

Manitoba 

Budget Paper F

**ADDRESSING POVERTY
IN MANITOBA**

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CREATING A COMMUNITY WHERE ALL CAN WORK¹

Finding the right mix of policy options to ensure that all members of society who are able to, have the opportunity to participate in the work force is a key challenge facing governments across Canada. In Manitoba, the challenge is complicated by several factors.

Overview of Issues

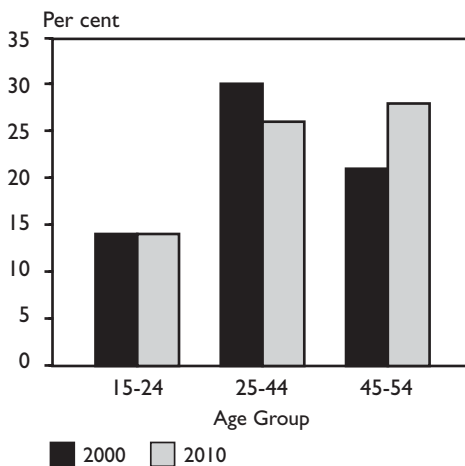
Manitoba's diverse and stable economy has led to one of the lowest unemployment rates in Canada. However, the low unemployment rate does not reflect a number of issues.

Manitoba's workforce is aging (Figure 1). Between 1996 and 2002, the number of people aged 55 and older grew by 6.4%, while the number of people aged 15 to 54 grew by only 1.5%. While the number of persons aged 15 to 64 will increase by 5% over the next ten years, the older cohort of 65 plus years will have an even stronger growth rate of 6%.

Within the 15 to 64 year age group, where most labour force participants lie, the older age groups will have the largest increases. Those aged 45 to 64 will increase by over 66,000 persons. Meanwhile, those in the 25 to 44 age group will decline by some 32,000 persons. The number of young persons aged 15 to 24 will increase by only 5,000 in this period.

Aboriginal persons represented 13% of Manitoba's population in 2001. As this segment of the population is younger than the non-Aboriginal population, it is likely to contribute an increasing proportion of the province's population and labour force growth over the next few decades (Figure 2). Between 2000 and 2010, the proportion of Aboriginal individuals in the youth population will

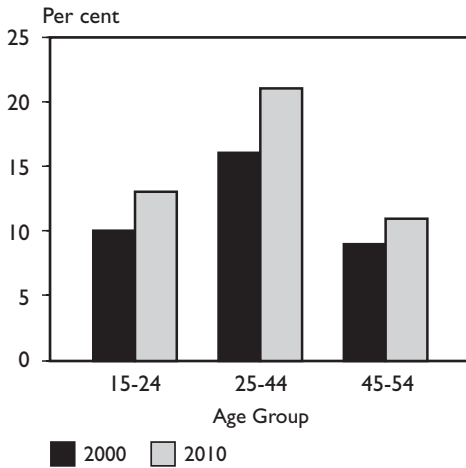
Figure 1
Labour Force Population



Source: Manitoba Education and Training

¹ Reprinted with permission. Previously published as "Welfare to Work: Creating a Community Where all Can Work," Canadian Journal of Career Development 3, #2 2004, p. 3 (the lead article in a special issue entitled Welfare to Work). Honourable Greg Selinger is Manitoba Finance Minister. Gord Greasley is a Manitoba Government official formerly in the Department of Finance.

Figure 2
Aboriginal Population
by Age Groups



Source: Manitoba Education and Training

increase from 10% to 13%. Similar increases will occur with 25 to 44 year olds and 45 to 64 year olds. The inclusion of Aboriginal Manitobans in the labour force is crucial to Manitoba's continuing prosperity.

However, Aboriginal Manitobans face significant barriers to participating in the work force. Aboriginal educational achievement trails achievement in the population as a whole, economic opportunities on reserve are limited and rates of Fetal Alcohol Syndrome and Fetal Alcohol Effects are higher than rates in the provincial population as a whole.

In response to these challenges, an Aboriginal Issues Committee of Cabinet has been established. Chaired by the Premier, the committee will build on new partnerships that have been struck with Aboriginal communities in priority areas such as justice, hydroelectric development, education and training, and services for children.

The low unemployment rate and aging workforce have highlighted skills shortages that need to be addressed.

While Manitoba's cost of living is relatively low, wages in many sectors of the economy are also low, resulting in many families living with low incomes. For example,

- 12% of two-adult families with children fall below the before-tax Low Income Cut-Off (LICO-IBT), the second-highest rate in Canada;
- 52% of lone-parent families fall below the LICO-IBT, the second-highest rate in Canada; and
- 22% of children live in families that fall below the LICO-IBT, the second-highest rate in Canada (Human Resources Development Canada, 2003).

