



Welfare Reform in Ontario: A Report Card

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Executive summary

This study will examine welfare policies in Ontario since 1985, evaluating the welfare reforms initiated under the newly elected provincial government in June 1995. These will be compared with reforms of welfare policies in the United States, which have proven abundantly successful in reducing dependency, increasing employment and earnings of welfare leavers, and lowering poverty rates, as well as with reforms of welfare policies undertaken by other Canadian jurisdictions.

The following evaluation is based upon six principles that research has found to play a prominent role in effective welfare reform. The criteria selected cover two broad areas: policy and program delivery.

Ontario's grades for reform of welfare policy and delivery

Reform of welfare policy	
(1) Ending the entitlement to welfare	D
(2) Diversion	B+
(3) Immediate work requirements and sanctions	B
(4) Employment focus	B
(5) "Making work pay"	B+
Reform of welfare program delivery	
(6a) Competition for the administration of welfare (B-)	C+
(6b) Competition for program delivery (C)	
OVERALL Grade	B-

Reform of welfare policy

(1) Ending the entitlement to welfare

Adopting time limits on welfare eligibility has been effective in ensuring that short-term aid be available for those in need, while reducing long-term dependency. The United States has adopted mandatory five-year lifetime limits on the receipt of welfare benefits, with some states opting for a 2-year limit. Most recently, British Columbia became the first province to adopt some form of time limit for employable recipients, restricting welfare usage to 2 years of cumulative assistance out of any 5-year period. Despite the successes of such policies, Ontario has done little in the way of implementing time limits and, as a result, the entitlement to welfare remains.

Grade for ending the entitlement to welfare: D

Recommendation

The Ontario government should adopt some form of time limit on benefits for able-bodied individuals, including single parents, whether it is a lifetime limit or a hybrid limit as has been adopted in British Columbia.

(2) Diversion

Diversion seeks to prevent applicants from entering the welfare system until other viable alternatives have been exhausted. The importance of this policy reform is underscored by the fact that the propensity to receive social assistance increases with an initial receipt of support. The Ontario government has initiated a number of policies to help divert applicants away from welfare, such as the requirement to pursue spousal support and virtually all other forms of income that may be available or to which they may be entitled.

Grade for diversion: B+

Recommendation

The goal of caseworkers should be to determine the applicant's immediate needs and then find alternatives to welfare that can satisfy them. As a result, Ontario should streamline administrative barriers and implement other, more effective, diversion strategies, including one-time job access loans (e.g. for immediate transportation or work clothing needs) and preliminary job search requirements.

(3) Immediate work requirements and sanctions

Work requirements serve as a way to help recipients make a quick transition back into the workforce, while at the same time reducing welfare dependency by making assistance less attractive for new applicants. In 1996, Ontario implemented Canada's first work-for-welfare program, Ontario Works. This workfare program requires that all able-bodied recipients be engaged in employment-related activity, steering recipients down three distinct paths to employment: employment assistance (job search, job clubs); community placement (unpaid employment in the non-profit or public sector); and employment placement (unsubsidized paid employment). Some recipients can have their work requirements deferred or waived, particularly in cases of a sole-support parent with children under school age, senior citizens, and those who have a certified disability. Recipients failing to adhere to their participation agreements are sanctioned.

Grade for immediate work requirements and sanctions: B

Recommendation

To be effective, workfare needs to enable recipients to develop marketable job skills so that future self-sufficiency can be maintained. This can be best achieved through private-sector employment, where recipients are trained in occupations that are in demand. Consequently, the focus of Ontario's employment placement programs should be shifted from public-sector employment (often characterized as "make-work") to the private sector. Also, Ontario should continue to monitor the effectiveness of workfare so that the extent to which Ontario Works recipients are participating in work requirements and finding jobs is documented and scrutinized. Furthermore, the Ontario government should aggressively track the well being of welfare leavers, both in terms of financial standing and recidivism rates.

(4) Employment focus

Back-to-work programs, which focus on moving recipients into employment quickly, are the most effective in generating earnings and self-sufficiency. Ontario's workfare program seeks to identify the shortest route to paid employment, either through job searches, job referrals, public- and private-sector placement programs, or self-employment. The Ontario government also sets certain job placement goals for each municipality, rewarding those that manage to exceed prescribed target levels. This emphasis on employment is complemented by an array of work-related services, such as job clubs, assistance in writing résumés, basic education, and literacy training. Short-term job-specific training programs may be offered in certain situations.

Grade for employment focus: B

Recommendation

The Ontario government needs to address two main areas of concern, its continued reliance on public-sector job placements and a failure to document adequately Ontario Works job placements on a sectoral basis. Again, as outlined in *Immediate Work Requirements*, recipients are more successful in developing marketable job skills through the private sector. As a result, private-sector employment should play a larger role within the province's back-to-work programs.

(5) "Making work pay"

Providing recipients with incentives that reward work and discourage inactivity has been an important policy tool in reducing welfare dependency. Since 1995, the Ontario government has made improvements to its Supports to Employment Program (STEP), an initiative whereby working welfare recipients can keep a portion of their employment income through a variety of earning exemptions. As a result,

recipients are encouraged to find employment because they do not face an immediate, full reduction in their welfare benefits. There is a 2-year lifetime limit on some of the exemptions offered under STEP, which in combination of work requirements provides recipients with an incentive to become self-sufficient as quickly as possible.

Grade for “making work pay”: B

Recommendation

The financial incentives for Ontario’s welfare recipients to find employment remain low compared with those of most American states. The Ontario government should, therefore, raise earning-exemption levels but institute benefit time limits so that incentives to work are increased without encouraging abuse of these benefits.

Reform of welfare program delivery

(6a) Competition for the administration of welfare

For-profit companies have certain competitive advantages, as does the non-profit sector, over public-sector delivery of welfare programs. In order to achieve the most effective administration of welfare services, the system should be open to competitive bidding among all of these options. In 1997, Ontario became the first province to out-source welfare initiatives to the private sector through competitive bidding; this resulted in its joint venture with Anderson Consulting. This creative endeavour, entitled the Business Transformation Project (BTP), was a technological overhaul of the administration (and to a lesser extent, the delivery) of Ontario Works. Though BTP has experienced some highly publicized technical problems and has reaped fewer savings than expected, the project has been a bold move towards opening up administrative services to the private sector and has been particularly effective at reducing welfare fraud and misuse.

Grade for competition for the administration of welfare: B-

(6b) Competition for program delivery

Similar to administrative reform, competition for the delivery of welfare programs enables the government to contract out delivery responsibilities to private for-profit and non-profit providers through a competitive bidding process. As part of Ontario Works, municipalities have been given the authority to out-source certain employment placement programs to private agencies. These agencies are paid according to the level of government savings that accrue to taxpayers. Moreover, in 1997, Ontario announced a comprehensive reform of the provincial-municipal relationship entitled the Local Services Realignment (LSR). This initiative divested a significant amount

of responsibility from the province to the municipalities for a host of social programs, including the delivery of social assistance, so as to streamline services and increase accountability to taxpayers. Through LSR, the number of welfare delivery agents has been reduced from 196 to 47, with each such agent bearing greater funding responsibilities.

Grade for competition for program delivery: C

Average Grade for reform of welfare program delivery: C+

Recommendation

The Ontario government has yet to delegate welfare administrative or delivery responsibilities directly to either for-profit or non-profit organizations. The province should follow the lead of Wisconsin and other American states, where private and non-profit firms are able to compete with government providers for such services. As a result, there have been greater savings to taxpayers without reductions in the quality of services.

Cumulative grade for welfare reform: B-

Ontario has been a leader in Canadian welfare reform, particularly with respect to the establishment of Ontario Works, the country's first workfare program. However, aside from work requirements and employment-focused back-to-work programs, the province has not implemented significant structural reform. For instance, the provincial government has continued to ignore the virtues of time limits on benefits and competition for the administration and delivery of welfare services. Instead, Ontario has chosen to improve the existing welfare system by incorporating private-sector discipline, such as accountability to taxpayers, financial incentives, and flexibility, into welfare delivery.

Though there remains significant room for improvement, the Ontario government has, since 1995, managed successfully to undo a decade of expensive social-assistance programs, as evidenced by a 42% drop in social assistance expenditures and an estimated 620,000 welfare leavers. Perhaps more importantly, the changes in Ontario have encouraged greater self-sufficiency and have rendered most people leaving welfare better off financially.

Introduction

Welfare is one of the most important issues facing today's policy makers. The provision of assistance to those in financial need is a well-intentioned endeavor that merits serious attention and consideration. However, the policies of government have tended to create more problems than they have solved. Most notably, modern welfare has fostered long-term dependency among the most disadvantaged citizens in society. Clearly then, it is imperative that government seek policies that assist those in genuine need yet at the same time discourage dependency and inactivity.

In the United States, welfare dependency and spending reached unsustainable levels by the mid-1990s. At its peak in 1993, a record 5.4% of all Americans were on welfare, with welfare expenditures accounting for about 5% of GDP (Schafer et al., 2001; Rector and Lauber, 1995). In response to this crisis, the United States began to pursue welfare reform aggressively that led to the adoption of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996. Since that time, the United States has experienced remarkable success in reducing welfare caseloads, achieving substantial increases in employment and earnings for former welfare recipients, and steady lowering poverty levels.

Canada has also struggled to manage its welfare system. In 1994, approximately 10.7% of the population collected social assistance (Schafer et al., 2001). Welfare dependency became a particular problem in Ontario, one of Canada's most prosperous provinces, where the number of welfare beneficiaries in the province rose from 5.2% in 1985 to a record 12.7% in 1994—the highest rate among Canadian provinces. Not surprisingly, Ontario welfare spending experienced a real increase of 232% over this period, reaching a high of \$7.94 billion [1] by 1994 (Sabatini, 1996; MF, 1995).

This study will examine welfare policies in Ontario since 1985, evaluating the welfare reforms initiated under the newly elected provincial government in June 1995. The analysis will focus primarily on reforms affecting able-bodied individuals. [2] While Ontario is one of only three Canadian provinces to have implemented serious welfare reforms, there is a wealth of research available on the effectiveness of policies that have been adopted in the United States. Consequently, the success of Ontario welfare reform will be evaluated by how its results and policies compare with those of the United States and, to a lesser extent, of other Canadian provinces.

