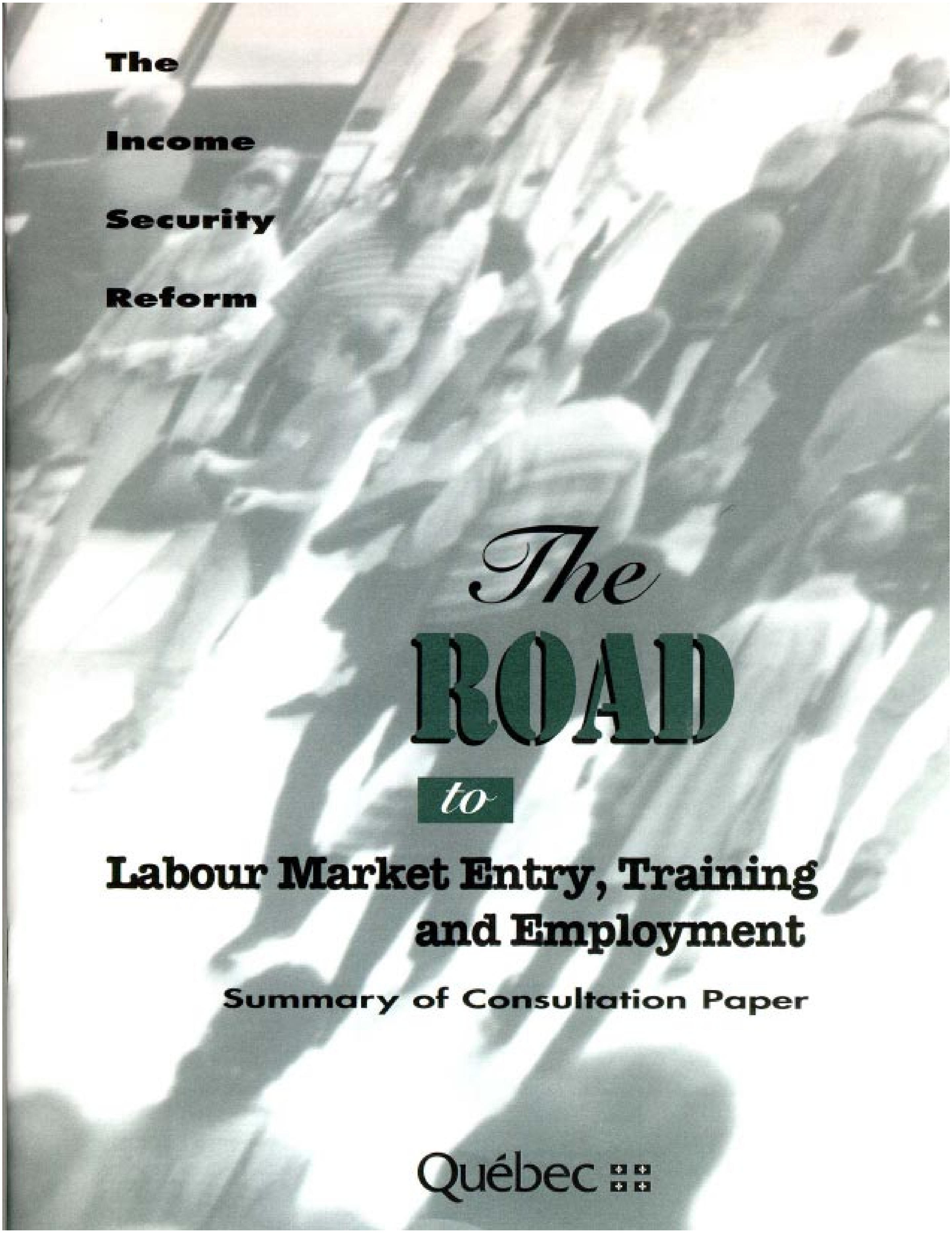

The Income Security Reform

The ROAD *to* Labour Market Entry, Training and Employment

Summary of Consultation Paper

Québec

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FOREWORD

These are hard economic times to be redefining Québec's income security system: public expectations regarding the social safety net remain high, while the government's financial capacity is shrinking.

The focus of the income security reform must be on providing financial assistance to the needy, decompartmentalizing assistance programs, implementing active measures promoting job access, sharing responsibilities between the public, private and community sectors, utilizing local strengths, and making optimum use of resources, as was proposed in the Bouchard and Fortin reports.

At the Conference on the Social and Economic Future of Québec, participants agreed on two major issues: job recovery and cleaning up public finances by the end of the millennium. The income security reform must occur within the government's financial framework, which provides for spending cuts in 1997-1998, followed by a freeze until 1999-2000, the target year for its zero deficit goal.