There is some concern that the use of LICO-IBT results in higher rates of low income in Manitoba than is actually the case. The limitations of LICO-IBT are well known (Gilbreath, 1997; Wolfson and Evans, 1989). Furthermore, internal Finance Department work suggests that before-tax LICOs may not be an appropriate measure for interprovincial comparisons, because they do not reflect differences in costs of living, dramatically different provincial tax systems, or differences in age.

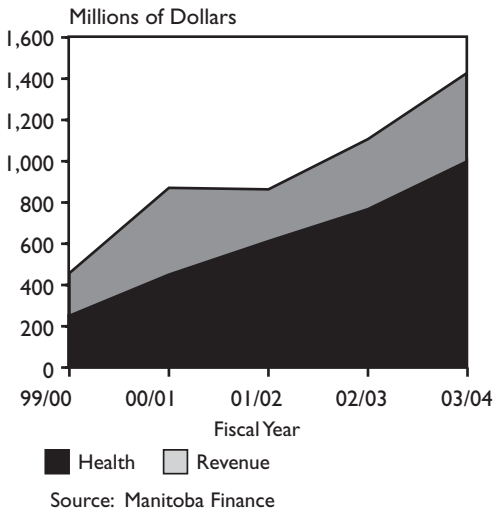
For example, when lower tax rates, enhanced provincial tax credits, and federal and provincial benefit programs are included, a senior couple in Manitoba with \$40,000 in income has more disposable income than a two-earner non-senior family of four with \$60,000 in income. Before-tax LICOs do not reflect the increased fiscal capacity of seniors as compared to non-seniors with the same income.

Recent federal-provincial work on Market Basket Measures (Human Resources Development Canada, 2003) may provide a further tool for assessing the breadth and depth of low income in Manitoba.

The Fiscal Context

The provincial government's capacity to act is constrained by fiscal circumstances. Weakness in the American economy, the beef crisis and drought have dampened economic growth and put pressure on the Budget. There is little public support for deficit financing. In fact, Manitoba's Balanced Budget legislation is the most restrictive in the country. It requires a balanced budget every year, mandates annual debt reduction payments and requires approval by referendum of increases to the rates of the major tax bases.

Figure 3
Change in Health Spending
vs. Growth in Revenue



While recent political events seem to indicate that the era of dramatic tax reductions has run its course, health care spending continues to consume a large share of increasing revenues. Since 1999, increases to the health budget have taken up over three-quarters of new revenue (Figure 3).

While economic circumstances have tightened Manitoba's fiscal situation in 2003/04, beyond 2003/04 Provincial Government revenue is projected to increase at an average annual rate of 3.0% over the medium term, a rate that reflects solid economic growth, an ongoing commitment to tax relief and further progress in addressing fiscal imbalance in the Canadian Federation.

Program expenditure is targeted to increase at an average annual rate of 2.0% after 2003/04 – a rate that would effectively sustain key public services and provide for modest improvements in areas of greatest priority, such as health care reform. It would also give the Province some latitude in making key public investments and replenishing the Fiscal Stabilization Fund.

In addition to the general purpose debt, Manitoba has an unfunded pension liability of \$3.4 billion. In 2000, the Government took steps to eliminate this liability over 35 years by making regular payments against it. As well, pension costs of newly hired employees have been fully funded since 2000. Since 2000, Manitoba has paid \$396 million to reduce its debt and pension liability. While these payments have resulted in interest savings, and will provide greater fiscal flexibility in the future, they currently constrain program spending.

Within this framework, a small draw on the Fiscal Stabilization Fund in 2004/05 will complete the adjustment to the lower revenue track resulting from a federal accounting error, which cost the Province \$168 million in 2001/02 and a further \$91 million over 10 years. Future fiscal stability will depend in part on improvements to federal equalization and health transfer payments.

■ Policy Response – Putting the Right Programs Into Place

When the New Democratic Party took power in 1999, it decided to reject the existing philosophy that tax cuts and workfare programs alone would reduce the number of people on employment assistance. Instead, the new Government believed that educational opportunity, accessible child care, fair income support programs, maintenance enforcement and other initiatives would provide an effective springboard to employment and greater independence.