Organization of this publication

This report card on Ontario welfare reform is organized into three sections. The first will review welfare reform in the United States and its impact on welfare caseloads, employment and earnings of current and former welfare recipients, and poverty levels. The second section presents an overview of significant developments in Canadian welfare policy, focusing particularly on the changes and reforms adopted in Ontario from 1985 through 2002. The final section gives an evaluation of Ontario's welfare reforms since 1995, based largely on criteria developed through American and Canadian research.

1 Welfare reform in the United States

In August 1996, the US Congress passed national welfare reform legislation, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Through this initiative, funding for a variety of federal aid programs—the Job Opportunities and Basic Skills (JOBS) training program, Emergency Assistance (EA), and child-care assistance—were consolidated into the Temporary Assistance for Needy Families (TANF) block grant. [3]

Under the previous Aid to Families with Dependent Children (AFDC) program, state welfare expenditures were matched by the federal government, increasing automatically with increases in welfare caseloads, subject to particular federal eligibility and payment rules. With the introduction of the TANF block grant under PRWORA, funding by the federal government for state welfare provision was fixed for six years at \$16.4 billion annually through 2002. [4] In addition, a “maintenance of effort” (MOE) clause prevented states from substantially reducing their total welfare expenditures by imposing stiff penalties on the amount of future federal block grants. Under MOE, states are required to maintain their spending on welfare at 80% or more of level during their 1994 fiscal year. However, states may reduce their MOE funding level to 75% of “historic state expenditures” by meeting specific work requirements under PRWORA. [5]

Federal funding for TANF is restricted in other ways. PRWORA requires that states meet certain participation standards, whereby a large proportion of welfare recipients must be engaged in work or work-related activities. Furthermore, states must limit assistance for most families to a maximum of five years in order to receive their full TANF grant. Many states have used the flexibility granted under PRWORA to legislate time limits shorter than 5 years; most notable is Wisconsin, which adopted a 24-month time limit. States that fail to satisfy work requirements or enforce benefit lifetime limits face a reduction in funding. [6] Ultimately, however, states are able spend as much as they would like on welfare outside of federal funds.

In addition, PRWORA enables states to experiment with rules governing the delivery of welfare in order to move recipients off assistance and into employment more efficiently. One of the more notable innovations has been privatization reform, through which both non-profit and for-profit organizations can compete with government for the delivery of welfare services. Wisconsin has been a leader in this area, opening up all areas of welfare delivery to competitive bidding, generating savings for taxpayers in the process. Moreover, states have also been given flexibility in designing welfare eligibility rules. For instance, most states have opted to divert individuals from welfare in cases where other means for assistance exist, such as spousal support, the liquidation of assets, or one-time job access loans. Also, PRWORA included incentives for states to limit out-of-wedlock births and

force teenage mothers under the age of 18 to remain in school and live with an adult (for a more detailed analysis of welfare reform policies in the United States, see Section 3, page 14).

Results in the United States

Welfare Caseloads

Since 1996, the United States has experienced unprecedented reductions in welfare caseloads (i.e., heads of families), largely as a result of the reforms introduced by PRWORA. In addition, caseloads have continued to fall despite the recent economic slowdown.

Overall, the number of US welfare recipients has fallen from a high of 14.2 million in 1994 to about 5.1 million in 2002, a drop of 64% (see table 1). Over three quarters of the reduction in the United States' average monthly number of recipients since March 1994 occurred after the introduction of TANF (USHHS, 2003). These are the largest declines in the history of American welfare. While the nationwide reduction in welfare caseloads has been 58% since August 1996 (through March 2002), reduction among each state varies significantly, ranging from 2.9% to a remarkable 92.1%. While six states have reduced their caseloads by over 70%, the median reduction was 52.3%, with over two thirds of the states falling between 40% and 70%.

While caseload normally fluctuates with the business cycle, the concerns that the successes of welfare reform have been more a function of a strong economy rather than of the policies themselves have been largely unsupported by empirical evidence. Indeed, a 1999 report by President Clinton's Council of Economic Advisers (CEA) estimated that 8% to 10% of the reduction in caseloads between 1996 and 1998 were due to the economy, while welfare reform under TANF accounted for 35% to 36% of the decline (CEA, 1999). [7] The finding that welfare reform, and not the strong American economy, has led to dramatic caseload reductions has been corroborated by other studies (cf. O'Neill and Hill, 2002; Tanner, 2003). Moreover, Rector and Youssef, using historical data, demonstrate that during eight previous periods of economic growth, substantial and sustained reduction in AFDC caseloads was largely nonexistent (1999). In other words, strong economies of the past did not translate into large reductions in welfare caseloads.

Employment and earnings

Welfare reform in the United States has had an impressive effect on the employment and earnings of former welfare recipients. According to a study completed by the US General Accounting Office (GAO) in 1999, between 61% and 87% of adults leaving welfare obtained employment. In a comprehensive study focusing on 10 state-related work-first programs, the Office of the Assistant Secretary for Planning and Evaluation (ASPE) revealed that 45% to 65% of former TANF recipients were working after

Table 1: Number and percentage of individuals receiving Aid to Families with Dependent Children (AFDC) and Temporary Assistance to Needy Families (TANF) 1973-2002

	Recipients	Population	Recipients as a percentage of the population
1973	10,949,000	211,349,205	5.2
1974	10,864,000	213,333,635	5.1
1975	11,165,185	215,456,585	5.2
1976	11,386,371	217,553,859	5.2
1977	11,129,702	219,760,875	5.1
1978	10,671,812	222,098,244	4.8
1979	10,317,902	224,568,579	4.6
1980	10,597,445	227,224,719	4.7
1981	11,159,847	229,465,744	4.9
1982	10,430,960	231,664,432	4.5
1983	10,659,365	233,792,014	4.6
1984	10,865,604	235,824,907	4.6
1985	10,812,625	237,923,734	4.5
1986	10,996,505	240,132,831	4.6
1987	11,065,027	242,288,936	4.6
1988	10,919,696	244,499,004	4.5
1989	10,933,980	246,819,222	4.4
1990	11,460,382	249,622,814	4.6
1991	12,592,269	252,980,941	5.0
1992	13,625,342	256,514,224	5.3
1993	14,142,710	259,918,588	5.4
1994	14,225,591	263,125,821	5.4
1995	13,652,232	266,278,393	5.1
1996	12,648,859	269,394,284	4.7
1997	10,936,298	272,646,925	4.0
1998	8,770,376	275,854,104	3.2
1999	7,202,639	279,040,168	2.6
2000	5,776,549	282,224,348	2.0
2001	5,469,184	285,317,559	1.9
2002	5,146,132	288,368,698	1.8

Source: US Department of Health and Human Services, Administration for Children and Families (<http://www.acf.hhs.gov/news/stats/newstat2.shtml>); U.S. Census Bureau (<http://eire.census.gov/popest/estimates.php>); calculations by the authors.

leaving the program (Issacs and Lyon, 2000). In every state examined, average earnings of former recipients rose steadily in the year following their departure from TANF.

Similarly, concerns that welfare reform would negatively affect the most disadvantaged in American society have been refuted. Employment rates for women leaving welfare range from 62% to 90% (USHHS, 2001). Among single women with children, the number employed after leaving welfare increased from 69% in 1993 to 83% in 1999, a 20% increase (Grogger, 2001). Moreover, in an important study, *Gaining Ground: Women, Welfare Reform and Work*, O'Neill and Hill (2002) found that the decline in welfare participation was largest for groups of single mothers commonly thought to be the most disadvantaged: young mothers between the ages of 18 and 29, those with children under 7 years of age, high-school dropouts, black and Hispanic single mothers, and those who have never been married.

Not only are these women finding employment but also their earnings continue to grow. The Current Population Survey (CPS) data reveals significant increases in earnings for female-headed families in the bottom two income quintiles between 1996 and 2000. In the lowest income quintile, earnings for female-headed families rose from \$315 in 1996 to \$1,646 in 2000 (both in constant 2000 dollars and averaged over all families in the quintile). In the second lowest quintile, real average earnings approximately doubled, from \$6,304 in 1996 to \$11,509 in 2000. The fact that welfare reform has played a role in earnings increases is supported by evaluations of broad welfare reform programs and programs that emphasize mandatory welfare-to-work activities (see Freedman, 2000; Martinson, 2000; and Michalopoulos et al., 2000).

New research, funded by the National Institutes of Health and published in the journal *Science* in March 2003, has determined that the work and work-related activities required under PRWORA have had no detrimental effect on the emotional development, intellectual achievement, or mental health of children (Chase-Lansdale et al., 2003). The researchers found that, among the 2,400 participating families, adolescents whose mothers moved from welfare to work reported declines in psychological distress, including symptoms of anxiety; some adolescents also reported significant declines in delinquent behaviour such as the use of drugs and alcohol. A mother's transition from welfare to work had neither harmful nor beneficial effects on preschool children. This confirms an earlier study by Professor Bruce Fuller at University of California, Berkeley, which found that measures of maternal affection, discipline, depression, and child behaviour were unaffected by welfare reform (Fuller, 2003, cited in Gallagher, 2002; see also Grogger, 2001).

Poverty rates

According to the federal US Department of Health and Human Services, as the rate of welfare dependency declined, the overall poverty rate in America fell. In the four years following 1996, 5.4 million fewer Americans were in poverty. Within these four

years, the poverty rate for all individuals fell from 13.7% to 11.3%, the lowest rate since 1979 (USHHS, 2002). The poverty rate increased slightly to 12.1% in 2002.

In addition, data from the Current Population Survey (CPS) show that poverty rates for single mothers, including those from racial and ethnic minorities with limited education, has declined to record lows. Not only did poverty decline among single mothers who left welfare but the likelihood of being poor also continued to decline with the passage of time (O'Neill and Hill, 2003).

The overall child poverty rate (as measured by the US Census Bureau) has also declined since 1996, from 20.5% to 16.3% in 2001, a decrease of 20% (USHHS, 2003). Even more striking have been the changes in the economic circumstances of black children. According to a recent Heritage Foundation study, 1.2 million black children have risen out of poverty since 1996 (Pardue, 2003). While the poverty rate among black children had remained virtually unchanged for 25 years prior to US welfare reform, this rate dropped from 39.9% to 30.2% between 1996 and 2001. This is the lowest level of poverty among black children on record. Similar improvements are evident in the changed circumstances of other historically disadvantaged groups. The Hispanic child poverty rate has fallen from 40.3% to 28.0%, the largest 5-year drop on record (USHHS, 2003).

Consequently, approximately 4.2 million fewer people, including 2.3 million fewer children, live in poverty today than in 1996, and hunger among children has been reduced by about 50% since the introduction of welfare reform (US Bureau of the Census, 1999; Andrews et al., 2000).