The current reform also takes the new social and labour market realities into account. Lastly, it reflects the federal government's decision to substantially cut its social program funding and the restrictions it has placed on unemployment insurance.

1. Camille Bouchard, Vivian Labrie and Alain Noël, *Chacun sa part*, a report by three members of the Comité externe de réforme de la sécurité du revenu, 1996.

   Pierre Fortin and Francine Séguin, *Pour un régime équitable axé sur l'emploi*, a report by two members of the Comité externe de réforme de la sécurité du revenu, 1996.

Introduction

Whereas barely 33% of households receiving social assistance in the early 1970s were employable, in 1996 over 80% of recipients are fit for work. The income security system is feeling the effects of new social and economic realities.

Since 1975, the cost of Québec's income security system has increased more than 600% as a result of the significant increase in the number of recipient households. The higher costs have nothing to do with an ill-considered increase in scales and everything to do with job restructuring and changes in family structures.

While maintaining the principles of solidarity, equity and social justice that underlie the current system, the new income security system seeks a reciprocity agreement based on open, democratic relations and solidarity between individuals, the government, labour partners and communities.

To date, jobless recipients were not treated as part of the labour force. The reform eliminates this discrepancy, and centres on the active labour market policy and local development within the context of a Joint Employment Action Plan devised with a Local Council of Partners. Local employment centres will form the basis of the new integrated network of decentralized employment services. The reform provides for more productive and integrated assistance by converting a portion of the sums allocated to passive measures into active measures.

Financial assistance will be geared towards two types of measures: social safety measures for those who are unable to enter the labour force and socioeconomic integration measures for those who are fit for work. The new system will also recognize the special needs and situation of individuals who are unable to work due to temporary or severe limitations.

The new income security system proposes meeting children's needs via an integrated child allowance that is separate from income security, with income security being henceforth reserved for adults. Finally, various other measures are designed to ensure greater equity, particularly as regards the treatment of child support payments and the tax treatment of income security benefits.

CHAPTER 1
INCOME SECURITY, THE BAROMETER FOR A CHANGING SOCIETY

The recent social changes in Québec have had major consequences for the income security system, as evidenced by the following statistics.

A LABOUR MARKET IN UPHEA VAL

More unemployed:

- in the early 1970s, 33% of adults receiving income security benefits were unemployed workers who were fit for work; today the rate is 80%;
- the rise in the unemployment rate between 1990 and 1995 led to an additional 95 000 households totalling 205 000 people on income security, representing additional annual expenditures of $760 million;
- the assistance rate, i.e. the percentage of people under age 65 who receive income security, rose from 9.4% in 1989 to 12.6% in 1996.

Job insecurity:

- in 1995, 700 000 Quebeckers had temporary jobs, i.e. employment that lasts less than a year;
- in 1996, an average of 16 000 adults a month will have gone through the income security system;
- among new entrants, 33% of households fit for work got off income security within six months and 56%, within a year.

A job market that requires reskilling:

- one out of every two jobs requires qualifications similar to those of skilled trades;
- five out of ten income security recipients do not have a secondary school diploma;
- employable persons with 5 years or less of schooling spend an average of 37 consecutive months on income security, compared with 17 months for persons with 14 years or more of schooling.

Growing black market labour and consumption:

- in Québec, an estimated 900 000 consumers purchase goods and services on the black market and 210 000 workers are paid under the table;
- 13.4% of black market workers are between the ages of 18 and 24; 8.2% of them receive unemployment insurance and 7.2%, income security benefits;
- black market economy: less jobs in the formal economy and less money to cover the costs of the social safety net.

CHANGES IN OUR SOCIAL AND FAMILY STRUCTURES

More single-parent families:

- 45% of which are dependent on income security.

More child poverty:

- one in five children lives below the poverty line;

- in June 1996, 254 710 children, or 15% of children in Québec, were dependent on income security.

Hard times for young adults:

- 28% of adult income security recipients fit for work are 18-29 years of age;
- of the under-21 age group who were receiving income security in 1983, ten years later, 49% had stopped receiving it, 33% were receiving it periodically, and 18% were still dependent on it. Poor health and minimum education are the principal reasons these young people stay on income security for a long period of time.

More people living alone:

- the number of independent adults receiving income security rose from just over 100 000 in 1975 to more than 300 000 in 1996;
- currently, 63% of recipient households are composed of independent adults.

