

**On Assistance, Can Work:  
The Unrealized Employment Potential in Vancouver's  
Downtown Eastside**

by  
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B.A., University of the Fraser Valley, 2012

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## Ethics Statement

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## **Abstract**

Vancouver's Downtown Eastside (DTES) neighborhood is home to around 2400 welfare recipients, many of whom can and want to work, but experience barriers in doing so. Many engage in a continuum of income generating activities that creates pathways from informal work to traditional employment. Currently there is inadequate movement along the continuum due to multiple systemic barriers. To understand these barriers, I undertake a qualitative thematic analysis of primary interview data with welfare recipients, representatives from community organizations/social enterprises in the DTES, and social policy experts. Using a series of evaluative criteria, I combine primary research findings with the literature to assess five policy options. I recommend a combination of these options to reduce administrative barriers, recognize the income generation continuum, and increase the financial incentive to work. This recommendation is designed to facilitate movement along the continuum and enhance economic security and well-being for DTES welfare recipients.

**Keywords:** welfare/income assistance policy; social policy; Vancouver's Downtown Eastside; barriers to employment; income generation; financial incentives to work

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## List of Acronyms

BCEA	British Columbia Employment Assistance
CCTB	Canada Child Tax Benefit
CCPA	Canadian Centre for Policy Alternatives
CER	Community-engaged research
DTES	Downtown Eastside
EAW	Employment Assistance Worker
ELMSD	Employment and Labour Market Services Division
EPBC	Employment Program of British Columbia
ETW	Expected to Work
IGC	Income Generation Continuum
METR	Marginal Effective Tax Rate
MSDSI	Ministry of Social Development and Social Innovation
ODG	Open Door Group
PPMB	Persons with Persistent and Multiple Barriers
PWD	Persons with Disabilities
SSP	Self-Sufficiency Project
WITB	Working Income Tax Benefit

## Glossary

Barriers to employment	Barriers that affect an individual's ability to work in the traditional labour market such as disability and poor health, mental health and addictions, human capital deficits and structural barriers such as colonialism.
Clawback rate	The colloquial term used in the community to describe the rate at which income assistance benefits are reduced when recipients work for pay beyond any flat-rate exemptions (Torjman and Battle, 1993). See also 'taxback rate'.
Earnings exemption	The amount of income an income assistance recipient can earn and retain through employment before having it taxed back from assistance payments.
Gig economy	A labor market characterized by the prevalence of short-term contracts or freelance work as opposed to permanent jobs.
Labour market attachment	A successful employment outcome for Employment Program of BC participants that is achieved after full-time employment has been sustained for at least 24 weeks (FERENCE and COMPANY, 2016).
Low-threshold work	Work that is easily accessible to people experiencing barriers to employment.
Marginal Effective Tax Rate (METR)	Refers to proportion of each incremental dollar earned that is lost to additional taxes and loss of benefits (DRUMMOND and MANNING, 2005).
Social enterprise	Businesses operated by non-profit organizations with the dual purpose of earning income from sales of programs and/or services and creating social value (ENTERPRISING NON-PROFITS, 2010).
Social hiring	Providing work opportunities for people who experience barriers to traditional employment.
Taxback rate	The rate at which income assistance benefits are reduced when recipients work for pay beyond any flat-rate exemptions (Torjman and Battle, 1993). See also 'clawback rate'.
Welfare recipient	An individual who is receiving income assistance that has been deemed employable by the Ministry of Social Development and Social Innovation, meaning they are expected to be actively looking for work.

## Executive Summary

Vancouver's Downtown Eastside (DTES) neighborhood is home to 8700 income assistance recipients, 26% are considered employable or 'expected to work' (ETW). Despite this, many ETW welfare recipients in the DTES face significant barriers to their securing and retaining traditional employment.

Welfare recipients in the DTES engage in a variety of income-generating activities located along what is called the Income Generation Continuum (IGC). These activities range from very informal to more formal work. Participation in activities on the IGC has been found to empower labour market engagement and create pathways to traditional employment (City of Vancouver, 2016). Currently, there is inadequate movement along this continuum because of multiple structural barriers, resulting in welfare recipients being unable to unharness their full work potential. In this capstone, I aim to identify and evaluate policy options for the provincial government that facilitate movement along the IGC.

I use two methodological frameworks. First, my approach to qualitative data collection and participant recruitment is grounded in a community-engaged research (CER) framework that is characterized by the process of working collaboratively with and through people in the community to address issues that affect their well-being (Clinical and Translational Science Awards Consortium, 2011). Second, the overall analysis is grounded in a policy analysis framework. In this framework, I use data from a comprehensive literature review and qualitative interviews with: welfare recipients; representatives from social enterprises/community organizations in the DTES; social policy experts; and, government officials to explore and assess the institutional barriers that prevent welfare recipients in the DTES from progressing along the IGC.

Through thematic and narrative analysis, I identify key themes across my qualitative data to understand welfare recipients' experiences both through their personal narratives and the narratives of others. Overall the community expresses their frustration with the government's ignorance to the benefits of non-traditional work along the IGC, and the lack of governmental support for organizations that engage in social hiring. I find that the current 100% clawback rate on earned income acts as a disincentive to work and that there are many risks inherent in losing assistance that

prevent individuals from taking on more work and/or reporting income. Finally, one of the most important findings is that there is a considerable amount of fear and distrust of the government among welfare recipients. As such, only 3.5% of welfare recipients in the DTES reported any earned income to the Ministry between May to October 2016.

I analyze five options available to the provincial government based on a series of standardized criteria including: effectiveness; equity for the working poor; budgetary cost; cost savings; and implementation complexity. Effectiveness is assessed by three different measures including: the ability to move welfare recipients along the continuum; the effect on welfare recipients' fear of reporting income; and support for social hiring.

The options I examine were developed based on my literature review and research findings, and are not mutually exclusive. The options include: introducing rapid reinstatement for welfare recipients; creating a non-traditional employment stream in the Employment Program of BC; increasing the flat-rate earnings exemption; reducing the taxback rate on earned income; and establishing a provincial earnings supplement program outside of the welfare system.

I recommend a series of options that interact with one another to address the key considerations of my capstone. First, I recommend introducing rapid reinstatement so recent welfare recipients can get back onto assistance without having to reapply. Second, I recommend creating a non-traditional employment stream and an earnings supplement program that are tested within a pilot project in the DTES. These options work together to facilitate movement along the IGC. For the earnings supplement to be effective, there must also be a significant increase in earnings exemptions and/or a significant decrease in the taxback rate within the welfare system.

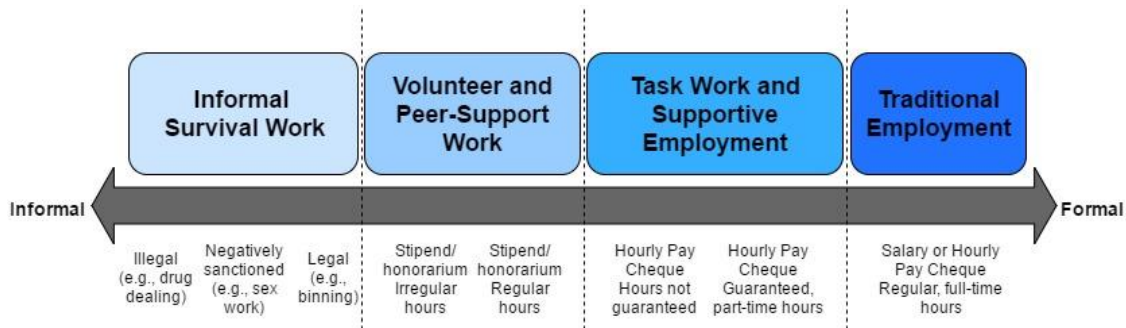
In conceptualizing work along the IGC, the objective of increasing movement along this continuum is consistent with the goals of the BC government to support the pathway into employment. This objective is also consistent with the goals of the DTES community to not only build individual capacity, but also organizational and community capacity through social hiring.

# Chapter 1. Introduction

## 1.1. Policy Problem

Vancouver’s Downtown Eastside (DTES) neighborhood is home to a predominantly low-income population that faces many complex challenges such as homelessness, poverty, affordable and quality housing, unemployment, mental health, substance use and crime (City of Vancouver, 2013). A disproportionately high proportion of individuals are on income assistance in the DTES. Twenty-six percent of those on income assistance have been deemed ‘expected to work’ (ETW) by the Ministry of Social Development and Social Innovation (MSDSI), meaning that for them to retain their monthly assistance, they must be working towards obtaining sustainable employment as soon as possible (MSDSI, n.d.). Despite this, many welfare recipients in the DTES face significant barriers to their securing and retaining traditional employment.

Individual welfare recipients deemed employable receive an assistance cheque of \$610/month, most of which goes to rent, leaving little disposable income for other necessities. This rate has not been increased in ten years, despite the continuous rise in the cost of living in Vancouver. These unliveable welfare rates have meant that welfare recipients in the DTES seek out supplemental income. The DTES Income Generation Continuum (IGC) in Figure 1 shows the array of income generation activities that exist in the neighborhood and will be explained in further detail in Chapter 2.



**Figure 1 Downtown Eastside Income Generation Continuum**

Source: References data from the Local Economic Development Lab (2016) and the City of Vancouver (2016).

This continuum represents the various types of income generating activities required to empower labour market engagement and create pathways from informal survival work to traditional employment (City of Vancouver, 2016). Movement from one stage to the next depends on several factors including the availability of work opportunities and the ability to overcome personal and structural barriers. While the government's goal is to move welfare recipients into the 'traditional employment' phase, many welfare recipients in the DTES are on various points in the continuum and are not yet ready for traditional employment. Currently, there is inadequate movement along this continuum as a result of multiple structural barriers, resulting in welfare recipients being unable to unharness their full work potential.

## **1.2. Capstone Objectives**

The various income-generating opportunities on the continuum have been shown to have positive impacts on the personal development of DTES residents and the community overall (Shamash, 2010). Movement along the IGC from informal to more formal opportunities generally leads to an increase in work and subsequent improvements to economic security, personal well-being, health outcomes, self-worth, stability, social networks, and overall employability.

In this capstone, I aim to identify and evaluate policy options for the MSDSI that facilitate movement along the IGC to support the pathways from informal survival work to traditional employment and to better support people where they are at along the continuum. To achieve this objective, I identify the barriers created by the current welfare system and evaluate alternatives to the status quo that reduce these barriers.

## **1.3. Capstone Overview**

After presenting some background information in Chapter 2, I provide an overview of the literature on income assistance policy in Chapter 3. In Chapter 4, I explain my methodology for analysis, and; I outline the thematic results from qualitative interviews in Chapter 5. I present five policy options that may be effective in achieving the objective of increasing the movement along the Income Generation Continuum in Chapter 6; and in Chapter 7, I describe the criteria I use to evaluate these options in my



analysis presented in Chapter 8. In Chapters 9-11, I present the evaluation and discuss its limitations, recommendations, and conclusions.

## **Chapter 2. Background**

In this chapter, I highlight the key characteristics of the Province of BC's income and employment assistance programs, as well as important background information on the Downtown Eastside neighbourhood and the Income Generation Continuum.

### **2.1. British Columbia Employment and Assistance Program**

The BC Employment and Assistance (BCEA) Program is BC's current income assistance program, designed to help those deemed employable move from assistance to sustainable employment and to provide ongoing income support to those who are unable to fully participate in the workforce (Ministry of Social Development and Social Innovation; MSDSI, n.d.). The BCEA program is delivered through employment assistance workers (EAWs) at localized offices, the MSDSI's website, and a toll-free telephone service. To apply for assistance, one must complete a 90-screen application online. This application cannot be done in person with an EAW (BCPIAC, 2016).

Income assistance cases are managed through an online system where case management is streamlined onto one central system. While this is meant to improve information-sharing between provincial ministries and ministry divisions, a recent BC Auditor General's report suggests it is failing to do so and resulting in negative impacts on welfare recipients. One EAW stated in a recent BC Government and Employee's Union report:

I have always loved being an employment assistance worker and helping people. Now I'm a data entry clerk. Clients are extremely frustrated. This system encourages black and white, and no empathy. (2014, p17).

In recent years, there has been an ongoing movement away from in-person service provision and the elimination of one-to-one case management. Office hours and staff have been cut, and recipients are encouraged to access the system online or via telephone. This shift has had a marked effect on access to and navigation of the income assistance system (BCPIAC, 2016).

### 2.1.1. Recipient Categories

I outline British Columbia's three major categories of income assistant recipients in Table 1 below.

**Table 1 BCEA recipient categories**

Category	Expected to Work (ETW)	Persons with Persistent Multiple Barriers (PPMB)	Persons with Disabilities (PWD)
<b>Description</b>	In need and has no other resources; expected to engage in activities related to obtaining employment or risk losing assistance	Has severe multiple barriers to employment and a persistent medical condition that seriously restricts or prevents the person from traditional employment	Has a severe mental or physical impairment that restricts their activities of daily living and is expected to last for at least two years
<b>Assistance Rates<sup>1</sup></b>	\$610/month	\$657.92/month	\$1033.42/month <sup>2</sup>
<b>Earnings Exemptions<sup>3</sup></b>	\$200/month	\$500/month	\$9600/year <sup>4</sup>

Source: MSDSI (2017)

#### ***Temporary Assistance: Expected to Work***

In this project, I focus on individuals who are expected to work (ETW) and who receive basic welfare. ETW beneficiaries are expected to engage in activities as outlined in their Employment Plan, a plan that is created with an EAW and highly dependent on individual circumstance. To be eligible for welfare, one cannot have assets worth more than \$2000, must have been financially independent for at least two years, and must complete a five-week work search prior to receiving assistance.<sup>5</sup> Individuals who are ETW can be kicked off welfare if they do not abide by their Employment Plan and are removed from the roll after two consecutive months of receiving no assistance cheque due to reported earnings from employment. To be reinstated after being removed, one

<sup>1</sup> Includes assistance and shelter allowance of \$375/month.

<sup>2</sup> Represents rate increase announced with the 2017 BC Budget, effective April 1, 2017.

<sup>3</sup> Earnings exemptions represent the amount of income a person can earn through employment before having it clawed back dollar for dollar from assistance payments.

<sup>4</sup> In 2015, the MSDSI implemented annual earnings exemptions for PWD to better manage the episodic nature of illness and/or disability.

<sup>5</sup> The waiting period is three weeks if a person has previously received assistance.

must go through the application process from the beginning, sometimes taking up to 12 weeks to be reinstated (Klein and Pulkingham, 2008).

## **2.2. Employment Services in the Downtown Eastside**

Employment services are inextricably linked with the welfare system, despite being overseen by two separate divisions of the MSDSI. Employment services are provided to BCEA recipients, Employment Insurance recipients, and the general public through Work BC Service Centres across the province that administer the Employment Program of BC (EPBC). Access to Work BC services (e.g., job development, training courses etc.) is dependent on eligibility criteria that is often contingent on the type of assistance client. Whether a welfare recipient is referred to Work BC services is dependent on their Employment Plan. Once becoming a Work BC client, Work BC staff share client progress with the welfare division of the MSDSI. The goal for the EPBC is to get people into sustainable employment as quickly as possible to achieve labour market attachment (FERENCE and COMPANY, 2016).

In 2012, the funding model for employment services in BC changed and services were consolidated, which resulted in the granting of contracts to a limited number of organizations that serve as one-stop-shops for EPBC programs in designated geographical regions. In the DTES, Work BC is found within Open Door Group (ODG), a non-profit society that has traditionally provided employment services to people with disabilities.

As a result of the 2012 consolidation, many employment organizations, specifically those that provide(d) flexible services for specialized populations, lost their funding and were either forced to close or change their business model.<sup>6</sup> There is evidence to suggest that the new Work BC model does not allow for responsive employment programming for those experiencing barriers to employment, resulting in negative consequences and a lack of diverse service provision in the DTES (BUTTERWICK, 2010; FERENCE and COMPANY, 2016).

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<sup>6</sup> Specialized populations include victims of gendered violence, Indigenous folks, youth, immigrants, etc.

## 2.3. Vancouver’s Downtown Eastside Neighborhood

The DTES is one of Vancouver’s oldest neighbourhoods with a strong cultural heritage and a diverse population. Ten percent of the population identifies as Aboriginal and 39% identifies as immigrants (City of Vancouver, 2013). In 2011, the population of the DTES was 18,500, up 12.7% from 2001, with growth projected to continue with on-going residential development.

As a hub for health and social services, the DTES is home to a predominantly low-income population that experiences disparate outcomes on a variety of indicators compared to City of Vancouver residents overall. These disparities may act as barriers to employment themselves, or may result in barriers to employment.<sup>7</sup> In Table 2, I outline some key differential outcomes.

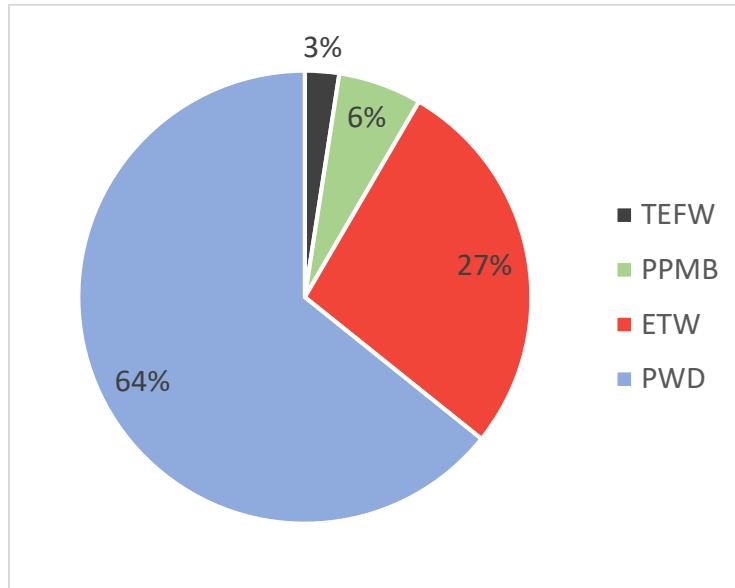
**Table 2 Key indicators for DTES residents compared to Vancouver overall**

Indicators	DTES	Vancouver
<b>Income</b>		
Low-income status	53%	21%
Median household income	\$13,691	\$47,299
<b>Employment</b>		
Unemployment rate	12%	6%
Labour force participation rate	46%	66%
<b>Highest Education Obtained</b>		
University/college	30%	54%
Apprentice/trades	8%	6%
High school	23%	24%
No certificate	38%	17%
<b>Health</b>		
Prevalence of mental illness	33%	20%
Number of people who use injection drugs	4700	Unknown
Average life expectancy at birth	79.4 years	83.3 years

Source: City of Vancouver *Downtown Eastside Local Area Profile* (2013).

<sup>7</sup> For more information on the various barriers to employment, please refer to Appendix A.

In March of 2016, 8,746 individuals were on provincial income assistance in the DTES, including those who are on disability, as well as temporary assistance. Figure 2 offers a breakdown of DTES caseload, by program.



**Figure 2 DTES income assistance caseload, by program, March 2016**

Note: TEFW, or Temporarily Excused from Work is a small category that encompasses individuals on temporary assistance that would be ETW, but are excused from looking for work because they are a single parent with a child under three years old, are under 19 years old, have a temporary medical condition, are in the hospital or have separated from an abusive spouse in the last six months.

Source: Personal communication with the MSDSI (2016)

### **2.3.1. City of Vancouver DTES Community Economic Development Strategy**

The City of Vancouver has recognized the Income Generation Continuum, which has informed their DTES Community Economic Development (CED) Strategy (City of Vancouver, 2016). The City has allocated a one-time amount of \$353,500 to implement the CED Strategy that was co-created by city staff and the community. As part of this strategy, the City has purchased space to create a low-barrier employment hub as part of the vision to create a full range of employment opportunities across the continuum. Through this service, along with other initiatives to support and bolster other dimensions of the continuum, the City aims to create 3,500 job opportunities, bring the unemployment rate to par with the rest of Vancouver, and reduce the poverty rate by 75% by 2044 (City of Vancouver, 2016).