Conclusion

Welfare reform in the United States is working by almost all measures, including reductions in welfare caseloads, increased employment and earnings for current and former welfare recipients, and lower poverty rates. In addition, welfare caseloads in the United States continue to fall despite a continued economic slowdown. Given these successes, Canadian provinces and, indeed, any jurisdiction looking to improve welfare provision would be well advised to use the American model as a template.

2 Welfare reform in Canada

In 1996, the federal government established the Canada Health and Social Transfer (CHST), which replaced the Canada Assistance Plan (CAP) and the Established Programs Finance (EPF). Unlike the previous dollar-for-dollar cost-sharing initiatives, the CHST provided a block grant to the provinces for social-services spending on welfare, health, and post-secondary education. The CHST block grant reduced the total amount of federal funding available for these social services, forcing provinces to adopt a certain level of fiscal discipline. The total cash transfer to the provinces and territories through the CHST was \$19.1 billion in 2002/2003 and is expected to grow to \$22.2 billion by 2007/2008 (Federal Department of Finance, 2002).

The only condition to receipt of these federal funds by the provinces is that they must allow residents and non-residents alike to be eligible for social assistance. As a result, provinces are able to use the flexibility granted to them under the CHST to restructure their social assistance programs and address the fiscal shortfalls confronting them. [8]

Provincial reforms

With the adoption of the CHST, Canadian provinces have the freedom to experiment with a variety of policy alternatives. Many of these policies were first developed by the United States, where evidence suggests that the foundation for successful welfare reform consists of six main policies: benefit lifetime limits, proactive diversion programs, work requirements and sanctions for non-compliance, employment focus, work incentives, and innovative approaches to program support and delivery. Aside from Ontario, only the provinces of Alberta and, more recently, British Columbia have attempted to implement such changes to any significant degree.

Alberta

The Province of Alberta was the first to initiate significant welfare reform. In 1993, the newly elected Alberta government overhauled the administration of its welfare program with the primary objective of reducing the number of first time applicants entering the welfare system, particularly young employables. As part of the province's comprehensive diversion strategy, applicants are required to exhaust all other means of support, including job search and active labour market programs, before they are granted assistance. In addition, welfare caseworkers have the discretion to deny assistance to individuals classified as "employable," typically single persons and families without dependents (for detailed information on the material presented in this section, see Boessenkool, 1997).

Aside from diversion, the Alberta government sought to improve its welfare system by increasing the incentives to find employment. In 1993, Alberta cut benefit rates for single employable adults by 19%, while single parents with a small child and two-parent families with two children received a 13% and 12% reduction, respectively. Benefit levels for disabled recipients were increased. Furthermore, work requirements were expanded. For instance, single parents must be engaged in some form of employment-related activity once their youngest child reaches the age of six months, rather than two years as under the previous policy.

Alberta also implemented fraud reduction initiatives such as the hiring of investigators and review officers to verify eligibility and benefit levels. In roughly a year, from November 1994 to December 1995, the government netted \$5.8 million in savings through fraud convictions, out-of-court settlements, and corrected over-payments.

In 1993, there was a record 196,000 Albertans on social assistance, representing 7.3% of the province's population. Since that time, the percentage of welfare recipients in Alberta has steadily declined. In 2002, there were 53,800 people (1.7% of the population) on welfare, a 72.5% reduction from the province's peak level (NCW 2002).

Alberta's diversion strategies have been widely credited as being the primary cause for the reduction in welfare dependency. According to Boessenkool (1997), the number of opened welfare cases (both new and repeat cases) had dropped to 7% by 1996, down about 18% from the caseload in 1992. Consequently, a large proportion of the reduction in welfare use came from preventing young Albertans—those under the age of 35—from getting on welfare in the first place. More importantly, the rise in employment rates for these same Albertans was large enough to explain the decline in welfare rolls (Boessenkool, 2002).

British Columbia

In 2002, British Columbia became the first province in Canada to experiment with time limits on welfare benefits (Schafer and Clemens, 2002a). Under the new policy, employable recipients are limited to a cumulative two years of social assistance out of every five-year period. Starting in April 1, 2002, each month that a welfare recipient receives assistance will count toward the 24-month time limit. Upon the expiration of the time limit, employable recipients become ineligible for welfare while recipients with dependents have their benefits reduced.

British Columbia's government adopted other reforms. The province requires that all employable welfare recipients, including single parents with children over three years of age, seek employment or participate in job-related activities to remain eligible for assistance. Recipients failing to adhere to their work requirements are sanctioned, resulting in the reduction or cancellation of benefits for a prescribed period. Single parents with children under the age of three are exempt from work

requirements. If, after two years, these single parents are not employed, their social assistance benefits are reduced by 33%; only those single parents caring for a disabled child or who are temporarily excused from seeking employment will escape this reduction (Reitsma-Street, 2002).

An innovative element of British Columbia's welfare reform is JobWaveBC, developed in 1999. It is one of several re-employment programs operated by WCG International Consultants Ltd., a private company based in Victoria. In addition to providing a free placement service for employers, JobWaveBC staff provides face-to-face counseling, on-line seminars, e-coaching, and on-line search capabilities for local employment. Since its inception, the welfare-to-work programs privately provided by JobWaveBC have helped over 25,000 British Columbians get off social assistance and back to employment, saving the province over \$100 million. [9]

Preliminary exit surveys suggest that British Columbia's welfare reform has been successful in moving recipients out of dependency and into employment. According to the most recent survey of BC welfare leavers, 64% left assistance for employment, while another 7% returned to school. Overall, 87% of respondents left welfare for a productive reason. [10] At the time of the survey, 60% of respondents indicated that their main activity was employment (BC Ministry of Human Resources, 2003).

Other provinces

Aside from making improvements within the confines of their existing welfare system, the commitment of other provincial governments toward welfare reform has been fairly limited. For instance, Saskatchewan has adopted a series of accountability controls, anti-fraud measures, and some modest work-oriented programs, all the while increasing its social service spending close to 23% over the past decade (Schafer and Clemens, 2002b). Most other provinces have limited changes in their welfare systems to tightening eligibility requirements, cutting benefits, and rationalizing program delivery and services. Provinces such as Quebec have tried to attach work requirements to provincial welfare payments, though these policies have generally been poorly enforced.

Ontario

There are two notable periods in the history of Ontario welfare policy: 1985 to 1995, a decade characterized primarily by generous eligibility rules and benefit levels, and 1995 to 2002, a period of significant welfare reform. This summary examines not only the policy differences between these two eras but also the underlying principles behind the reforms that would dramatically alter social assistance delivery in Ontario.

Ontario Welfare 1985-1995

From 1985 to 1995, Ontario adopted a series of policies to instill “fairness” and “equity” into the welfare system. In 1987, the Ontario government began loosening eligibility requirements. For instance, the province adopted the “spouse-in-the-house” rule, [11] a policy that enabled individuals living in a common-law relationship to remain eligible for welfare as single persons for up to three years. Conversely, married couples were perceived to be an economic unit, in which their assets and incomes were combined, thus making their eligibility for welfare increasingly difficult. In addition to penalizing marriage, [12] this three-year co-residency rule ended up costing taxpayers hundreds of millions of dollars: welfare use among single parents soared from 90,000 to more than 200,000 by 1995 (Sabatini, 1996).

In 1988, the provincial government’s Social Assistance Review Commission (SARC) released *Transitions*, a report that provided 274 specific policy recommendations for enhancing welfare in Ontario. The following year, the province acted upon the commission’s recommendation to raise welfare benefits—complementing an earlier increase in benefit levels of 23.9% from 1985 to 1987 (NCW, 1997; Sabatini, 1996). Despite reeling from a recession in 1990/1991, the Ontario government proceeded to raise welfare benefit levels five times over the next three years. [13] From 1989 to 1993, welfare benefit levels for General Welfare Assistance (GWA) [14] recipients increased by 35% to 40%. Similarly, welfare benefits for Family Benefits Act (FBA) [15] recipients rose by 28% to 34% over that same period. [16] Meanwhile, the average after-tax personal income in Ontario dropped by 8% from 1989 to 1994 (Sabatini, 1996).

Also flowing from *Transitions* was the establishment of the Supports to Employment Program (STEP) in 1989, a program whereby welfare recipients were encouraged to find work through financial incentives. Previously, working welfare recipients had their benefits reduced roughly a dollar for each dollar of income they earned. Through various earning exemptions and deductions offered under STEP (see table 2), welfare recipients (and other low-income workers) could earn income without jeopardizing their eligibility to welfare. If a recipient’s after-tax income, less applicable deductions and exemptions, was still below social assistance thresholds, they were entitled to the amount of assistance that would bring their net earnings up to social assistance levels (Sabatini, 1996). [17] As shown in table 2, STEP benefits became more generous in the fall of 1991. For instance, as a result of these changes combined with increases in benefits, a working single mother with two children, who earned less than \$39,500 annually, could top up her earnings with a welfare check (Sabatini 1996). [18]

The Ontario government also changed how it enforced welfare eligibility criteria. The Social Assistance Review Board (SARB) was an independent [19] judicial body that handled appeals arising from the denial, cancellation, or reduction of

Table 2: STEP Exemption Levels 1989-1998

	Oct 1989	Oct 1991	Aug 1993	Oct 1995	Jan 1996	Jan 1998
Monthly Exemptions						
Single	\$75	\$75	\$50	\$120	\$143	\$143
Employable Family	\$150	\$150	\$100	\$200	\$2,491	\$2,491
Single Parent	\$175	\$175	\$120	\$230	\$2,751	\$2,751
Deductions						
	Income Tax	Income Tax	Income Tax	Income Tax	Income Tax	Income Tax
	CPP	CPP	CPP	CPP	CPP	CPP
	EI	EI	EI	EI	EI	EI
	Daycare	Daycare	Daycare	Daycare	Daycare	Daycare
		Union dues	Union dues	Union dues	Union dues	Union dues
		RSP	RSP	RSP	RSP	RSP
Benefit Exemption Adjustment	20%	25%	25%	25%	25%	25%/0%

Notes: Since 1996, exemption rates incorporate family size. Figures shown are for one dependent only. Daycare expenses are covered up to certain levels: the actual cost for licensed childcare, and up to \$390 per month for unlicensed childcare. CPP = Canadian Pension Plan contributions; EI = Employment Insurance; RSP = Retirement Savings Plan contributions.
Sources: Sabatini 1996; MCSS 2001.

welfare benefits. In order to alleviate perceived financial hardship, SARB had the ability to order interim welfare benefits be paid to appellants pending their hearing. From 1988/1989 to 1993/1994, SARB granted interim assistance to virtually everyone that could have received it, lasting anywhere from 6 to 18 months (Sabatini, 1996). During this period, appellants won their cases on average 40.2% of the time (60.3% if *in absentia* cases, i.e., those where the appellant did not show up, are excluded), up from an average of 15.8% in years past. Even when the Board ruled against the appellant, their decision had no practical effect since interim assistance had already been paid and could not be recovered. Over this time, appeal caseloads nearly tripled, causing a backlog of appeal requests. In 1993/1994, hearings were stretched to an average of eight months, driving up the Board's costs to an estimated \$50 million per year. In addition, since 42.2% of GWA recipients remained on assistance for less than six months in 1994, the role of SARB was pointless in many cases. That is, the ministry (and taxpayers) would have been better off providing assistance to such recipients at the office in the first place, as they would have left the system sooner than did by going through the appeals process.