Special situation of people not born in Canada:

- foreign-born persons currently represent 15% of all recipient households.

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The various changes marking the labour market, due to changes in social and family structures in recent years, have created a completely new context that affects the income security system.

The social safety net is a very reliable barometer for measuring these changes.

CHAPTER 2
TAILORING THE QUÉBEC SYSTEM TO TODAY'S WORLD

Over the years, the constraints imposed by the federal government, both in terms of its financial contribution to assistance programs and the tighter restrictions on unemployment insurance, have had a major impact on the income security system.

Successive changes to the unemployment insurance plan:

- the continued tightening of restrictions between 1990 and 1994 led to 30 000 more households on income security;
- the new Employment Insurance Act introduces new restrictions, primarily with regard to eligibility rules, which will have a direct impact on the number of income security recipients and program costs;
- in 1997-1998, unemployed Québec workers will receive $316 million less in employment insurance benefits.

A significant shortfall for Québec:

- replacing the CAP with the Canada Health and Social Transfer (CHST) in April 1996 will lead to a $636 million shortfall in revenue for Québec in 1996-1997 and $1.2 billion in 1997-1998, for a total of $1.8 billion.

AIMS OF THE INCOME SECURITY REFORM

The situations described before, coupled with the difficulty under the current income security system in getting recipients back into the workforce, demands that Québec revamp the system based on the following principles:

- treating income security recipients as unemployed workers, thereby eliminating classification according to whether or not a person is eligible for income security;
- giving priority to active measures in order to foster social and economic integration;
- helping individuals become workers;
- stepping up preventive measures by implementing programs targeting young children, adolescents, young adults and families in particular;
- treating recipients on the same footing as low-income earners;
- redefining community obligations with regard to recipient re-employment;
- empowering local services.

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The federal government's decision to substantially cut its social program funding and the successive restrictions placed on unemployment insurance, coupled with the factors mentioned in Chapter 1, warrant an in-depth review of Québec's income security system.

The reform will be aimed primarily at getting recipients back into the workforce by considering them to be unemployed workers, promoting active rather than passive measures, treating recipients on the same footing as low-income earners, redefining community obligations with regard to recipient re-employment and giving local players a lot more operating room to take charge of services.

CHAPTER 3
AN INDIVIDUAL AND COLLECTIVE EFFORT TO PROMOTE EMPLOYMENT

OVERVIEW OF GOVERNMENT EMPLOYMENT SERVICES

Two observations can be made with regard to Québec government action in the area of employment and labour force development: the employment assistance offered is fragmented and it is producing minimum results.

Fragmented and compartmentalized employment services:

- there are currently three employment networks: Human Resources Development Canada, the Travail-Québec centres and the Société québécoise de développement de la main-d'oeuvre;
- the 117 existing measures are administered by two levels of government and a dozen Québec government departments and agencies;
- employment services are unwieldy and fragmented, labour force spending ineffectual and administrative overlapping costly;
- individuals are currently classified based on whether or not they are eligible for employment insurance or income security, and people who "fall between the cracks" are excluded.

The need to look beyond employability:

- very few recipients actually find a job as a result of employability measures;
- only about 15% of recipients who are fit for and available to work benefit from employability measures under the current system.

LABOUR FORCE PARTICIPATION: AN INDIVIDUAL AND COLLECTIVE RESPONSIBILITY

Promote community involvement

From the outset, the road to employment must be an essential element of the new income security system. By recognizing that everyone is responsible for determining their own path to employment, the reform makes socioeconomic integration the core of the social safety net. The rules of the game must be changed by clearly defining the role of recipients, government and the community, primarily by:

- treating recipient adults as part of the Québec labour force;
- recognizing that strategies designed to fight labour market exclusion must centre on the local communities and labour partners, and hinge on partnerships between the public, private and community sectors.

Local development

Labour force participation is being approached from the viewpoint of local development with the intention of creating jobs, but also of developing useful businesses and activities that will contribute to the community's economic, social and cultural development. This is the case with the social economy, a sector whose development requires the support of labour partners.

Jobs in the social economy could be created faster by consolidating existing jobs in non-profit organizations, a large portion of which are financed through employability programs.

MEANS

Local Joint Employment Action Plan

The Joint Employment Action Plan devised by a Local Council of Partners composed primarily of labour, social and community partners for a given area is instrumental in preparing a local employment and development strategy.

The action plan incorporates the priority objectives and courses of action for achieving the aims of the labour force and employment development strategy with a view to local development. These objectives are:

- to define the local community's socioeconomic context;
- to evaluate the collective capacity for development (local strengths and resources);
- to expound action strategies and priority objectives fostering employment;
- to identify possible action and the active measures finally selected;
- to propose budgetary objectives for developing and implementing local employment strategies and courses of action leading to active job support measures.