## **2.4. The Income Generation Continuum**

The Income Generation Continuum depicted earlier in Figure 1 represents the array of opportunities for income generation in the DTES, each of which plays a major role in the DTES economy. Organizations and businesses that provide work opportunities along this spectrum engage in ‘social hiring,’ which is defined as providing work opportunities to those experiencing barriers to employment. There are many benefits to social hiring, including individual, community and economic (Shahmash, 2010).<sup>8</sup>

In this section, I will describe each major phase of this continuum, though it should be noted that these phases are not necessarily static and that an individual’s movement along the continuum is fluid in nature and phases are not necessarily discrete, but overlapping.

### **2.4.1. Informal Survival Work**

Informal survival work consists of many different activities in what is often described as the underground economy. This can include activities such as stealing, drug dealing, sex work or collecting recyclables for deposits. Generally, these activities are ad hoc and generate cash income that is not reported to the government.

### **2.4.2. Volunteer and Peer-Support Work**

Individuals who engage in volunteer and/or peer-support work generally work for non-governmental community organizations and are usually paid in untraceable cash stipends that are most often not reported to government. These opportunities are low-threshold in nature, meaning they are easily accessible to people experiencing barriers to employment. For example, they may not require abstinence from drug use to participate (DeBeck et al., 2011).

This kind of work can be irregular, but can also be scheduled depending on needs of the organization and the individual. Volunteer and peer work have become more common in the DTES in the last decade as the community attempts to respond to

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<sup>8</sup> To read more about the benefits of social hiring, refer to Appendix B.

the low assistance rates and the various barriers created by the welfare system. Stipends are often but not always below minimum wage. More recently, there has been an emphasis on experiential knowledge in the provision of health/social services wherein peer workers get paid at least minimum wage.<sup>9</sup>

### **2.4.3. Task Work and Supportive Employment**

Task work can involve temporary contracts or temporary work opportunities through temp agencies. Supportive employment involves hiring permanent employees in a work environment that accepts individuals with barriers to employment and supports their needs. For example, employers may be flexible with work absenteeism, may let employees dictate their work schedules, and/or may accept drug use. The DTES, has become a hub for supportive employment, largely offered by social enterprises (Elson and Hall, 2010). Social enterprises are businesses operated by non-profit organizations with the dual purpose of earning income from sales of programs and/or services and creating social value (Enterprising Non-Profits, 2010).

Task work and supportive employment opportunities may or may not result in guaranteed part-time hours, depending on the employer and the employee. In both types of work, employers pay at least an hourly minimum wage and keep their employees on the books, making these options slightly more formal and employees more likely to report income to the MSDSI.

### **2.4.4. Traditional Employment**

Traditional employment is work that society most formally recognizes as full-time employment yielding either an hourly or salary wage. This type of work is the ultimate goal of the EPBC and is largely the measure of its success. A person is considered to have achieved a successful employment outcome – also referred to as labour market attachment – after full-time employment has been sustained for at least 12 weeks (FERENCE & COMPANY, 2016).

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<sup>9</sup> For example, Vancouver Coastal Health funds an Overdose Prevention Outreach Team consisting of peer support workers who are paid stipends to deal with the current opioid crisis in the DTES (Vancouver Coastal Health, 2016).



## **Chapter 3. Literature Review**

In this chapter, I explore the existing literature on welfare reciprocity, experiences of working on welfare, and important research on financial incentives to work, including examining various financial incentive programs and experiments.

### **3.1. Experiences of Welfare Reciprocity**

Strict eligibility rules, restrictive asset limits, inaccessible information, and failure to adjust benefits to the cost of living – all of which Lipsky (1984) refers to as ‘bureaucratic disenfranchisement’ – make living on welfare very difficult. Welfare recipients face many institutional barriers to accessing benefits, and report that the welfare process is stigmatizing and humiliating (Klein and Pulkingham, 2008). In Winnipeg’s inner city, a study examining experiences of welfare recipients showed that over half of the 95 respondents indicated they did not understand the welfare system very well and 66% reported their caseworker to be unhelpful in explaining things to them (Sheldrick et al., 2004). These findings can largely be applied to the BC context too (BCPIAC, 2016).

Despite decreasing caseloads after welfare reforms in 2002, those that have been on assistance since then are much more likely to remain on assistance for more than a year (Klein and Pulkingham, 2008). In fact, through a recent data request from the province, the CCPA’s Seth Klein found that the average duration of welfare reciprocity is 7.5 months, up from 5.5 months in 2013. Furthermore, he found that almost 33% of the ETW caseload had been on assistance for more than one year (Klein, 2017). These statistics suggest that the provincial government’s current approach to workfare is not necessarily effective in moving people into sustainable employment.

In 2008, the CCPA documented the impacts of welfare rules on long-term ETW recipients through a qualitative longitudinal study of 62 people on welfare in BC (Klein and Pulkingham, 2008). It found that much of day-to-day life on welfare is about survival and struggle to seek out basic needs like food and shelter, making job search very difficult. It also found that too many people are cut off assistance for inappropriate reasons, which severely impacted their health and stability. Furthermore, most people in the study went on to be re-categorized as PPMB or PWD, but for many this took several years despite experiencing severe barriers to employment from the beginning.

## **3.2. Working on Welfare**

Even though many welfare recipients experience barriers, there is substantial evidence to suggest that they would prefer to be working rather than collecting welfare, and that many are actively engaged in forms of community and economic contribution (Patrick, 2014). Richardson et al. (2016) discovered a gap between willingness to work and employment rates for people who use drugs in Vancouver. Eighty-six percent of their study's 1,449 participants reported willingness to take on additional work at some point in the study period. While employment rates ranged from 16-27%, rates of willingness to take on additional work ranged from 60-67%. Similarly, in a study examining informal survival income generation activities, DeBeck et al. (2011) found that almost half of their sample (n=274) reported a willingness to forgo these activities if given opportunities for low-threshold employment<sup>10</sup>.

Findings from the inner-city Winnipeg study suggest that individuals on welfare engage in a wide range of work (Sheldrick et al., 2004). Sixty-six percent of respondents volunteered and the average number of volunteer jobs taken on by individuals was two. Furthermore, nearly 70% of respondents reported having participated in some form of paid employment; however, where paid work was available, it was usually insufficient to facilitate movement off assistance on a sustainable basis.

In a qualitative study of welfare recipients in Toronto, the overwhelming majority of long-term welfare recipients want to work, but face numerous barriers and often must resort to breaking welfare rules to survive (Lightman, Mitchell and Herd, 2008). Overall this literature contrasts the common narrative that benefits are a "lifestyle choice" (Patrick, 2014).

## **3.3. Financial Incentives to Work: Earnings Exemptions**

Governments provide several forms of incentives for welfare recipients to work, many of which have been tested in both the US and Canada. A common financial incentive structure used within the welfare system is an earnings exemption. Earnings exemptions represent the amount of income an assistance recipient can earn through

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<sup>10</sup> In this case, low-threshold refers to the creation of programs that are easily accessible for drug users and do not require abstinence from drug use (DeBeck et al., 2011).

employment before having money clawed back from their monthly assistance cheque. Earnings exemptions can be represented as both, flat-rate, enhanced or a combination of the two.

A flat-rate exemption of \$200 is the current model for ETW recipients in BC, which allows welfare recipients to retain \$200 of any earned income. Beyond \$200, any extra money earned is deducted dollar-for-dollar from their assistance cheque. Up until 1982, the United States' Aid to Families with Dependent Children program provided families on welfare an enhanced earnings exemption of 33%, meaning that 67% of their employment earnings would be deducted from their monthly assistance cheque (Blank, Card & Robbins, 1999). Many provinces across Canada combine the two types of exemptions; for example, Ontario has a flat-rate exemption of \$200, with an enhanced exemption of 50%. In Table 3, I outline the different provincial approaches to earnings exemptions.

**Table 3 Monthly welfare rates, type of earnings exemption, taxback rate and flat-rate exemption for a single employable person, by province, 2015**

Province	Monthly Welfare Rates	Type of Exemption	Taxback Rate	Earnings Exemptions
British Columbia	\$610	Flat-rate	100%	\$200
Alberta	\$627	Enhanced	75%	\$230
Saskatchewan	\$695.08	N/A	N/A	N/A
Manitoba	\$220	Enhanced	70%	\$200
Ontario	\$660.17	Enhanced	50%	\$200
Quebec	\$616	Flat-rate	100%	\$200
Newfoundland	\$733	Enhanced	80%	\$75
Nova Scotia	\$555	Enhanced	70%	\$150
New Brunswick	\$537	Enhanced	70%	\$150
Prince Edward Island	\$607.67	Enhanced	90%	\$75
Yukon	\$1368.33	Enhanced	50% for first 36 months, then 25%	\$100
Northwest Territories	\$1720.58	Enhanced	85%	\$200
Nunavut	\$472.67	Flat-rate	100%	\$200

Source: Tweddle, Battle and Torjman (2016)

Stapleton (2013) suggests that how governments deal with earnings exemptions depends on their policy goals. Specifically, he posits that governments that impose flat-

rate exemptions tend to emphasize initial entry into the workforce, which is consistent with BC's emphasis on getting people off welfare and into full-time sustainable employment. Governments across Canada have changed and tweaked earnings exemption limits with a "relentless appetite" to get it just right – that is, not too high and not too low to facilitate the best incentive to work (Stapleton, 2013, p7). Earnings exemptions are heavily influenced by the Ministry of Finance, especially to ensure there is a balance between the income assistance system and the taxpayer.

### **3.3.1. Marginal Effective Tax Rate and the 'Welfare Wall'**

The current \$200 flat-rate exemption and 100% taxback rate in BC have been found to have significant disincentive effects on work behavior (Cohen, 2008; Shamash, 2010). Blank, Card and Robbins (1999) suggest that reforms introduced in the US in 1982 that replaced enhanced exemptions with flat-rate exemptions substantially reduced the economic incentives for work among welfare recipients, which is why most states now have once again eliminated the 100% taxback rate under the newer Temporary Assistance to Needy Families program (Blank, Card and Robbins, 1999).

The disincentive to work inherent in the 100% taxback rate is likely because of the high Marginal Effective Tax Rate (METR) that leads to what Torjman and Battle (1993) call the 'welfare wall'. METR refers to how much of each extra dollar earned that is lost to taxes and reduced benefits (Drummond and Manning, 2005). The 'welfare wall' is used to describe the obstacles that welfare recipients face when they lose their benefits, experience clawbacks, and incur work-related costs (Torjman & Battle, 1993).

There is little research that examines the effects of welfare policy change on METR because it is hard to account for the loss of income-tested cash and non-cash benefits (Drummond and Manning, 2005). However, there is evidence to suggest that perceptions of the cost may be as important as the costs themselves (Millar and Ridge, 2001). Furthermore, the uncertainty of employment and the insecurity associated with transitioning into work may actually be more serious barriers than a high METR (Gardiner, 1997). Research from the UK on the transition from welfare to workfare suggests a mismatch between rhetoric and reality and that the shift to a more punitive

system to encourage work may be based on flawed assumptions about the motivations and behaviours of welfare recipients (Patrick, 2014).<sup>11</sup>

### **3.3.2. The Effects of Financial Incentives on Work Behaviour**

I found substantial evidence to suggest that financial incentive programs have a positive impact on work behavior for welfare recipients, though the degree of impact has been shown to depend on program design and type of incentive structure. Blank, Card and Robbins (1999) investigated the impact of financial incentive programs by examining evidence from various programs and experimental projects in the US and Canada targeted at families.<sup>12</sup> Overall, they found that financial incentive programs not only increase work among welfare recipients, but also increase income and reduce poverty. This investigation also discovered evidence that combining financial incentive programs with job search and job support services can increase employment even more than either intervention alone.

Based on a rational economic analysis, Blank, Card and Robbins (1999) suggest that financial incentive programs have the potential to affect labour supply for four low-income sub-groups. Financial incentives should have a positive work incentive on:

- Welfare recipients who were not working prior to the program, and;
- People who were previously working and receiving welfare prior to the program by lowering the taxback rate on their earned income and thus increasing their effective net wage rate.

Conversely, financial incentives should have a negative work incentive on:

- Low-income workers who were not receiving welfare prior to the program but whose earnings are less than the new break-even for the program (aka

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<sup>11</sup> Research findings on the behavioral effects of earnings exemptions on EI recipients (Gray and de Raaf, 2002) was cited by the BC Liberal government in the mid 2000's when they eliminated earnings exemptions altogether for ETW welfare recipients. This episode demonstrates the lack of reliable data on welfare recipients, and it also points out the inappropriateness of using data from EI recipients to make decisions for programs affecting welfare recipients, whose experiences are different and whose financial situations are considerably worse.

<sup>12</sup> Most of the research on the effects of financial incentives on work behaviour has included only families or single parents; therefore, there is a challenge in applying the findings to other groups of welfare recipients. Furthermore, in providing financial incentives to families only, these programs reinforce the 'deserving and undeserving' dichotomy that is present in most income support provision; i.e., people with disabilities, single parents and families are more deserving of greater support than single employable welfare recipients (Pulkingham, 2015).

“windfall beneficiaries” p.8) as it would lower their marginal wage rate, while also increasing their income, and;

- People who were working more than the new break-even prior to the program who may opt in to the welfare system, trading income for greater leisure.

The authors suggest that labour supply effects of different financial incentive models will depend on both the relative sizes of these four groups, as well as the magnitudes of behavioral responses expected among the groups. They suggest that these labour supply effects have direct relationships with the effectiveness and cost of an incentive program. While an incentive program may induce positive work incentives for welfare recipients, the number of ‘windfall beneficiaries’ or people that opt in to welfare may result in greater costs to government.

Michalopoulos, Robins and Card (2005) also examined various experimental incentive programs including the Canadian Self-Sufficiency Project (SPP), which involved providing an earnings supplement to single-parent welfare recipients. The SPP also resulted in positive effects on employment, earnings, and income. Furthermore, these effects were found to be larger and more persistent for long-term welfare recipients with limited education and work experience. On the other hand, the effect of the SPP was found to diminish over time, in part because the program ended, but also because the early employment effects did not lead to lasting wage gains. This research posits several policy implications including: combining earnings supplements with job search services; maintaining supplements to sustain income gains; providing generous, well-marketed incentives, and; targeting supplements and/or tying earnings supplements to full-time work to reduce costs (Michalopoulos, Robins and Card, 2005). While the program costs were quite high, net costs to government were much lower because the program increased tax revenue and reduced government welfare payments (Michalopoulos et al., 2002; Reuben et al., 2003).

### **3.3.3. Limitations of the Existing Literature on Financial Incentives**

Many experimental programs are pilot programs that accept only welfare recipients for the program, and therefore are unable to demonstrate the effects of incentive programs on ‘windfall beneficiaries’ (Blank, Card and Robbins, 1999). Furthermore, there is a lack of publicly available government data or research on the effects of financial incentives. Nevertheless, rational economic analyses attempt to

predict the effects of financial incentives on potential 'windfall beneficiaries' based on a number of assumptions. For example, Blank, Card and Robbins (1999) suggest that with a 50% earnings exemption, a windfall beneficiary who was previously earning 1.5 times the welfare rate might be expected to reduce their labour supply by 10% in response to the program.

These economic models do not capture all the variation that exists in real life. Moreover, the magnitudes of behavioral responses expected are very hard to ascertain, especially for 'windfall beneficiaries.' Firstly, the assumptions implicit in these models often do not capture unique individual differences, which is important given the diversity in the DTES. Secondly, program design decisions can affect behavior. For example, a program will result in fewer 'windfall beneficiaries' if there are greater barriers to program entry, including program stigma (Blank and Ruggles, 1996). This is likely the case in BC where the barriers include: a three-week waiting period to get on assistance; asset limits that force a person to spend down their savings to be eligible; barriers to accessing the Ministry; and welfare stigma. Additionally, Blank and Ruggles (1996) suggest that the more welfare programs impose behavioral requirements, the less likely an incentive program will result in 'windfall beneficiaries.'

Therefore, while there is an implicit cost of increasing financial incentives, it is difficult to predict and may be offset by other program design features.

## Chapter 4. Methodology

In this study, I explore and assess the institutional barriers that prevent welfare recipients in the DTES from progressing along the IGC. Once I identify these problem drivers, I establish potential policy options to reduce these institutional barriers, and assess them based on a series of evaluative criteria that reflect the primary policy objective, as well as other important impacts. The overall analysis proceeds using:

- a comprehensive literature review;
- the analysis of income assistance data;
- qualitative interviews conducted in the DTES community with three welfare recipients
- qualitative interviews with ten managerial/executive level representatives from social enterprises and/or community organizations that work with welfare recipients;
- qualitative interviews with two social policy experts, and;
- qualitative interviews with two MSDSI employees and one Work BC contract holder.<sup>13</sup>

The majority of data collection occurred through a community-research partnership with the Local Economic Development (LED) Lab<sup>14</sup> and Potluck Café and Catering<sup>15</sup> under the research project titled 'Urban Economic Innovation Lab - Researching Economic Alternatives for Inner City Neighbourhoods.'<sup>16</sup>

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<sup>13</sup> These interviews allowed for the clarification of questions regarding the BCEA and EPBC programs, and therefore were largely informational, although ethics approval and consent from participants were obtained.

<sup>14</sup> LEDlab is an initiative supported by Ecotrust Canada and RADIUS SFU that partners with community organizations to explore innovative ways to build a more vibrant and inclusive local economy in the DTES.

<sup>15</sup> Potluck Café and Catering is a long-standing social enterprise that creates jobs and provides healthy food for DTES residents.

<sup>16</sup> The final report was not public at the time this capstone was published.



## **4.1. Methodological Approach: Community-Engaged Research**

My methodological approach for data collection is grounded in a community-engaged research (CER) framework. CER is an approach to conducting research characterized by the process of working collaboratively with and through people in the community to address issues that affect their well-being (Clinical and Translational Science Awards Consortium, 2011). The implicit objective of formally recognizing the IGC is to meet people where they are on the spectrum and close the existing gap between policy objectives and people's realities. Much like the principles of CER, this objective is grounded in fairness, justice, empowerment, participation, and self-determination.

The CER framework is important for building trust between a researcher and the community, which is particularly important for conducting research in the DTES on a controversial topic like welfare. Engaging with the community on ways to overcome challenges to research participation is pivotal in CER.

As part of this community-engaged approach, I completed the first part of participant recruitment and qualitative data collection with social enterprises and community organizations, in collaboration with the LEDlab and Potluck. For the latter part, I consulted with members of the social hiring community to ensure appropriate, ethical, and community-based research practices in the recruitment of and interview process with welfare recipients. This community-engaged approach was limited in the latter part of this project due to the prescriptive nature of the policy analysis framework.

## **4.2. Data Collection: Qualitative Interviews**

I use qualitative interviews to supplement much of the welfare literature that is grounded in rational economic modeling, with experiential accounts of how policy decisions impact human behaviour. Qualitative interview expert Irving Seidman describes the importance of interviewing in understanding human behaviour:

A basic assumption in in-depth interviewing research is that the meaning people make of their experience affects the way they carry out that experience. Interviewing allows us to put behavior in context and provides access to understanding their action (1998, p. 4).

These interviews were one-on-one, semi-structured and conducted either in-person, or over the phone/Skype. I audio-recorded interviews with the participants' consent and transcribed for further data analysis.<sup>17</sup>

#### **4.2.1. Income Assistance Recipients**

Few studies or policy makers have asked welfare recipients – or even those that work closely with welfare recipients – for their opinions on how to change the system, yet there are many advantages to doing so. These advantages include: gaining the perspective of those most profoundly affected by the welfare system; upholding the democratic process by ensuring those that are affected by policy decisions can participate in the decision-making process; and identifying the gaps and needs for policy change (Sheldrick et al., 2004).

