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Destroy Canada's welfare trap

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Last month, the Metcalf Foundation -- an eclectic, privately funded Toronto group committed to the betterment of "the environment, performing arts and low-income communities" -- released a report entitled *Why is it so tough to get ahead? How our tangled social programs pathologize the transition to self-reliance*. Its conclusions should be required reading among federal and provincial politicians alike.

In *Why is it so tough to get ahead?*, policy expert John Stapleton untangles the various government assistance programs available to low-income Canadians, and shows how their eligibility criteria and benefit scales serve to discourage the self-reliance that comes from employment and education. In too many cases, he shows, it is in a citizen's short-term interest to remain beholden to the state rather than strike out on one's own -- in other words, a classic welfare trap.

A front-page case study highlighted in the *Toronto Star* this week helps illuminate the problem. That example profiled the plight of an unemployed single mother, with two children, making roughly \$14,000 from welfare. Then comes a chance for the mother to take a \$14,000/year part-time job. One of the teenage children also gets a part-time job, as well as a bursary-subsidized spot at a local university. Government policy should be encouraging such opportunities: Employment and education are both paths out of poverty and welfare-dependency. But as the *Star's* numbers show, the family's net income barely rises at all as a result of these changes -- flat-lining near the \$14,000 level even though its nominal income has risen to \$31,000. That's because the government claws back so many benefits as soon as the family starts climbing the economic ladder.

This is a problem all over the country, not just in Ontario. On Nov. 22, there appeared on this page an op-ed by Jeremy Leonard, Christopher Ragan and France St-Hilaire, co-editors of *A Canadian Priorities Agenda: Policy Choices to Improve Economic and Social Well-Being*, published last month by the Institute for Research on Public Policy. As the authors wrote:

"Effective marginal tax rates are remarkably high at very low levels of income. In fact, due to the interaction of various transfer programs, the effective tax rates are well in excess of 100% for certain annual income levels between \$10,000 and \$20,000. At income levels around \$30,000, the effective marginal tax rate is about 80%. For any low-income Canadians facing marginal tax rates like this, what is the incentive to work harder and earn more?"

Poverty eradication is often cast as a "left-wing" issue. But when it comes to getting people off welfare and into jobs, there should be a left-right united front. The left is appalled by income inequality and the plight of the impoverished. The right hates welfare dependence, and seeks to re-instill society with a sound work ethic. Both camps have a strong interest in dismantling a perverse system of government entitlements that discourages people from climbing the first few rungs of the jobs ladder.

Politicians must get serious about lowering the effective tax rate on the working poor. Yes, this would mean letting many poor people "have their cake and eat it, too" -- i.e., permitting them to earn an income even as they keep most of their public benefits according to a gradually tapering scale. But in the long run, it would benefit everyone by increasing the number of adults who become productive members of our society.