Setting the stage – getting the fundamentals right

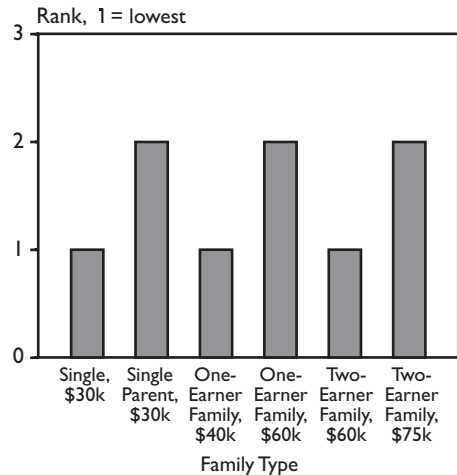
The first step in creating a community where all can work is to get the economic fundamentals right. Simply put, if people are expected to move from welfare to work, there has to be jobs for them to move to.

The Government adopted an approach that was balanced, responsible and put the needs of Manitoba families first. It undertook to put the Province's financing on a sustainable footing, by implementing a debt reduction plan, introducing responsible and sustainable tax reductions, and making investments in both physical and social infrastructure.

The Government's goal has been to maintain Manitoba as an affordable place to live, work and invest. Each year Manitoba Finance compares interprovincial taxes and living costs, and Manitoba consistently ranks as one of the two most affordable provinces to live in, across all income and family types (Figure 4).

Manitoba Finance also has a model that evaluates Manitoba's tax structure and cost environment for manufacturing firms. Again, Manitoba consistently ranks as one of the most affordable places in North America to do business.

Figure 4
Manitoba Interprovincial Rank
on Taxes and Living Costs



Source: Manitoba Finance

The success of this approach is shown by the fact that Manitoba has had continuous growth in private sector investment. By 2002, private sector investment in Manitoba was at a record high – 12% higher than in 1999.

While the Government is focused on creating an environment where the private sector can create jobs, direct intervention is also used where necessary. Some of the direct interventions to encourage economic growth include:

- Manitoba Hydro is currently looking at building a new power plant in Northern Manitoba. The spin-off benefits will create new economic opportunities, and will provide much-needed training and job opportunities for northern residents;
- Targeted tax incentives, such as the Equity Tax Credit, the Labour-Sponsored Venture Capital Tax Credit, and the Community Enterprise Development Tax Credit have been used to leverage further private investment, often from individuals who have not previously made equity investments;
- Direct loans through the Manitoba Industrial Opportunities Program and training grants have been provided to major Manitoba manufacturers, to assist them to retool their plants and expand their operations in Manitoba; and
- Direct government investment in necessary infrastructure such as roads, health facilities and education facilities has been increased.

Training and education is the key to realizing opportunities

Getting the economic fundamentals right has created employment opportunities, and the Manitoba unemployment rate is correspondingly low. However, there is still a mismatch between available jobs and the skills of unemployed workers and people on income assistance.

In particular, people need the skills to access the jobs that are available.

There is a need to focus on specific groups such as aboriginal people, Northerners and rural Manitobans. Finally, training and services need to be delivered where those people live.

The Government has undertaken several initiatives to increase education and training opportunities, especially for groups which have traditionally been disadvantaged.

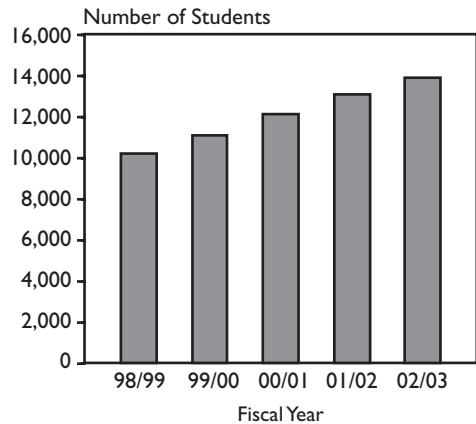
The College Expansion Initiative was created to remedy the chronic underdevelopment of Manitoba's four public colleges that has placed them near the bottom of interprovincial training comparisons. CEI is intended to be a catalyst for the growth and evolution of Manitoba's college system. It is an economic priority of Government and is intended to double community college enrollment over 4 years (Figure 5).

To date CEI has funded approximately 50 programs, in areas such as nursing, aerospace manufacturing, civil technology, and early childhood education.

The Government instituted a program of Industrial Training Partnerships, working with industry associations to develop sectoral approaches to human resources solutions. The sectoral approach provides opportunities for joint ventures between companies and education/training providers.

These partnerships work best in sectors that have an umbrella association representing a significant number of companies that:

Figure 5
Enrollment in
Manitoba Colleges



Source: Council on Post-Secondary Education

- demonstrate a long-term commitment to strategic human resource planning;
- provide employees with portable skills; and
- are willing to share in the cost of training.

By bringing together companies, education/training providers and other labour market partners, the sectoral approach provides opportunities not readily available to individual companies.

