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## Workfare in Toronto: More of the Same?

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*This paper uses a recent survey of welfare leavers in Toronto to examine Workfare, a uniquely American initiative introduced into Canada, with its different welfare state history and traditions. When classic American workfare was imported by an enthusiastic government in Ontario, its application led to employment outcomes remarkably similar to those in the US (reduced caseloads, insecure and contingent employment, high recidivism). Yet, Canada's earlier commitment to community and collective responsibility have not been entirely subsumed below the overarching American umbrella. Welfare programs in Canada—specifically, workfare—reflect both the difficulties of maintaining great difference, and also the possibilities of following an alternate path.*

*Keywords: workforce, welfare, Canada, community, recidivism*

In the immediate aftermath of the 2004 election, many Americans looked enviously northwards, to Canada, a country that seemed to be marching to the beat of a different drummer. Though the stories of mass migration to Canada in reaction to the Bush re-election have thus far proven apocryphal, Americans nevertheless tend to see Canada as a gentler, more caring society, a place where the rugged individualism of free market economics is constrained by a greater sense of community and of collective concern for the disadvantaged.

Undoubtedly there is some historical truth in this perception. In this Research Note we look at Workfare, a uniquely American approach towards welfare, that has been introduced

into Canada, particularly in the province of Ontario: we shall examine whether the generally glowing portrayal of the Canadian experience retains validity against a backdrop of workfare, and to what extent welfare initiatives in Canada and the United States have converged in recent years. The short answer is that while workfare in Canada, and most especially in Ontario (Gorlick, 2002) has been remarkably similar to that of the United States, recent events suggest that perhaps the American model does not after all fit quite so comfortably in the Canadian context.

### The Context

Canada's welfare state development was based in large part on the post-World War II model of Britain, combining the economics of Keynes with the social innovations of Beveridge. By the mid-1960's, Canada had developed a set of social programs that, while modest and fully compatible with a market economy, nevertheless offered a reasonable range of protections to a large portion of its population. Standing high in this landscape, alongside public health insurance, was the Canada Assistance Plan (CAP), 1966. This piece of federal legislation offered the provinces open-ended 50/50 cost-sharing for the provision of welfare (i.e., Ottawa paid half the costs as incurred by the provinces, without upper limit). Perhaps the most important feature of CAP was an outright prohibition on attaching any conditions, other than being "in need", to the receipt of benefits. What this meant was that the provinces could not impose any work-related requirements—what we today call workfare—to eligibility for the assistance cheque. The provinces, lured by the attraction of what was referred to as the 'fifty cent dollar' rapidly expanded their welfare services.

The global economic recession of the 1970's was experienced in Canada, and its impact continued through the 1980's. Social programs were tightened and downsized, though somewhat imperceptibly (Gray, 1990). The process was accelerated by the passage of the 1988 Free Trade Agreement between Canada and the United States, which over time brought the economic and social systems of the two countries dramatically closer. The FTA added

pressure on Canadian industry to lower its cost to compete successfully in the new enlarged common economic market: Lower costs for manufacturers entailed lower taxes, and lower taxes in turn implied less social spending. Surprisingly perhaps the Canada Assistance Plan remained essentially unscathed through this process, though the federal government did impose an upper ceiling on its aggregate financial contribution in three wealthy provinces (Graham and Lightman, 1992): entitlement to welfare remained absolute and unconditional, provided only that the 'in need' condition was satisfied.

The election of a federal Liberal government in 1993 marked a fundamental change in the landscape, as the new Finance Minister undertook a full, frontal assault on social spending. The Canada Assistance Plan was replaced with the Canada Health and Social Transfer, 1996, which replaced the former 50/50 cost-sharing with block grants to the provinces, similar in some ways to PRWORA in the US. More fundamentally, the new legislation eliminated the prohibition on conditionality, and thereby opened the door to workfare experimentation. The election of a neo-liberal provincial government in Ontario a year earlier led to enthusiastic embrace of both the value base and practice of workfare.

Workfare in Ontario, introduced in 1997 and known as *Ontario Works*, consciously copied the classic American approach, emphasizing caseload reduction, minimal if any investment in human capital, and "the shortest route to a job". Such 'work-first' programs are based on the premise that individual deficiencies (and/or personal moral failings) are at the root of poverty and unemployment, rather than inadequate labour demand or the structure of employment opportunities. The language talks of 'incentives' towards employability, rather than 'barriers' to employment.

