Social Exclusion in the Design and Administration of Social Programs
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A social inclusion framework for social policy requires that we take a holistic view of child and family well-being and that our social objectives reach beyond income and employment to include health, literacy, social development and political engagement. Using the lens of "social inclusion" to assess the value and effectiveness of Canadian social programs and support services provides a more complete indicator of social well-being than the simple income or employment measures generally used.

It is true that earnings and income are important basic conditions for family and child well-being, but on their own, they are insufficient for social development and political engagement. This concentration on income indicators by those who design social programs is understandable, since income is clearly significant and it is easier to measure than the other factors that contribute to social inclusion. What we are arguing for here is to assess the resources needed for one to be a citizen, not just a consumer.

What is often overlooked in these discussions is the role that our social and political actors and institutions play in *creating* or exacerbating exclusion. Public policies, practices and program designs can and often do reinforce – rather than reduce – disadvantages arising from other sources, thereby transforming original disadvantage into true social exclusion.

Public officials under the direction of political masters design our social programs. So, for example, government programs to support low-income Canadians are designed and administered by a policy elite holding various university degrees, who in all likelihood never have and never will live on low incomes. In fact, the interests of the low-income beneficiaries are represented only through bureaucratic benevolence, without reference to or input from the group they purport to serve. This leaves the door wide open for programs that are poorly designed, with arbitrary exclusions, and contradictory and capricious regulations.

This would *never* happen with policies or programs that affect wealthier Canadians. The professional scrutiny that protects the interests of the affluent is largely absent from discussions about the design and delivery of our "social" programs. Take, for example, the scrutiny to which our income tax system is subject. For any proposals to change the tax system, a highly educated and well-endowed analytical community – referred to as "Bay Street" – studies the legislation in detail, then articulates what they see as the necessary changes. Using media and political connections, they can advocate for legislative changes that better serve their clients' interests.

Contrast this with the scrutiny given to programs such as welfare, subsidized housing or subsidized childcare. No public official or organization systematically analyzes the combined effects of the various programs that are supposed to benefit low-income Canadians. As a result, there is too little documented research on the impact of these programs on their clientele and even less debate about their effectiveness in promoting social inclusion. In effect, there seems to be no political interest or broad public interest in improving the design of our programs for low-income Canadians. Yet it is vital that this be done.

In addition, given the existing array of programs, there are few sources of information that low-income people can access to help them organize their lives and their finances for the greatest benefit. The financial community that provides such services for middle- and high-income Canadians does not seem to have the information – or the motivation – to provide these services for low-income Canadians.

Let's look at some concrete examples of how government programs treat Canadians who have little economic or political clout.

Subsidized childcare: Childcare is, of course, essential to enable large numbers of parents to obtain and keep employment. In Ontario, low-income parents are assessed for possible childcare subsidies based on their income and "assets." Assets include RRSPs (savings for retirement), RHOSPs (savings for home ownership) but not an employer pension plan or a home. And subsidized childcare spots may not be conveniently located near home or work, making life even more difficult for low-income parents.

By contrast, the tax deduction for childcare through the income tax system is not asset tested, nor even income tested; in fact, its value *increases* with income. The tax deduction can even be used to cover a nanny and a portion of the cost of summer camp – impossible dreams for low-income parents.

The Market Basket Measure (MBM) of Poverty: At the behest of the provincial ministers of social services, HRDC is developing a poverty measure which rejects the relative notion of poverty underlying Statistics Canada's Low Income Cut-offs. "It is designed to be sensitive to the changing consumption opportunities of those at the lower end of the income scale, not to what is happening to general living or consumption standards" (HRDC). Although awkwardly expressed, the intent of the MBM is clear: the standard of living judged by officialdom as sufficient for the 'poor' will not depend on what those same officials take for granted. What an excellent description of social exclusion.

How will anyone be able to judge the adequacy of welfare rates or their contribution to social inclusion when the same provincial ministers who set welfare rates will soon have the final say in what gets included in the 'market basket' used to determine poverty lines?

The effect of stacking: Low-income seniors are eligible to receive the federal Guaranteed Income Supplement (GIS) in addition to their Old Age Security pension. But for every $1 of other income, including Canada Pension Plans and RRSPs, there are a series of effects, as follows:

- their GIS payment is reduced, usually by 50 cents;
- their income tax owed will be about 25 cents on that dollar (approximately half of GIS recipients also pay income tax);
- their GST credit will be reduced by 5 cents;
- their social housing (rent-geared-to-income) subsidy will be reduced by 30 cents;
- their Meals on Wheels and Home Help fees could each increase by up to 30 cents.

As a result, the stacked or cumulative effect of the "marginal tax rate" for these low-income seniors would exceed 100% – actually making them worse off for each additional dollar of income they received. And this is not an isolated problem: a significant proportion of low-income seniors are in this situation, and there are other examples of stacking effects that act to further exclude low-income families.