In 1993, the Ontario government responded to growing criticism and budgetary constraints by starting in-depth welfare eligibility reviews, curtailing STEP

exemption levels, [18] and reducing benefit rates for two-adult households (NCW, 1997). Nevertheless, the financial burden of social assistance continued to grow: welfare expenditures rose in inflation-adjusted terms from \$2.39 billion in 1985/1986 to \$7.94 billion in 1994/1995, a 232% increase (Sabatini, 1996; MF, 1995). Similarly, the number of welfare beneficiaries as a percentage of the Ontario population increased from 5.2% in 1985 to 12.7% by 1994, the latter representing approximately 1.38 million individuals (Schafer *et al.*, 2001). Dependency also worsened: the average spell on social assistance rose from 6.5 months for an unemployed employable in 1987 to 12.5 months in 1994; single parents spent on average 36 months on assistance in 1987, as compared to 55 months in 1994 (Sabatini, 1996).

Ontario Welfare 1995-2002

Following the election of a new government in 1995, Ontario addressed three key areas of growing concern within social assistance: benefit levels, eligibility requirements, and fraud.

Benefit levels

In October 1995, Ontario reduced benefit levels by 21.6% for all welfare recipients except seniors and those with disabilities, achieving \$469 million in savings for that fiscal year (NCW, 1997). Working welfare recipients were able to earn back most of the difference in welfare rates through higher STEP exemptions (MCSS, 1995e; Sabatini, 1996). For example, prior to the rate reduction a working single parent with two children and a monthly income of \$1,600 could earn an additional sum of about \$2,420 per month under STEP (see table 3). Using benefit and exemption levels after January 1996, that same family could earn a little more than \$2,270 per month, about a 5% decrease in earnings. Nevertheless, the lowered benefit levels had the effect of disqualifying approximately 12,000 low-income earners from STEP (NCW, 1997). [20]

The 21.6% rate reduction set Ontario benefit levels to about 10% above the national average (MCSS, 1995e). Table 4 shows the monthly incomes of welfare recipients for all provinces in 1996, adjusted for inflation. As shown, Ontario ranked at the top in all categories, save that for single parents where it ranked second. Since 1996, real benefit levels in Ontario have continued to fall as in so many other provinces across Canada (see table 5). In 2002, a single employable in Ontario received \$552 in monthly income, remaining well above the provincial average of \$436. [21] Table 5 indicates similar results for disabled persons, single parents, and couples. Over this period of general benefit reduction, social assistance expenditures have been greatly reduced. In fiscal year 2001, Ontario spent \$4.57 billion on social assistance—a real 42% decrease in spending from the record levels set in fiscal year 1994 (MF, 2002).

Table 3: Welfare earnings comparison, before and after benefit reduction, for sole-support parent with two children earning \$1,600 per month

	September 1995	January 1996
Gross monthly earnings	\$1,600	\$1,600
Subtract: mandatory payroll deductions (CPP, RSP, etc.)	– \$200	– \$200
Subtract: basic exemption for single parent	– \$120	– \$321
Subtotal	\$1,280	\$1,079
Subtract: 25% of the remainder	– \$320	– \$270
Remainder	\$960	\$809
Subtract: Approved daycare expenses	– \$400	– \$400
Income to be deducted from welfare	\$560	\$409
Regular welfare entitlement	\$1,379	\$1,081
Less deductions	– \$560	– \$409
Welfare entitlement after STEP	\$819	\$672
Total monthly income	\$2,419	\$2,272

Source: Sabatini 1996.

Table 4: Monthly welfare benefit rates among the provinces (1996)

	Single Employable	Disabled Person	Single Parent with 1 Child	Couple with 2 Children
British Columbia	574	875	1,121	1,429
Alberta	443	617	861	1,370
Saskatchewan	540	798	972	1,387
Manitoba	569	749	903	1,431
Ontario	617	1,074	1,118	1,445
Quebec	562	774	1,080	1,267
New Brunswick	293	607	897	1,003
Nova Scotia	555	803	989	1,274
Prince Edward Island	491	772	959	1,393
Newfoundland	234	778	1,055	1,141
Average	488	785	995	1,314

Source: NCW 2003; calculations by the authors.

Table 5: Monthly welfare benefit rates among the provinces (2002)

	Single Employable	Disabled Person	Single Parent with 1 Child	Couple with 2 Children
British Columbia	521	794	879	1,081
Alberta	402	615	714	1,089
Saskatchewan	484	703	807	1,090
Manitoba	446	676	803	1,071
Ontario	552	956	892	1,096
Quebec	537	776	886	1,032
New Brunswick	264	558	827	944
Nova Scotia	415	715	767	1,051
Prince Edward Island	480	726	818	1,235
Newfoundland	257	723	978	1,053
Average	436	724	837	1,074

Source: NCW 2003; calculations by the authors.

Eligibility requirements

In August 1995, the Ontario government began tightening up welfare eligibility. Most notably, the “spouse-in-the-house” rule, which eased eligibility requirements for individuals living in common-law relationships, was amended by regulation and replaced with a determination of cohabitation based on financial interdependence and shared residency (MCSS, 1995b). As a result, where such a relationship is deemed to exist, these individuals can no longer collect benefits under the category of a single person or single parent. [22] By 2002, the number of single parents on welfare fell to approximately 82,000, a 59% reduction from the highs set in 1994. [23]

Also, the Ontario government changed eligibility standards for 16- and 17-year-olds living outside the parental home. Before receiving social assistance, the teenager leaving home must consent to a family assessment, live under adult supervision, and attend school or training on a regular basis (MCSS, 1995a). In 1995, the Ontario government estimated that 5,500 cases would be affected by the new restrictions (MCSS, 1995c). Lastly, in September 1996, Ontario tightened up eligibility requirements for students. Individuals pursuing post-secondary education are prevented from do so while receiving welfare benefits and are instead referred to student loans via the Ontario Student Assistance Program (OSAP). [24] Previously, an estimated 17,000 single parents qualified for welfare while pursuing higher education (NCW, 1997).

Welfare fraud

The new government was also concerned with the pervasiveness of welfare fraud and misuse. In 1992, the provincial Auditor-General released a report that Family Benefits Allowance (FBA) fraud was costing taxpayers \$70 to \$100 million each

year (NCW, 1997). In addition, it was estimated that chronic mismanagement of the welfare system had cost Ontario as much as \$500 million over the past decade. An examination of General Welfare Assistance (GWA) in 1994 produced similar findings. That same year, a ministerial review of 40,000 welfare cases found that 20% had some level of error, if not abuse, costing taxpayers an estimated \$21 million (Sabatini, 1996).

In August 1995, the Ontario government announced the reinstatement of home visits at the discretion of the social service agency as a condition for welfare eligibility. Recipients refusing to participate in a home visit have their assistance cancelled unless reasonable justification can be given (MCSS, 1995d). Two months later, a 1-800 hotline was introduced to identify individuals defrauding social assistance through the help of phone tips left by the citizens of Ontario (MCSS, 1995a). The Government of Ontario estimated that the fraud hotline has saved the province \$28.8 million between 1997 and 2000 (MCFCS, 2002).

Ontario sought to further control welfare abuse by overhauling the Social Assistance Review Board. In October 1995, the government implemented policies to limit the eligibility to, and length of, interim assistance (Sabatini, 1996). Also, the membership of the Board was revamped and replaced with members who would reaffirm government policies. In January 1998, SARB was phased out in favor of a new Social Benefits Tribunal. This judicial body is significantly more accountable to taxpayers as it has a narrower legal scope, performs routine internal audits, and is authorized to recover interim assistance payments should an appeal be later denied (MCFCS, 2001).

In January 1997, the Ontario government embarked on a joint venture with Andersen Consulting entitled the “Business Transformation Project” (BTP). The BTP was a technological overhaul of the province’s outdated welfare system, with respect to its administrative and, to a lesser extent, delivery services (Daniels and Ewart, 2002). Through this endeavor, a number of fraud-control mechanisms were put in place, including the creation of a single province-wide welfare database, expanded information sharing among government bodies including Human Resources Development Canada and Canada Customs and Revenue Agency, and an automated eligibility review process. According to a confidential government-commissioned study quoted by the Social Planning Council of Toronto, the BTP, though it has encountered a number of highly publicized administrative deficiencies and cost overruns, realized a net \$280 million in benefits through January 2002 (OAG, 2002; Herd and Mitchell, 2002).

Lastly, in April 2000, Ontario imposed a lifetime ban on the receipt of welfare for those who have been convicted of welfare fraud (MCSS, 2000; MCFCS, 2001). Overall, the province’s fraud measures have resulted in more than \$400 million in taxpayer savings since 1997 (MCFCS, 2003b).

Reforming welfare

In addition to making improvements in the existing welfare system, the Ontario government adopted a number of comprehensive reforms. Many of these reforms had already been successfully implemented in the United States.

Since 1995, the principal reform implemented in Ontario was the creation of Ontario Works (OW), the first work-for-welfare program adopted in Canada. In 1996, OW was introduced as a pilot program in 20 municipalities, before being phased in across the province over the following two years. The primary goals of OW were to promote self-reliance through employment and provide temporary assistance to those most in need, while remaining accountable to taxpayers (MCFCS, 2001). Through work requirements, sanctions, and diversion, OW sought to transform welfare into a social assistance program of last resort.