I recruited welfare recipients primarily through social enterprise employers and community organizations where I left informational flyers that outlined the study details and contact information.<sup>18</sup> Through consultation with the social hiring community, I encouraged leaders from these organizations to promote this study, but emphasized that welfare recipients would have to initiate their own participation, and that employers would not be aware of their participation in the study to uphold participant confidentiality and informed consent principles. I paid welfare recipients a \$15 honorarium for their time.

Interviews with welfare recipients had three main aims:

- To collect data on the experiences of welfare recipients that engage in income generation activities;
- To collect data on current work and desired work levels; and
- To collect opinions and assessments on alternative policy options.

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<sup>17</sup> See Appendix C for consent forms

<sup>18</sup> See Appendix D for the informational flyer.

## 4.2.2. Social Enterprises and Community Organizations

I recruited social enterprise employers and representatives from community organizations largely through the community-research partnership project with LEDlab and Potluck Café, both of which are within the DTES social hiring network. I recruited managerial/executive-level representatives from social enterprises and community organizations that work with welfare recipients by asking for their participation through publicly-available organizational emails.<sup>19</sup> I also used snowball sampling wherein participants would refer me to other employers and organizational representatives.<sup>20</sup>

Interviews with organizational representatives had three main aims:

- To collect data on the general perceived/observed experiences of and effects of policy characteristics on the welfare recipients with which they work<sup>21</sup>;
- To collect data on the experiences of social enterprises and community organizations in relation to welfare policy and its effect on social hiring practices, and;
- To collect opinions and assessments on alternative policy options.

## 4.2.3. Social Policy Experts

I interviewed two social policy experts that have considerable experience working on welfare policy in Canada. John Stapleton is a writer, instructor and policy consultant who worked for the Ontario Ministry of Community and Social Services for 28 years on income assistance policy and operations. Michael Mendelson is a Senior Scholar at the Caledon Institute of Social Policy and has extensive experience in the upper levels of the public sector in Ontario and Manitoba.

Interviews with experts had three main aims:

- To collect data on current government approaches to welfare and employment in relevant jurisdictions;

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<sup>19</sup> See Appendix E for email scripts.

<sup>20</sup> Contact information was obtained for referees only once the person who referred them obtained their consent to share their contact information.

<sup>21</sup> These responses supplemented the first-hand experiential interviews with welfare recipients and bolstered the findings given the small sample size of welfare recipients.

- To collect data on effects and outcomes of changes in relevant welfare policies in relevant jurisdictions; and
- To collect opinions and assessments on alternative policy options.

### **4.3. Data Analysis: Thematic and Narrative Analysis**

I analyzed the qualitative data using thematic and narrative analysis to search for themes across the data set to understand welfare recipients' experiences both through their personal narratives and the narratives of others (Coffey and Atkinson, 1996). Narrative analysis is a strategy that recognizes the extent to which personal stories provide insights into lived experiences (Thorne, 2000). These narratives were used to detect themes, but also to show the variability in experiences, circumstances, and backgrounds of welfare recipients in the DTES, as well as the diversity of organizations that provide income-generating opportunities for DTES residents.<sup>22</sup>

I reviewed the interview transcripts to create a list of preliminary themes and sub-themes using Nvivo qualitative data analysis software. In addition to overarching themes, I used Nvivo to code for the evaluative criteria highlighted in Chapter 7, as well as interview content that I use to evaluate policy options in Chapter 8.

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<sup>22</sup> For additional thematic and narrative data from welfare recipients, refer to Appendix F.

## **Chapter 5. Thematic Results**

In this chapter I discuss several key themes extrapolated from my qualitative interviews.

### **5.1. The Benefits of Non-Traditional Work Environments**

Interviews with social enterprise employers and community organizations reiterated the many benefits of social hiring listed in Appendix B. According to these organizations, non-traditional work opportunities better align with the needs, abilities, and life circumstances of welfare recipients. An Executive Director with over ten years of experience working with people in the DTES discusses these benefits:

I don't think that people advocate for themselves if they don't think they're worth it. Volunteering and participation and ownership, connection to nature and community, all those things build self-worth. [...] So, I think it's great that these resources exist in the Ministry and great that [Work BC] is available, but people don't access the support unless they think they're worth it, and these slow-build organic community-based relationships are what gets people to that point (Executive Director of a community organization, personal communication, June 24, 2016).

Community interviews also note the key characteristics of non-traditional work environments that make this type of work more successful for individuals with barriers to employment. For example, one social enterprise employer talks about the need to be flexible:

We take the approach of being both gracious and demanding [...] we offer some grace for when people screw up, or when they don't call or show up. We don't immediately let them go like they are going to get let go at another job. But we do want people to walk away from here knowing what they need to know in order to get and maintain another job (CEO of a social enterprise, personal communication, June 16, 2016).

### **5.2. Lack of Recognition for the Income Generation Continuum**

The stated goal of income assistance is to encourage sustainable full-time employment. Overall, the community expresses frustration with this definition and argues

that the spectrum of work offered in the DTES is not supported by this narrow definition of success for welfare recipients. A social enterprise employer explains further:

There are a number of folks who work for us who are deemed ETW but who are clear to us – by virtue of having so many supportive conversations about how their lives are going outside of the workplace – would not at this time be capable of holding down full-time employment (Executive Director of a social enterprise, personal communication, July 8, 2016).

Furthermore, social enterprise employers suggest that Work BC does not have a strong working relationship with non-traditional community-based employers, especially those that are not specifically mandated to support people with disabilities. This is something that employers identify as an unfortunate gap given their reason for existence – to provide employment to those experiencing barriers.

Instead, income assistance recipients report being forced to go through Work BC programming to retain their assistance cheque, despite their involvement in work and/or training with social enterprises. Two out of the three recipients expressed frustration with Work BC's attempts to place them in menial jobs that do not match their skills, knowledge, or interests.<sup>23</sup> One recipient spoke about the barriers to traditional employment inherent in being an older woman. She claims Work BC suggested she stop volunteering in the community and complete training as a security guard – a position she believes is quite incongruent with her age and abilities. Furthermore, she explains that almost all paid employment she has ever obtained has started with volunteer work – something that she suggests is not considered by Work BC (personal communication, January 12, 2017).

Furthermore, this same individual works almost full-time volunteering in the community and is adamant that as long as these volunteer opportunities pay in stipends that are much less than minimum wage, they should not be considered earned income. Contrary to this, a MSDSI employee emphasized that as long as a service has been exchanged for a monetary reward, it should be considered earned income (personal communication, June 23, 2016). This creates inconsistencies in the Ministry's approach to peer and volunteer work because despite rejecting it as a form of valid employment, it

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<sup>23</sup> The other recipient simply hadn't worked with Work BC because he had only been on welfare for one month.

is expected that the income be reported, punishing those that actually participate in work.

### **5.3. “Taking the Leap”**

In interviews with both welfare recipients and organizations, I found that “taking the leap” is used as a common metaphor to describe making the decision to work more, and/or move off welfare for two reasons. The first reason is the inherent risk and expressed fear involved in obtaining employment and losing welfare benefits. For welfare recipients, this fear is grounded in the perceived risk of losing employment. As one welfare recipient states:

In the situation that I am in right now, a job that pays me \$810 net will disqualify me from welfare, so I’m not really ready to jump away from income assistance, because it’s very hard to get back on once you leave the roll (Welfare recipient, personal communication, November 30, 2016).

Welfare recipients and organizations commonly described the scenario in which an individual obtains a job that makes ends meet for a while, but then they experience a set-back (e.g., relapse) and lose their job. They then must go through the cumbersome process of reapplying for welfare, wait at least three weeks to be re-accepted, and in the interim, may lose their housing because they are unable to pay rent. This is consistent with literature showing that the uncertainty of employment and the insecurity associated with transitioning into work may be greater barriers than a high METR (Gardiner, 1997).

The second reason for this metaphor is what the community describes as a lack of transitional support between welfare reciprocity and full employment. Employers suggest that this lack of support is inherent in the 100% taxback rate that creates a large gap between the \$200 exemption, and financial independence. Despite not being in a place to work full-time, welfare recipients often can and want to work more than the \$200 earnings exemption allows, making their decision to work all-or-nothing.

Employers note that these disincentives to work, as well as the general nature of hiring individuals on welfare, mean that they have deep rosters and must juggle many employees and their respective work limitations. Several employers also mention how

this affects the employability of those who work for them, suggesting that the more someone works, the more employable they become.

For me as an employer, the more someone can work in a week, the more regular a schedule is, the easier it is for me to employ them. I find that a lot of people who are cognizant of that barrier, really want to jump into full time work, but there seems to be a disincentive built into the system (CEO of a social enterprise, personal communication, June 24, 2016).

Through the process of trying to recruit participants for this research, it became clear that for the most part, with some exceptions, more formal social enterprises employ people on disability assistance. They are much less likely to employ individuals who are ETW. According to one employer, this is likely the case because people with disabilities have a much larger earnings exemption, and as a result are much easier to support. This employer notes that it is much harder to retain ETW recipients:

I think anecdotally, for those who are employment obligated and only working one shift a week, it is harder for me to keep them consistently employed because it's not enough interaction to start to improve some of the barriers they are facing whereby they can become more reliable, predictable employees (Executive Director of a social enterprise, January 12, 2017).

While Michael Mendelson describes the \$200 earnings exemption as reasonable in order to cover the costs of employment like transportation and clothing, both he and John Stapleton agree in their respective interviews that the 100% taxback rate creates a disincentive to work and suggest that a graduated exemption would be more favourable in getting over the 'welfare wall' (Stapleton, personal communication, November 15, 2016; Mendelson, personal communication, December 1, 2016).

## **5.4. Non-Recognition of Barriers**

Another key theme emerging from interviews in the community is a discussion about governmental recognition of barriers. Employers that have more experience working with people who are expected to work are bewildered to find out that some of their workers have been deemed employable, despite what they know about their lives and the barriers they experience. One employer tells the story of an individual who has experienced trauma since a young age that has now manifested itself in chronic pain, struggles with addiction and related housing insecurity. Despite these challenges, he



does not communicate them to EAWs because he does not trust them enough to disclose these very personal details and therefore, is expected to be seeking out work.

Another employer expresses concerns that factors like addiction and intergenerational trauma are not explicitly assessed by the Ministry as barriers to employment, something they believe to be important in the context of the DTES. According to the Ministry, these factors are likely to manifest themselves in other conditions that are explicitly assessed by the MSDSI, like medical conditions (personal communication, June 23, 2016).

Several employers also express confusion about the PPMB designation, and even a MSDSI employee acknowledges that this is a tricky designation to achieve. Employers are puzzled as to why the welfare system does not recognize many ETW welfare recipients in the DTES as 'people with persistent and multiple barriers'. As one employer states:

I don't know many people who are on regular welfare who don't seem PPMB to me. What is a persistent barrier if not one that lands you on the DTES? (CEO of a social enterprise, personal communication, June 24, 2016).

Furthermore, one employer expressed explicit frustration with the Ministry's inability to recognize certain barriers and speaks about the ethical implications of the terminology 'persons with barriers' that is often used by Work BC to refer to some of their participants, including those who are ETW:

I think it is telling that in so many conversations we refer to people with multiple barriers, but the moment that we have to give them that designation, they no longer qualify. [...] I think it's starting to become grossly inappropriate and radically unjust that it could probably be categorized as systemic oppression (Executive Director of a social enterprise, personal communication, July 8, 2016).

Community interviews suggest that recipients avoid interactions with the Ministry for fear of having assistance taken away and that the lack of trusting relationships between recipients and EAW's can create reluctance to share personal details. Furthermore, recipients may not present the full extent to which they experience barriers, perhaps to preserve pride and dignity, but also due to the barriers in accessing face-to-face services.

## 5.5. Inaccessible Information and Advocacy

For both welfare recipients and organizations, the complexity of the welfare system and the lack of accessible information pose barriers to understanding and navigating the system. As a result, welfare recipients are not often aware of the rules around welfare. In fact, only one of the three individuals was acutely aware of the \$200 exemption available to them. This lack of information, combined with misinformation that tends to spread around the community can cause anxiety around working, reporting income and knowing one's rights as a welfare recipient. It also plays into the fear of losing assistance that subsequently affects people's decisions to work.

Related to this are the challenges created for employers by the lack of information they are given in order to advocate for their workers. Most of the employers note that welfare advocacy has become part of their routine, taking them beyond the normal duties of running a business/organization. They report taking this role on because their workers simply have no other way of accessing information on their own, which has led to frustration because they are not given any support from the Ministry to provide this assistance.

## 5.6. Fear and Mistrust of the Government

One of the most important findings to consider when thinking about potential policy changes is that only 3.5% of welfare recipients in the DTES reported any income to the Ministry from May to October 2016 as seen in Table 4.

**Table 4** Average income reporting behaviours of ETW recipients in the DTES, May to October, 2016

Reporting Behaviours	Recipients	Percentage
Declared no income	2260	96.5%
Declared income below \$200	48	2.1%
Declared income above \$200	30	1.3%
Declared \$200 even	3	0.1%
Total	2341	100.0%

Source: Personal communication with the MSDSI (2016)

This finding is supported anecdotally by interviews in the community. Organizations that pay informal stipends tend to know these methods of payment are

generally not reported to the Ministry, but suggest that this is the only way to get people to work. When it comes to being on welfare, I found a consensus among interviewed community members that welfare rates are too low and people must earn income beyond their monthly assistance cheque, which has been documented in other welfare studies (e.g., Lightman, et al., 2008). As one welfare recipient laments:

There is this saying: How can you tell if someone is cheating on welfare? They're alive (Welfare recipient, personal communication, January 12, 2017).

Interview data suggests that people aren't reporting this income to the Ministry because of the large-scale fear of and distrust in the Ministry and the government as whole due to the on-going punitive nature of the welfare system.<sup>24</sup> One organizational representative states:

There is so much fear of any engagement with the Ministry, so everybody does the bare minimum. [...] Everyone fears [employment assistance workers] and thinks [they're] the enemy (Executive Director of a community organization, personal communication, June 24, 2016).

Based on community interviews, this fear and distrust has been perpetuated by several factors:

- having experienced being cut-off assistance as a result of welfare reforms in 2002;
- the movement of service provision from in-person to online and over the phone;
- the elimination of one-to-one EAW- recipient case management;
- disrespectful and unhelpful EAWs;
- a lack of information on welfare rights;
- feeling unequipped to navigate the complex system; and
- the ongoing effects of colonialism.

These findings show the complexity of welfare recipient-Ministry relationships.

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<sup>24</sup> This fear is also manifested in people's reluctance to cooperate with Work BC and participate in Work BC programming. Furthermore, many people do not delineate between different provincial ministries and conflate welfare with other provincial responsibilities such as child welfare and health care.

## 5.7. The Welfare Paradigm

One of the largest overall themes that transcends all interview data is what John Stapleton calls the “welfare paradigm” in his interview. He argues that many of the program design decisions in Canadian welfare programs, especially in BC’s, result in welfare recipients being punished and stigmatized. Beyond individual program design decisions, he argues that the overall neoliberal approach to welfare creates the many negative effects discussed by the DTES community. For example, he states:

If you save any money, you hit the asset limit. If you bunk in with a friend, they dock you. If you earn money, they claw it back. If you get training, it has to be their training for menial jobs. If you get help from your family beyond a certain nominal amount, they deduct that from your cheque. So, the values of the welfare system are very much at odds with the values of Canadians, in my view. To me that’s the origin of stigma, when you have societal norms and values that a program actually violates (Stapleton, personal communication, November 15, 2016).

With this, he argues that any attempts to tweak welfare policies will inevitably fall short if there is not a shift in the welfare paradigm. All the design decisions he points out are consistent with the many challenges identified by the community. Moreover, the stigma created from this paradigm is visible in media and public opinion, further putting pressure on the government to scale back welfare provision and impose restrictive policies.

## Chapter 6. Policy Options

Initially I focused the scope of this project specifically on the negative work effects created as a result of BCEA's financial incentive structure. However, it became clear through my research that in order to tackle these disincentives, I also needed to consider other aspects of income and employment assistance. As a result, the following policy options are not mutually exclusive. For the purposes of this analysis, I examine them as stand-alone options for evaluating their ability to move welfare recipients along the Income Generation Continuum, but consider the ways in which they interact for the ultimate recommendation.<sup>25</sup>

### 6.1. Status Quo Plus: Rapid Reinstatement

One of the most significant findings of my research is that there is a high level of fear and distrust in the Ministry, largely stemming from the many administrative barriers inherent in accessing assistance. People are afraid to take traditional employment because of the instability created when one loses their assistance. The 'Status Quo Plus' option involves maintaining the status quo, but reducing the administrative barriers to getting back on assistance.

Specifically, this option allows for the rapid reinstatement of welfare for individuals who have moved off assistance because they have obtained employment, as is offered to people with disabilities. This rapid reinstatement could be offered for a designated amount of time after a person moves off assistance (e.g., one year) to give them a safety buffer.<sup>26</sup> With this, previous welfare recipients who have taken the leap to employment would not have to go through the cumbersome process of reapplication if they need to get back on assistance after experiencing a setback, nor would they have to wait three weeks to receive their first cheque.

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<sup>25</sup> For other policy options that were considered but omitted from the analysis, please refer to Appendix G.

<sup>26</sup> Unlike PWD recipients, who receive a lifelong designation.

## **6.2. Create a Non-Traditional Employment Stream in EPBC**

For this option I propose creating a stream separate from the traditional employment services in Work BC wherein DTES welfare recipients who experience barriers to employment, and those who already work for social enterprises or do volunteer work with community organizations, can be supported and recognized as working and building employment capacity.<sup>27</sup> This non-traditional employment stream would recognize alternatives to traditional employment by allowing this work to be a part of a client's Employment Plan as a legitimate step in the employment process.

This option also requires Work BC to collaborate with DTES community organizations and social enterprises to create a network of social hiring opportunities in the DTES to support welfare recipients with barriers to employment, as well as support businesses and organizations that engage in social hiring. This would require a new funding stream directed through Work BC to facilitate this network and provide funding to organizations and social enterprises that provide employment opportunities. This could be in the form of a subsidy for program provision and/or wage supplements so that organizations can hire more people. To be successful, any considerations regarding this option would have to be made collectively by both Work BC and the DTES organizations involved to ensure community input is adequately utilized.

## **6.3. Change the Financial Incentive Structure**

When it comes to dealing with the financial disincentives that prevent people from working as much as they can and would like, reforms to better meet people where they are at can happen within or outside of the welfare system. The most obvious aspect of the welfare system to address disincentive effects would be reform of the earnings exemptions. Earnings exemptions could be changed from their current form in two ways: raising the flat-rate exemption or reducing the taxback rate, which in other words means introducing an enhanced earnings exemption.

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<sup>27</sup> This option should be for more than just PPMB and PWD recipients to ensure that EO recipients who are better suited to low-threshold opportunities are included.

### **6.3.1. Increase the Flat-Rate Earnings Exemption**

A flat rate exemption refers to a lump sum of earnings that are fully exempted before a clawback occurs, which is intended to encourage initial entry into the labour force (Stapleton, 2013). Currently in BC, the flat-rate exemption is \$200 per month. This flat-rate exemption could be increased to promote greater workforce participation. For the purposes of this analysis, one option I propose is to double the current flat-rate exemption to \$400 to better align with individuals who have obtained the PPMB designation who receive a \$500 exemption.

### **6.3.2. Introduce an Enhanced Earnings Exemption**

Currently BC offers no further exemptions beyond the flat-rate exemption. However, some other provinces and US states incorporate an enhanced exemption by allowing a taxback rate below 100%. For the purposes of this capstone, I examine the most generous financial incentive model in Canada; the Ontario Works program has a flat-rate exemption of \$200 and a taxback rate of 50%. This means that recipients keep 50% of their employment earnings beyond the \$200 exemption.

