

## COVID-19 & TRENDS IN INCOME ASSISTANCE CASELOADS

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**Provincial income assistance caseloads declined from April 2020 to October 2020, with some provinces seeing larger declines in caseloads than others. One reason for this was that provinces treated income from the Canadian Emergency Response Benefit (CERB) differently not only for the purposes of eligibility for income assistance but also for determining income assistance benefits. The result was many provinces were able to dramatically reduce their income assistance expenditures by temporarily shifting the cost to the federal government.**

Every province and territory in Canada offers an income assistance program (often referred to as “welfare”). In general, for recipients of income assistance who are expected to work, the purpose of these programs is to increase their self-sufficiency and help them transition into employment. Income assistance recipients face many obstacles when re-entering the labour market; a phenomenon known colloquially as the welfare wall, which includes having their benefits eliminated when they supplement their benefits with earned income.

To help reduce the welfare wall, income assistance programs are designed so that recipients who accept employment are not completely cut off of income assistance. Instead, they have their benefits reduced, usually initially less than dollar for dollar as they begin to earn income. And as long as earnings are below a certain level throughout the year, they remain eligible for income assistance and receive (some) benefits.

This means that during the first-wave of the COVID-19 pandemic, some persons who lost employment were income assistance recipients. If an income assistance recipient lost employment, it is possible they were eligible for the federal Canada Emergency Response Benefit (CERB): a temporary income support program for workers who, in the year or 12-months prior earned at least \$5,000 and for whom COVID significantly reduced employment earnings (Department of Finance Canada 2020). Persons who applied to CERB received \$2,000 per four-week period, for a maximum of 28 weeks, regardless of actual lost earnings. Because some income assistance recipients were eligible for the CERB, this made it necessary for each provincial income assistance program to determine how to treat the CERB for eligibility and benefit purposes.

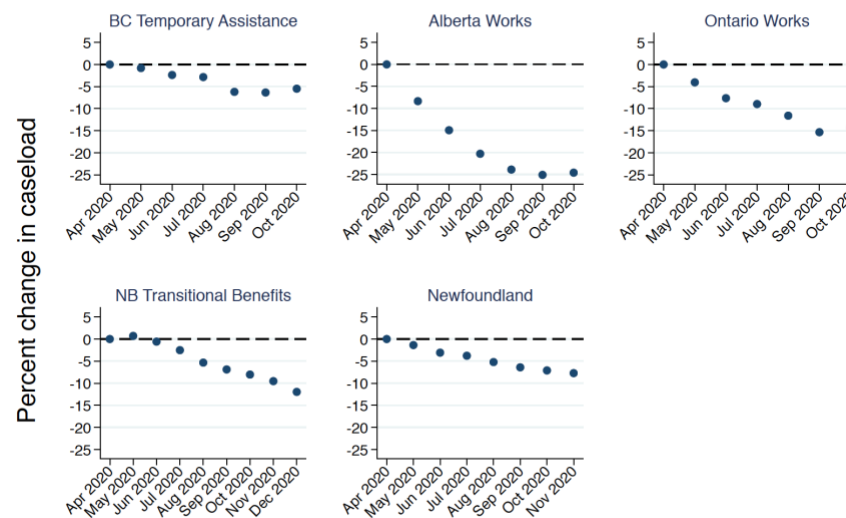
How each province and territories income assistance program treated the CERB is detailed in Petit and Tedds (2020). We summarize their work here for five provinces. B.C., an outlier among the five provinces, chose to fully exempt the CERB for existing income assistance clients. That is, if an existing

recipient in B.C. received the CERB, the CERB benefit had no impact on current recipient’s eligibility for income assistance nor on their benefit amount: they received both their full benefit and the full CERB. However, if a new applicant to income assistance in B.C. was already receiving the CERB, they were ineligible for benefits.

In comparison, Ontario and Alberta chose to ‘partially exempt’ the CERB. In theory, income assistance recipients receiving the CERB in Alberta and Ontario could remain eligible for income assistance and keep the CERB plus a partial amount of their income assistance benefits. However, in practice, for both Alberta Works and Ontario Works, because the partial exemption was too low and income assistance benefits are low, individuals receiving the CERB became ineligible for income assistance and received zero benefits. Finally, New Brunswick and Newfoundland chose not to exempt the CERB: anyone receiving the CERB became ineligible for income assistance and received zero benefits.

In the Figure we show the percentage change of caseloads in provincial income assistance programs relative to April 2020, the first month CERB was received in each of the five provinces described above.

Percent Change in Caseload Compared to April 2020 <sup>1</sup>  
Deseasonalized Caseload Data



The figure, which displays deseasonalized caseload data for those who are in the expected to work category, shows that of the five provinces B.C. saw, by far, the smallest decline in their income assistance caseloads (relative to April 2020). Because B.C. fully exempted the CERB for existing income assistance clients but not for new applicants, the CERB only affected entrance into income assistance but not exits.

Provinces that partially exempted the CERB (Alberta and Ontario) saw the largest drops in their income assistance caseloads relative to April 2020. This is likely because CERB affected both entry and exit—new applicants receiving CERB were ineligible for income assistance and existing recipients collecting CERB were forced to exit income assistance. Finally, provinces that did not exempt the CERB (New Brunswick and Newfoundland and Labrador) saw mid-sized drops in their income assistance caseloads. Without more detailed data, we cannot be sure why this drop was not larger and such data won't be available to study for some time yet.

These trends lead us to the following three observations:

### 1. The CERB shifted which level of government paid for income assistance during the pandemic.

The CERB allowed provinces to shift some of the financial for income assistance onto the federal government. Alberta and Ontario appear to have taken advantage of this, shifting a relatively large amount of their financial burden. This does not necessarily mean that their income assistance clients were worse off in terms of total income as the CERB benefit amount was more than income assistance benefits, but it does mean they received only the CERB or income assistance, not both. Other provinces like B.C. appear to have chosen to shift only a relatively small amount of their financial burden to the federal government, enhancing income support for current income assistance clients by allowing them to keep both the CERB and income assistance benefits.

**2. Provincial income assistance programs that chose to partially exempt or not exempt the CERB penalized income assistance recipients who were meeting the goals of income assistance.** Income assistance recipients who worked prior to the pandemic were making an effort at becoming self-sufficient, a goal recognized by income assistance programs. By making income assistance recipients receiving the CERB ineligible for income assistance or reducing their benefits, this penalized them for having worked pre-pandemic: it failed to recognize their efforts at meeting income assistance goals.

**3. The decision of how to treat the CERB for the purpose of provincial income assistance may have long-run impacts on income assistance caseloads.** The literature suggests that when permitted to acquire more savings, income assistance clients do save more (McKernan, Ratcliffe, and Nam 2010). Savings can cushion against unexpected financial shocks and are necessary for self-sufficiency (Robson 2008). Ultimately, savings may reduce dependency on income assistance. Thus, provinces like B.C. who fully exempted the CERB may see relatively more reduced dependency on income assistance amongst their current recipients compared to provinces that chose to partially exempt or not exempt the CERB such as Alberta and Ontario. This will be an important trend to watch in future years.

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### Figure Note

1 Data sources: (Ontario Ministry of Children Community and Social Services 2021; Government of Alberta Open Data 2021; BC Ministry of Social Development and Poverty Reduction 2021; New Brunswick Ministry of Social Development n.d.; Newfoundland and Labrador Ministry of Immigration Skills and Labour n.d.)

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