Through the Canada-Manitoba Labour Market Development Agreement, Manitobans get assistance to prepare for, gain and maintain sustainable employment through direct service and partnerships with community, industry and employer groups. A continuum of education, training and employment programs are provided through the Employment and Training Services Branch, including:

- employment benefits
 - employment partnerships designed to create meaningful work experience opportunities for eligible individuals or to provide short-term work experience to enable the acquisition of skills needed by the local community. Participants may receive pre-employment preparation, skills enhancement, work experience, a job placement and/or job maintenance or support services.
 - skills development – designed to encourage individuals to acquire skills through education and training for purposes of ending dependence on EI benefits and entering employment.
 - sponsorship and coaching of self-employment initiatives.
 - wage subsidies – designed to help workers, who are at risk of long-term unemployment, lack experience or face other barriers to employment, to find a job and gain work experience.

- employment measures
 - employment assistance services – under this measure, third-party partners such as community-based organizations are contracted to help unemployed and job-threatened individuals to prepare for, find, obtain or maintain employment that meets the needs of the community.
 - labour market partnerships Manitoba will form partnerships with employer and employee groups, associations and other delivery agents to facilitate activities to assist the unemployed to return to work or those threatened with job loss to find other employment.

The Access Program provides funding to post-secondary education institutions for specialized programs for individuals who traditionally have faced barriers to post-secondary education.

Examples of Access Programs include:

- the Brandon University Northern Teacher Education Program (BUNTEP), an off-campus Bachelor of Education degree program serving the North;
- University of Manitoba Access North and South, which provides access to educational opportunities on-campus for northern and rural residents;
- The Special Pre-Medical Studies Program, a 2- to 4-year program preparing Aboriginal students for entrance into medical and dental schools or other health-related faculties;
- The Northern Bachelor of Social Work Program, a 4-year Bachelor of Social Work program in Thompson run by the University of Manitoba;
- An off-campus Bachelor of Social Work Program training social workers for Winnipeg's inner city;
- The Engineering Access Program provides a 4-year Bachelor of Engineering degree for Manitoba Aboriginal students;

- The Winnipeg Education Centre runs an off-campus Bachelor of Education program and an off-campus Bachelor of Social Work Program training teachers and social workers for Winnipeg's inner city; and
- The Northern Nursing Program and the Southern Nursing Program, which provide training to obtain a nursing degree.

The Government supports the Urban Circle Training Centre, which provides a holistic approach to training and employment opportunities for Aboriginal people in the fields of health care, academic upgrading and computers. All programs include life skills, cultural awareness of work experience components.

Manitoba has also signed employment and training agreements with First Nations to provide skills training closer to where First Nations peoples live.

The Government is establishing a University College of the North, to improve post-secondary education opportunities for Northerners.

In 2003, the Cooperative Education Tax Credit was introduced, to give employers an incentive to hire and train students in a recognized coop education program.

Lending a hand – welfare to work

Even when the economic fundamentals are right and the education and training programs are in place, the Government needs to go further and work directly with people on income assistance, as well as low income families, to ease the transition into permanent, meaningful work.

■ Ending ineffective initiatives

The first step was to stop doing what was not working. To this end, the previous practice of taking a punitive approach to people on income assistance, in the hopes of driving them off the assistance rolls out of desperation, was ended.

The new Government also ended the experiment with workfare. It has been Government policy all along that people who are able to work should do so and be expected to do so. However, the new Government focused on effective employment training and lowering the barriers that people encounter when trying to take advantage of opportunities for permanent long-term work, such as services for people with addictions and inflexible child care services.

The welfare fraud line was terminated. The fraud line was a phone number that people could call to report suspected cases of welfare abuse. Accompanied by large billboards in certain areas of the Province, the fraud line encouraged people to inform on their neighbours, and mostly served as a forum for escalating disputes between neighbours.

Income assistance remains an important part of the social safety net. Effective January 2004, general income assistance rates for individuals were increased by 4.5%, and by an equivalent amount for persons with disabilities. This will help pay for the costs of a phone to help in job searches, providing greater flexibility and dignity for citizens on assistance.

The income assistance regulations were changed to allow persons with disabilities to establish trust funds that can be used to improve their quality of life without reducing their benefits.

The Government ended the clawback of the National Child Benefit Supplement from families on social assistance, for all children up to the age of majority. Most recipients felt that the clawback

was unfair and punitive. The Government ended the clawback as a matter of principle, and because there was no evidence to support the theory that clawing back the NCBS improved labour force participation (Centre for the Study of Living Standards, 2002).

■ Getting the policy mix right

The second step was to get the policy mix right, to encourage people to move from welfare to work.