Work requirements

In order to maintain welfare eligibility, Ontario Works requires recipients to engage in employment activity. The nature of this activity is dependent upon the characteristics of each individual, such as their skill set, education level, and personal or marital status. Though participation agreements vary with each individual, [25] recipients are typically required to begin a job search immediately in order to assess their level of employability (MCFCS, 2001). Those who have been unsuccessful in acquiring work through mandated job searches may be assigned paid employment in the public sector. In December 1998, Ontario instituted private-sector work placements to expand the number of job opportunities available (MCSS, 1999a). Recipients that are hard to employ, typically those with little or no work experience, may be required to participate in unpaid community service for up to 70 hours per month. [26]

Sanctions

Recipients who fail to honour their participation agreement are subject to financial penalties. Ontario has adopted what is in effect a full-check sanction: recipients who do not adhere to their work requirements, refuse a job without cause, or quit an assigned work placement have their benefits reduced or cancelled for three months for the first offence, and six months for subsequent offences (Ontario Regulation 134/98). Single persons who are sanctioned have their entire welfare check cancelled and must reapply to welfare if they want to regain assistance. Recipients who are members of a family unit have their benefits reduced: the infringing member loses basic needs and shelter amount benefits while the remaining family unit members continue to receive financial assistance. Recipients penalized by benefit reduction must request reinstatement after the sanctioning period has ended.

Diversion

The province also implemented certain diversion strategies as part of Ontario Works. Diversion is a policy whereby caseworkers attempt to assess the immediate needs of welfare applicants and find alternatives to social assistance that can satisfy

them. With few exceptions, Ontario welfare policies require that all income sources, including pension payments, credit-card cash advances, and rental income, must be pursued as a condition of eligibility. In addition, reasonable efforts must be made to obtain spousal or child support to which the applicant may be entitled. Furthermore, maximum asset levels have been significantly lowered (by more than 70% in some cases [27]) and are no longer enforced on a discretionary basis. Applicants who exceed these wealth thresholds are required to liquidate assets that are not necessary for personal use, such as jewelry and life insurance policies, or a vehicle if it is over \$5,000 in value. For those requiring immediate assistance, Ontario case-workers have the option of referring applicants to food banks or emergency hostel services (MCFCS, 2001).

Moreover, Ontario has instituted a certain degree of *passive* diversion as part of its effort to control welfare fraud. That is, recipients may be deterred from applying for welfare due to the longer and more rigorous screening process. For instance, applicants must first undergo a preliminary eligibility assessment through one of seven call centers (referred to as “intake screening units”) before proceeding to an in-office interview. Applicants reaching this stage must be prepared to provide up to 17 pieces of documentation such as bank records, legal documents, and accommodation agreements.

Local services realignment

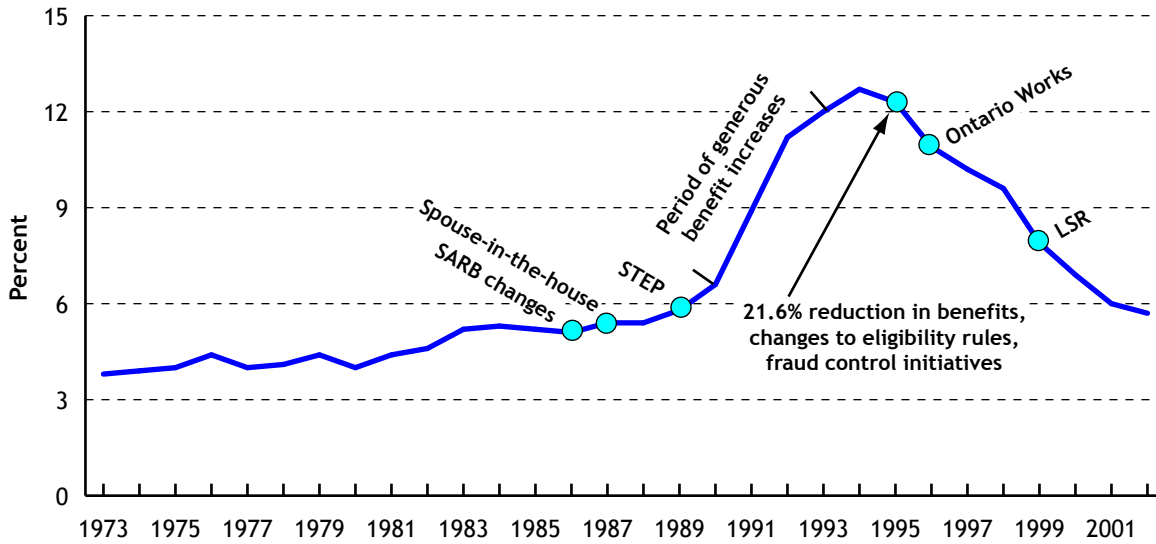
In addition to Ontario Works, the province also incorporated private-sector discipline into welfare delivery. One of the most noteworthy initiatives in this regard was the Local Services Realignment (LSR) project, a reform of the provincial-municipal relationship (MMAH 1999). On January 1, 1998, in coordination with Ontario Works, LSR modified the division of responsibility between the two government bodies for delivery and funding of a host of social programs, including welfare. The main objectives of this initiative were to increase accountability to taxpayers, streamline service delivery, decentralize government programs, and reduce waste. Under the new cost-sharing agreement, municipalities fund a greater portion of welfare expenditures. [28] Also, Ontario Works delivery has been designated to 47 municipalities (referred to as “consolidated municipal service managers”), down from 196 in years past. In 1999, as a way to improve efficiency further, Ontario began rewarding municipalities who were able to exceed various job placement target levels, with the funds to be reinvested into social service delivery (MCSS, 1999b; Region of York, 2001).

Results

Welfare caseloads

In 1994, there were a record 1,379,300 social assistance beneficiaries in Ontario, representing 12.7% of the population. Since that time, welfare dependency has fallen dramatically (see figure 1). In 2002, there were 687,600 beneficiaries (about 5.7% of

Figure 1: Welfare beneficiaries in Ontario as a percentage of population



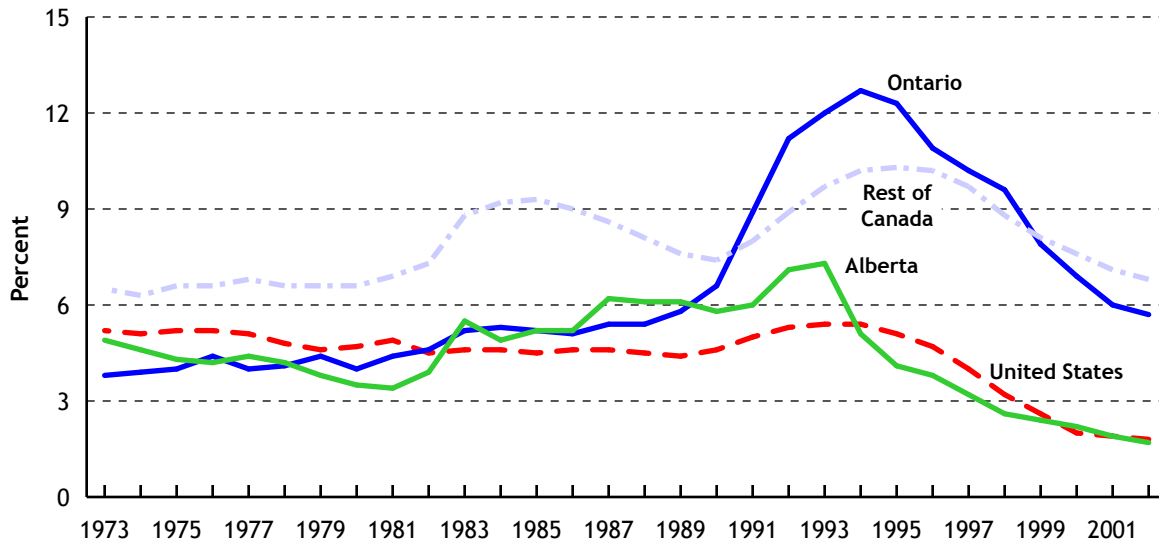
Source: National Council of Welfare, <<http://www.ncwcnbes.net/htmldocument/principales/numberwelfare.htm>> (as of October 2003); Human Resources Development Canada, Strategic Policy Branch, <<http://www.hrhc-drhc.gc.ca/sp-ps/socialp-psociale/statistics/75-76/table.shtml>>; Statistics Canada, Provincial Economic Accounts 2003; calculations by the authors.

the population), a 50% reduction from its peak level. Figure 1 also shows the welfare rate alongside certain key developments in government policy. Overall, an estimated 620,000 people have left the welfare rolls since June 1995 (MCFCS, 2003a).

Figure 2 depicts a comparison of Ontario’s social assistance beneficiaries as a percentage of population with other leading welfare reform jurisdictions and the rest of Canada. Alberta peaked in 1993 at 7.3% and has since steadily reduced its welfare rate to 1.7% in 2002. Similarly, the United States reached a high of 5.4% in 1994 and has fallen to 1.8% in 2002. Since 1997, the United States has managed to maintain welfare rates at levels not reached in the last 30 years. By comparison, welfare dependency in Ontario has dropped to 1988 levels, further suggesting that most of the policy changes that occurred in the province focused primarily on undoing older policies rather than implementing structural reform.

Ontario welfare recipients are also spending less time on assistance. In fiscal year 2000, sole-support parents spent on average 25 months on social assistance, as compared to 55 months in 1994 (MCFCS, 2003e; Sabatini, 1996). [29] While Ontario has not aggressively monitored recidivism, a Toronto Social Services study suggests approximately 17% of the city’s welfare leavers return to social assistance within eight to 11 months (Toronto Social Services, 2002). In other words, based on this study alone, it appears as though Ontario Works has adequately prepared most of its recipients for employment.

Figure 2: Welfare beneficiaries in Ontario, Alberta, the rest of Canada, and the United States



Source: National Council of Welfare, <<http://www.ncwcnbes.net/htmldocument/principales/numberwelfare.htm>> (as of October 2003); Human Resources Development Canada, Strategic Policy Branch, <<http://www.hrhc-drhc.gc.ca/sp-ps/socialp-psociale/statistics/75-76/table.shtml>>; Statistics Canada, Provincial Economic Accounts 2003; US Department of Health and Human Services, Administration for Children and Families, <<http://www.acf.hhs.gov/news/stats/newstat2.shtml>>; U.S. Census Bureau <<http://eire.census.gov/popest/estimates.php>>; calculations by the authors.