Since the program philosophy of *Ontario Works* was essentially the same as in the US, the important policy question is whether the outcomes would be similar; or, alternatively, whether there might remain residues of the earlier, less punitive pre-1996 approach. Through the 1990's, welfare caseloads dropped dramatically across Canada, due to a combination of tightened eligibility rules, rate cuts and a booming economy (Sceviour and

Finnie, 2004). Nevertheless, research on the outcomes of welfare reform in Canada, particularly in Ontario, is extremely limited. Though research in the US has consistently shown high job insecurity, high recidivism back onto welfare, and low working wages and incomes, there has been little comparable research in Canada (Cancian *et al* 2002; Hamilton, 2002; Loprest, 2002). One recent national study by Statistics Canada found that on average family incomes rose after leaving welfare, but, for approximately one-third of leavers, income declined (Frenette and Picot, 2003). After five years, those who had fared worst originally upon leaving welfare increased their incomes "substantially", but this only returned them to the very low incomes they had received earlier while on welfare. In Ontario, government research on the outcomes of welfare programs is limited to two province-wide telephone surveys of people who had left the welfare rolls, conducted in 1996 and 1998 (Ontario Ministry of Community and Social Services, 1998). A 1996 City of Toronto welfare leavers study found that 37 percent of respondents had jobs that paid less than \$300 per week; 36 percent were part-time; 36 percent of those employed had jobs that were temporary, contract, casual or seasonal and 72 percent of the jobs provided no benefits (Mitchell, 2001).

Recidivism rates in Canada also appear to follow those of the US experience: Frenette and Picot (2003), for example, found that returns to welfare were common, with approximately 33 percent returning within one year and fifty percent within five. Michalopoulos *et al* (2002) reported that approximately 60 percent of study participants were not working after five years. Finally, analysing recent Canadian welfare trends, Sceviour and Finnie (2004: 10) found that welfare entry rates had declined strongly across all family types, in part the result of increased difficulty to access welfare, particularly in Ontario and Alberta. As a consequence the "stock" of cases changed and there were "more of the sort of recipient who would have greater difficulties leaving welfare in any given year, thus driving exit rates down."

In 2001, the Social Services Department in Toronto commissioned a special telephone survey of those who had left the Ontario Works caseload between January and March of that year. A total of 804 surveys, drawn from a random sample of 3,335 potential respondents, was completed in November and December

2001. The respondent profiles were not fully representative of the population of all social assistance recipients, and so a weighting procedure was employed which reduced, but did not entirely eliminate, the problem of sample bias (Toronto, Community and Neighbourhood Services, 2002). It is this survey that provides the empirical basis for the analysis that follows.

### The Reasons for Leaving Assistance

As shown in Table 1, just over half (56% or 435 out of 773 usable responses) indicated that they left Ontario Works for 'employment-related' reasons, such as beginning a new job or returning to a previous job, obtaining a better job, or getting a raise, promotion or more hours of work. Of this group, thirty percent had either changed jobs or lost the initial job or were not working at the same job at the date of the survey, a relatively clear indicator of high job instability, particularly given that all 435 had originally left welfare for 'employment-related' reasons; the remainder (69%) were still working at the same job for which they had left welfare.

Table 1

*Current employment status and reason for leaving assistance*

	<i>Reason for leaving assistance</i>		<i>Total (n=773)</i>
	<i>Employment (n=435)</i>	<i>Non-employment (n=338)</i>	
<b>Current employment status</b>			
Currently employed:	84%	40%	65%
Same job	69%	0%	
Different job	14%	0%	
Not currently employed, but have worked since leaving assistance	16%	9%	13%
Have not worked since leaving assistance	0%	51%	22%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Toronto Survey (2001).

Just under half (48%) of the respondents gave a reason for leaving their first job: these primarily reflected involuntary departure, most commonly the end of a contract, a layoff or a firing. A minority (16% of the total) indicated they had quit their first job. Of those who left assistance for non-employment related reasons, just over half (51%) had not worked since leaving the system. Of the remainder, some 40% were currently employed, while the remaining nine percent had worked since leaving assistance, but were not currently employed.

### Job Characteristics of Leavers

Table 2 reports on a number of other aspects of the employment experience of the welfare leavers, alongside comparable information for the broader adult labour force (aged 25+) in Ontario. In every dimension, welfare leavers fared worse than the labour force at large.

Thirty percent of respondents were in non-permanent jobs (temporary, casual, seasonal or contract), compared to seven percent for the labour force as a whole. Nearly thirty percent of the

Table 2

*Job characteristics for welfare leavers compared to Ontario labour market*

<i>Job characteristic</i>		<i>Toronto OW leavers</i>	<i>Ontario (2001 25+)</i>
Job permanence:	Permanent	69%	93%
	Temporary	31%	7%
Full-time/part-time:	Full-time	72%	87%
	Part-time	28%	13%
Average usual hours		36	38.3
Average hourly wages		\$12.69	\$19.81
Median hourly wages		\$10.17	\$18.00
Average weekly earnings		\$442	\$758
Median weekly earnings		\$385	\$692

Sources: Toronto Survey (2001) and Statistics Canada (2003).

employed respondents were in part-time work, a rate more than double that of the total adult labour force (13%).

While the average weekly hours for the respondents were only slightly less than those of the provincial labour force (36, compared to 38), 23% of our sample worked less than 30 hours, compared to 13% for the reference group. Thus the incidence of extreme short-time was much more pronounced in the respondent group, while the overall labour force reflected considerably more people putting in full-time work (35 to 40 hours).