First, the minimum wage has been steadily increased, from \$6 per hour in 1999 to \$7 per hour on April 1, 2004, which has maintained the relative value of work over welfare. This offsets any negative effect from ending the NCBS clawback and raising assistance rates.

The Government also increased resources for maintenance enforcement, to ensure non-custodial parents shared in the responsibility of raising their children, and to make sure that single parents had access to the resources they need. Manitoba led a national initiative on reciprocal enforcement of maintenance orders, so that non-custodial parents cannot evade their responsibilities by moving out of the Province.

Funding for Access Programs was increased, after more than a decade of frozen funding.

The two-tier social assistance system, where municipalities administered general assistance and the Province administered other types of assistance, was replaced with a single-tier, provincially administered system. In return, municipalities agreed to provide job opportunities for employable assistance recipients.

Perhaps most importantly, the *Building Independence* initiative was introduced, which promotes opportunities for income assistance participants who are looking for work and wanting to participate meaningfully in their communities.

Building Independence:

- provides substantive links to training and employment for income assistance participants with other government departments;
- provides a range of supports to reduce barriers to employment;
- provides job readiness assessments; and
- develops and supports initiatives in partnership with agencies.

The *Building Independence* initiative develops and coordinates initiatives that help income assistance participants make real links to employment. The initiative also provides support for projects aimed at promoting job opportunities and increasing job skills and employability.

The Government also introduced significant tax relief. The middle and top bracket tax rates were reduced, the value of non-refundable tax credits was substantially increased and the Family Tax Reduction was expanded. These changes have benefited low income families. While tax reductions for the poor have limited direct benefits, they are important because they build faith in the future. Too often low income families view tax reductions as a benefit for the well-off. By extending tax reductions to low-income families, governments demonstrate their commitment to progressivity.

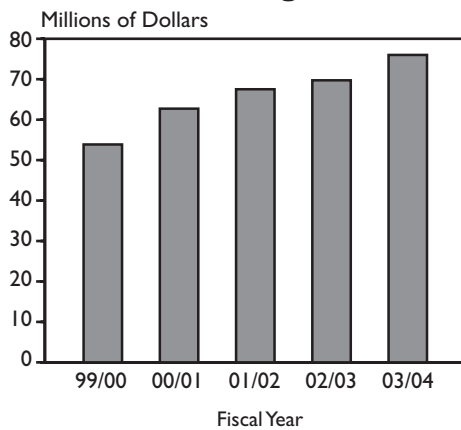
■ Making cross-sectoral linkages

The third step was to make cross-sectoral policy linkages.

Child Care

Perhaps one of the most important cross-sectoral linkages is child care. Access to affordable quality child care is a significant barrier to moving from welfare to work. Often, this critical link to employment is overlooked when transition programs are

Figure 6
Child Care Funding



Source: Manitoba Family Services and Housing

designed. Manitoba has made the link between affordable, accessible child care and work opportunities through its new five-year plan for child care.

The plan identifies three major areas to be addressed over the next five years by the Manitoba government, in a partnership with key stakeholders and the Government of Canada – quality, accessibility and affordability.

Since April 2000, Manitoba has increased its investment in child day care by 43 per cent (Figure 6). The percentage of funded spaces has increased by almost 19 per cent since then.

It is anticipated that by the end of March 2007, an additional 450 newly trained early childhood educators will have graduated, there will be 5,000 additional funded spaces, subsidy income levels and allowable deductions will be adjusted to ensure more low and middle income families are eligible for full or partial fee subsidies, the \$2.40 non-subsidized daily fee for subsidized families will be reduced, and more subsidies for child care will be available to support newly created spaces.

More support for infant care has been provided, and the amount of time parents can leave their children in child care while the parents look for work was increased from two weeks to eight weeks.

This should dramatically improve opportunities for parents to make the transition to work.

Healthy Child

The Healthy Child initiative was introduced to complement other early childhood interventions such as child care. To help children reach their potential, Healthy Child Manitoba works with families to support their children within strong communities. This support has short-term effects, by giving parents resources to move to employment, and long-term effects, by breaking the cycle of dependency.

An important feature of Healthy Child is leadership. Led by the Healthy Child Committee of Cabinet, Healthy Child Manitoba bridges departments and governments and, together with the community, works to improve the wellbeing of Manitoba's children and youth.