After enduring a recession in 1990/1991, Ontario enjoyed an economic expansion for the remainder of the decade. The Ministry of Community, Family, and Children’s Services (MCFCS) has attributed the decline in welfare dependency to its reforms as well as to the province’s strong economy (MCFCS, 2003a). While ample studies have shown that the American caseload reductions since 1996 have been primarily as a result of policy reform rather than economic effects (CEA, 1999; Rector and Youssef, 1999; O’Neill and Hill, 2002; Tanner 2003), similar research has yet to be performed with respect to Ontario. Nevertheless, one should note that, despite experiencing an economic boom in the mid- to late eighties, the percentage of people in Ontario on social assistance continued to climb over that period (Sabatini, 1996).

Employment and earnings

In addition to significant caseload reduction, research suggests that most welfare recipients are leaving because of employment. In 1996, and again in 1998, the Ontario Ministry of Community and Social Services (MCSS) commissioned a study that tracked individuals who had recently left welfare. Overall, the studies found that 58% to 62% of welfare leavers did so because of an employment-related reason, while another 18% to 22% cited a change in living arrangements or receipt of additional income as their main reason for leaving. Approximately two-thirds of all welfare leavers were working

at the time of the surveys (Levy-Coughlin Partnership, 1996; Ekos Research Associates Inc., 1998). By comparison, 18% of people leaving welfare in 1994/1995 were holding a job at the time, and 7% in 1989/1990 (JobLink Ontario 1995).

Many welfare recipients are finding work through workfare placements. Overall, Ontario has steadily increased the number of workfare placements over the last few years (see table 6). In fiscal year 2001, there were close to 99,000 workfare placements under Ontario Works, accommodating about half the number of OW welfare cases. [30] Presently, the province relies primarily upon public-sector placements. In December 2002, there were about 24,600 recipients placed in the public sector, compared to approximately 6,400 in the private sector and the available data suggest that, generally, placements within the public sector outnumber those in the private sector by a three-to-one margin.

New data released by Statistics Canada in March 2003 also show that most people leaving welfare have been made better off (Frenette and Picot, 2003). The study *Life after Welfare: The Economic Well-Being of Welfare Leavers in Canada During the 1990s* used longitudinal panel data to track welfare leavers from 1992 through 1999. The study found that about six out of 10 Canadians saw their after-tax family income improve substantially from the level of income that they had received when they were on welfare. In Ontario, on average, a third of the recipients were earning \$13,000 more than they had on welfare two years earlier, while another third of welfare leavers were earning \$2,500 more.

Table 6: Ontario Works job placements (1998-2002)

	Number	Type
Calendar year 1998	13,946	Community placements only
Fiscal year 1999/2000	30,324	Community placements only
Fiscal year 2000/2001	69,692	Employment and Community placements
Fiscal year 2001/2002	98,923	Employment and Community placements

Sources: MCFCS 2000, 2001, 2003f.

Conclusion

After a decade of escalating welfare caseloads, Ontario sought to reform its social assistance program. The newly elected government stressed the importance for welfare recipients to be engaged in work activity, establishing Ontario as the first province to adopt a province-wide workfare program. Similarly, the government initiated a number of changes to ensure that it remained accountable to taxpayers, repealing or replacing many of the policies adopted over the previous decade. Since June 1995, an estimated 620,000 people have left the welfare rolls, most of whom are finding employment and becoming financially better off.

3 Report card on Ontario's welfare reform

This section outlines six successful policies that have played a prominent role in welfare reform initiatives in the United States and some Canadian provinces. A description of each reform will be followed by an examination of where Ontario reform currently stands in comparison. From this analysis, a letter grade will be assigned indicating the degree to which Ontario has implemented welfare reform, as well as a recommendation as to how Ontario can improve upon its efforts.

Reform of welfare policy

(1) *Ending the entitlement to welfare*

Jurisdictions that have established time limits have succeeded in reducing long-term dependency on welfare. Under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), American states must impose a five-year lifetime limit on Temporary Assistance for Needy Families (TANF) benefits. [31] Many states have used the flexibility granted to them under PRWORA to legislate time limits shorter than five years. [32]

In 2002, British Columbia became the first province to adopt some form of time limit, restricting welfare usage to two years of cumulative assistance out of every five-year period. Through these various forms of time limits, welfare has shifted from a program of entitlement to one of insurance, where social assistance is provided primarily on a temporary basis.

The United States has used a combination of reforms to reduce welfare dependency and, as a result, the task of isolating the effects of time limits has been difficult. However, there have been studies that have demonstrated the effectiveness of time limits. For instance, a recent study entitled *Welfare Dynamics under Time Limits* examined the effects of Florida's Family Transition Program (FTP) five-year time limit on the receipt of welfare benefits. The study found that time limits, "in the absence of other features of the program that worked to increase welfare use, would have reduced welfare receipt by as much as 16%" (Grogger and Michalopoulos, 2003).

What has Ontario done?

Despite a large number of changes to the welfare system, Ontario has placed no time limit on the access to social assistance. The province, however, has taken steps to lessen this shortcoming by applying a two-year lifetime limit on a portion of its work incentive program. As a result, not only is the attractiveness of remaining on welfare greatly diminished but there is also an incentive to preserve some of these financial benefits for future use (see subsection [5], "Making work pay").

Grade: D

Although the successful American approach to welfare reform has incorporated the use of time limits, the Ontario government has made no effort to implement such a policy. Welfare recipients who abide by government policies may always obtain social assistance when they so choose. As such, the Ontario government scores a grade of D due to its failure to adopt time limits.

Recommendation

Ontario should adopt some form of benefit time limit for able-bodied individuals, including single parents, whether it is a lifetime limit or a hybrid limit as has been implemented in British Columbia.

(2) Diversion

Diversion strategies attempt to prevent applicants from entering the welfare system until other viable alternatives have been exhausted. Typically, this includes the pursuit of spousal support and other income sources, job search, liquidation of assets, and job-access loans. [33] The importance of diversion is underscored by the fact that one's first spell on social assistance has a tendency to generate future welfare dependency (see Blank and Ruggles, 1994; Cao, 1996; Meyer and Cancian, 1996). In other words, receiving social assistance for the first time makes one far more likely to receive these benefits again.

As a Canadian example of reform, Alberta has embraced diversion as a means to control welfare dependency. In a 1997 study of the province's diversion program, it was determined that "[t]he significant reduction [in the number of welfare beneficiaries in Alberta] came from a sharp decrease in individuals who were applying for welfare for the first time" (Boessenkool 1997: 11–12).

What has Ontario done?

The Ontario government implemented a number of policies to help divert applicants away from welfare. The new procedures require applicants to actively pursue virtually all other forms of income to which they may be entitled, most notably, spousal and child support. Also, applicants who exceed certain wealth thresholds are required to liquidate assets that are not necessary for personal use, including jewelry, life insurance policies, and vehicles over \$5,000 in value. As such, many applicants are required to live off of their assets before becoming eligible for welfare. Furthermore, as part of its comprehensive strategy to reduce welfare fraud, Ontario has in effect adopted a form of *passive* diversion, whereby the scrutiny and length of its screening process may deter would-be applicants from entering the welfare system for the first time.

Grade: B+

Imposing administrative barriers that deter one's access to welfare is not an effective form of diversion. Rather, the goal of caseworkers should be to determine the

applicant's immediate needs and then find alternatives to welfare that can satisfy them. Nevertheless, despite leaving room for improvement, the Ontario government has made a strong commitment to turning welfare into an assistance program of last resort. As such, the Ontario government earns a B+ for its diversion strategies.

Recommendation

The Ontario government should streamline administrative barriers and implement other, more effective, diversion strategies, such as one-time job access loans (e.g., for transportation or work clothing needs) as well as adopt a preliminary job search requirement.

(3) Immediate work requirements and sanctions

Work requirements serve as a way to help recipients make a quick transition back into the workforce while at the same time it reduces welfare dependency by making assistance less attractive for new applicants. Under PRWORA, the United States adopted work requirements in 1996. State work requirements cover a broad range of job-related activities: unsubsidized employment, subsidized private or public sector employment, on-the-job training, community service, vocational educational training, and job search. [34]

In addition, because there are inherent differences between the private and public sectors, the nature of the work activity is an important consideration. Public sector jobs have often been characterized as temporary "make-work." According to the US General Accounting Office (USGAO), widespread public service employment programs of the 1970s failed to prepare participants for unsubsidized work in the private sector (1978, 1979, and 1980). Professor Thomas DiLorenzo of George Mason University asserts that the private sector, in contrast, has a greater capacity to develop marketable job skills and foster long-term independence, in part because people are trained in occupations that are valued by employers (1984). [35]

In order to enforce work requirements, every state has adopted some form of sanctions whereby welfare recipients can have their benefits reduced or terminated should they fail to participate in work-related activity. [36] States use one of two broad sanction policies: a "delayed full-check" sanction or a "full check" sanction. Delayed full-check sanctions generally apply penalties that become increasingly severe, repealing the full TANF check only after several months of non-compliance with required work or other provisions. Conversely, full-check sanctions repeal the full TANF check after the first instance of non-compliance. A study entitled the *Determinants of Welfare Caseload Decline* found that full-check sanctions and immediate work requirements are the two most crucial attributes of successful welfare reform in terms of caseload decline (Rector and Youssef, 1999).

Evidence from the Wisconsin Works (W-2) program has demonstrated that requiring most new applicants to find employment in the private-sector or perform

community service shortly after enrolling in welfare reduces the number of new entrants by half (Rector, 1997). Similarly, New found that “the strength of state sanctioning policies had the largest impact on caseload declines between 1996 and 2000” (2002: 9).

What has Ontario done?

In 1996, Ontario implemented Canada’s first work-for-welfare program: Ontario Works. This program requires that all able-bodied recipients be engaged in employment-related activity immediately. [37] Depending on their degree of job readiness, Ontario Works steers recipients down three distinct paths to employment: employment assistance (job search, job clubs, job referrals), community placement (unpaid employment in the non-profit or public sector), and employment placement (unsubsidized paid employment in the public or private sector). [38] Some recipients can have their work requirements deferred or waived, particularly in cases of a sole-support parent with children under school age, senior citizens, and those who have a certified disability.

Ontario Works provides a variety of employment opportunities for welfare recipients. Unpaid community service can involve cleaning up the environment, assisting in charity events, helping in libraries and museums, and helping seniors (MCSS, 1996a). Recipients can also be placed into either paid or unpaid employment within the Ontario Public Service, performing office tasks or assisting on special projects (Region of York, 2001).