### **6.3.3. Establish a Provincial Earnings Supplement Program**

Another way the provincial government can create financial incentives for welfare recipients to work is through a program outside of the welfare system. A province can offer its own earnings supplement as either a one-time or monthly payment that adds supplemental income to an individual's employment income. There are various supplement formats; for example, the supplement offered in the Self-Sufficiency Project (SSP) was equal to half the difference between a participant's earnings and an 'earnings benchmark' determined by program developers (Michalopoulos et al., 2002).

Alternatively, the Saskatchewan Employment Supplement (SES) program provides a supplement based on reported gross monthly income and family size (Government of Saskatchewan, 2015a). The more income a family reports, the greater their supplement, up until a certain threshold. To be eligible, a person must be receiving more than \$125 per month from employment income or child/spousal support, must have children under 18 years of age and must have a gross monthly family income

below a threshold that depends on the number of children in a family unit. With eligibility contingent on income and not welfare recipient status, this supplement is available to both welfare recipients and low-income earners; however potential beneficiaries must apply to the program. Table 5 highlights the income thresholds for eligibility and the maximum supplements available depending on family size.

**Table 5 Saskatchewan Employment Supplement income eligibility thresholds and maximum supplement amounts**

Children	Maximum monthly income to be eligible	Maximum supplement amounts
1	\$3,070	\$312.50
2	\$3,320	\$375.00
3	\$3,570	\$437.50
4	\$3,820	\$500.00
5	\$4,070	\$562.50

Source: Government of Saskatchewan, 2015b

Much like many US financial incentive programs, the intention of the SES is to help lower-income working families with the costs of raising children and is not available to welfare recipients without a family. Nevertheless, this model could be applied to a broader welfare recipient population who can apply to be part of the program. This option involves implementing a provincial earnings supplement program for welfare recipients in BC wherein the supplement increases the more a person works and reports income up until a certain income threshold at which point the benefit starts to be reduced, as seen in the Working Income Tax Benefit (WITB). However, this supplement would be different from the WITB in that it would be a monthly benefit, designed to be more responsive to the monthly reconciliation schedule on which income assistance is based.

To have the intended impact, this option must be paired with a significant increase in earnings exemptions and/or a significant decrease in the taxback rate to ensure that the benefit is not cancelled out.



## **Chapter 7. Policy Evaluation Criteria**

To assess the aforementioned policy options, I determined a series of standardized criteria on which I compare options and identify trade-offs. I establish these criteria based on themes from both the literature and qualitative interviews.<sup>28</sup> Given the variable nature of human behaviour and lack of quantitative data, I assess the criteria mostly using qualitative measures. I explain each criterion in detail below, followed by an explanation of how these criteria are measured and operationalized.

### **7.1. Effectiveness**

There are multiple components of effectiveness given the complex nature of this topic. I evaluate effectiveness by three sub-criteria: movement along the continuum; fear of reporting income; and, support for social hiring.

#### **7.1.1. Effectiveness: Movement along the Continuum**

I use the effectiveness criterion to assess the extent to which a policy option supports movement along the Income Generation Continuum. I measure this based on the design of a policy option, and if applicable, how an option affects (dis)incentives to work. Incentives to work are related to effectiveness because even if work opportunities along the continuum are available, the literature and interview data show that financial disincentives built into benefit structures act as barriers to moving individuals along the continuum.

I measure the effect of financial incentives based on any changes to the Marginal Effective Tax Rate (METR). A lower METR means an easier transition off assistance (Drummond and Manning, 2005). Furthermore, in considering whether an option legitimizes the various components of the IGC, I also address the ability of an option to meet people where they are at, even if traditional labour market engagement is not a realistic goal given their current circumstances.

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<sup>28</sup> Note that several criteria and/or measures have been omitted from the analysis. To see these criteria and understand why they were not included, refer to Appendix I.

It should be noted that increasing movement along the continuum and increasing the ability to work also has positive impacts on income and therefore enhances economic security, resulting in all the other positive externalities of work and social hiring discussed in Appendix B.

### **7.1.2. Fear of Reporting Income**

One key finding of my research is that there are low levels of trust in the MSDSI among welfare recipients in the DTES, mainly due to the punitive nature of the welfare system, and part of what Stapleton refers to as the 'welfare paradigm' (personal communication, November 15, 2016). This lack of trust is manifested through fear and avoidance of reporting income to the Ministry. Based on data generated through this study, options that address this fear are expected to be better positioned to facilitate movement along the continuum. Welfare recipients need to report their income so they can access the benefits of any policy changes.

I qualitatively assess an option's effect on fear of reporting income based on interview data and inferences regarding changes to the punitive nature of the welfare system as a result of the policy intervention.

### **7.1.3. Support for Social Hiring**

Social hiring is another criterion that has implications for the effectiveness criterion. Qualitative interviews show that organizations engaging in social hiring are providing important opportunities for individuals to participate in the various stages of the IGC, but that they lack advocacy and financial support to maximize their potential.

I measure the extent to which an option provides support to these organizations to address these capacity challenges through interviews. While I generally approach the policy problem from the supply side of labour in this project, this criterion has implications for the demand side of labour; social hiring facilitates movement along the continuum by providing opportunities for non-traditional employment.

## **7.2. Equity for the Working Poor**

In my interviews with John Stapleton and Michael Mendelson, they both highlighted the importance of considering how welfare policy reform could potentially affect the working poor, i.e., those who work at least full-time, who do not receive welfare, yet are still living below the poverty line. While policy options targeted to welfare recipients may not directly affect the working poor, it is important to keep in mind that enhancing the ability for welfare recipients to work more hours while continuing to receive welfare may result in unfairness for the working poor who may be working tirelessly at a low-wage job just to earn the same income as someone receiving welfare and working part-time. This may also have implications for cost if benefits are so generous that those previously not receiving assistance decide that welfare is a better option and become 'windfall beneficiaries' (Blank, Card and Robbins, 1999). Furthermore, those who do move off assistance often move into entry-level, low-paying jobs, effectively moving them into the working poor category (Lightman, Mitchell and Herd, 2008).

I measure equity for the working poor by assessing the impact of a policy option on the working poor and how a policy option changes the relative incomes of welfare recipients and the working poor.

## **7.3. Budgetary Cost**

Any policy options aimed at reforming the income assistance system would create additional costs for the BC government. Therefore, I consider costs and other governmental objectives at a provincial level, despite the regional focus of this capstone.

Precise cost estimates are difficult to predict given the fluid nature of welfare caseloads, the variability in behavioral responses to policy changes, and the overall lack of data on impacts of welfare policy changes. Therefore, I do not evaluate cost based on tangible budgetary numbers. Instead, I assess the predicted magnitude of changes in expenditures for each policy option based on a combination of findings from literature on financial incentive programs, predictions on the effect of policy interventions on welfare caseloads, qualitative data from social policy experts, and predictions of program implementation costs.

## **7.4. Cost Savings**

I also consider the potential cost savings to government associated with policy change given that investments in the welfare system can result in positive externalities that may lead to cost savings (Shahmash, 2010; Ivanova, 2011). I measure cost savings by examining the effect of a policy option on the pool of taxable earnings created as a result of changes to income reporting behavior, as well as the predicted impact on cost savings to other government sectors government such as health, legal and other social services.

## **7.5. Implementation Complexity**

The final criterion I consider in this analysis is implementation complexity, which I assess based on the level of administrative requirements needed to implement a policy option. This criterion also has implications for costs to government given that, in general, the greater the complexity, the more government employees are needed to administer a program.

To measure implementation complexity, I compare the level of required change needed for the implementation of each policy option to the status quo. I measure this using qualitative data from social policy experts, government employees and intuitions I glean from reviewing the administrative aspects of each policy option and understanding the literature on welfare programs.

## **7.6. Measuring the Criteria**

I measure the criteria using qualitative assessment. I assign each measure a label indicating how well an option fulfills each criterion based on a high-medium-low scale.<sup>29</sup> This scale is represented visually using green, yellow and red to represent the corresponding labels in summary tables. Given that I measure effectiveness in three different ways, it is a more heavily weighted consideration. The measures and labels I use for each criterion are summarized in Table 6.

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<sup>29</sup> A numerical scoring system was not used because of the speculative and qualitative nature of this analysis.

**Table 6 Summary of policy evaluation criteria and measures**

Societal Objectives		
Evaluation Criteria	Measure	Scoring
Effectiveness	The extent to which the option supports movement along the continuum	High: Ability to move a substantial number of DTES welfare recipients along steps at any range of the continuum
		Medium: Ability to move a moderate number of DTES welfare recipients along steps at any range of the continuum OR a substantial number of DTES welfare recipients along a restricted range of the continuum
		Low: Minimal to no ability to move DTES welfare recipients along the continuum
Fear of reporting income	The extent to which the option reduces the punitive nature of the welfare system	High: Substantially reduces the punitive nature of the welfare system
		Medium: Moderately reduces the punitive nature of the welfare system
		Low: Minimal to no reduction in the punitive nature of the welfare system
Social hiring	The extent to which the option provides support to organizations involved in social hiring	High: Supports organizations by allowing them to better retain employees AND provides them with financial support
		Medium: Supports organizations by allowing them to better retain employees OR provides them with financial support
		Low: Does not support organizations
Equity for the working poor	The impact on the working poor	High: Has a positive effect because the option includes the working poor
		Medium: Has a neutral effect on the working poor
		Low: Has a negative impact because potential welfare income can be equal to or greater than minimum wage
Budgetary costs to government	The magnitude of potential costs incurred by government	High: Incurs minimal to no increase in current expenditures
		Medium: Incurs moderate increase in current expenditures
		Low: Incurs substantial increase in current expenditures
Cost savings to government	The magnitude of potential cost savings to the provincial government	High: Broadens the pool of taxable earnings by encouraging reporting AND reduces costs to health, social and legal services
		Medium: Broadens the pool of taxable earnings by encouraging reporting OR reduces costs to health, social and legal services
		Low: Results in minimal to no cost savings
Implementation complexity	The change required for program implementation	High: Requires minimal to no change to an existing program
		Medium: Requires a substantial change to an existing program
		Low: Requires the development of a new program

## **Chapter 8. Evaluation of Policy Options**

As previously stated, some of the policy options that I assess in this analysis are not mutually exclusive. In this chapter, I discuss the policy options presented in Chapter 6 and evaluate them based on the criteria and measures that I established in Chapter 7 to demonstrate the key advantages and disadvantages of each policy option.

### **8.1. Status Quo Plus: Reduce Administrative Barriers**

#### ***Effectiveness: Movement along the Continuum***

This option impacts other effectiveness criteria, but is likely to result in a minimal ability to move welfare recipients in the DTES along the continuum because of the existing gap between the \$200 earnings exemption and movement to traditional employment. Individuals would still experience a METR of 100% on earned income over \$200, which acts as a disincentive to moving through the continuum. Therefore, most individuals who do volunteer/peer work or work extremely part-time for social enterprise will likely remain where they are, while a few may take the leap to traditional employment knowing they can get back on assistance more easily if their attempt falls through. Therefore, I score this option low on effectiveness.

#### ***Fear of Reporting Income***

While this option does not directly promote movement on the continuum, it may moderately reduce the fear of reporting income because it somewhat decreases the punitive nature of the welfare system by allowing a person to get back on assistance right away if employment does not work out. Eliminating the requirement to go through the 90-screen application and the three-week waiting period, may prevent the current economic insecurity that often happens prior to getting back on assistance. However, it only moderately decreases this fear because it does not reduce the risk of losing assistance, and the 100% taxback rate remains. As such, I score this option medium on the fear of reporting income criterion.

#### ***Support for Social Hiring***

Rapid reinstatement may help organizations that engage in social hiring to retain their employees since the fear of losing assistance may be lessened. However, this

option does not provide any financial support for social enterprises or community organizations; and as a result, I give it a medium score on the support for social hiring criterion.

### ***Equity for the Working Poor***

This option does not include the working poor explicitly; however, because most of the welfare recipients who move into sustainable employment often work low-paid entry-level jobs, they effectively move off welfare into the working poor category. Therefore, rapid reinstatement for those that have transitioned off welfare into the working poor category who may need to get back on assistance for whatever reason, will have a positive effect by ensuring they have access to income supports before their financial situation becomes more serious. While rapid reinstatement does not affect most of the working poor, it could have a positive effect for previous welfare recipients and thus, I give it a high score on the equity for the working poor criterion.

### ***Budgetary Cost***

This option involves little increase to current expenditures; and thus, I score it high on the cost criterion. It could result in a slight increase in assistance payment expenditures because of the reduction in time between when a person is employed and when they get back onto assistance. However, this increase in expenditures may be offset by the reduction in administrative costs associated with processing applications of returning welfare recipients. It would also reduce the number of interactions needed between these returning recipients and Ministry staff because recipients would not need to follow-up after the three-week waiting period.

### ***Cost Savings***

Rapid reinstatement may result in a minimal increase to the pool of taxable earnings for individuals that are willing to take the leap off assistance, but more importantly, it has the potential to reduce some of the external costs to health, social and legal services. If individuals decide to take the leap off assistance but experience setbacks that bring them back on assistance, rapid reinstatement may prevent homelessness, housing insecurity, stress and negative health impacts that were identified in community interviews as negative outcomes of the current reapplication

process. Therefore, I determine that this option scores medium on the cost savings criterion.

### ***Implementation Complexity***

Reducing administrative barriers while retaining the status quo involves changing a handful of regulations in the BCEA legislation, which once approved by Cabinet is a minute task done by provincial legislators. It would involve notifying and retraining EAWs on the changes, but overall would make their jobs easier. Therefore, I determine that this option results in minimal change to the existing BCEA program and I give it a high score on the implementation complexity criterion.

**Table 7 Summary evaluation: Reduce administrative barriers**

<b>Evaluation Criteria</b>	<b>Measure</b>	<b>Assessment</b>
Effectiveness	The extent to which the option supports movement along the continuum	Low: Minimal to no ability to move DTES welfare recipients along the continuum
Fear of reporting income	The extent to which the option reduces the punitive nature of the welfare system	Medium: Moderately reduces the punitive nature of the welfare system
Support for social hiring	The extent to which the option provides support to organizations involved in social hiring	Medium: Supports organizations by allowing them to better retain employees
Equity for the working poor	The impact on the working poor	High: Substantially reduces the punitive nature of the welfare system
Budgetary costs to government	The magnitude of potential costs incurred by the provincial government	High: Incurs minimal to no increase in current expenditures
Cost savings to government	The magnitude of potential cost savings to the provincial government	Medium: Broadens the pool of taxable earnings by encouraging reporting OR reduces costs to health, social and legal services
Implementation requirements	The change required for program implementation	High: Requires minimal to no change to an existing program

## **8.2. Create a Non-Traditional Employment Stream in EPBC**

### ***Effectiveness: Movement along the Continuum***

In creating a non-traditional employment stream in EPBC, the non-traditional opportunities that already exist in the DTES would be formally recognized. Instead of the



singular goal of labour market attachment, Work BC staff would be working with individuals to meet them where they are at on the continuum and work towards the next step of the continuum. This may encourage some movement along the continuum. However, it is anticipated that much of this movement will be prevented by the existing 100% METR on earned income beyond the \$200 exemption. Therefore, individuals who engage in peer and volunteer work may not be incentivized to report income and may be disincentivized to move into opportunities with more formal pay structures. Furthermore, those who are engaging in task work or supportive employment may not increase their hours because of the existing high METR.

By bringing non-traditional employment into the formal employment support system without addressing this financial disincentive, this option may actually disincentivize participation in non-traditional work opportunities because of the fear of interactions with the Ministry that I document in my interviews. Moreover, connecting these non-traditional opportunities with the Ministry may result in an increased accountability for welfare recipients to report income because now Work BC staff will be aware of their involvement in income-generating activities and could report it to the Ministry. Even if welfare recipients could opt into this low-threshold employment stream, these considerations would likely prevent them from participating. This option on its own therefore has a minimal ability to move welfare recipients from where they are currently along the continuum and I give it a low score on the effectiveness criterion.

### ***Fear of Reporting Income***

My analysis shows that this option results in a moderate reduction in the fear of reporting income; and as such, I give it a medium score on this criterion. Even though Work BC staff are technically non-profit employees, the community still perceives them as government workers because they administer a government program. Allowing Work BC staff to formally recognize non-traditional employment as a part of welfare recipients' Employment Plans may reduce the punitive nature of the system by helping build trust between the recipient and the Ministry. It also decreasing the chances of being cut off assistance for non-compliance. However, it does not decrease the chance of experiencing clawbacks on assistance cheques as a result of earning more than the allowable limit. This means that any income reported will likely not exceed the \$200 exemption.

### ***Support for Social Hiring***

Introducing a non-traditional employment stream that brings social enterprise and community organizations into the formal employment support system has positive benefits on the extent to which these organizations can engage in social hiring. These benefits are realized not only through increased access to the Ministry for advocacy purposes, but also through the diversion of funding to organizations that exist to provide low-threshold employment opportunities that previously were unrecognized. Therefore, I score this option high on the support for social hiring criterion.

### ***Equity for the Working Poor***

The EPBC does not generally serve the working poor in its programming, although it is very possible that some people who presently are low-wage workers have participated in the program before. Nevertheless, this option does not impact the working poor directly and therefore has a neutral effect.

### ***Budgetary Cost***

Introducing this new stream to the EPBC does not significantly change the cost structure, but would likely require a moderate increase in public expenditures for more employment support staff, staff for community engagement, implementation costs and funding for the inclusion of community organizations in employment programming and training opportunities. Given that for 2016/17, the MSDSI has budgeted only 1% of their total expenditures on employment programming in BC (Government of BC, 2017), even a substantial change to the EPBC would still result in an overall moderate increase in current government expenditures. Thus, I give this option a medium score on cost.

Nevertheless, it is possible that much of this funding could be diverted from the traditional EPBC stream. A recent evaluation of the program identified several inefficiencies in providing support for people with multiple barriers that may be rectified by this new non-traditional stream (FERENCE and COMPANY, 2016).

### ***Cost Savings***

This option results in minimal cost savings because it has a minimal effect on the reporting of earnings, therefore doing nothing to broaden the pool of taxable earnings. Furthermore, it does not incentivize work enough to have a significant impact on the use

of health, social and legal services. With this, I give it a low score on the cost savings criterion.

### **Implementation Complexity**

Finally, this option involves moderate implementation complexity as it requires a substantial change to the EPBC by introducing a new stream for employment supports. The EPBC can retain its overall structure of contract holders; however, changes to staff training, funding streams, program evaluation and overall program implementation are needed. Therefore, I score this option medium on implementation complexity.

**Table 8 Summary evaluation: Create a non-traditional employment stream in EPBC**

<b>Evaluation Criteria</b>	<b>Measure</b>	<b>Assessment</b>
Effectiveness	The extent to which the option supports movement along the continuum	Low: Minimal to no ability to move DTES welfare recipients along the continuum
Fear of reporting income	The extent to which the option reduces the punitive nature of the welfare system	Medium: Moderately reduces the punitive nature of the welfare system
Support for social hiring	The extent to which the option provides support to organizations involved in social hiring	High: Supports organizations by allowing them to better retain employees AND provides them with financial support
Equity for the working poor	The impact on the working poor	Medium: Has a neutral effect on the working poor
Budgetary costs to government	The magnitude of potential costs incurred by the provincial government	Medium: Incurs moderate increase in current expenditures
Cost savings to government	The magnitude of potential cost savings to the provincial government	Low: Results in minimal to no cost savings
Implementation requirements	The change required for program implementation	Medium: Requires a substantial change to an existing program

## **8.3. Change Earnings Exemptions**

Through the evaluation of these policy options, I discovered several commonalities between the option of increasing the flat-rate earnings exemption limit and introducing an enhanced earnings exemption. Therefore, to keep the analysis succinct, I evaluate them together, drawing out key differences.