The Province of Manitoba, with its community partners, has developed a continuum of programs and services for children, youth and families including:

- Parent-Child Centred Approach – Brings resources together through community coalitions across the province to support parenting, improve children's nutrition and literacy, and build capacity for helping families in their own communities;
- FAS Strategy – The Fetal Alcohol Syndrome Strategy helps with the prevention, intervention and care and support of individuals with FAS or alcohol related birth defects;
- Healthy Baby – A two-part program of financial assistance for nutrition during pregnancy and community programs that offer nutritional and health education to expectant and new families;
- BabyFirst – A community based home-visiting program offering information and support to parents facing the many challenges of caring for a baby;
- Early Start – A community based home-visiting program for families with children aged 2 to 5. The goals of Early Start are to help support families to strengthen parenting skills, connect with the community and get children ready for school;
- Healthy Schools – Bridges the gap between health and education to improve the wellness of children and families in communities with higher than average factors of risk to good health. This initiative is in the early stages of development; and

- Healthy Adolescent Development Strategy
 - Supports healthy adolescent development, including initiatives for teen pregnancy prevention, through teen-centred prevention and intervention programs.

Child Welfare

Manitoba has devolved child welfare authority to First Nations and Métis agencies, and expanded the off-reserve authority of the First Nations agencies, so that child welfare services are provided in a culturally appropriate manner. This initiative will complement other early childhood strategies. An added benefit will be the creation of further employment opportunities for Aboriginal people.

Affordable Housing

The Government has also made the link between affordable housing and moving from welfare to work. A shortage of affordable housing can be a barrier to moving off welfare. In response, the Affordable Housing Initiative (AHI) was introduced.

The AHI is a five-year joint venture of the federal and provincial governments, developed to increase the supply of affordable rental units and new housing available in Manitoba. This will be achieved by supporting the development of new rental and homeowner units, offering a repair/conversion option, and providing homebuyer down payment assistance. New or renovated units may also be supported through rent supplements.

The AHI targets low-to moderate-income renters, urban families, off-reserve aboriginal people, northern residents, seniors, persons with disabilities and new immigrants.

To complement the AHI, a rent regulation regime is maintained to keep rents predictable and affordable, while providing flexibility for landlords with high-end rental units and investors who build new rental units.

Community Development

The final cross-sectoral program is Neighbourhoods Alive!. Neighbourhoods Alive! is a long-term, community-based, social and economic development strategy that recognizes that building healthy neighbourhoods requires more than an investment in bricks and mortar. As a result, Neighbourhoods Alive! supports and encourages community-driven revitalization efforts in designated neighbourhoods in a number of key areas including:

- housing and physical improvements;
- employment and training;
- education and recreation; and
- safety and crime prevention.

Finally, these disparate elements of social and economic policy have been drawn together into three regional community and economic development plans – for Winnipeg, rural Manitoba and the North.

The Winnipeg plan emphasizes downtown revitalization, safe neighbourhoods, affordable housing, inner city partnerships, expanding research and development, and maintaining key industries.

The rural plan emphasizes agricultural diversification, health and education, infrastructure, conservation and alternative energy.

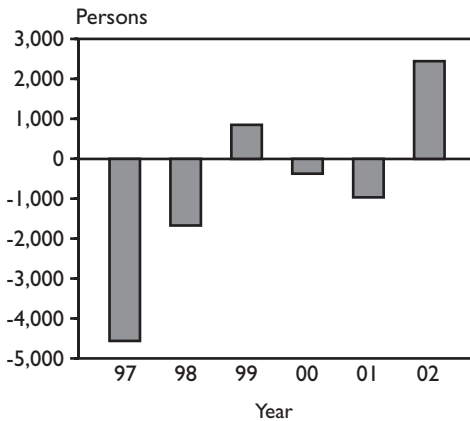
The Northern plan emphasizes an integrated approach to health, education, transportation, housing, hydropower and ecotourism.

Results

These policies are yielding results. Statistics show that employment opportunities in Manitoba are as strong as they have ever been:

- Manitoba had the best unemployment rate in Canada in 2002.

Figure 7
Manitoba Total Net Migration



Source: Statistics Canada

- Manitoba's youth unemployment rate was also the best in Canada at 10.2%, well below the 13.6% national rate. Manitoba's youth employment exceeded 98,000 in 2002, its highest level since 1990. After falling through most of the 1990s, Manitoba's youth employment has increased for four consecutive years.
- Interprovincial migration losses are the lowest they have been in years (Figure 7).
- The province achieved low unemployment rates despite a record-high increase in the labour force in 2002. Total labour force increased by 1.9%, the strongest rate of labour force growth in over 15 years. Similarly, Manitoba's labour

SHELTER SUPPORT: ECONOMIC AND COMMUNITY LINKAGES

Access to affordable housing is a vital challenge for many Manitobans who work for modest incomes and for many who are, or have recently been, in transition between social assistance and the labour market. In addition, unlike many other items in the family budget, the amount spent on shelter cannot be adjusted frequently to reflect fluctuations in income. The Province has long addressed these challenges with a number of different shelter support programs geared to both housing costs and family income. Integrating these various shelter benefits into one consistent and equitable program would better serve the needs of all.