Welfare recipients are required to negotiate a participation agreement with their caseworker that determines the length and nature of their work activity. Recipients failing to adhere to their work agreement are sanctioned: social assistance is either reduced or terminated for three months for the first offence and six months for each subsequent offence.

Grade: B

The establishment of Ontario Works was a pivotal event in Canadian welfare reform. As Canada’s first workfare program, Ontario Works has played a significant role in helping recipients develop and maintain essential job skills as well as reducing the attractiveness of social assistance. Combined with strong penalties for non-compliance, the Ontario government receives a grade of B for its commitment to immediate work requirements.

Recommendation

Though strides have been made through Ontario Works, the province should shift its focus away from inefficient, “make-work” employment placements in the public sector towards more productive positions within the private sector. In addition, the Ontario government should continue to monitor the effectiveness of workfare such as the extent to which Ontario Works recipients are participating in work requirements and finding jobs. Furthermore, the Ontario government should

aggressively track the well being of welfare leavers, both in terms of financial standing as well as recidivism rates.

(4) Employment focus

Back-to-work programs, which focus on moving recipients into employment quickly, are more effective in generating earnings and self-sufficiency than investment-driven programs. This connection to the working world provides recipients with an opportunity to maintain basic job skills (such as punctuality, reliability, and working with coworkers), network for future job opportunities, and, perhaps most importantly, earn valuable work experience, the most common barrier to employment for welfare recipients (Reidl and Rector, 2002). Conversely, government back-to-work programs that emphasize education and training to the detriment of employment first have been largely discredited by empirical evidence.

A study by The Fraser Institute of government-sponsored training programs in the United States found that these programs have been largely unsuccessful in reducing unemployment, increasing earnings, and reducing welfare dependency among poor single parents, disadvantaged adults, and out-of-school youth (Mihlar and Smith, 1997). Similarly, research conducted by Manpower Demonstration Research Corporation found that recipients placed in employment-focused programs earn 122% more than those in their education-based counterpart. They also determined that the employment-first model “moved welfare recipients into jobs more quickly ... had larger effects on employment, earnings, and welfare receipt ... [and] provide more support for the advantages of employment-focused programs than for education-focused ones” (Hamilton et al., 2001: ES-2).

What has Ontario done?

The stated goal of Ontario Works is to identify the “shortest route to paid employment.” Participants acquire work through job searches, job referrals, public- and private-sector placement programs, or self-employment. The Ontario government also sets certain job placement goals for each municipality, rewarding those that manage to exceed prescribed target levels. In fiscal year 2001, there were close to 99,000 workfare placements under Ontario Works, accommodating about half the number of welfare cases. Presently, the province relies primarily upon public-sector placements.

Furthermore, Ontario Works offers a myriad of work-related services, such as job clubs, assistance in writing résumés, basic education, and literacy training. Short-term job-specific training programs may be offered in special situations (e.g. for a specific job referral, a welfare recipient may be trained in the operation of a fork lift). Conversely, education-driven programs have been de-emphasized. For instance, students pursuing post-secondary education can no longer do so while receiving welfare benefits and are instead referred to student loans via the Ontario Student Assistance Program (OSAP).

Grade: B

With respect to Ontario's employment-driven, back-to-work programs, there are two main areas of concern: continued reliance on public-sector job placements and a failure to document OW job placements adequately on a sectoral basis. Improvement in this area is required in order to implement additional private-sector placements and gauge their successes adequately. Overall, the Ontario government scores a B for its focus on employment, combining elements of the employment-first model with targeted education and training.

Recommendation

Again, as indicated in the recommendation for *Immediate Work Requirements*, the Ontario government should stress the importance of private-sector employment, which fosters marketable job skills and longer-term self-sufficiency, over temporary, less rewarding make-work.

(5) "Making work pay"

The provision of work incentives has been an important policy tool in encouraging employment and reducing welfare dependency. These policies have been effective because individuals respond to incentives: recipients have a greater propensity to find work when there are low effective marginal taxes on earnings.

All American states offer work incentives in the form of "earned income disregards," which exclude a certain amount of earnings when calculating welfare benefits levels. Most states also disregard a portion of earned income when determining eligibility (USHHS, 2003). Earned income disregards are referred to as earnings exemptions in Canada.

Income disregards (or earning exemptions) are particularly effective at encouraging part-time employment, which helps maintain basic job skills and provides access to information on future employment opportunities.

What has Ontario done?

Since 1995, the Ontario government has made improvements to its Supports to Employment Program (STEP), a policy whereby welfare recipients are provided with financial incentives to find employment. In January 1996, the monthly earning exemption rates for working welfare recipients were increased significantly (table 2). Working single persons receive a \$143 monthly exemption, while single parents can exempt \$275 in earnings plus further adjustments according to family size. Ontario has also taken some measures to limit abuse of STEP benefits. For instance, in 1998, STEP's 25% benefit exemption adjustment was modified from a fixed rate to one that is phased out over a two-year period: the exemption is reduced to 15% after 12 months of employment and then eliminated completely after 24 months. The 12-month periods are cumulative and do not need to be consecutive.

Grade: B

Ontario clearly recognizes the importance of financial incentives as means to move welfare recipients into employment. However, the province's earned income disregards remain low compared to those of many American states and can be significantly improved. Therefore, Ontario earns a B for making a reasonable effort to reward employment.

Recommendation

Ontario should raise exemption levels concurrent with the institution of benefit time limits such that work incentives are increased without encouraging abuse of these benefits.

Reform of welfare program delivery

This section addresses the need for competition in the administration and delivery of welfare services. Each aspect of welfare program delivery reform will be examined and graded separately, followed by an overall assessment in the form of an average score and recommendation.

(6a) Competition for the administration of welfare

For-profit companies have certain competitive advantages, as do those in the non-profit sector, over the impersonal, one-size-fits-all public sector. So to achieve the most effective administration of welfare services, the system should be open to competitive bidding among all of these types of organizations.

PRWORA removed restrictions that in the past prevented states from contracting out welfare intake and eligibility determination duties. Prior to PRWORA, only state employees could make benefit determinations under Aid to Families with Dependent Children (AFDC). States now have flexibility to administer TANF and other assistance programs through vouchers and contracts awarded to private for-profit and non-profit organizations. [39]

Wisconsin has been a leader in this area, as it was the first state to privatize entire areas of its welfare delivery system. Under Wisconsin Works (W-2), the state has opened up the contract process to competitive bidding for eligibility determination, case management, and delivery of other welfare-related services. [40] As a result of W-2 and its competition provisions, Wisconsin taxpayers saved at least \$10.25 million during the first two years of its privatization effort (Dodenhoff, 1998). Recent performance measurements indicate that Wisconsin's private vendors have done as good a job as their government counterparts, if not better in some instances (Dodenhoff, 2002).

What has Ontario done?

In 1997, Ontario became the first province to out-source welfare initiatives to the private sector through competitive bidding; this resulted in its joint venture with Anderson Consulting. This creative endeavor, entitled the Business Transformation Project (BTP), was a technological overhaul of the administration and, to a lesser extent, the delivery of Ontario Works. Among the more notable changes to the system was the introduction of seven call centers (“intake screening units”), a province-wide eligibility database, newly revamped computer systems, and an Internet-based environment into what was previously a highly paper-based system. The agreement struck with Andersen Consulting tied profits strictly to government savings achieved by faster service delivery, reduced fraud, and lower caseworker error.

In 2001, the Provincial Auditor General found that the implementation of the project was not satisfactory in a number of respects, including inadequate documentation of the bidding process, insufficient enforcement of welfare policies, unexplained administrative errors, and a \$66 million overpayment to Andersen Consulting in cost overruns (OAG, 1998; OAG, 2002). In its response, the Ministry of Community, Family, and Children’s Services (MCFCS) suggested such setbacks were to be expected given the scope of the project and has already begun addressing these concerns through BTP’s embedded feedback process. In 2002, a government-commissioned study on the effectiveness of the BTP found that the program has realized a net \$280 million in savings to date—substantial, albeit significantly lower than the savings initially projected.

Grade: B-

Ontario has yet to delegate administrative responsibilities directly to either for-profit or non-profit organizations. In addition, the main stride that it has made in this area—the Business Transformation Project—has experienced some highly publicized technical problems and has reaped fewer savings than expected. Nevertheless, BTP has been a bold move towards opening up administrative services to the private sector and, while imperfect, has been particularly effective at reducing fraud and misuse. For its efforts in administrative reform, the Ontario government earns a grade of B-.

(6b) Competition for program delivery

Similar to administrative reform, competition for delivery of welfare programs enables the government to contract out these responsibilities to private for-profit and non-profit providers through a competitive bidding process. As but one example, private providers can assist welfare recipients find and maintain employment through training, trial work periods, and post-employment assistance. These programs often operate on the basis of a pay-for-performance standard, so that pro-

gram administrators are financially compensated based on their success at moving welfare recipients into employment.

One notable example of successful private delivery of welfare is the New York-based America Works. [41] Studies of America Works have found that of those welfare recipients placed in jobs in the prior three years, 88% were still off the welfare rolls (New York State Department of Labor, 1997). This finding was confirmed by the Social Market Foundation, which noted in its study of America Works that it had been “successful in helping the long-term unemployed to find jobs and at saving public money” (Harding, 1998). Furthermore, the National Center for Policy Analysis found that America Works is capable of training workers for \$5,490 per recipient, substantially less than the estimated \$24,000 price tag for a comparable program run by New York City (NCPA, 2000).

What has Ontario done?

As part of Ontario Works, municipalities have been given the authority to out-source certain employment placement programs to private agencies (MCSS, 1996b; MCFCS, 2001). These agencies are paid according to the level of government savings that accrue to taxpayers. For example, the Region of Peel (Northern Toronto) has adopted the WorkFirst program in which employable Ontario Works participants are placed into temporary employment. The program is a joint venture between Peel and the private-sector employment placement agency Armor (Region of Peel, 2001). In 1997, Ontario announced a comprehensive reform of the provincial-municipal relationship entitled the Local Services Realignment (LSR). Through this initiative, the province has divested a significant amount of responsibility to the municipalities in delivering social assistance. In order to streamline service and increase accountability to taxpayers, the number of delivery agents has been reduced from 196 to 47. Also, the municipalities now have greater funding responsibilities for welfare services.

Grade: C

For making a modest effort to open up some aspects of welfare delivery to the private sector, as well as incorporating private-sector discipline into government-delivered services, Ontario earns a C grade. As of yet, however, there has been little evidence that suggests the decentralization of services has led to innovation in welfare delivery, as has happened under privatization initiatives in the United States.