### ***Effectiveness: Movement along the Continuum***

Research by Blank, Card and Robbins (1999) suggests that the greater the benefit, the more effective a financial incentive is for increasing work. With this logic, one could assume that increasing the flat-rate exemption from \$200 to \$400 would incentivize greater work, likely to the point of earning \$400/month. However, despite this logic and suggestions from social enterprise employers that increasing the flat-rate exemption may be effective, some literature suggests this option would be ineffective in achieving the objective because of the 100% METR that disincentivizes further employment (Drummond and Manning, 2005). Mendelson suggests that increasing the flat-rate exemption would likely not be effective, and that when it comes to an exemption within the system, Ontario's exemption structure is likely the best (personal communication, December 1, 2016).

An enhanced exemption of 50% could move some people along the continuum because it lessens the leap between assistance and traditional employment substantially. Furthermore, it is possible that the 3.5% of DTES welfare recipients that report income may be incentivized to work more and move along the continuum if their life circumstances allow them to. However, when I asked the three welfare recipients if they would increase their work hours with a 50% clawback rate, overall their answers were 'it depends'.<sup>30</sup> It would depend on their financial situation, the work available, and their current life circumstances. While a non-representative sample size of three people is not enough to make generalizable conclusions, these responses suggest that it unclear as to how effective this option might be.

Drummond and Manning (2005) express the view that it is unfair to tax earnings at a 50% rate when a person's total income still falls far below the poverty line. They assert that the 50% taxback rate still functions as a disincentive to work and that people will still refrain from reporting income. Furthermore, research from the UK shows that people do not necessarily make decisions to work based on financial calculations of how their income will change when they enter employment (Patrick, 2014.) My analysis supports these insights in a different way. With the current \$200 exemption, only 3.5% of

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<sup>30</sup> There are obvious limitations to this small sample size; therefore, this assessment is strictly based on the data I could collect. Surprisingly, there was little-to-no public data on the effects of implementing a 50% taxback rate in Ontario on welfare reciprocity and employment. These limitations and others are highlighted in Chapter 10.

ETW recipients in the DTES declared any earned income between May and October 2016; and over 50% of those individuals declared well below the \$200 monthly amount. These statistics suggest that changing the earnings exemptions alone is not enough to encourage more work and movement along the continuum because the majority of welfare recipients aren't even utilizing the \$200 exemption.

While the 3.5% that are reporting income (likely working for formal supportive employers who require that they report) may increase their work output in response to this increase, it is expected that the majority will not. Therefore, changing the exemption in these two ways results in minimal ability to move DTES welfare recipients along the continuum. With this, I give both options a low score on the effectiveness criterion.

### ***Fear of Reporting Income***

Similarly, increasing the flat-rate exemption to \$400 has a minimal impact on the punitive nature of the welfare system and is likely to have a minimal effect on reducing the fear of reporting income. Interview data show that this fear is more likely to be associated with the fear of losing assistance and increasing the flat-rate exemption does not address that. Therefore, I give it a low score on the fear of reporting income criterion.

Introducing an enhanced exemption could lessen the punitive nature of the welfare system by reducing the taxback rate from 100% to 50%, and as a result, also increase the income threshold at which one would lose assistance. However, this effect may only be moderate. One employer talks about the fear of reporting income:

"If someone is making money, it should be like, 'Well done! Report that! That's awesome. Be proud of that!' But instead it's like, 'No I don't want to report it. I don't want them to think that I'm more capable than I am'" (Executive Director of a community organization, June 24, 2016).

This suggests there would still be a great level of mistrust in government and that people avoid reporting income for fears of "looking too able" and being removed from assistance for not finding and sustaining traditional employment. I determine that this option does nothing to reduce those fears and give it a low score on this criterion.

### ***Support for Social Hiring***

In theory, changing the exemption limit may allow social enterprises that require their employees to report income to better retain their employees. Interview data from

employers suggests that when a person works more than one shift a week, even if it's a four-hour shift, they are significantly easier to retain because of the consistency of interaction. Doubling the earnings exemption or reducing the taxback rate to 50% would allow an ETW recipient to work at least an extra four hour shift each week without experiencing clawbacks, suggesting that employers can more easily retain them. However, neither options provide financial support for social enterprises; and therefore, I give both options a medium score on the support for social hiring criterion.

### ***Equity for the Working Poor***

Increasing the flat-rate exemption or introducing an enhanced exemption means that the threshold for moving off assistance is higher. In Table 9, I calculate the maximum welfare incomes to show the differences in income between the status quo, increasing the flat-rate exemption, introducing an enhanced exemption and working full-time on minimum wage (i.e., the working poor). I assume that earned income will be at a rate of minimum wage.

**Table 9 Welfare incomes and maximum hours of work: status quo, increasing the flat-rate exemption, introducing an enhanced exemption and full-time minimum wage**

<b>Scenario</b>	<b>Annual Welfare Payment</b>	<b>Maximum Annual Earned Income</b>	<b>Total Annual Income</b>	<b>Maximum Hours of Work</b>
<b>Status quo</b>	\$ 7,320.00	\$ 2,400.00	\$ 9,720.00	4.25
<b>Increasing the flat-rate exemption to \$400</b>	\$ 7,320.00	\$ 4,800.00	\$ 12,120.00	8.51
<b>Introducing a 50% enhanced exemption</b>	\$ 7,320.00	\$ 6,060.00 <sup>31</sup>	\$ 13,380.00	10.74
<b>Minimum wage (40 hrs/week at \$10.85/hr)</b>	N/A	\$ 19,774.37 <sup>32</sup>	\$ 19,774.37	N/A

Despite being well below the low-income cut-off for BC, the annual income of an individual working full-time at minimum wage is substantially higher than the maximum a

<sup>31</sup> I calculated this by adding the \$2400 annual flat-rate exemption and half of the annual income assistance payment (\$3660) because the other half is taxed back from one's assistance cheque.

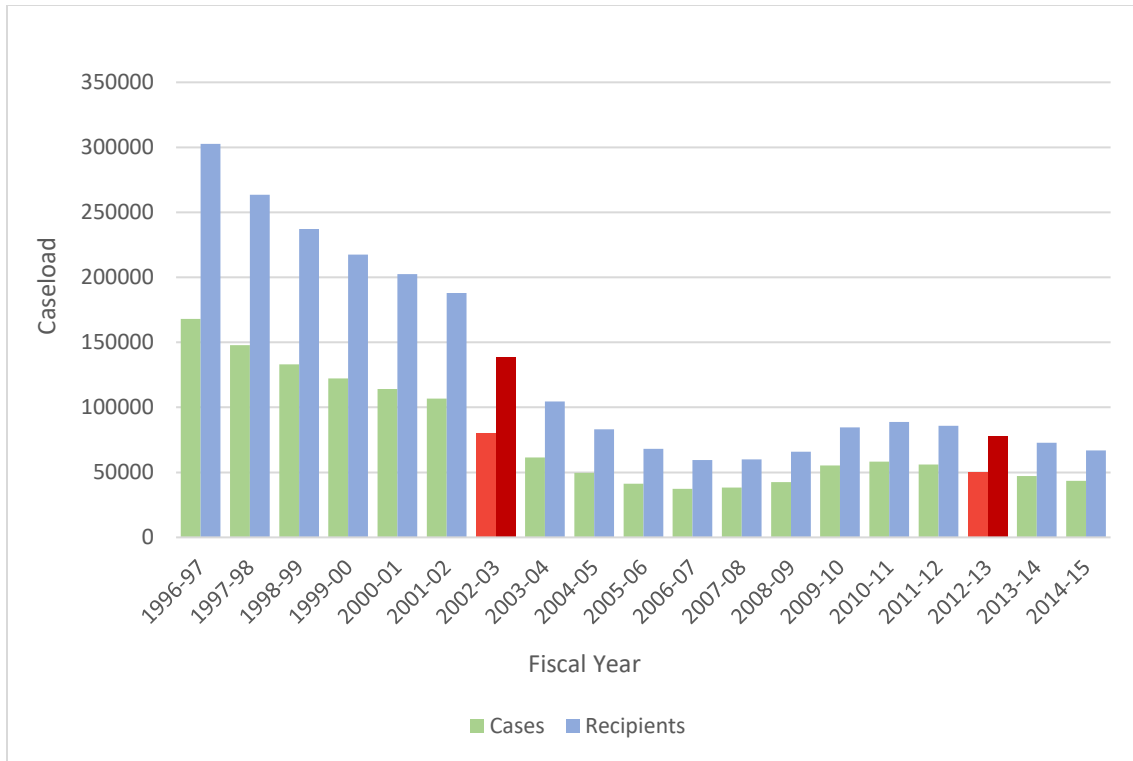
<sup>32</sup> This is based on a 40-hour work week and a wage rate of \$10.85, including federal and provincial income tax, Canadian Pension Plan and Employment Insurance deductions.

welfare recipient can earn without experiencing clawbacks. With this, I determine that the effects on the working poor are neutral for both options.

### ***Budgetary Cost***

In theory, increasing the flat-rate exemption could result in greater expenditures given that those who report income will be able to retain double the amount of earned income. Similarly, introducing an enhanced exemption may result in greater expenditures given that those who report income will still be able to retain 50% of that earned income. Both scenarios lead to the government retaining less funds and could result in greater costs because the exemptions would be applied to the entire province. These considerations may especially be relevant for considering the effects on the rest of the province where welfare recipients may respond differently than those in the DTES.

While both options increase the income threshold at which welfare recipients move off assistance upon employment – which may also incur greater costs – changing the exemption either way likely results in minimal increases in current expenditures given the current minimal costs associated with the low uptake of the current \$200 exemption. This may also be supported by tracking trends in caseload data. While the literature suggests that increasing financial incentives may result in ‘windfall beneficiaries’ that can increase costs to government (Blank, Card and Robbins, 1999), caseload data from BC and Ontario in Figures 3 and 4 suggest there may have been no meaningful increases in caseloads as a result of changes to the financial incentive structure of the welfare system. The red bars represent the years in which the financial incentive structure changed for welfare recipients in these respective provinces.

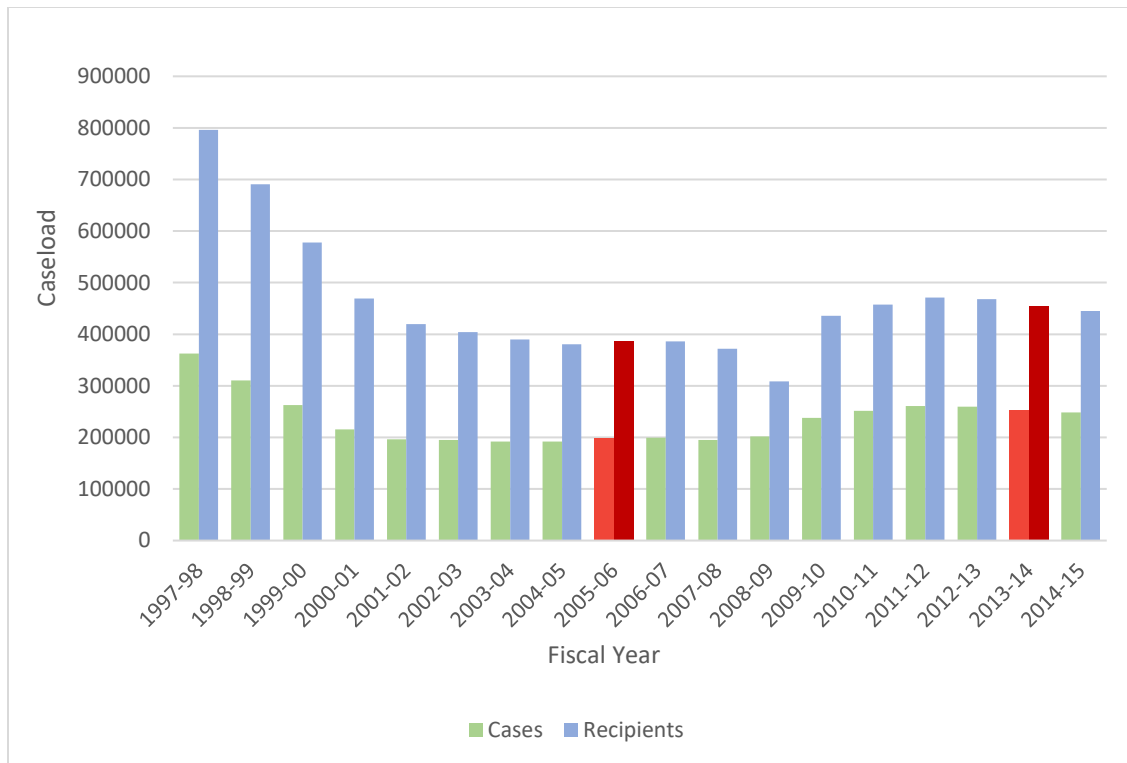


**Figure 3 BC Employment and Assistance caseload, 1996-2015**

Source: Caledon Institute of Social Policy (2016)

Prior to 2002, single ETW recipients in BC received an exemption of \$100 plus 25% per month (Seguin, 1998). In 2002, exemptions for ETW recipients were eliminated completely. While there is a visible decrease in caseload the following year, this was likely part of a larger trend in caseload reduction that started in the mid-1990’s (Prince, 1996). There was no exemption for ETW recipients until 2012 when a \$200 flat-rate exemption was introduced. With this, there appears to be no meaningful change in caseload numbers in the following years.





**Figure 4 Ontario Works caseload, 1997-2015**

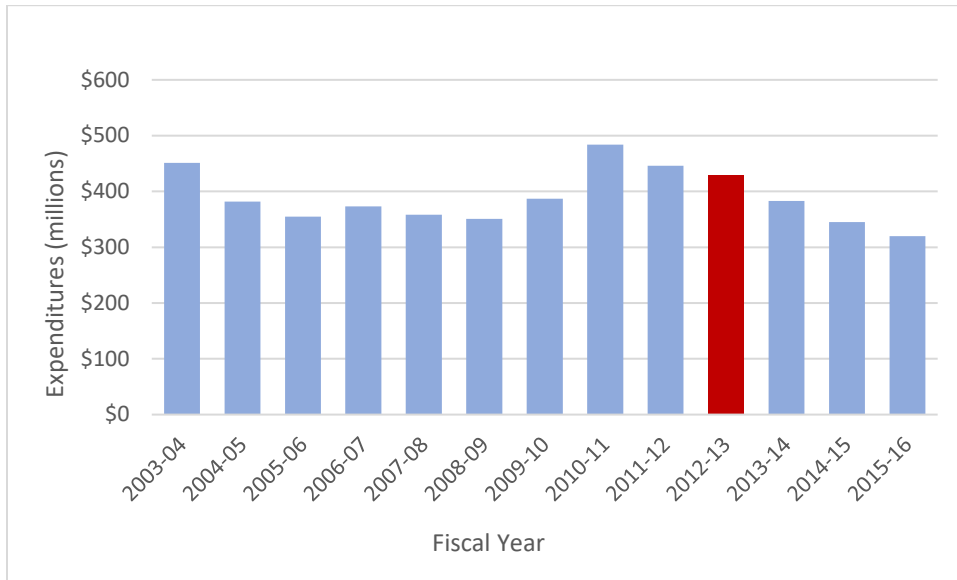
Source: Caledon Institute of Social Policy (2016)

Caseload data from Ontario points to similar conclusions. In 2005, the Government of Ontario changed their earnings exemption structure from varying enhanced exemptions dependent on how long a recipient was on assistance to a 50% exemption for all recipients of Ontario Works. In 2013, they introduced an additional \$200 flat-rate exemption.

There are of course many variables that affect welfare caseloads, and no disaggregated data available to understand movement in and out of the welfare system. The above observations are therefore strictly correlational because I was unable to do an analysis that holds all the other variables constant. Nevertheless, the lack of meaningful change to caseloads in both BC and Ontario suggest that changes to financial incentive structures over time have not had meaningful impacts on welfare caseloads.

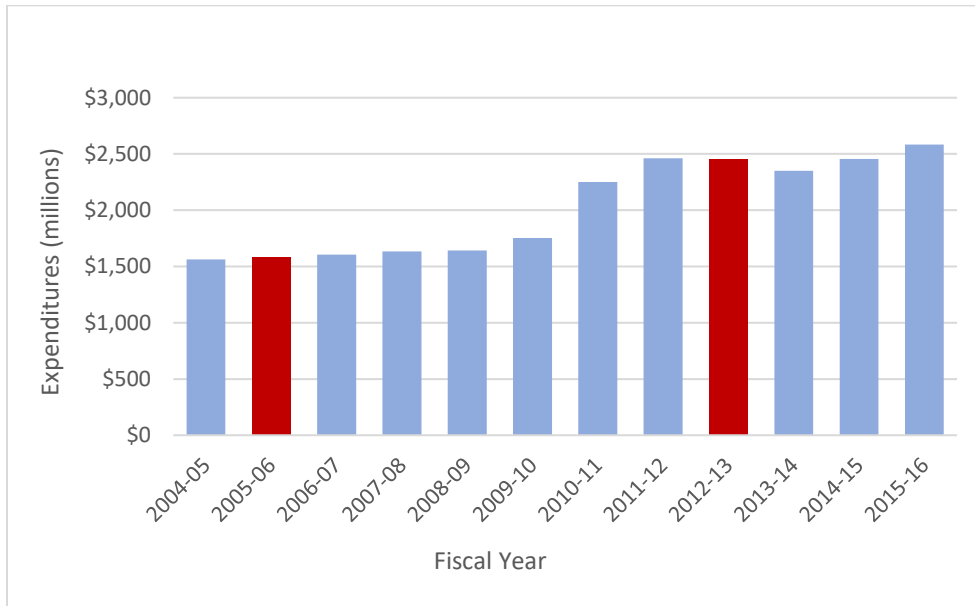
Furthermore, annual expenditures on welfare payments appear to remain stable in both BC and Ontario. In Figures 5 and 6, I track these annual expenditures, with the

red bars representing years in which the financial incentive structure within the welfare system changed.



**Figure 5 BC Employment and Assistance Temporary Assistance Expenditures, 2003-2016**

Source: Government of British Columbia Annual Budget Estimates



**Figure 6 Ontario Works Financial Assistance Expenditures, 2004-2016**

Source: Government of Ontario Annual Budget Estimates

Once again, my observation that changing the financial incentive structure appears to not have had a meaningful effect on program expenditures is strictly

correlational because there are many other factors for which I could not control that may affect expenditures. However, it is worth noting that despite this, there were no meaningful increases to welfare expenditures in the years following the introduction of greater earnings exemptions.

Blank, Card and Robbins (1999) suggest that cost is a direct trade-off for effectiveness. The above analysis suggests that changing earnings exemptions in the proposed ways may be ineffective in creating adequate incentives to work and therefore, results in minimal costs to government. Therefore, I score both exemption options high on the cost criterion.

### ***Cost Savings***

I expect the cost savings to government associated with increasing the flat-rate exemption to be minimal. There will be little increase to the pool of taxable income, and insignificant reductions in social, health and legal costs due to the option's inability to incentivize work and move welfare recipients along the IGC. As a result, I determine that increasing the flat-rate exemption scores low on cost savings.

On the other hand, data from Ontario on the 50% enhanced earnings exemption suggest that some costs may be absorbed by broadening the pool of taxable income. For example, the City of Hamilton predicted a program savings of over \$360,000 gross in their municipality due to the recoveries they collected from benefits when the province introduced a 50% exemption back in 2006 (City of Hamilton, 2005). This number would be exponentially larger for the Province of Ontario as a whole. However, the predicted cost savings created by reductions in costs to health, social and legal services is questionable in the DTES, given the ineffectiveness of this option for DTES welfare recipients. Therefore, I give the option of introducing an enhanced exemption a medium score on the cost savings criterion.