The plan identifies (on an annual basis) initiatives for job preparation, labour market integration, job maintenance, job stability and job creation. It is aimed at creating conditions conducive to economic and social entrepreneurship, local economic development and the identification of funding sources. This makes it the perfect vehicle for integrating the local labour force and employment development priorities.

More useful integrated support tailored to the local context

The proposed aims in redefining active measures are to link employment assistance to passive income security measures, adapt it to individual needs, see that it is designed to meet clear objectives and reflects the labour market, all in an institutional context that stresses local initiatives.

This new approach, based on the notion of employment assistance, means:

- tailoring assistance to the local job market in consultation with local partners;
- supporting local initiatives and making active measures the vehicle for individual and collective development;
- reinforcing interdepartmental coordination and consultation between partners;
- seeing that passive and active measures are more effective.

Integration of active and passive measures

Analysis of OECD studies and assessment of labour force and employment development practices in Québec led to the proposal to integrate passive income security measures and active employment assistance measures via local employment centres in order to better assist individuals on the road to labour market entry, training and employment. However, the two types of measures are dispensed separately.

Turning passive measures into active measures

A portion of the annual income security budget could, under certain conditions and within the limits of the government's financial framework, be used more effectively by developing individual skills and capabilities, and local economies.

Individual labour market entry, training and employment plan

Customized measures focus on the individual, who is responsible for determining his/her best personal course for entering the labour market. The principal tool will be an individual labour market entry, training and employment plan, in which the recipient defines his/her own personal path to employment, with assistance from an employment counsellor.

The role of employment services will be to assist individuals in establishing and following through on their personal employment plan, taking into account the Local Joint Employment Action Plan as well as the situation in the region and sector concerned. In addition, every individual must benefit from supervision and guidance until he/she has achieved financial independence.

Diversified training measures

Education and employment partners will focus on:

- developing work-study programs;
- developing the apprenticeship system;
- improving strategies for diversifying recipient training programs to make them more effective and ensure that trainees come out of the programs with the proper skills;
- devising development activities promoting re-employment of the chronically unemployed.

These activities must culminate in the recognition of acquired skills through a record of competency, diploma, apprenticeship booklet, high school equivalency certificate, or vocational attestation/certificate.

Psychosocial intervention may be a requirement

The socioprofessional integration of certain people may be compromised because of serious family or psychosocial problems, drug addiction, alcoholism, etc. Before even thinking about job entry, steps must be taken to ensure the socioeconomic integration of these individuals.

Adapted services and support for the socioeconomic integration of landed immigrants

New immigrants have a particularly hard time finding a job, which usually means more of them end up on social assistance. This is mainly the case of the Montréal region, since over 80% of immigrants dependent on income security live on the Island of Montréal.

Special strategies will be devised to help new immigrants overcome the hurdles to job entry: language problems and culture shock, lack of skills, and problems having skills recognized.

ORGANIZATION OF THE LOCAL EMPLOYMENT CENTRE

Territory

Local employment centres (LEC) will serve as the cornerstone of a system of integrated services built around RCMs, districts or groups of urban neighbourhoods. This new system will replace the 130 Travail-Québec centres and the 48 SQDM service points. Where applicable, the LECs will also receive the human resources and federal budgets allocated to active measures, including placement services.

Users

The local employment centres will provide services to the employed, unemployment insurance claimants, income security recipients participating in job entry programs, persons without a job or source of income and student job seekers. They will also serve businesses and employers in need of manpower or technical support.

Services

The mandate of the local employment centres will be to provide income security recipients with the established financial assistance as well as employment assistance. Services are directed at both enhancing labour supply (information, direction, placement, training) and influencing labour demand (work week reduction and time management).

Local Council of Partners

In the context of an active labour market policy, the Local Council of Partners drafts a Joint Local Employment Action Plan.

The Local Council of Partners is composed of business, union, community and institutional representatives and local partners.

The Local Council of Partners decides along with other local players in the economic and employment sectors on the strategies for coordinating labour market and local development action.

The need for partnership

Integrating income security recipients into the active labour market policy requires redefining the roles of labour and government partners. Unlike the active measures of unemployment insurance, which are financed through employer/employee contributions, the passive and active measures of the income security system are funded out of the public purse, monies for which the government is directly accountable to the electorate. Consequently, the new organization of services should help reinforce this partnership while ensuring that the government assumes its responsibilities. The local employment centres will strive to work with local development and community organizations, particularly those representing specific groups.

