.
- ▶ This shift could replace welfare, while providing Canadians with one account that shows all of their benefits in one place.



## How Would the Account-Based Model Work?

- ▶ Create one base account that includes EI, CPP and tax accounts where credits are earned and used over a lifetime.
- ▶ Ensure payments into EI earn credit.
- ▶ Replace welfare supports for children with income security benefits.

## How Would the Account-Based Model Work?

- ▶ Transform welfare into income supplements based on earnings.
- ▶ Provide pension-type benefits for those who can't work.
- ▶ Provide emergency benefits through a social fund.
- ▶ Provide housing and shelter benefits through the tax system
- ▶ Provide affordable childcare to all families who need it.
- ▶ Remove asset rules.



## How Would the Account-Based Model Work?

- ▶ Exempt the TFSA so people can save tax-free for education or old age
- ▶ Implement the WITB to support work.
- ▶ Provide Canadians with a single statement
- Create federal refundable tax credits that provide a higher base benefit for all Canadian adults.



COURTESY: ROYAL BANK OF CANADA

## How Would the Account-Based Model Work?

- ▶ Modernize both EI and CPP to reflect the Canadian workforce and its requirements.
- Create matching contributions to all registered instruments



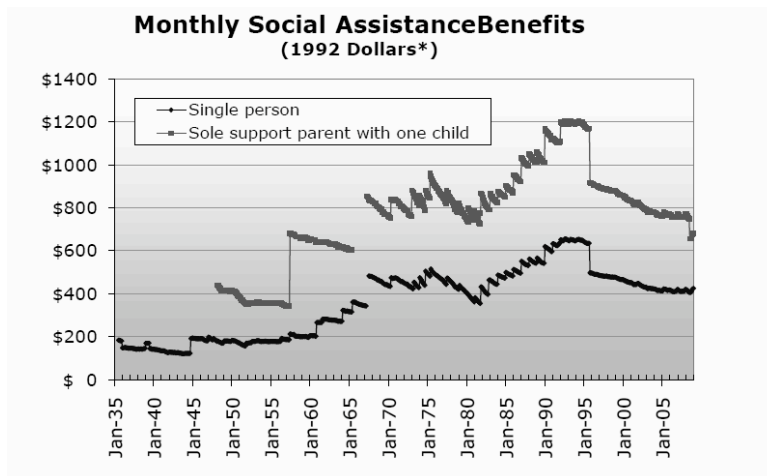
## Making the New System Transparent for Canadians

- Help people understand how working for cash disallows EI and CPP.
- Once the architecture for an account-based benefit model is established, it has to be communicated
- Alert people to the benefits for which they qualify, how to read their accounts.
- ▶ Offer Canadians the advantage of a clearly defined relationship with the government.

## Part 4

# What happens to social assistance?

## What is happening to poverty social assistance rates and assets?



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## The Importance of a Different Lens

<i>When we talk about ...</i>	<i>And Welfare, we mean:</i>	<i>And Income Security Programs, we mean:</i>
<b>Receipt of benefits</b>	Dependency	Entitlement
<b>Failure</b>	Continued Receipt	Non-receipt
<b>Success</b>	Getting Off	Staying On
<b>Program Spending</b>	Waste; a drain	Entitlement and Citizenship
<b>Cost</b>	Unaffordable, unsustainable unnecessary	Affordable – what makes Canada what it is
<b>Self-sufficiency</b>	Off welfare	Includes income security benefits
<b>Reform</b>	Open doors of opportunity or a push through the door Supports mandatory requirements	Redesign to reach more – extend benefits – support choice

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## The Importance of a Different Lens

<i>Behaviour</i>	<i>“Welf æ cheat” lens</i>	<i>Achieving self-sufficiency lens</i>
<b>Acquiring a spouse</b>	“She’s got a boyfriend”	Forming a viable economic and family unit to escape poverty
<b>Help from family</b>	“Getting illicit money”	Reinforces role of families helping their own members – helping build a base to escape poverty
<b>Having a bank account – being seen in a bank</b>	“Hiding money from the system”	Returning to normalcy – building assets – demonstrating money management skills – building a base to escape poverty
<b>Getting a job</b>	“Working and not reporting it - working under the table”	The first major building block in becoming self-sufficient and returning to normalcy and self-sufficiency
<b>Spending on non-necessities</b>	“How can they afford that if they are supposed to be poor?”	Returning to normalcy – taking responsibility for a household budget – making choices for better or worse – Weighing risk and responsibility consistent with adult behaviour

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## What If We Took Poor Working-Age Adults Off Welfare?

- ▶ Welfare can address destitution, but not entrenched, intergenerational poverty.
- ▶ Governments **can** implement meaningful programs and tax incentives for low-income people –that Canadians will support.
- ▶ The solution to income poverty among working-age adults crept up on us while we weren’t looking!

## What If We Took Poor Working-Age Adults Off Welfare?

- ▶ It worked when we took seniors off welfare.
- ▶ It's what we are now doing for children.
- ▶ The formative structures for an account-based model have already been introduced.



## What If We Took Poor Working-Age Adults Off Welfare?

The model for ending poverty in Canada is right under our noses.