### ***Implementation Complexity***

Implementing changes to the earnings exemption would be very easy; it involves amending the one regulation in BCEA regulations that legislates earnings exemptions, which once approved by Cabinet is a relatively easy task done by provincial legislators. It would involve tweaking the welfare system's exemption calculator in both cases, but overall would result in an automatic change to assistance calculation. Though it might be

slightly more complicated to deal with the 50% exemption as opposed to the flat-rate exemption, both options require minimal changes to the current BCEA program; therefore I score them high on the implementation complexity criterion.

**Table 10 Summary evaluation: Changing earnings exemptions**

Evaluation Criteria	Measure	Assessment: Increasing the Flat-Rate Exemption to \$400	Assessment: Introducing an Enhanced Exemption of 50%
Effectiveness	The extent to which the option supports movement along the continuum	Low: Minimal to no ability to move DTES welfare recipients along the continuum	Low: Minimal to no ability to move DTES welfare recipients along the continuum
Fear of reporting income	The extent to which the option reduces the punitive nature of the welfare system	Low: Minimal to no reduction in the punitive nature of the welfare system	Medium: Moderately reduces the punitive nature of the welfare system
Support for social hiring	The extent to which the option provides support to organizations involved in social hiring	Medium: Supports organizations by allowing them to better retain employees	Medium: Supports organizations by allowing them to better retain employees
Equity for the working poor	The impact on the working poor	Medium: Has a neutral effect on the working poor	Medium: Has a neutral effect on the working poor
Budgetary costs to government	The magnitude of potential costs incurred by the provincial government	High: Incurs minimal to no increase in current expenditures	High: Incurs minimal to no increase in current expenditures
Cost savings to government	The magnitude of potential cost savings to the provincial government	Low: Results in minimal to no cost savings	Medium: Broadens the pool of taxable earnings by encouraging reporting
Implementation requirements	The change required for program implementation	High: Requires minimal to no change to an existing program	High: Requires minimal to no change to an existing program

## 8.4. Establish a Provincial Earnings Supplement

### ***Effectiveness: Movement along the Continuum***

Establishing an earnings supplement program for low-income workers results in the greatest ability to move DTES welfare recipients along any range of the ICG because conceptually, the more people work, the greater benefit they get. Someone engaged in informal income generation like binning may be more likely to take on a volunteer stipend position and report that income because they will get something back

for it. Someone who is currently working part-time for a supportive employer may be incentivized to increase their work hours because they will be better off for doing so.

These supplements address cases of labour market failure, where wages are too low or hours of work are insufficient to generate an adequate income (Drummond and Manning, 2005). They reduce the METR at that point, incentivizing work at levels of income where someone might be tempted to substitute welfare for employment because they are unable to make ends meet on their employment income. An income supplement therefore helps people get over the initial hump of entering into the traditional labour force, making it effective for moving people into the more formal end of the continuum (Drummond and Manning, 2005).

This effect was apparent in the former Canada Child Tax Benefit. Despite being a part of the income tax system, the general benefit structure was the same; the more someone works, the greater benefit they get. According to Mendelson, the CCTB was extremely effective in getting single parents to work, which is why if he were to choose an option to deal with the systemic barriers in BC, a provincial earnings supplement would be his option of choice (personal communication, December 1, 2016). Furthermore, in his interview, Stapleton recommends an option outside of the welfare system so that it is removed from the harmful welfare paradigm (personal communication, November 15, 2016). This option also had the greatest support from both welfare recipients and organizational representatives. One welfare recipient discusses the benefits of an earning supplement compared to his current situation:

Right now my limit is too low. Whereas at least in a scenario like this, you'd be at a point where you would have a bit more stability to be able to make better decisions (Welfare recipient, personal communication, November 30, 2016).

One important caveat to note is that the effectiveness of this policy option will largely depend on how it interacts with the current welfare system. Within the current system, the \$200 earnings exemption and the 100% taxback rate would largely negate the potential benefits of a provincial earnings supplement because welfare beneficiaries will still experience a significant clawback on their assistance cheques. While it is beyond the scope of this analysis to determine the best way to adapt the flat-rate exemption and/or taxback rate, I analyze this option based on the assumption that the incentives within the welfare system will be adequate to allow beneficiaries to experience

the potential benefits of an earnings supplement program. Bearing this in mind, I give the earnings supplement option a high score on the effectiveness criterion.

### ***Fear of Reporting Income***

Despite being a program outside of the BCEA, my interview data shows that many welfare recipients do not differentiate between social programs, or even separate government ministries and would likely equate this program with the welfare system overall. Awarding people the more they work will actually incentivize people to report their income knowing they will gain a benefit. Depending on how this program interacts with the welfare system, it may or may not reduce the fear of losing assistance, but I still give it a high score on this criterion because of the drastic reduction in the punitive nature of the welfare system.

### ***Support for Social Hiring***

While this option does not promise any financial support for social hiring organizations and businesses, it could increase their ability to retain workers because workers will be incentivized to work more, achieve greater economic security, and will likely become more employable as a result. Therefore, this I give this option a medium score on the support for social hiring criterion.

### ***Equity for the Working Poor***

Earnings supplement programs generally include the working poor as beneficiaries and help to supplement low wages. With this I give this option a high score on the equity for the working poor criterion. Given that the minimum wage of \$10.85 in BC is well below the low-income cut-off for the province, an earnings supplement would benefit the working poor, as well as provide support to those leaving the welfare caseload for low-wage employment. It should be noted that the development of a supplement program would need to ensure that overlap with other income tested programs is minimized by aligning the phase-out thresholds to avoid a perfect storm of clawbacks that would dramatically affect low-income working individuals' METRs (Drummond and Manning, 2005).

### ***Budgetary Cost***

The literature suggests that the greater the incentive, the more effective it is in increasing work participation, but also the costlier it is to government (Blank, Card and Robbins, 1999). As such, this option incurs a substantial increase in current expenditures, not only to implement a new program, but also to pay out benefits on top of the existing BCEA assistance payments. For example, Saskatchewan's Ministry of Social Services supported 5,985 families in 2011-2012, spending over \$19.6 million on their provincial earnings supplement program, or on average almost \$3,300 per family (Saskatchewan Ministry of Social Services, 2012). Similarly, the earnings supplement program administered in the SSP cost around \$5,000-\$8,000 per year, per welfare recipient (Michalopoulos et al., 2002). Furthermore, there would be a need to substantially increase the administrative capacity of the MSDSI to administer this program. Therefore, this I score this option low on the cost criterion.

### ***Cost Savings***

While the costs are high, there are promising cost savings for government in a provincial earnings supplement. The large incentive to work will significantly broaden the pool of taxable earnings. For example, the net costs to government in the SPP were much lower than the overall program costs because the program substantially increased income tax revenues and reduced government welfare payments (Michalopoulos et al., 2002; Reuben et al., 2003). Furthermore, cost savings to the health, social and legal services could be substantial. There is potential for the supplement to improve quality of life, much like other more generous income support programs. Positive externalities and cost savings to other government sectors as a result of enhancing economic well-being is well documented in the literature (Ivanova, 2011). As a result, I determine that this option scores high on the cost savings criterion.

### ***Implementation Complexity***

An earnings supplement is the most complex to implement because it requires the development of a new program and the creation of new legislation. There are many considerations to be made including the structure of the program and its benefits, income thresholds, eligibility criteria, application processes, required changes needed within the welfare system, and other important implementation factors. Because the supplement should be a monthly benefit that works in tandem with the income

assistance system, it will require substantial administrative oversight; therefore, I give it a low score on the implementation complexity criterion.

**Table 11 Summary evaluation: Establishing a provincial earnings supplement**

<b>Evaluation Criteria</b>	<b>Measure</b>	<b>Assessment</b>
Effectiveness	The extent to which the option supports movement along the continuum	High: Ability to move DTES welfare recipients along steps at any range of the continuum
Fear of reporting income	The extent to which the option reduces the punitive nature of the welfare system	High: Substantially reduces the punitive nature of the welfare system
Support for social hiring	The extent to which the option provides support to organizations involved in social hiring	Medium: Supports organizations by allowing them to better retain employees
Equity for the working poor	The impact on the working poor	High: Has a positive effect because the option includes the working poor
Budgetary costs to government	The magnitude of potential costs incurred by the provincial government	Low: Incurs substantial increase in current expenditures
Cost savings to government	The magnitude of potential cost savings to the provincial government	High: Broadens the pool of taxable earnings by encouraging reporting AND reduces costs to health, social and legal services
Implementation requirements	The change required for program implementation	Low: Requires the development of a new program



## Chapter 9. Policy Analysis and Recommendations

In the above evaluation, I demonstrate that simply reducing administrative barriers and/or introducing a non-traditional employment stream in EPBC are inadequate options for moving welfare recipients in the DTES along the IGC, despite having other positive benefits. Moreover, while initially it appeared that part of the policy problem could be solved by changing the earnings exemption scheme, my evaluation in Chapter 8 suggests these options on their own are not as effective as previously believed. Even representatives from organizations that hire welfare recipients thought this might address the problem. My research has shown that the problem is more complex and that an important precursor to incentivizing work is decreasing the fear and mistrust of the Ministry, and incentivizing the reporting of income.

Introducing a provincial earnings supplement outside of the welfare system has a high potential to move welfare recipients along the IGC, as well as substantially reduce the punitive nature of the welfare system by rewarding people for working and reporting income. However, in addition to this earnings supplement, there must be changes to the financial incentive structure within the welfare system. While it is outside the scope of this analysis, increasing the flat-rate exemption and/or reducing the taxback rate enough to allow beneficiaries to receive the earnings supplement without experiencing significant clawbacks is an important part of the effectiveness of the supplement.

Even with adapting the welfare system to the earnings supplement program, some may argue that the combination of the supplement and the existing clawbacks on employment income for welfare recipients may produce the same effects as simply reducing the taxback rate. However, Blank, Card and Robbins (1999) suggest that even if the outcome is similar to a 50% taxback rate on income, an earnings supplement outside of the welfare system has a greater effect on work incentives. This is likely because the supplement remains outside of the welfare paradigm, which Stapleton suggests is the overarching reason individuals get stuck in the cycle of poverty (personal communication, November 15, 2016). In the welfare paradigm, a taxback rate reduction is framed as punishment for welfare recipients through the taxing back of employment income; whereas an earnings supplement is framed as a reward for welfare recipients who work and report their income. Consistent with prospect theory, which suggests that

individuals behave differently depending on whether they anticipate punishment or reward, individuals who are being rewarded for their behaviour are likely to respond more positively than those who perceive to be punished, even if the outcome is the same (Tversky and Kahneman, 1981).

In addition to considerations for welfare recipients, we also must recognize that BC has one of the highest rates of the working poor in Canada (Ivanova, 2016). While my main objective for this capstone is to support welfare recipients, it is important to consider that most recipients who move off welfare still end up facing challenges in making ends meet. An earnings supplement that helps support the working poor has the potential to better support the transition from income assistance and out of poverty.

Furthermore, Blank, Card and Robbins (1999) found that pairing employment services with a financial incentive program increased employment more than either one on its own. Given that we know that many people on welfare in the DTES are not adequately supported by Work BC, adding a more flexible non-traditional employment stream may result in greater outcomes than a provincial earnings supplement on its own. This stream would also allow for collaboration with and support for social enterprises and community organizations in the DTES that engage in social hiring, thereby creating an employment environment more conducive to social hiring. Interview data demonstrate that community organizations are filling holes in government service provision and require greater support to continue the important work they do.

The literature shows that the greater the incentive, the greater the cost, and that earnings supplements outside of the welfare incur substantial costs to government compared to adjusting the financial incentive structure within the welfare system (Michalopoulos, Robins and Card, 2005). Furthermore, introducing a new supplement program involves greater implementation complexity and requires more staff to administer the program. However, ample evidence indicates substantial cost savings when government invests in the economic security of its most vulnerable residents. There is evidence of decreases in emergency room visits, decreases in interactions with the criminal justice system, and an overall increase in well-being for communities and individuals (Ivanova, 2011). Furthermore, in encouraging the reporting of income, the government can bring people who traditionally remain outside of the tax system, into the tax system, thereby broadening the pool of taxable earnings.

On the other hand, there is a possibility that changing the earnings exemption scheme – specifically by introducing an enhanced earnings exemption of 50% – may facilitate movement along the ICG. This could be done by combining the rapid reinstatement with a non-traditional employment stream in EPBC, which together could substantially reduce the punitive nature of the welfare system. However, building trust in the community will not happen overnight and may be a multi-generational endeavour. Therefore, the success of combining these options is highly speculative.

## **9.1. Recommendation**

With the above considerations, I recommend implementing an earnings supplement program outside of the welfare system and adapting earnings exemptions in commensuration with the supplement, in conjunction with a non-traditional employment stream in the EPBC. Given the lack of data and the speculative nature of this analysis, I recommend that the MSDSI first implement these changes through a pilot project to evaluate their effectiveness. Assessing the effectiveness of this policy approach using quantitative assessment data will also result in greater political and public support.

With its low cost and implementation complexity, rapid reinstatement should be introduced immediately for previous welfare recipients to reduce the punitive nature of the welfare system and decrease the fear of losing assistance. Having the MSDSI restore its provision of in-person service would also be helpful for beneficiary trust. As one welfare recipient says:

If you don't have a human, it's not really that helpful. And I don't know how to describe why that's so, except that you don't keep appointments with computers (Welfare recipient, personal communication, January 12, 2017).

People deserve to be treated with dignity and respect. It is hard to get out of poverty if people cannot access the assistance that exists to support them.

**Table 12 Summary evaluation: Recommendations**

Evaluation Criteria	Measure	Assessment
Effectiveness	The extent to which the option supports movement along the continuum	High: Ability to move DTES welfare recipients along steps at any range of the continuum
Fear of reporting income	The extent to which the option reduces the punitive nature of the welfare system	High: Substantially reduces the punitive nature of the welfare system
Support for social hiring	The extent to which the option provides support to organizations involved in social hiring	High: Supports organizations by allowing them to better retain employees AND provides them with financial support
Equity for the working poor	The impact on the working poor	High: Has a positive effect because the option includes the working poor
Budgetary costs to government	The magnitude of potential costs incurred by the provincial government	Low: Incurs substantial increase in current expenditures
Cost savings to government	The magnitude of potential cost savings to the provincial government	High: Broadens the pool of taxable earnings by encouraging reporting AND reduces costs to health, social and legal services
Implementation requirements	The change required for program implementation	Low: Requires the development of a new program

## 9.1. Implementation

The initial pilot project should be run in the DTES and should involve working with the community to develop and evaluate. The pilot could be run through the BC Centre for Employment Excellence, an organization that already receives funding and engages in research to connect both the BC employment services sector and the employer community with emerging information about employment and training programs, practices and resources. This pilot could be an experimental pilot like the SSP, with a control group and two experimental groups (supplement only and supplement plus non-traditional employment support).

The pilot would also provide the opportunity to make more informed decisions about program design and determine the required changes to earnings exemptions within the welfare system to make the supplement effective. Blank, Card and Robbins (1999) suggest that targeting financial incentives to different groups reduces the costs to

government; however, there may be equity issues with such an approach. This pilot could be targeted to long-term welfare recipients, especially because financial incentives have resulted in greater impacts on this population (Michalopoulos, Robins and Card, 2005). Other design decisions include the supplement amount, as well as minimum hours of work (or earned income) thresholds for the commencement of benefits. The SSP was successful in keeping costs low by offering the supplement only to single parents who worked more than 30 hours per week. However, the threshold would need to be much lower in order to affect individuals at less formal points on the IGC.

Furthermore, the incentive would need to be large enough to be impactful. For example, the federal government's Working Income Tax Benefit – while developed with the same logic of reducing the welfare wall and supporting low-income Canadians – has not resulted in significant results because the benefits offered start at \$0.20 to every dollar earned, which many argue does not reduce the METR for low-income Canadians in a significant way (Saunders, 2005; Mendelson, personal communication, December 1, 2016). Additionally, part of making sure the supplement is adequate is determining how earnings exemptions in the welfare system must change to accommodate the supplement. At the very least it is necessary that the earnings supplement starts well below the earnings exemption to ensure people are incentivized prior to receiving clawbacks on their assistance cheques. This could be done by increasing the current flat-rate exemption to a generous level, and/or reducing the taxback rate from 100% to something much lower.

Finally, there must be long-term commitment to implementing larger-scale changes in the event that this pilot results in positive outcomes for participants. Despite showing positive effects, the SSP was terminated and as a result, the positive benefits of the program decreased in the long run (Michalopoulos, Robbins and Card, 2005). All too often the government funds pilot projects that prove a program achieves its desired objectives, but these pilots end and there are no systemic policy changes. In implementing an innovative program like the one I recommend in this capstone, the MSDSI could really live up to its mandate of 'social innovation.'

## Chapter 10. Limitations

As previously mentioned, my analysis relies primarily on qualitative data, making the outcomes and recommendations somewhat speculative. There was an extreme lack of evaluative data on changes to financial incentive structures in the real world including evaluative data on the Saskatchewan Employment Supplement and Ontario Works programs. It is unknown as to whether evaluative data from social programs are even collected at the provincial level, or whether data is simply not available publicly. While I examined caseload data to show how caseloads appeared to be unaffected upon changes to earnings exemption schemes, my analysis should be interpreted with caution as caseload data is said to reflect the overall state of the economy more than policy changes (Klein, 2017).

Even though behavioural economic models exist, predicting human behaviour is challenging and complex, especially given the substantial diversity of welfare recipient experiences. When I asked welfare recipients about how they think they might respond to a particular change in policy, the complexity and number of variables influencing decisions to work made it almost impossible to glean conclusions from these questions.

Furthermore, the sample of welfare recipients I interviewed was very small. Community-engaged research (CER) requires taking more time to build trust compared to traditional research. Time and resource constraints on this project made CER a challenge and did not allow for a representative sample of welfare recipients along the various segments of the IGC. Nevertheless, the three participants whom I recruited represent three diverse experiences, which is consistent with the overall diversity of the DTES community.

Finally, I was unable to address several other aspects of this problem given the scope of my project. For example, I did not address the demand-side of labour in the DTES, which is an important aspect of the overall project objective. Despite this, my conversations with social enterprises and community organizations demonstrate that opportunities do exist. In addition, the City of Vancouver's efforts to bolster economic outcomes through the DTES CED Strategy is evidence that these opportunities will continue to exist into the future.

Furthermore, my limited scope prevented the exploration of the differential impacts of income assistance policies on PWD and PPMB income assistance recipients. My interviews with community organizations provided insights into the barriers these populations experience, but given the substantial differences between disability assistance and welfare assistance, ETW recipients had to remain the focus of this study. I was also unable to properly address my finding that certain barriers to employment for ETW recipients in the DTES were not being recognized. This is an area that requires further consideration, especially given that in 2009, the BC Ombudsperson recommended the government revisit the PPMB designation and the screening tool they use to determine barriers to employment, yet the Province has yet to address this recommendation (BC Ombudsperson, 2009).

Additionally, I was unable to adequately address how earnings exemptions would need to change in order to ensure the provincial earnings supplement is effective in moving welfare recipients through the IGC. To do so requires substantial economic modeling to determine how the two programs will interact to produce an effective outcome. Nevertheless, my analysis has been helpful in determining that changing the earnings exemption scheme within the welfare system alone is inadequate for facilitating movement along the IGC in the DTES.

As a result of the above limitations, my analysis should be interpreted with some caution. Nevertheless, my findings still point to the need to create welfare policies that meet people where they are at and close the current gap between welfare reciprocity and traditional employment. Furthermore, my study offers a community perspective that is often missing from government decision-making on income assistance policy. This is important given that, “our understanding of poverty is enhanced, if we listen to what people experiencing it have to say” (Lister, 2004, p.180).

## Chapter 11. Conclusion

In this study, I make a strong case for change to the current welfare regime in British Columbia. In a recent interview, Minister of Social Development and Social Innovation, Michelle Stilwell stated:

All we can do as a government is provide those supports to ensure that people are able to get into employment and find their way into that path and into a successful outcome (CBC News, 2017).