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An individual and collective effort at employment means:

- treating recipient adults as part of the Québec labour force;
- setting up a decentralized system of public employment services accessible to all, regardless of whether they are employed or unemployed, or receiving income security or unemployment insurance;
- defining an active labour market policy with five components: job preparation, labour market integration, job maintenance, job stability and job creation.
- recognizing that strategies designed to fight labour market exclusion must centre on the local communities and labour partners, and hinge on partnership between the public, private and community sectors;
- creating local employment centres to serve as the cornerstone of Québec's employment services network, with each centre having a council of partners from the labour market and local community;
- mandating the councils of partners to devise a Local Joint Employment Action Plan identifying local strategies and courses of action needed to achieve each of the five components of the active labour market policy;
- giving concrete expression to this individual labour market entry, training and employment plan in order to expand the notion of employability;
- endorsing the local development and social economy support strategy through the multiservice office offering support to entrepreneurs and business;
- subject to certain conditions, changing benefits into active measures, primarily in the form of income supplements or wage subsidies, under the individual labour market entry, training and employment plan.

CHAPTER 4
SOCIAL SAFETY AND LABOUR MARKET ENTRY MEASURES

The government is responsible for providing financial assistance to the needy, and managing this assistance for all recipients living in Québec. However, to be eligible, applicants must meet certain requirements regarding income, assets, and, where applicable, parental contribution.

SOCIAL SAFETY MEASURES	SOCIOECONOMIC INTEGRATION MEASURES
• for persons unable to participate in employment measures;	• for persons fit for work and those with limitations to their capacity for employment but who eventually want to join the labour market;
• eligibility established by local employment centres;	• eligibility established by local employment centres;
• managed by the Régie des rentes du Québec (supplement for seniors and disability allowance) ;	• managed by the Ministère de l'Emploi et de la Solidarité;
• requirements regarding needs, income, and assets must be met.	• requirements regarding needs, income, and assets must be met.

SOCIAL SAFETY MEASURES

Supplement for seniors

Persons aged 60 or over and eligible for income security benefits will henceforth receive an equivalent benefit called a supplement for seniors, used, where applicable, to supplement the early retirement allowance, which will still have to be requested.

Disability allowance

The new system will enable those eligible for income security to have their disability recognized and to receive an allowance on that basis, consistent with Financial Support program scales. The current criteria used in the Financial Support program will apply in determining disability for the purposes of the new allowance.

Persons claiming refugee status

Persons awaiting official refugee status and receiving income security will receive either an allowance consistent with that granted under the non-participation scale of the Work and Employment Incentives program or Financial Support program, as applicable.

SOCIOECONOMIC INTEGRATION MEASURES

These measures entail obligations for the government as well as recipients.

Government: take into account severe or temporary limitations to the capacity for employment by means of an allowance

- persons presenting severe limitations as to employability due to an intellectual impairment or a physical or mental problem who do not wish to avail themselves of a disability allowance will receive a special monthly pension of $189 for an independent adult and $252 for a couple, in addition to the basic allowance;
- a monthly allowance of $100, added to the basic allowance, will be issued to persons presenting temporary limitations to employability.

Under the new system, this supplement for persons presenting temporary limitations to employability will be awarded to persons:

- *who can prove, by way of a medical certificate, that they have had health problems for fewer than 12 months;*
- *with a dependent child with a disability or a dependent child under age 2; the current age (6 years) will be progressively lowered to 2 years by reducing the threshold by one year every fiscal year. This will be done in tandem with the family policy instituting gradual extension of day care services, and quite possibly, full-day kindergarten at age 5 as early as next year;*
- *who are at least twenty weeks pregnant, until five weeks after delivery;*
- *living with a person whose autonomy is significantly reduced;*
- *who head a foster family or manage a reception centre;*
- *placed in a foster family and who do not participate in any active measures;*
- *sheltered in a home for victims of violence for at least three consecutive months.*

Persons aged between 55 and 59 who are currently receiving an allowance under the scale based on unavailability will continue to receive this benefit.

Customized measures leading to employment

All income security recipients except those presenting limitations to employability have the obligation and the responsibility to take the measures deemed appropriate for entering the labour market. This will be done through a series of customized measures aimed at labour market entry, training, and employment as part of a local joint employment action plan which draws on the services provided by local employment centres.

Fees for participating in customized measures will be covered by the local employment centre and determined on the basis of real costs.