Average Grade for Welfare Program Delivery Reform: C+

Recommendation

Ontario should follow the lead of Wisconsin and other American states, whereby private and non-profit firms are able to compete for the administration and delivery of welfare services. In addition, Ontario should consider exploiting its wealth of non-profit, grass-roots infrastructure from which to deliver social assistance. [42]

Cumulative grade: B-

Ontario has been a leader in Canadian welfare reform, particularly with respect to work requirements and the focus on employment-driven back-to-work programs. However, outside of Ontario Works, the province has not implemented significant structural reform. The provincial government has continued to ignore the virtues of broad privatization initiatives and time limits. Instead, the province has opted to improve the existing welfare system, emphasizing private-sector principles in government such as accountability, financial incentives, and flexibility. Ultimately, the Ontario government has, since 1995, managed successfully to undo a decade of expensive social-assistance programs, as evidenced by a 42% drop in social-assistance expenditures and an estimated 620,000 welfare leavers. Perhaps more importantly, the changes in Ontario have encouraged self-sufficiency and have rendered most welfare leavers better off financially. Though there remains significant room for improvement, Ontario's bold initiatives to reduce welfare dependency earns a cumulative grade of B-.

Notes

- [1] All inflation-adjusted figures in this study are presented in 2002 dollars unless otherwise specified.
- [2] Disabled persons should be provided with support under the auspices of another program and, as such, the policies affecting these individuals will be discussed only briefly.
- [3] For detailed information on the material in this section, see Schafer et al., 2001.
- [4] This fixed grant is roughly equivalent to the real 1994 level of federal funding for the programs eliminated by PRWORA.
- [5] States are also permitted to put some of the TANF block grant aside for future expenditures in the event of future economic downturns.
- [6] State funding is reduced through the application of a penalty of 5%, which increases by 2% per year for each consecutive work-requirement failure.
- [7] The remaining share is attributable to changes in minimum wage (10% to 16%), welfare benefit levels (1% to 5%) and other unexplained factors (35% to 45%).
- [8] Note that some provinces, most notably Alberta and to a lesser extent Ontario, began welfare reform prior to the CHST. However, Ontario had to wait until the ban on workfare under the Canada Assistance Plan (CAP) was lifted before implementing the Ontario Works (OW) program in 1996.
- [9] For more information about JobWaveBC, see <<http://www.jobwavebc.com/aboutjwbc/corporate/index.asp>>.
- [10] The MHR Exit Survey report for Winter 2003 found that 87% of welfare leavers surveyed did so for the following reasons: work, school, other income, change in family status, and change in financial need.
- [11] The term “spouse-in-the-house” has been used in reference to both the change in the eligibility rules governing common-law relationships in 1987 as well as the subsequent changes to those rules in 1995. As such, the term effectively describes the situation of cohabiting individuals rather than the policy of a particular government.
- [12] As stated by Sabatini: “When welfare rules permit single parents to live with a partner, the principal reason for leaving the system—marriage—is financially discouraged” (1996).
- [13] In January 1991, basic welfare allowances were increased by 7%, shelter allowances by 10%. Ontario increased basic benefit levels for certain single parents and the elderly in the summer and fall of 1991. In 1992, the basic welfare rate was raised by 2% and maximum shelter allowance by 6%. Lastly, basic welfare rates were increased by 1% in April 1993 (NCW, 1997).
- [14] The General Welfare Assistance (GWA) Act provides assistance to needy, though typically job-ready individuals, such as singles, married couples, and, in some cases, single parents.

- [15] The Family Benefits Act (FBA) provides assistance, typically on a long-term basis, to the following individuals: people with disabilities, single parents, and the elderly, among others.
- [16] Between 1989 and 1993, rates increased by as much as \$2,000 a year for single persons and about \$5,000 for a single- or two-parent family with two children.
- [17] For a STEP sample calculation, see *Ontario Welfare 1995–2002: Benefit Levels*.
- [18] By 1993, after concluding that STEP was generating abuse and failing to help those who needed assistance the most, the Ontario government put in place certain eligibility controls and reduced income exemption levels. One of the main changes was the “STEP Notch,” which limited eligibility to those recipients who have collected social assistance for three consecutive months.
- [19] The Board was funded and supported by the Ministry of Community and Social Services (MCSS). Typically, the members of SARB were political appointments made by the provincial government. In 1986, however, the Ontario government eschewed this practice in favour of hiring persons with demonstrated prior involvement in social advocacy to replace retiring Board members.
- [20] By lowering benefit levels, in effect, many people were disqualified from welfare because their income levels became relatively large, reducing their net welfare “top up” to zero (cf. Table 3).
- [21] By comparison, in 1992, the monthly income for a single employable in Ontario was \$812, a real decrease of 32%.
- [22] In March 2003, the Supreme Court of Canada granted leave for the Ontario government to appeal the decision of the Court of Appeal for Ontario, which reaffirmed that the government’s 1995 amendment to the “spouse-in-the-house” rule violated the Charter of Rights and Freedoms. For more information, see *Falkiner v. Director*.
- [23] Figures obtained through an information request to the Ontario Works branch (MCFCS, 2003c).
- [24] If OSAP has not been issued once classes have begun, then recipients may be eligible for social assistance while waiting for the loan. Also, recipients may be eligible for a top-up of social assistance if the amount of monthly personal living funds from OSAP is less than their budgetary requirements (MCSS, 2001).
- [25] The progress and needs of each recipient are reassessed periodically. Employable adults must renew their participation agreement every three months, while longer-term arrangements can be permitted under special circumstances, such as sole-support parents with pre-school-age children.
- [26] Recipients can work a maximum of 70 hours per month in community service so that they have adequate time to perform job searches and other employment-related activities that will lead to long-term self-sufficiency.

- [27] For example, in 1994, the maximum limit on liquid assets for a single parent with one child was \$5,500 (on FBA). In 1998, the limit for this same family was lowered to \$1,457, a 73.5% reduction (Sabatini, 1996; MCFCS, 2001).
- [28] Under both OW and ODSP, the municipalities must pay 20% of income assistance benefits and 50% of administrative costs, with the province paying the balance. Though LSR did not change the proportion of OW cost sharing, municipalities were given new funding responsibilities, including employment support services and access for disabled persons. With respect to ODSP, however, the municipalities had previously no funding responsibilities. The province remains the sole delivery agent for ODSP.
- [29] Note that the data from fiscal year 2000 does not include the time spent by FBA sole-support parents before the transfer to Ontario Works in 1998. The average time on assistance for these individuals before the transfer was about 72 months. Therefore, the subsequent comparison with earlier data is likely to be overstated though to what extent is unknown.
- [30] The total number of welfare cases, which incorporates both OW and ODSP, is no longer readily available. Specific requests must be made to the Ministry to obtain such information. According to the most recent data available, there were 196,590 OW cases in fiscal year 2001 (MCFCS, 2003c).
- [31] States may extend assistance beyond five years to up to 20% of their caseload and may opt to extend assistance further by using state-only funds; or they may provide services to families that reach the time limit through special grants.
- [32] Wisconsin was the first state in the United States under its Wisconsin Works (W-2) program to place a time limit of 24 months on individual welfare recipients.
- [33] In Wisconsin under the W-2 program, Job Access Loans require that TANF applicants have an employment-related need for the cash payment that, when solved, will enable the applicant to either maintain or obtain employment and, as a result, avoid going on welfare. Typical examples where job access loans may be granted include car repairs (and other immediate transportation needs) or clothing for work.
- [34] PRWORA stipulates that no more than 12 months of vocational training, no more than 6 total weeks of job search, and no more than 4 consecutive weeks of job search are permissible. With few exceptions, welfare recipients must be engaged in some form of work activity after a maximum of 24 months on assistance. However, many states have used the flexibility granted them under PRWORA to legislate immediate work requirements. As of November 2002, 35 states had legislated immediate work requirements, up from 28 states three years earlier.
- [35] It should be noted that government cannot create jobs as publicly funded jobs come at the direct expense of opportunities within the private sector (Bastiat,

- 1964). Moreover, Milton Friedman suggests that, in certain cases, not only do government jobs displace private sector jobs but actually destroy jobs, on net (1982).
- [36] States have the option of excluding parents of children under the age of one from any work-related requirements.
- [37] The number of OW recipients participating in work activity is documented periodically each year. In December 2002, there were close to 182,000 individuals involved in work activity along with a caseload of approximately 189,000 (MCFCS, 2003d; MCFCS, 2003c). As such, there was approximately 96% of OW cases (family heads) involved in work activity.
- [38] Though jobs are unsubsidized in the sense that wages are not reimbursed by the government, employers can be offered incentives to hire welfare recipients. The government can offer to reimburse an employer for additional training and supervisory costs, purchase courses or required certification, as well as provide coverage for workplace safety and insurance benefits. These and other incentives are available for a maximum of six months.
- [39] Section 104 of PRWORA, otherwise known as the Charitable Choice clause, removes the barriers that have previously prevented states from entering into partnerships with faith-based organizations (FBOs). In contracting out the delivery of welfare-related administration and services, states must now include FBOs in the competition.
- [40] Wisconsin allowed publicly operated centers, which could meet certain specified performance standards in 1996 and wished to continue providing welfare services, the opportunity to provide those services under contract without having to compete against other private, for-profit and non-profit agencies, under what came to be known as the “right of first selection”.
- [41] America Works is a for-profit company that places long-term unemployed New York City welfare recipients into jobs. America Works operates on the basis of a pay-for-performance standard. America Works assists long-term welfare recipients through “supported work,” which consists of four main stages: orientation, training, trial work period, and recruitment. America Works receives no payment until the welfare recipient is placed in employment. At this point, the company receives 18% of the total value of the \$5,490 received for a fully assisted recipient. If the employer hires the recipient as a permanent employee after a four-month trial period, the company receives a further 70%. If the recipient remains employed for the next three months, America Works receives full payment. However, if the recipient drops out of employment at any time during the seven-month window, America Works refunds to the state its intermediate payments (Schafer et al., 2001).

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- [42] In 2001, of the 27,194 registered charities in Ontario, 11,834 (43.5%) were classified as religious institutions and another 4703 (17.3%) were designated as welfare organizations (Social Planning Council of Sudbury, 2002). These non-profits have consistently provided many important social services, including programs for the homeless and the poor. In the case of religious organizations, most of the beneficiaries of these programs (about 81%) are not members of the congregation (Schafer et al., 2001). However, as of yet, non-profits have played but a very small role in the administration or delivery of welfare in Ontario.

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