The current programs include:

- SAFFR: Shelter Assistance for Family Renters—for individuals or couples with one or more children
- SAFER: Shelter Assistance for Elderly Renters – for senior individuals and couples
- RGI: Rent Geared to Income – a subsidized rental rate paid by residents of public housing owned and operated by the Province through MHRC
- RS: Rent Supplement program – provides a rental subsidy geared to income for residents of private rental or co-op housing
- CAP: Complementary Assistance Program – provides a similar rental subsidy for residents of co-op housing only

As noted in the accompanying paper, “The Government has ... made the link between affordable housing and moving from welfare to work. A shortage of affordable housing can be a barrier to

force participation rate increased to 69.2% from 68.1% in 2001, the highest labour force participation level ever recorded, and second in Canada behind Alberta.

- Manitoba's total employment rose by 9,100 jobs. Manitoba achieved record-high levels of employment in 2002.
- While the rate of employment growth was low, this was largely due to the fact a record number of people were already working.
- Manitoba's private sector accounted for approximately three-quarters of all net jobs created in Manitoba in 2002.

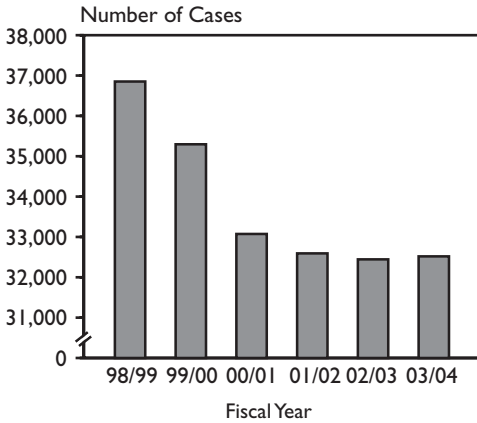
moving off welfare." The Affordable Housing Initiative (AHI), a federal-provincial cost-shared program, is designed to stimulate building and renovation projects for rental housing available at a low to median market rental range and for owner-occupied housing.

Besides stabilizing the portion of a household's income available for shelter purposes, shelter support transfer payments to families play a complementary role in stimulating affordable housing. They ensure that lower- and moderate-income Manitobans have dollars to compete in the housing market – and they leave families with freedom of choice among available alternatives of housing type and location. This eventually helps boost supply in the segment of the housing market that caters to their needs, complementing the AHI approach. Shelter support stimulates construction of affordable housing, helps maintain the existing housing stock in serviceable condition, and promotes the maintenance of safe and healthful neighbourhoods. It is estimated that over the past two years, more than \$45 million in private capital has been invested in improvements and rehabilitation of rental housing properties.

The 2005 Budget provides \$3 million to begin integrating Manitoba's shelter support programs. A well-designed integrated shelter benefit program will provide lower- and modest-income households with financial stability to afford adequate housing under varied market conditions. A portable benefit provides them with greater flexibility when they need to move to take advantage of employment opportunities. The housing market receives a signal to provide and improve more units suitable to the needs of Manitoba's varied population. This is an essential tool to complement the AHI.

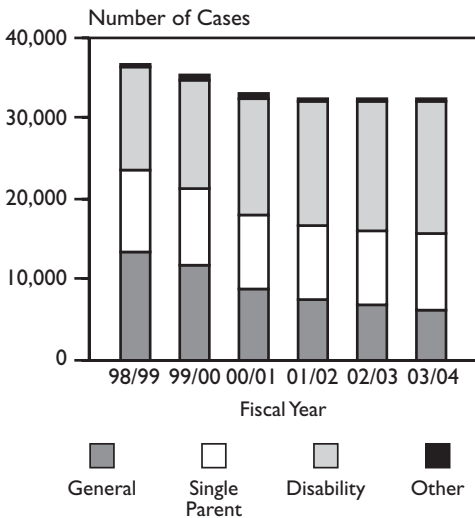
Ensuring adequate and safe housing for all is a critical component in the Government's effort to reduce poverty and its long-term effects. Manitoba's economy benefits when we build a community where all can work.