This provision will come into effect gradually, based on the ability of the network to establish customized measures while factoring in local joint action plans for employment. However, with the implementation of the system, these customized measures will become compulsory for persons aged 18 to 24. Compulsory participation will then be extended to heads of single-parent families, followed by voluntary participation by other recipients. These changes will be implemented progressively and will be coordinated with the extension of child care services provided for in the new family policy.

The rate at which the customized measures are introduced will depend on the government's budgetary constraints and will have to comply with the deadlines established. During the initial phases, the required funds could be partially funnelled from amounts allocated for current employability measures, which could be maintained for certain recipients. Furthermore, Québec's repatriation of active employment measures will accelerate implementation of the customized measures.

In cases where measures are compulsory, refusal to comply will result in penalties of $150 per month for 12 months. Back-to-back penalties could be imposed if the same recipient or his/her spouse turns down measures a second time within 12 months of the first refusal.

A mutual obligation to provide information

Subsumed under the new system is the obligation and responsibility to keep users of the local employment centres informed as to the various financial assistance measures available, the employment services offered, and the option to appeal. In addition, a users committee will be formed to act as an advisory body to the council of partners.

Recipients, for their part, are required to provide any information or documents needed to determine their eligibility.

A SIMPLIFIED SYSTEM

A basic allowance for persons fit for work, and allowable work income

Persons fit for work will receive allowances consistent with those for this category of recipient under the scale based on non-participation. In order to meet basic needs not covered by the standard allowance, work income not calculated in establishing the allowance will gradually be indexed to the cost of living.

INTEGRATED CHILD ALLOWANCE (ICA)

Children's needs, including the special needs of children from single-parent families, will be covered through a child allowance completely separate from income security, which will henceforth apply only to independent adults. The integrated allowance will merge the child component of income security and family allowances, be established on the basis of the family income from the previous year,[2] and be adjusted during the year should any major changes occur in family situation or income.

The proposed integrated child allowance has the following advantages:

- it is easier for parents to more accurately estimate the total amount of financial assistance granted for their children and therefore prepare a realistic monthly budget;
- the gap between recipients and low-income earners is narrowed because the amount of coverage for children's needs is based solely on family income, regardless of the parents' status;
- it provides incentives for parent recipients to work, which is not the case now, because children's needs continue to be covered. The discrepancy between the financial support awarded to recipients with dependent children and that given to low-income families has been adjusted, thus encouraging the latter to stay in the labour market;
- the scales now in effect have been radically simplified because the fact of having a child and the number of children are no longer factored in when determining eligibility for income security. The number of scales has been pruned from 70 to less than a dozen, making it easier to keep recipients informed;
- the decrease in the number of government departments and organizations involved in managing financial assistance to families will likely lead to lower administrative costs;
- recipients need complete only one declaration to notify the authorities of any major change in situation requiring adjustments to benefits amounts.

The new allowance features two components:

- a basic maximum amount for very low-income families, reduced gradually commensurate with family income, to a minimum equivalent to current amounts awarded under the former family allowance system;
- a supplement for single-parent families, reduced progressively as is the case with the low-income family component.

The Parental Wage Assistance program will continue to exist as a separate entity, but with certain amendments. As regards financial assistance to families, the child tax credit will remain unchanged as to conditions and amounts.

The proposed scenario features the following (details in Appendix 1):

- a maximum integrated child allowance of $1,731 for the first child, $1,400 for the second, and $728 for the third child and

2. Family income for two-parent or blended families includes income from both spouses, whereas the income from single-parent families includes only the income of the parent with custody.

any subsequent children. An additional $1,300 is awarded to single-parent families. These figures are consistent with those recognized by Québec tax legislation for children's needs, taking into account the federal tax credit. The federal contribution has increased and the Québec contribution has been downscaled accordingly;

- the allowance is reduced by 50 cents for every dollar of income above $19,339 for couples and $13,628 for single-parent families, to a minimum of $131 for one child and $305 for 2 children. For example, a single-parent family with one child would be entitled to $131 if the family income is higher than $19,428, while a couple with 2 children whose family income is $26,991 would receive $305. This is consistent with the amounts currently awarded under the Québec family allowance system;
- the supplement to work income is 25 cents per dollar earned above the annual threshold of $1,200. The maximum supplement is $2,843 for couples and $1,948 for single-parent families. Over a certain threshold, it is decreased by 42 cents per dollar, i.e. $8,990 for single-parent families and $12,570 for a couple with children. Single-parent families become ineligible when their annual income reaches $13,628 or more; for couples with children, this cut-off figure is $19,339.