One woman who wrote me said she had withdrawn $1,000 from an RRSP. As a result, HRDC reduced her GIS by $1,000 and she had also paid income tax on the RRSP withdrawal. She is already worse off by a few hundred dollars for having saved for her retirement. And this RRSP 'income' may also increase her rent (if she is in social housing) and her costs for Meals on Wheels, home care and prescription drugs.

Savings on welfare: A woman I met at St. Christopher House in Toronto recounted how her welfare worker had warned her that her daughter's scholarship fund was approaching her asset limit. (Her $26 monthly contributions had reached $600.) So naturally, she stopped contributing. Then the financial institution warned her that without continued contributions, they would cancel her plan and refund her money – less the salesman's commission, of course. In the end, she received a $50 refund. This is how welfare regulations reward initiative.

Administrative treatment of income supports: If a person fails to apply in a timely fashion for income supports like Old Age Security, the GIS or CPP, federal legislation provides for only about one year of 'back pay.' The government's philosophy seems to be "use it or lose it." Yet the effect is exclusionary and patently unjust. For example, Isabel, who is 90 years old, missed out on 15 years worth of CPP survivor benefits because she didn't know about the program. Her survivor benefits were the result of contributions that her husband Jim, who died in 1986 at the age of 83, but Jim had never collected any CPP benefits. This is particularly egregious because the CPP is a contributory program, meaning that one's entitlement to benefits is based on one's own contributions.

By comparison, pay equity settlements to public servants and others can be retroactive for 15 years. And a person can modify their income tax return to pick up any perks they might have missed going back a number of years – another provision that is more likely to benefit higher-income persons than those with low incomes.

The clawback of the Child Tax Benefit (CTB): The Child Tax Benefit is seen by Ottawa's policy elite in unreservedly positive terms, and HRDC markets the CTB primarily as an anti-poverty program. Yet frontline workers with vulnerable populations despise the Child Tax Benefit clawback as just another example of discrimination and abuse of welfare kids. The fact that about two-thirds of low-income children are excluded from the CTB should have made it a tough sell politically, but the excluded children are those on welfare. As one Toronto friend said, "I cringe when my Child Tax Benefit increases, because I know my next welfare cheque will be reduced."

Maternity benefits under EI: Maternity benefits under the Employment Insurance program have been extended to one year, which is a significant step forward for the 58% of new mothers who are lucky enough to qualify. Unfortunately, the new moms who do not qualify for maternity benefits tend to be lone-parents and part-time employees in low-wage, no benefit, casual jobs.

Last year, Bill C-2 protected *some* new mothers from the stricter re-entrant rules which make EI eligibility difficult, particularly for those returning to the workforce part-time. Instead of protecting *all* new moms from re-entrant rules, HRDC chose to protect only those who had received maternity benefits and neglected those who fell below their radar screen – new moms returning to the labour force who did not qualify for maternity benefits.

Financial advice/choices: According to some commentators like the Canadian Chamber of Commerce and W. M. Mercer's Malcolm Hamilton, having lower-income Canadians save for their retirement is futile. One report by the Chamber of Commerce says the system tells people at low income levels, "Do not save – public programs will provide you with a minimum income in retirement that you will not be able to significantly augment through your own savings efforts." (Canadian Chamber of Commerce, undated, p. 2)

These commentators recognize that the advantages of RRSPs can be wiped out by reductions in the GIS for low-income seniors. For example, the GIS reduction for a $1,000 RRSP withdrawal will usually be $500, but it could range from zero to the full $1,000, depending on the circumstances. In addition, 50% of GIS recipients will also pay income tax on their RRSP withdrawals. In fact, current GIS recipients have about $37 billion of retirement assets, the receipt of which will have only minimal impact on their standard of living.

About 32% of households nearing retirement – those aged 55 to 64 – have retirement savings of less than $100,000, excluding CPP/QPP. I call them "futile savers" because they are likely to be GIS recipients and will therefore lose much of their savings to income-tested benefits.

Neither governments nor the financial community seem to have much interest in designing tax-assisted savings vehicles for low-income Canadians that work as well as RRSPs do for affluent Canadians. Even without legislation changes, few people seem to have much interest in informing lower-income Canadians that RRSPs are ineffective savings vehicles for them.

Conclusion

If we *truly* wish to design policies and programs for Canadians that are socially and economically inclusive – and I would argue that we should – we must pay greater attention to the possible effects of those policies and programs. Ease of administration should not be the guiding principle.

We must try harder to be more inclusive and more accountable by actually involving potential beneficiaries in the earliest stages of a program's design. It is not sufficient to simply consult other politicians, bureaucrats or "policy experts" who claim to speak on behalf of the poor and vulnerable. And once designed, we must test our policies and programs "on the ground" in order to verify that their theoretical value stands up in real practice. We also need to provide information about our policies and programs, information that is clear, understandable and accessible to those who might wish to use the programs. It is certainly more challenging to take these steps, but the end results are far more worthwhile.

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