Perhaps the most dramatic differences between the two groups were in hourly wages and weekly earnings. On an hourly basis, the average and median wages for respondents were, respectively, two-thirds (64%) and just over half (56%) of those found in the adult labour force. Disaggregating these data, 37% of respondents earned less than \$10 an hour, an informal but widely accepted benchmark for categorization as "working poor" in Ontario (Maxwell, 2002): the corresponding rate for the overall labour force was 13%. The average and median weekly earnings of respondents were 58% and 55%, respectively, of the corresponding figures for the provincial adult labour force. Over half the respondents (51%) earned less than \$400 a week, compared to just under a quarter (24%) of the reference group.

### Recidivism

There was a substantial amount of recidivism among those leaving assistance, suggesting that for many respondents the labour market experience was less than successful. Seventeen percent of the original sample had returned to assistance by the time of the survey, eight to ten months after leaving the system. The major reasons given were illness or disability (31 percent of the recidivists), job loss (20 percent), inability to find a job (12 percent), financial difficulties (10 percent) and changes in family circumstances (8 percent). These findings raise the possibility of *churning*, the process by which people repeatedly cycle on and off assistance, unable to ever make a permanent break. However, the degree of recidivism in Toronto is less than that found nationally by Frenette and Picot (2003) who reported that for recipients who had received social assistance in 1992, but not in 1994, 35 percent

had returned by 1995: this lower recidivism in Toronto is presumably attributable to the city's status as the major economic engine of Canada, with its accompanying higher levels of employment.

### Commentary

A direct comparison of the post-workfare labour market experience in Canada and the United States is beyond the scope of this Research Note, and would properly have to encompass considerations of relative human capital (labour supply) as well as employment barriers and structural constraints (labour demand). Nevertheless, the findings reported here are fully compatible with the expectation of great similarity in the two settings. When the classic American workfare model was imported by an enthusiastic government in Ontario, its application led to remarkably similar employment outcomes compared to those of the US. The transfer of both welfare ideology and practice appears unhindered by the border between Canada and the United States.

These findings return us to the original question about welfare state convergence between the two countries: when Esping-Andersen (1990) presented his analysis labelling Canada as an "archetypical example" of the liberal model of welfare, alongside the US, he was correct only by process of elimination, in that neither country fit into either of the two other models he developed; but a disaggregated look at Canada alongside the US, suggests that at least with respect to welfare, his analysis was deficient at the time (Lightman, 1991). (And welfare, as the program of last resort, stands as a litmus test for the kind of society we have, how we treat the poorest and most vulnerable amongst us). However, the intervening years since 1990 have mitigated, or perhaps substantially eliminated, the differences in welfare philosophy and practice between the United States and the province of Ontario. Under the influence of the original US-Canada Free Trade Agreement, supplemented by NAFTA and the WTO, Canada has become ever more absorbed and integrated into the US sphere of influence, economically, socially and even ideologically. The implementation of classic workfare in Ontario, has produced outcomes for welfare leavers remarkably similar to those of the United States.

What then of those Canadian social initiatives that are so attractive to many Americans? How to explain Canada's enlightened system of public health insurance that covers virtually the entire population, cheap prescription drugs, or same-sex marriage?

Though there is no simple and single explanation, it appears that Canada's absorption into the US empire has not been complete. Though economic integration is highly advanced, ideologies and values have not followed unquestioningly. Traces of Canada's earlier commitment to community and collective responsibility have not been entirely subsumed below the overarching American umbrella.

Indeed, even in welfare programming, resistance to the worst excesses of workfare have begun to surface: in the autumn of 2003, a provincial election was held in Ontario, and the neo-liberal government was ignominiously defeated. The incoming regime had been publicly rather silent in their election manifesto about their plans for workfare, but they had privately committed to reform. Upon taking office, they began, slowly and cautiously, to chip away at the most egregious corners of workfare and of the rest of the welfare program: the meanness and heavy punitive tone associated with the previous government's approach to workfare began to dissipate quickly. The Parliamentary Assistant to the Minister of Social Services was appointed to investigate welfare in the province, in and of itself a repudiation of the previous government's hard 'work-first' principles. The key recommendations of her report, which had been produced within a matter of months, were immediately acted upon. Most notably, a cumbersome two-stage application process—which many argued was designed to keep people off the system rather than to facilitate their entry (Herd *et al*, 2005)—was eliminated and certain other minor changes were also implemented. A new community coalition, heavy with the corporate elite of the city, sprung up in Toronto to aid (and perhaps pressure) the new government to move rapidly in the direction of welfare reform. The long process of 'reforming' welfare back towards a more humane system of help had at last begun.

In short, Canadians have learned that when living next door to an elephant, there may not be much room to manoeuvre.

But there are occasions and opportunities to assert difference, to retain the legacy of community caring and to reject the worst excesses of unbridled market economics. Welfare programs—in particular, workfare—reflect both the difficulties of maintaining great difference, and also the possibilities of following an alternate path. Whether workfare ultimately proves to be an anomaly or a precursor of broader social differences between the US and Canada, remains, as yet, uncertain.

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