For single-parent families with one or two children, provisions will be made for children's basic needs covered by income security to continue to be covered for families in the system or those entering it the year following the date the integrated child allowance comes into effect. After this period, coverage will be maintained for recipient families until they leave the system.

Appendix 2 shows the monthly amounts awarded to various types of integrated child allowance recipients under the proposed system, while Appendix 3 compares monthly amounts awarded under the integrated child allowance system with those awarded under the current system.

AN EQUITABLE SYSTEM

The amounts of financial assistance, whether basic benefits, allowances for limitations to employability, the supplement for seniors, or the disability allowance, will be determined by the government. To ensure equity and social justice, amounts will be the same in every region.

The government must also ensure that the social safety net is designed so that income security recipients and low-income earners are treated on equal footing. Several measures converge to achieve this goal.

Child support

Under the new income security system, a portion of the child support paid to a recipient will not be factored in when establishing benefits.

It will also become possible to combine the partial exemption with allowable work income as long as the total of both is lower than the maximum allowable exemption for work income.

The exemption granted will decrease with the age of the child in order to provide incentives for the parent with custody to enter the labour market when the child's age is no longer an obstacle.

Allowable income from child support will be instituted gradually using the following scales:

Child under age 2	*$100 per month*
2-year-old	*$80 per month*
3-year-old	*$70 per month*
4-year-old	*$60 per month*
Child aged 5 or over	*$50 per month*

Solutions to the problem of defaulting on rent

As of January 1, 1997, it will be possible to directly deposit benefits into bank accounts, thereby enabling recipients to arrange for pre-authorized debit for rent payments with building owners, which would ensure more regular payment.

The possibility of granting power of order to the Régie du logement du Québec, as a joint undertaking with the Minister of Municipal Affairs, in order to empower the Ministère de la Sécurité du revenu to directly issue the housing component of the benefit to building owners for rental amounts owing has also been proposed. In return, building owners would agree not to evict tenants.

Taxation of benefits

In Québec, income security benefits are included in calculating total income. However, a special deduction exempts benefits from taxation.

As a result, people who go through the income security system every year are undertaxed. Furthermore, the provision is unfair for persons not receiving income security benefits with equally low incomes.

In order to promote greater parity in the treatment of recipients and low-income earners, income security benefits will henceforth be considered taxable income. A similar change is being made in old age security benefits, the minimum income threshold for seniors.

Recovery and monitoring measures

Recover y is essential to ensure sound management of public funds. The recovery of benefits issued to ineligible persons is based on the principle of social justice, equality, and efficiency. Recovery of benefits wrongfully issued allows better distribution to the truly deserving, and could contribute to improving certain aspects of the system.

Monitoring measures also help achieve budgetary objectives insofar as they ensure that only people who are truly eligible receive benefits. They are also needed to verify whether the monies granted are used for the purposes for which they were intended. The rate of compliance for 1994-1995, 93%, is eloquent proof of the effectiveness of the measures. These rates should be maintained, if not improved.

Information exchange agreements are monitoring mechanisms which are gaining popularity. Such agreements have been reached with the Commission de la santé et de la sécurité du travail, the Régie des rentes du Québec, the Ministère de l'Éducation, the Ministère du Revenu, Human Resources Development Canada and the Société de l'assurance automobile du Québec.

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Under the new system, financial assistance will be geared towards two types of measures: social safety measures for those unable to enter the labour force and socioeconomic integration measures for those who are fit for work.

The main social safety measures, managed by the Régie des rentes du Québec, are the senior supplement, designed for persons aged 60 or over, and the disability allowance, for persons with severe limitations to employability who wish to be officially recognized as persons with disabilities.

Socioeconomic integration measures include obligations for both the government and recipients, including the mutual obligation to keep each other informed. In devising customized measures gradually leading to labour market entry, training, and employment, specific limitations to employability are taken into account. Compulsory compliance will first be applied to young people aged 18 to 24, and then to heads of single-parent families. Other recipients will have the option of availing themselves of the measures or not. In cases where measures are compulsory, refusal to undertake or to complete them will result in penalties of $150 per month for 12 months. Back-to-back penalties could be imposed if the same recipient turns down measures a second time within 12 months of the first refusal.

Simplification of the system and a reduction in the number of scales is essentially due to the creation of an integrated child allowance, as announced at the Summit on the Economy and Employment. The new allowance is aimed at ensuring that the basic needs of children from low-income families are met, whether parents have a job or are on social assistance.

The new system also aims to ensure equal treatment of recipients and low-income earners through various measures. These include the gradual exclusion of child support in the calculation of income security benefits, direct deposit of allowance cheques in response to the problem of defaulting on rent payment, taxation of benefits, and new recovery and monitoring mechanisms.