Figure 8
Decline in Assistance Cases



Source: Manitoba Family Services and Housing

Figure 9
Change in Assistance Case Composition



Source: Manitoba Family Services and Housing

These changes in the labour force have yielded results for income assistance caseloads. The average annual caseload has declined by over 4,300 cases, or 12%, since 1998/99 (Figure 8). Furthermore, the composition of the caseload has changed. General assistance cases have fallen by over 50% since 1998/99, while the disabilities caseload has increased 32%. Persons with disabilities now make up 51% of the caseload, up from 34%, while general assistance cases make up less than 20% of the caseload (Figure 9).

■ Getting the Mix Right – Focus on the Future

While progress is being made in helping people move from welfare to work, there is still work to be done.

Employment growth needs to be strengthened over the long-term. Manitoba’s emphasis on increasing immigration and building and restoring major infrastructure should increase employment growth. In turn, these newly employed Manitobans will generate demand, which will increase employment growth further.

Manitoba Finance officials have completed a spreadsheet-based computer model that predicts the impact that changes in income or family circumstances will have on the financial position of individuals or families. The model includes all sources of income, federal and provincial income taxes and payroll taxes, cash benefits such as the Child Tax Credit or provincial rent support, and in-kind benefits such as child care subsidies and Pharmacare.

By changing family circumstances, such as the addition of another child, or by changing incomes, the model determines whether a family gains or loses, and by how much, when their circumstances change. It also derives the effective tax rates facing individuals or families over a range of incomes.

Preliminary results indicate that work is needed on reducing marginal effective tax rates. For example, a single parent with one pre-school age child making \$23,000 per year faces a marginal effective tax rate of 64% when items such as the reduction of child care subsidies and the clawback of child benefits are factored in (Figure 10).

If the single parent moves from income assistance to a full-time minimum wage job, her marginal effective tax rate is negative. In other words, moving from welfare to work triggers an increase in income over and above the difference between earned income and income assistance, as she is now eligible for a number of refundable tax credits.

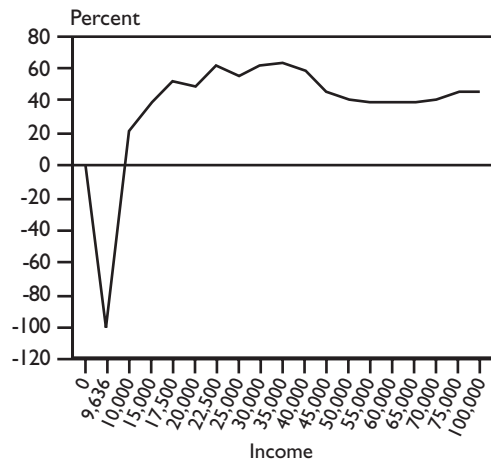
High marginal effective tax rates are often the result of stacking of program benefits. The working supplement model tracks 13 different provincial benefits and 6 different federal benefits, as well as 1 provincial tax and 3 federal taxes. In the example above, the single parent is affected by 6 different programs and 4 different taxes.

In the future, Manitoba will examine whether the broad range of boutique programs that are available can be modified or consolidated to reduce high marginal tax rates that may be a disincentive to participating in the labour force.

Manitoba is also closely monitoring the development of market-basket measures of low income to determine their usefulness as a policy tool for setting welfare rates and establishing non-refundable income tax credits.

Finally, efforts to date have focused on income support and the provision of in-kind services or benefits. However, the ability of low-income families to build assets is also a concern. Research has shown that families need to build sufficient assets to obtain education, purchase homes and start their own businesses (Ganzglass and Kane, 1997; Sherraden, 1991)). Asset building stabilizes families and communities and generates many positive

Figure 10
Marginal Effective Tax Rates –
Single Parent



Source: Manitoba Finance

returns. (Clones, Friedman, Grossman and Wilson, 1995; Page-Adams and Sherraden, 1997)

To this end, the Manitoba Government is supporting a pilot project on Individual Development Accounts in Winnipeg. The initiative includes asset-building for business and home ownership, and therefore complements the federal learn\$ave pilot project, which focuses on education. Preliminary results from this pilot project have been encouraging.

■ Conclusion

Manitoba's approach to moving people from welfare to work has not been limited to either coercive or microeconomic techniques. Instead, it has focused on both the demand side – providing greater opportunities – and the supply side – building greater capacity.

This strategy was not developed centrally. Rather, it was the result of a Government composed of people with shared values, a common vision, and a defined purpose, each acting in their own area of responsibility.

The strategy on moving from welfare to work is part of our overall economic growth strategy, as developed by the [Premier's Economic Advisory Council –*ed*]. The strategy is:

- education first;
- building through research and innovation;
- raising and retaining capital;
- affordable government;
- growth through immigration;
- building communities; and
- building on our energy advantage.

By integrating social policies with economic strategies, Manitoba has made significant progress in creating a community where all can work.

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