My research shows that the current status quo is not fulfilling this purpose, especially in the DTES. In conceptualizing work along the Income Generation Continuum, the objective of increasing movement along this continuum is consistent with the goals of the BC government to support the pathway into employment. This objective is also consistent with the goals of the DTES community to not only build individual capacity, but also organizational and community capacity through social hiring.

The IGC requires that the government reconceptualize work and what they view as a “successful outcome.” Beyond the DTES, the need to redefine work may exist for society in general as full-time, traditional employment becomes less common and contract work and the ‘gig economy’ become more prevalent.<sup>33</sup> Income and employment assistance policies need to be adaptable to these overarching societal shifts. This is a potential area for future research.

Other areas of research for future consideration I identify through this analysis include examining volunteer stipends and how they can be reconceptualized to ensure people are getting paid a fair and adequate wage for the work that they do. In addition, I suggest the need for an examination into the challenges people experience in having their barriers officially recognized by the government through the PWD and/or PPMB designations. Finally, there is a case for a poverty reduction plan in BC given that it is the only province in Canada that has not committed to one. Within this, re-examining the minimum wage and the province’s approach to child care are important steps in tackling the second highest provincial poverty rate in Canada.

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<sup>33</sup> A labor market characterized by the prevalence of short-term contracts or freelance work as opposed to permanent jobs.



In the absence of much-needed welfare rate increases, recognizing the IGC and facilitating movement along the continuum will provide DTES residents with greater economic security and will reduce the punitive nature of the welfare system. By truly making work pay through a provincial earnings supplement outside of the welfare system, we can begin to move away from the harmful welfare paradigm that stigmatizes people who face barriers. We can stop punishing people in poverty who are just trying to survive. And we can break the cycle of poverty through an income security landscape that empowers people, and is better aligned with the Canadian values of dignity and respect for all.

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## **Appendix A.**

### **Barriers to Employment**

While individuals who are ETW are considered employable, many of them experience various barriers to employment that affect their ability to work. While some may be acknowledged by the welfare system, others are not. These barriers include disability and poor health, mental health and addictions, human capital deficits and structural barriers.

#### ***Disability and Poor Health***

The descriptor “experiencing barriers to employment” is most often used when referring to individuals with disabilities. According to the United Nations Convention on the Rights of Persons with Disabilities, persons with disabilities have long-term physical, mental, intellectual or sensory impairments which, in interaction with societal attitudes and environmental barriers, hinders their full and equal participation in society. Over the years there has been a shift in the way the government has viewed persons with disabilities in relation to employment, moving from seeing disability through the lens of inability to acknowledging ability and supporting it. The introduction of, and continuous increase of earnings exemptions for persons with disabilities under the BCEA for PWD program, the Labour Market Agreement for Persons with Disabilities, and the many specific employment programs for individuals with disabilities is evidence of this shift. Nevertheless, still only 17% of the Canadian population of persons with disabilities are employed, showing that a lot more can be done.

While persons with disabilities make up around 64% of income assistance residents in the DTES, evidence from a CCPA study examining the experiences of long-term welfare recipients shows that many individuals are not having their disabilities or barriers being recognized by the Ministry due to limited access to health care that can result in undiagnosed medical conditions/disabilities (Klein and Pulkingham, 2008). In addition, the in a review of the BCEA, the BC Ombudsperson identifies the potential ineffectiveness in the screening tool used by the Ministry to detect barriers and have recommended the Ministry reassess this tool to ensure its effectiveness (BC Ombudsperson, 2009).

As such, individuals who are experiencing significant health barriers are being forced to survive on basic welfare and are given little allowable earnings, perpetuating their barriers to employment. Poor health is said to be one of the most significant barriers to employment (Singley, 2003).

### ***Mental Health and Addiction***

There are many studies that document a link between low socioeconomic status and mental illness, though it is often hard to determine the direction of causality (Singley, 2003). Evidence shows that welfare recipients with mental health problems are more likely to receive welfare for a longer time, have higher unemployment rates, lower earnings and reduced work hours (Jayakody and Stauffer, 2000). Long-term recipients have been found especially likely to have a psychiatric disorder, and may be at greater risk of psychological distress. Singley (2003) suggests this is caused by low self esteem, low morale and a lack of confidence, which further act as barriers to employment. Overall the literature suggests that individuals who are unemployed have poorer mental health than do others, and that unemployment contributes to deteriorating mental health, creating a vicious circle (Singley, 2003).

Also linked to mental health issues is addictions and substance misuse which also negatively affects employability (Drake and Wallach, 2000). In a study by Dooley and Prause (1998), they found that workfare efforts that aim to get beneficiaries into jobs quickly may not contribute to employment stability for those dealing with addictions challenges unless their wages are above the poverty level. Furthermore, Swartz, Lurigio and Goldstein (2000) suggest that taking away benefits for those who are suffering from mental health and addictions issues may create a residual population that is too impaired to work. Overall it seems that more generous cash benefits or high wage employment is associated with improved mental health (Strandh, 2001).

While it is difficult to determine how many residents are affected by mental illness due to underdiagnoses and links with poverty and substance abuse, it is estimated that one in five residents of the DTES suffer from mental illness (City of Vancouver, 2005). In 2009, 7600 residents received mental health and/or substance use services and mental health issues were the most common reason for hospitalization (BC Ministry of Health, 2011). Furthermore, in 2003 there was an estimated 4700 drug users in the DTES, which has likely grown with the rapid increase in the neighborhood's population.

### ***Human Capital Deficits***

Income assistance beneficiaries often experience barriers to employment as a result of various human capital issues including a lack of job skills, work experience and education. There is overwhelming evidence to show that individuals with better qualifications are more likely to find employment, as well as keep it (Singley, 2003). Lack of soft skills like punctuality, interpersonal communication, self care and taking directions can make obtaining and keeping employment particularly difficult (citation needed). Long-term welfare recipients are more likely to have low skill levels, which combined with low education contribute to less work experience, which reinforces challenges in gaining employment.

### ***Structural Barriers***

There are many structural barriers that can lead to poor employment outcomes for welfare recipients, which can often cause personal barriers like health challenges and addictions issues. In an interview, one employer emphasized the importance of acknowledging and recognizing intergenerational trauma within the context of the DTES given the overrepresentation of Aboriginal and First Nations individuals living in the community. Trauma can often be manifested through health issues that as shown, can be major barriers to employment.

In addition, structural poverty plays a role in perpetuating unemployment. When individuals lack basic needs like a proper diet, adequate housing, presentable clothing and personal hygiene, obtaining a job is a major challenge. With current welfare rate well below a liveable income for the City of Vancouver, individuals on income assistance are struggling to meet their basic needs, making obtaining employment both less of priority over basic survival, but also almost impossible without access to the supports that allow them to be employable and job ready.

Furthermore, there are possible “neighborhood effects” in the DTES that act as a structural barrier with the high concentration of low income individuals, drug use, unemployment and the social isolation from mainstream institutions (Wilson, 1987), which can lead to a culture of poverty that has additive effects beyond individual barriers. This suggests that policies need to be aimed at unique communities, not just at individuals, or as a blanket policy for a large region with unique communities.

## **Appendix B.**

### **Benefits to Social Hiring**

There are many positive benefits that come from engagement in work for people experiencing barriers to employment, not only for individuals, but also for the broader community and economy. Many of these benefits are realized through social hiring in the DTES.

#### ***Individual***

In addition to the obvious financial benefits of work, Shahmash (2010) found that social hiring provides a slew of individual benefits including self actualization, status, pride, self-worth, social inclusion, improved health and hygiene, economic empowerment, stability, purpose, routine, employability skills, credibility, work experience, career development and hobby-building. Similarly, it has been found that some of the most successful approaches to facilitating employment for individuals with mental health challenges are utilized by organizations that hire socially by boosting confidence, targeting motivation and incorporating social support (Woodfield and Finch, 1999).

Employment is also said to positively impact drug use. For example, in a study examining short-term cessation of drug use among a cohort from the DTES, Luchenski et al. (2015) found that having formal employment, among other factors including social support, was a protective factor associated with drug use cessation, and subsequently better self-rated health.

#### ***Community***

Employment, especially through social hiring, not only has positive effects for individuals themselves, but also for the communities in which they exist. In a 2001 study, Levesque and White found that social capital in the form of social networks was the most significant factor in predicting the movement off income assistance for employment among a sample of long-term beneficiaries. This effect can be further multiplied through community effects. Hannan (1998; as cited by Singley, 2003) found that individuals who are unemployed have higher levels of psychological stress than those who work, and

that individuals who were unemployed but had friends who were employed had less psychological stress than those with no employed friends, suggesting social network effects of employment. The community-based employment opportunities in the DTES IGC recognize the importance of social networks, which has been found to successfully lower welfare dependency and social exclusion, especially for long-term recipients (Evans, 2000).

### ***Economy***

Social hiring has a unique impact on community economic development by increasing workforce capacity and economic activity in the local market (Shahmash, 2010). Social hiring increases the local labour supply, resulting in increased local production and consumption producing measurable gains to the local economy. This also increases workforce capacity, creates options for long-term employment and enhances job retention, resulting in lower income assistance enrollment, lower cost of income assistance payments, increased revenue through an increase in tax payers and consumption, and reduced cost of emergency care, homelessness and many other social services (Shahmash, 2010).

Additionally, the economic benefits from social hiring are likely extended beyond the DTES community. While BC has traditionally been a resource-based economy, this has shifted over the years to a more service-based economy. In fact, in 2012, only 1% of BC jobs were in mining, oil and gas (British Columbia Financial and Economic Review, 2012). BC has the highest number of small businesses<sup>34</sup> per capita, with 98% of all businesses in the province identified as small businesses. One subset of these small businesses are social enterprises. In 2009, there were 223 social enterprises in BC, employing 4000 people, with a large cluster of these businesses in the DTES (Elson and Hall, 2010). This means that social hiring can make a valuable contribution to provincial GDP.

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<sup>34</sup> Small business is defined as a business with fewer than 50 employees, or self-employed without paid help. (BC Small Business Profile, 2013).

# Appendix C.

## Consent Forms

### *Income Assistance Recipients:*



**Study: On Assistance, Can Work: The Unharnessed Employment Potential in Vancouver’s Downtown Eastside (Study # 2016s0575)**

### **Who is conducting the study?**

<b>Principal Investigator:</b>	Kimberly Mackenzie	School of Public Policy, Simon Fraser University	[email] [phone]
<b>Faculty Supervisor:</b>	Kora DeBeck	Faculty, School of Public Policy, Simon Fraser University	[email] [phone]

This research will contribute to a project necessary for the completion of my Masters of Public Policy degree. The interviews will be confidential and will be used in the final report that will be publicly available when it is published by Simon Fraser University (SFU) in May or June of 2017.

### **Who is funding the study?**

The study is being funded by the Social Sciences and Humanities Research Council of Canada (SSHRC).

### **Why should you take part in the study?**

You are being invited to take part in this research study because you are an employee for a social enterprise in Vancouver’s Downtown Eastside (DTES) currently receiving income assistance. I am doing this study to learn more about your experiences on income assistance and how income assistance rules affect your decisions to work more or less. I am interested in knowing how much you work, comparing that to how much you would like to and can work, and discussing ideas that could allow you to work more if that is what you want. The things that I learn in the interview will be used to identify and assess ways that the government could better support you and your work goals and desires.

## **Your participation is voluntary**

You have the right to refuse to participate in this study. If you decide to participate, you may still choose to withdraw from the study at any time before the study is presented in April 2016, without giving reasons and with no negative consequences to yourself or your job. If you choose to enter the study and then decide to withdraw at a later time, all data collected from you will be destroyed.

## **How is the study done?**

If you are interested in being interviewed, here is how I will do the interview:

Contact me at: [email] or [phone] with a message to say you are interested.

- 1.) You need to read and sign the consent form.
- 2.) I will set up a date and time to interview you in November or December 2016, when it is a good time for you.
- 3.) We will meet at a public location that is convenient for you where we can do the interview. Locations can include private meeting rooms at Simon Fraser University's Vancouver campus on West Hastings St., a local coffee shop or community centre, or even at the Vancouver Public Library.
- 4.) The interview will last around 30-45 minutes, but you can choose to stop at any time.
- 5.) You will be offered \$15 for your time.
- 6.) The interview will be audio recorded so I can focus on our conversation. You can choose not to have the interview recorded if that is better for you.
- 7.) Your interview will be confidential and "de-identified." Confidential means that information will be protected so that no one but me will know what you said in the interview. De-identified means identifying information such as your name and workplace will be deleted from the interview notes and not printed in my research report.
- 8.) The audio recording will be kept on a password protected, encrypted USB stick, stored in a locked drawer until I type the interview into notes, and those notes will be deleted in five years.
- 10.) Interview notes will be stored on a password protected, encrypted USB stick to protect confidentiality. The USB stick will be kept in a locked drawer with a paper copy of this consent.

## **Is there any way participating in an interview could be bad for you?**

None of the questions that I ask are intended to be sensitive or overly-personal; however, if you are at all uncomfortable with any question, you do not have to answer that question. This study is minimal risk. I will not be asking specifically about reporting earnings to the Ministry, though it may come up in conversation if you feel it is important. If it does come up, I will continue to take steps to maintain your identity by storing your interview on a password-protected USB, and by removing your identifying information from the interview notes.



### **What are the benefits of participating?**

You will have the benefit of having your voice heard and featured in a project on a policy that has an impact on your life. Little policy research consults with folks on income assistance like yourself, and given that you are most affected by income assistance policy, it only makes sense to gather your feedback on things the government could do that could allow you to work more and make more money if you can and want to.

### **Will you be paid for your time?**

I will offer you \$15 for the time that you take to be in this study. If for whatever reason you decide to withdraw from the study, you will retain the \$15.

### **How will your identity be protected?**

Your confidentiality will be respected and upheld. Your participation in this study will not be exposed to your employer. You will not be identified by name in the report and neither will your place of employment. Audio-recordings will be deleted after being transcribed into notes. These notes will no include directly-identifying information, and will be kept for five years, then destroyed. There will be no identifying information included in the report of the completed study. Any direct quotes used in the final report will not identify you in any way.

### **Study Results**

The results of this study will be reported in a research report that will be published on SFU Summit (<http://summit.sfu.ca>) in May or June 2017 for the public to access, including participants. It may also be published in journal articles, newspapers and/or op-eds.

### **Who can you contact with questions about the study?**

If you have any questions about the study, please contact myself by [email] or by [phone]. My supervisor Kora deBeck is also available to answer questions at [email].

### **Who can you contact with concerns/complaints about the study?**

If you have any concerns about your rights as a research participant and/or your experiences while participating in this study, you may contact Dr. Jeffrey Toward, Director, Office of Research Ethics [email] or [phone].

### **Future Use of the Data**

Interview notes may be used for future projects that are in line with the study objectives. If this is the case, confidentiality of participants will be maintained given only I will have

access to the deidentified data. To ensure adequate time to use this data for future projects, data will be kept for five years.

### **Participant Consent and Signature**

Taking part in this study is entirely up to you. You have the right to refuse to participate in this study. If you decide to take part, you may choose to pull out of the study at any time without giving reason and without any negative impacts.

Your signature below indicates that you have received a copy of this consent for my own records.

Your signature indicates that you consent to participate in this study.

You do not waive any of your legal rights by participating in this study.

---

Participant Signature

Date (yyyy/mm/dd)

I grant permission for interview audio to be recorded. (If you do not consent to audio-recording, please note that I will be taking notes instead.)

Please circle:            Yes                            No

### ***Social Enterprise and Community Organizations:***



**Study: On Assistance, Can Work: The Unharnessed Employment Potential in Vancouver's Downtown Eastside** (Study # 2016s0575)

### **Study Team**

<b>Principal Investigator:</b>	Kimberly Mackenzie	School of Public Policy, Simon Fraser University	[email] [phone]
<b>Faculty Supervisor:</b>	Kora deBeck	Faculty, School of Public Policy, Simon Fraser University	[email] [phone]

This research will contribute to my capstone project necessary for the completion of my Masters of Public Policy degree. The interviews will be confidential and will be used in my capstone report that will be publicly available when it is published by Simon Fraser University (SFU) in May or June of 2017.

## **Funding**

The study is being funded by the Social Sciences and Humanities Research Council of Canada (SSHRC).

## **Invitation and Study Purpose**

You are being invited to take part in this research study because you are a managerial-level or executive-level representative of a social enterprise in the DTES that hire folks on income assistance that has knowledge of your employees' experiences. I am doing this study to learn more about your experiences as a social enterprise employer in relation to income assistance policy and its effects on social hiring, as well as your perceived/observed experiences of your employees and the effects of income assistance policy on their employment choices. The purpose of this project is to address the lack of transition between income assistance and full-time employment created by current clawbacks that ignore the value of part-time employment for folks who are employment obligated. The things that I learn in the interview will be used to identify and assess policy options that can better support your employees where they are at, and in turn, better support you and your social enterprise.

## **Voluntary Participation**

Your participation is voluntary. You have the right to refuse to participate in this study. If you decide to participate, you may still choose to withdraw from the study at any time without giving reasons and with no negative consequences. If you choose to enter the study and then decide to withdraw at a later time, all data collected from you will be destroyed.

## **Study Procedures**

If you decide to participate voluntarily, I will be asking you about your experiences as a social enterprise employer who employs people on income assistance in the DTES and their experiences regarding work and income assistance. I will be asking for your input on potential policy options that may better facilitate the transition to greater employment, and better meet your employees where they are at. The interview should last no longer than 30-45 minutes. I will be audio-recording the interview with your consent

## **Potential Risks**

None of the questions that I ask are intended to be sensitive, overly-personal or commercially sensitive; however, if you are at all uncomfortable with any question, you do not have to answer that question. This study is minimal risk in nature as there are no foreseeable risks in your participation. Means for protecting your confidentiality are outlined below in the 'Confidentiality' section.

## **Potential Benefits**

You will have the benefit of contributing your knowledge of income assistance and employment through the support and advocacy you provide to your employees. You will have the opportunity to share how policies affect your businesses and ability to hire socially, which is a consequence of aspects of income assistance policy that is not readily discussed or researched. You will also have the opportunity to share the stories of your employees who bear the brunt of income assistance policies that prevent them from working to the extent that they would like. Furthermore, this study offers the benefit to the greater population of individuals who are working and on income assistance by drawing attention to the fact that there are individuals on income assistance living in the DTES that can and do want to work, contrary to some of the stigmatizing narrative that exists around welfare. This study will also draw attention to the practice of social hiring. This may inform individuals and businesses that are interested in social hiring, and may help inform policy changes that can better facilitate social hiring and support social enterprises.

## **Confidentiality**

Your confidentiality will be respected and upheld. Information that discloses your identity will not be released without your consent unless required by law. Audio-recordings with identifying information will be stored on an encrypted, password-protected USB drive kept in a locked drawer until the interview is transcribed, upon which time the audio recording will be deleted. Transcriptions will not include directly-identifying information, and will be kept for five years, then destroyed. There will be no identifying information included in the report of the completed study. Any direct quotes used in the final report will not identify you in any way.

Please note that conversations conducted over: the telephone, skype to telephone, and email are not considered confidential by Simon Fraser University's ethics department. Skype to skype conversations are considered confidential.

## **Organizational Permission**

If you are not in a leadership position within your organization, please be assured that permission to conduct this research study from your organization has been obtained.

## **Study Results**

The results of this study will be reported in a graduate capstone project that will be published on SFU Summit (<http://summit.sfu.ca>) in May or June 2017 for the public to access, including participants. It may also be published in journal articles, newspapers and/or op-eds. I also plan to report the findings back to the DTES community following the release of the final report.

**Who can you contact with questions about the study?**

If you have any questions about the study, please contact myself by [email] or by [phone]. My supervisor Kora deBeck is also available to answer questions by [email].

Who can you contact with concerns/complaints about the study?

If you have any concerns about your rights as a research participant and/or your experiences while participating in this study, you may contact Dr. Jeffrey Toward, Director, Office of Research Ethics by [email] or by [phone].