Conclusion

Prior to the reform, jobless income security recipients were not treated as part of the labour force. The new system eliminates the discrepancy between these individuals and other unemployed workers, and abolishes classification according to whether or not a person is eligible for income security. The active labour market policy and manner in which programs and services are organized must be restructured to meet the needs of those seeking employment. These persons, in turn, must make an effort to actively try to enter the labour market.

The new income security system seeks a reciprocity agreement based on open, democratic relations and solidarity between individuals, the government, labour partners and communities. It recognizes the social repercussions of individuals who are not part of the labour force by offering those receiving income security assistance in the form of measures designed to help them enter the job market. The new system also recognizes the special needs and situation of individuals who are unable to work due to temporary or severe limitations. Ultimately, this income security reform is based on the principles of equity, equal opportunity, accessibility, reciprocity, subsidiarity and effectiveness.

APPENDIX 1

DETAILS OF THE PROPOSED SCENARIO

Elements	Proposed scenario
1. *Allowance for essential needs* Integration of federal tax benefit	No
Maximum allowance	1st child: $1,731 2nd child: $1,400 3rd child and subsequent children: $728 each
Family-income threshold over which allowance is decreased	Couple with children: $19,339 Single-parent family: $13,628
Reduction rate	50% between the preceding income threshold and $20,921, 30% between $20,921 and $25,921 and 50% between $25,921 and the cut-off threshold.
Minimum allowance	Current level of family allowances
Family income over which minimum allowance applies	Couple with 1 child: $23,618 Couple with 2 children: $26,991 Single-par. family with 1 child: $19,428 Single-par. family with 2 children: $22,519
2. *Allowance for single-parent family*	$1,300 (this allowance is added to the allowance for essential needs before the reduction is applied
Change to the PWA program	
Integration of the federal income supplement	No
Work income over which supplement applies	$1,200
Supplement rate	$0.25 per dollar over $1,200
Maximum supplement	Couple with children: $2,843 Single-parent family: $1,948
Income for which maximum supplement applies	Couple with children: $12,570 Single-parent family: $8,990
Family income over which supplement is reduced	Couple with children: $12,570 Single-parent family: $8,990
Reduction rate	Couple with children: $0.42 per dollar over $12,570 Single-parent family: $0.42 per dollar over $8,990
Family income over which supplement is zero	Couple with children: $19,339 Single-parent family: $13,628

APPENDIX 2

Monthly amount of financial assistance awarded families under the Integrated Child Allowance (ICA) scenario ($)

Examples	Integrated child allowance: Proposed scenario: including the work income supplement	Integrated child allowance: Proposed scenario: excluding the work income supplement	Fiscal component added to the ICA	Federal assistance added to the ICA
Single-parent family with 1 child aged 7 and work income of $0	253	253	0	72
Single-parent family with 1 child aged 7 and work income of $11,000	345	253	16	156
Single-parent family with 1 child aged 7 and work income of $20,000	11	11	163	156
Single-parent family with 1 child aged 7 and work income of $50,000	11	11	70	22
Couple with 2 children aged 7 and 10 and work income of $0	261	261	0	156
Couple with 2 children aged 7 and 10 and work income of $14,000	448	261	0	239
Couple with 2 children aged 7 and 10 and work income of $25,000	93	93	168	171
Couple with 2 children aged 7 and 10 and work income of $50,000	25	25	103	55

APPENDIX 3

Monthly amount of financial assistance awarded families under the ICA scenario compared to the current system ($)

Examples	Comparison of the current system and the proposed scenario (proposed scenario - current system)	
	including work income supplement	excluding work income
Single-parent family with 1 child aged 7 and work income of $0	-8[1]	-8[1]
Single-parent family with 1 child aged 7 and work income of $11,000	83	234
Single-parent family with 1 child aged 7 and work income of $20,000	38	38
Single-parent family with 1 child aged 7 and work income of $50,000	-1	0
Couple with 2 children aged 7 and 10 and work income of $0	12	11
Couple with 2 children aged 7 and 10 and work income of $14,000	8	135
Couple with 2 children aged 7 and 10 and work income of $25,000	16	70
Couple with 2 children aged 7 and 10 and work income of $50,000	-40	-40

1 For single-parent families with one or two children, provisions will be made for children's basic needs covered by income security to continue to be covered for families in the system or those entering it the year following the date the integrated child allowance comes into effect. After this period, coverage will be maintained for recipient families until they leave the system.