**Future Use of the Data**

Transcript data may be used for future projects that are in line with the study objectives. If this is the case, confidentiality of participants will be maintained given only I will have access to the deidentified data. To ensure adequate time to use this data for future projects, data will be kept for five years.

**Participant Consent and Signature**

Taking part in this study is entirely up to you. You have the right to refuse to participate in this study. If you decide to take part, you may choose to pull out of the study at any time without giving reason and without any negative impacts.

Your signature below indicates that you have received a copy of this consent for my own records.

Your signature indicates that you consent to participate in this study.

You do not waive any of your legal rights by participating in this study.

\_\_\_\_\_  
Participant Signature Date (yyyy/mm/dd)

I grant permission for interview audio to be recorded. (If you do not consent to audio-recording, please note that I will be taking notes instead.)

Please circle:            Yes                            No

**Expert Participants:**



## **Study: On Assistance, Can Work: The Unharnessed Employment Potential in Vancouver's Downtown Eastside**

### **Study Team**

<b>Principal Investigator:</b>	Kimberly Mackenzie	School of Public Policy, Simon Fraser University	[email] [phone]
<b>Faculty Supervisor:</b>	Kora deBeck	Faculty, School of Public Policy, Simon Fraser University	[email] [phone]

This research will contribute to my capstone project necessary for the completion of my Masters of Public Policy degree. The interviews will be confidential and will be used in my capstone report that will be publicly available when it is published by Simon Fraser University (SFU) in May or June of 2017.

### **Funding**

The study is being funded by the Social Sciences and Humanities Research Council of Canada (SSHRC).

### **Invitation and Study Purpose**

You are being invited to take part in this research study because you are either an individual who advocates for or researches on topics of income assistance and employment, or you are a decision maker or policy maker that have or are currently working income assistance and employment policies and legislation. The purpose of this project is to address the identified lack of transition between income assistance and full-time employment and the barriers to part-time employment for folks who are on assistance and are expected to work. The things that I learn in the interview will be used to identify and assess policy options that can better support individuals on income assistance where they at, in order to better facilitate a transition to greater and/or full-time employment.

### **Voluntary Participation**

Your participation is voluntary. You have the right to refuse to participate in this study. If you decide to participate, you may still choose to withdraw from the study at any time without giving reasons and with no negative consequences. If you choose to enter the study and then decide to withdraw at a later time, all data collected from you will be destroyed.

### **Study Procedures**

If you decide to participate voluntarily, I will be asking you about your general knowledge regarding income assistance policies and legislation, your general observations of the effects of certain income assistance regulations, current government approaches to income

assistance and employment in relevant jurisdictions, and your opinions on alternative policies options that may better recognize part-time employment and facilitate the transition from assistance to greater employment. The interview should last no longer than 30-45 minutes. I will be audio-recording the interview with your consent.

### **Potential Risks**

None of the questions that I ask are intended to be sensitive, overly-personal or commercially sensitive; however, if you are at all uncomfortable with any question, you do not have to answer that question. There are no foreseeable risks from participation in this study. This study is minimal risk in nature as there are no foreseeable risks in your participation. Means for protecting your confidentiality are outlined below in the ‘Confidentiality’ section.

### **Potential Benefits**

You will have the benefit of sharing your views on a policy problem that is particularly salient given the renewed conversations around welfare, basic income and economic development in the DTES. You will also have the opportunity to contribute to knowledge, particularly if this topic is of professional or personal significance. Furthermore, this study offers the benefit to the greater population of individuals who are working and on income assistance by drawing attention to the fact that there are individuals on income assistance living in the DTES that can and do want to work, contrary to some of the stigmatizing narrative that exists around welfare. This study will also draw attention to the practice of social hiring. This may inform individuals and businesses that are interested in social hiring, and may help inform policy changes that can better facilitate social hiring and support social enterprises.

### **Confidentiality**

Your confidentiality will be respected and upheld. Information that discloses your identity will not be released without your consent unless required by law. Audio-recordings with identifying information will be stored on an encrypted, password-protected USB drive kept in a locked drawer until the interview is transcribed, upon which time the audio recording will be deleted. If you wish to remain unidentified in the report, interviews will be transcribed to remove directly-identifying information. Transcripts will be kept for five years, then destroyed. If you wish to remain unidentified, there will be no directly identifying information included in the report of the completed study. Please be aware that due to the use of comments and quotations in the final report, absolute anonymity cannot be guaranteed.

Please note that conversations conducted over: the telephone, skype to telephone, and email are not considered confidential by Simon Fraser University’s ethics department. Skype to skype conversations are considered confidential.

### **Organizational Permission**

If you are not in a leadership position within your organization, please be assured that permission to conduct this research study from your organization has been obtained.

### **Study Results**

The results of this study will be reported in a graduate capstone project that will be published on SFU Summit (<http://summit.sfu.ca>) in May or June 2017 for the public to access, including participants. It may also be published in journal articles, newspapers and/or op-eds. I also plan to report the findings back to the DTES community following the release of the final report.

### **Who can you contact with questions about the study?**

If you have any questions about the study, please contact myself by [email] or by [phone]. My supervisor Kora deBeck is also available to answer questions by [email].

### **Who can you contact with concerns/complaints about the study?**

If you have any concerns about your rights as a research participant and/or your experiences while participating in this study, you may contact Dr. Jeffrey Toward, Director, Office of Research Ethics by [email] or by [phone].

### **Future Use of the Data**

Transcript data may be used for future projects that are in line with the study objectives. If this is the case, confidentiality of participants will be maintained given only I will have access to the deidentified data. To ensure adequate time to use this data for future projects, data will be kept for five years.

### **Participant Consent and Signature**

Taking part in this study is entirely up to you. You have the right to refuse to participate in this study. If you decide to take part, you may choose to pull out of the study at any time without giving reason and without any negative impacts.

Your signature below indicates that you have received a copy of this consent for my own records.

Your signature indicates that you consent to participate in this study.

You do not waive any of your legal rights by participating in this study.

---

Participant Signature

Date (yyyy/mm/dd)

I grant permission for interview audio to be recorded. (If you do not consent to audio-recording, please note that I will be taking notes instead.)



Please circle:

Yes

No

## Appendix D.

### Informational Flyer



# Do you receive income assistance?

Do welfare rules like clawbacks impact your job?

If you are a person receiving welfare and working in the Downtown Eastside, I am looking to speak with you about how welfare rules impact you and your work.

#### Who can participate?

##### You may be eligible if you:

- Receive welfare and are 'expected to work' by the Ministry
- Are currently working for a social enterprise in the DTES or generating income in other ways (e.g., honoraria)
- Are 19 years of age or older

#### What does the study involve?

This study will explore the impacts of welfare rules like clawbacks on you and your work. Interviews will include questions about your job and your experiences receiving income assistance.

#### What is the purpose of the study?

To determine: barriers to work created by welfare rules

To assess: ways in which welfare rules can better meet your personal and work needs

Your participation is **voluntary and confidential**, meaning your personal details will not be shared with anyone and you will not be identified in the study. The research will consist of one 30-45 minute interview. **You will receive \$15 for your time.** In the interview, you will have the opportunity to share your input on welfare rules that affect your life and your work. The results of this study may be used by the community to advocate for change to welfare rules.

If you are interested, and/or have any questions or concerns, please contact me by [email] or by [phone]. I am happy to discuss the project further with you.

Thank-you, and I look forward to hearing from you!

Kimberly Mackenzie  
Graduate Student  
School of Public Policy, Simon Fraser University

# Appendix E.

## Email Scripts

### ***Social Enterprise and Community Organizations:***



### **Study: On Assistance, Can Work: The Unharnessed Employment Potential in Vancouver's Downtown Eastside (Study # 2016s0575)**

Funded by: Social Sciences and Humanities Research Council of Canada (SSHRC)

Hello there,

My name is Kimberly Mackenzie and I am a second-year student in the Masters of Public Policy program at Simon Fraser University. I am conducting my capstone research on identifying policy options to unharness the employment potential of those on income assistance that are working for social enterprises in Vancouver's Downtown Eastside. The purpose of this project is to address the lack of transition between income assistance and the movement off of assistance created by current earnings exemptions policies that ignore the value of part-time employment for individuals who are employment obligated. I am seeking to gather knowledge and solutions from you as an employer who hires individuals on income assistance about policy options that can better support your employees where they are at, and in turn, better support you and your social enterprise. I also hope to speak with some of your employees to get a sense of their experiences and the effects of income assistance policies (e.g., clawbacks) on their employment choices.

Your participation is voluntary, and there will be no detriment in declining to take part in the study. The research will consist of one 30-45 minute interview in-person at a location most convenient for you, by phone, or over Skype. Interviews are anticipated to occur in November and December of 2016. These interviews will be conducted by myself, will be audio-recorded with your consent, and are confidential.

Your voice will be heard, honoured, and featured in a policy project on an important issue that affects you and your employees. You will have the opportunity to share how income assistance policy affects your business and ability to hire socially, which is a consequence of aspects of income assistance policy that is not readily researched. You will also have the opportunity to share the stories of your employees who bear the brunt of income assistance policies that prevent them from working to the extent that they would like.

The results of the study will be presented in my capstone project. The capstone will be publicly available for everyone, including participants, to access and read. I plan to reference the study in newspaper articles and peer-reviewed journal publications if possible, and to share the findings and recommendations with the DTES community, with the hopes that they can be used for the purposes of government engagement and advocacy.

If you are interested, and/or have any questions or concerns, please contact me at [email]. I am happy to discuss the project further with you.

Thank you, and I look forward to hearing from you!

Kind regards,

Kimberly Mackenzie  
Graduate Student  
School of Public Policy, Simon Fraser University

### ***Expert Participants:***



### **Study: On Assistance, Can Work: The Unharnessed Employment Potential in Vancouver's Downtown Eastside**

Funded by: Social Sciences and Humanities Research Council of Canada (SSHRC)

Hello there,

My name is Kimberly Mackenzie and I am a second-year student in the Masters of Public Policy program at Simon Fraser University. I am conducting my capstone research on identifying policy options to unharness the employment potential of those on income assistance that are working for social enterprises in Vancouver's Downtown Eastside (DTES). The purpose of this project is to address the lack of transition between income assistance and full-time employment and to facilitate part-time employment for individuals who are expected to work. I am seeking to gather knowledge and solutions from professionals who are decision-makers, or who advocate, research, or work on behalf of individuals on income assistance. Given various calls for income assistance reform, the success of social hiring and social enterprises in the DTES, and the existence of many income assistance recipients who can and want to work, your comments will be very helpful in identifying and analyzing policy options to enhance social hiring in the DTES.

Your participation is voluntary, and there will be no detriment in declining to take part in the study. The research will consist of one 30-45 minute interview in-person at a location most convenient for you, by phone, or over Skype. Interviews are anticipated to occur in November and December of 2016. During the interview, you will have the opportunity to share your knowledge about income assistance and employment policy and research, and suggestions for how to make things better for income assistance recipients who want to work in the DTES, and in BC overall. These interviews will be conducted by myself, will be audio-recorded with your consent, and are confidential. You can request to not be identified by name in my study.

Your voice will be heard, honoured, and featured in a policy project on an important issue that affects not only individuals on income assistance in the DTES, but also social enterprise businesses that hire people on income assistance. Your participation will have the benefit of

providing you with an outlet to express your opinions on an issue of professional and/or personal significance to you.

The results of the study will be presented in my capstone project. The capstone will be publicly available for everyone, including participants, to access and read. I plan to reference the study in newspaper articles and peer-reviewed journal publications if possible, and to share the findings and recommendations with the DTES community.

If you are interested, and/or have any questions or concerns, please contact me at [email]. I am happy to discuss the project further with you.

Thank you, and I look forward to hearing from you!

Kind regards,

Kimberly Mackenzie  
Graduate Student  
School of Public Policy, Simon Fraser University

## Appendix F.

### Additional Thematic and Narrative Data

#### *Interview Narratives: Diversity in the Community*

The diversity of people on income assistance and living in the DTES has important implications for both how we talk about welfare and how individuals interact with and experience the welfare system. As a result, I feel it is important to include narratives from the income assistance recipients with which I spoke because – despite being a small and un-representative sample – their stories reflect the diverse experiences of individuals on welfare in the DTES and working for social enterprise.

My first interview was with a university-educated individual who had just completed an employment program through a local social enterprise. While he had received welfare in the past, for several years he had maintained consistent work. Within the past few years he has fallen upon hard times and has struggled to maintain consistent work through a temp agency. When this work could no longer continue to pay his rent, he became homeless and back on welfare. Now he is living in a Single Room Occupancy (SRO) hotel, actively looking for work and wanting to achieve financial independence. He expressed frustration in having to comply with Work BC who he claims is unable to match him with jobs that suit his education, experience, and abilities and is also unable to offer him the employment programs or training he desires. Despite wanting financial independence, he does not yet feel ready to move off income assistance because of how hard it is to get back on assistance after leaving, and worries about future job security.

My second interview was with a very new income assistance recipient who had only been receiving assistance for one month when we spoke. Despite not completing high school, over his life he has been an entrepreneur pursuing a variety of different business ventures, including owning an informal social enterprise overseas. While he does not have formal training in culinary arts, he has hands-on experience working as a cook and is pursuing that line of work currently. He spoke mainly of his experiences applying for welfare and attempting to understand a system with which he has no prior experience. Unlike many other individuals who struggle to access the welfare system,

the application process for him was not challenging because he received support upon his release from prison. With that said, he expressed frustration in the lack of follow-up support, communication, and information given to him from the Ministry as a new recipient.

My third interview was with a long-time welfare recipient. In addition to volunteering with several organizations in the DTES, she also lives with and cares for a disabled family member. She too expressed challenges in complying with Work BC who does not recognize or value her volunteer work and tries to place her in jobs in which she has no interest or aptitude. Being that she is close to retirement age, she explained the difficulties in finding traditional employment. She also believes that volunteer stipends and/or honoraria should not be considered earned income because they are far below the minimum wage in BC. She spoke of many challenges in accessing the Ministry, as well as many negative experiences communicating with Ministry employees.

### ***Inflexible Funding for Employment Programs***

Interview findings suggest that the singular funding stream to Open Door Group for delivering Work BC services results in an inability to meet the needs of a diverse group of income assistance recipients. Consistent with the recent evaluation of the Employment Program of BC by Ference and Company (2016), employers report that Work BC programs and services are not designed to support individuals experiencing barriers to employment. This is echoed by claims from welfare recipients that employment workers were unable to help them find jobs that suit their needs and interests.

Furthermore, recipients suggest that many of the services and training opportunities offered by Work BC are not accessible to them, despite their expressed need and desire to participate in them. When asked about this, a representative from ODG explains that eligibility for these Work BC offerings often depends on the source of funding (provincial or federal) and a participant's income assistance designation (personal communication, June 20, 2016). Not surprisingly, more opportunities are available to persons with disabilities.

The challenges created by the seemingly inflexible funding also extend to social enterprises. One employer spoke about their workers' aversion to going to Work BC



based on overall discomfort with and distrust of government service provision.<sup>35</sup> They recognize that Work BC offers valuable services, but suggest that they be offered in the community, at workplaces that are considered safe and comfortable spaces. Despite attempts to collaborate with Work BC by providing joint employment programming, the constraints on funding for specific programs limits Work BC's ability to provide them to social enterprise workers in their workplaces.

Overall, social enterprise employers express frustrations around the lack of financial support from the BC government for social enterprise and the role it plays in providing employment opportunities and programming for income assistance recipients outside of the one and only Work BC funding structure. As one employer states:

You've got one organization running all of the employment programming in the DTES which from the government side at least. If they were the only ones doing it there would be a lot more people unemployed, but fortunately there are organizations who are doing it without government funding and doing it because that's why they exist (CEO of a social enterprise, personal communication, June 16, 2016).

When asked about how the MSDSI can better work with social enterprise in the community, a MSDSI employee suggests social enterprises apply for project-based funding. Employers believe that there needs to be something more stable and accessible.

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<sup>35</sup> Even though Open Door Group is a non-profit that is contracted by the MSDSI, the community still perceives it as a government entity, especially given the very visible Work BC branding present in their centre and on their literature.

## **Appendix G.**

### **Omitted Policy Options**

#### ***Adjusting the Working Income Tax Benefit***

There are other methods to incentivizing work outside of the income assistance system, which most often involve the modification of a federal benefit. In Ontario, Milway, Chan and Stapleton (2009) suggest that the Working Income Tax Benefit (WITB) should be modified to better integrate with Ontario's social assistance program. The WITB is a federal refundable tax credit that has two objectives: to enhance incentives to work among low income individuals, and to reduce disincentives to work for those stuck behind the welfare wall (Battle and Torjman, 2012). The federal government created a standard WITB that requires an individual to earn a minimum of \$3000/year to be eligible, with benefits increasing by 25% of each additional dollar earned up to a maximum threshold of \$6950/year at which point the benefit falls at a rate of 15% until the break-even of \$16,700/year. This model results in a maximum benefit of \$925/year.

Upon the WITB's inception, the federal government extended an invitation for provinces and territories to modify the WITB design to better match their systems. Four provinces/territories took advantage of this invitation: Nunavut, Alberta, Quebec and BC. In BC, the focus has been on supporting the working poor, which is evident through the higher minimum/maximum thresholds. BC modified the WITB to start at a minimum of \$4250 and a break-even of \$19,153/year, clearly tailored to those earning greater incomes than welfare recipients. This suggests that the WITB could be modified to better integrate with the income assistance system to allow for a graduated transition from income assistance to employment.

This option was not considered because it became clear that a provincial earnings supplement creates the same financial incentive structure, but is more accessible to welfare recipients, and could also be more impactful. Michael Mendelson suggested in his interview that the WITB is too small to have a major effect; the resulting benefit ends up starting at \$0.20 for every dollar earned (personal communication, December 1, 2016). Therefore, its effectiveness would be minimal. Furthermore, since the WITB is administered through the tax system, it hinges on whether individuals file

taxes, and also means that payments are not monthly, further reducing the incentive effects of the benefit and making it hard for individuals to plan in conjunction with their monthly incomes.

## Appendix H.

### Omitted Policy Evaluation Criteria and Measures

<b>Criterion</b>	<b>Reason for Omission</b>
<b>Political feasibility</b>	It is assumed that political feasibility is inherent in the relative costs of the options. In addition, the provincial government has expressed no interest in supporting individuals on welfare in the recent 2017 budget, therefore political feasibility for any of these options could be low. Despite this, given the findings of this research, it is imperative that the government act in some way to support welfare recipients. Therefore, this should have no weight on the analysis.
<b>Recognition of barriers</b>	Dealing with this criterion in a tangible way likely involves other policy options like amending the PPMB category to be more responsive to barriers. This was outside the scope of this capstone.
<b>Public acceptance</b>	Welfare policies are what Suzanne Mettler calls 'invisible policies' as part of the 'submerged state'. Most people are not aware, nor are they concerned with welfare policy because welfare policies only affect a tiny proportion of the population. Therefore, this should hold no weight on the analysis.
<b>Stakeholder/community acceptance</b>	While this is a very important criterion, it is represented in the effectiveness criterion because this research findings show that the more someone can work and be supported where they are at, the more the community will support the option.

## Appendix I.

### Overview of policy evaluation

Evaluation Criteria	Status quo plus: Rapid reinstatement	Non-traditional employment stream in EPBC	Increasing the flat-rate exemption	Introducing an enhanced exemption	Earnings supplement program	Recommendation
Effectiveness	Low	Low	Low	Low	High	High
Fear of reporting income	Medium	Medium	Low	Medium	High	High
Support for social hiring	Medium	High	Medium	Medium	Medium	High
Equity for the working poor	High	Medium	Medium	Medium	High	High
Budgetary cost	High	Medium	High	High	Low	Low
Cost savings	Medium	Low	Low	Medium	High	High
Implementation complexity	High	Medium	High	High	Low	Low