

LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES
5TH COUNCIL, 27TH SESSION

REFERENCE FOR ADVICE
NO. 4-27

TABLED ON JUNE 2, 1964



NORTHWEST TERRITORIES

REFERENCE FOR ADVICE

PAYMENT OF SOCIAL ASSISTANCE BY CHEQUE

The Commissioner requests the advice of the Council on the introduction of the payment of Social Assistance by cheque.

Payment of Social Assistance by Cheque

Introduction

Certain difficulties are being encountered in the administration of the Territorial Social Assistance Program, as a result of the use of voucher payments. Payment of social assistance by cheque in certain larger centres, under suitable controls, offers distinct advantages, and the Commissioner desires the advice of Council on whether this change should be made.

The Problem

Under the Territorial Social Assistance Program, recipients are issued a voucher which designates the type and dollar value of the goods they may obtain. Generally, a full month's requirements are covered by a single voucher. For example, a typical voucher may authorize a recipient to obtain groceries to the value of \$35, clothing to the value of \$8, and \$4.50 worth of fuel oil. Merchants who supply these goods obtain reimbursement by submitting to Fort Smith a copy of the voucher, accompanied by an itemized account.

In communities where there is only one store, this method is satisfactory but causes labour of doubtful value. Approximately fifty-five per cent of Territorial Social Assistance expenditures, however, are made in the larger centres of Yellowknife, Fort Smith, and Inuvik, and in these locations, where residents are more sophisticated and cash transactions are the normal pattern of shopping, the following difficulties occur.

1. Itemized accounts of goods supplied are difficult to obtain

Stores do not customarily provide shoppers with an itemized list of purchases. Instead, purchases are rung up at a check-out counter, and a cash register tape is given to the customer as his proof of purchase. To conform with the present requirements of the Social Assistance Program that itemized accounts be presented, retailers have had to introduce the procedure (applicable only to welfare cases) of completing a separate invoice describing in detail each of the items purchased. So many cans of peas at so much, so many pounds of flour, and so on. These invoices are then forwarded with the authorizing Welfare Payment Form, to support the merchant's claim. Social Assistance payments constitute only a small part of the trade at these locations. Suppliers have shown an understandable reluctance to change their retailing methods from the convenient and economical check-out system simply to conform to an awkward procedure we have devised. The successful operation of welfare programs requires the assistance and co-operation of merchants, and we are, therefore, under some obligation to adjust our systems to meet them half way.

2. Merchants must wait a considerable period for payment while accounts are being processed.

Merchants must invoice for payment after goods have been supplied. These invoices are scrutinized at various administrative levels, certified, coded and subsequently passed to a central office for payment. This is entirely normal in government operations, but delays payment for a far longer period than retail merchants in these locations expect. When the delay is extended, as it often is, by staff shortages, communications difficulties, pressure of work, and other familiar reasons, unpaid accounts accumulate and a considerable amount of a retailer's working capital must be tied up in non-interest bearing debt. Retailers do not encounter these extra costs in normal sales. They make no provision for it in their cost accounting, nor are they willing to start. To overcome these extra costs, they would have to introduce new procedures in their retailing operations. This expense, combined with the loss of income from tied-up, non-interest-bearing funds, would undoubtedly eliminate the profit of the sales involved.

3. Recipients are, in effect, prevented from shopping for the cheapest goods and must make all their purchases from one merchant.

Under the present system, recipients of welfare payments receive one voucher a month, or perhaps two. The client cannot obtain cash for the voucher, and because the merchant requires the voucher in order to obtain reimbursement, all purchases must be made at the same store.

Recommended Changes

1. The general method of making social assistance payments in Yellowknife, Fort Smith and Inuvik should be by cheque.
2. Voucher payments would continue to be used in these larger centres:
 - (a) for emergency social assistance payments where for some reason a cheque cannot be issued at the time needed; and
 - (b) in all cases where the misuse of funds is apparent.

Details

Recipients of social assistance who are being paid by cheque would establish their eligibility each month in the usual manner, and their need for assistance would be evaluated. At the discretion of the issuing officer, payment may be made in the form of two cheques each month (preferably) or less or more often, according to individual circumstances. Cheques will be sufficient to enable recipients to purchase their requirements for food, clothing, fuel, shelter, and other items, but the responsibility for apportioning the total amount will rest with the individual, subject to the advice and counsel of the welfare representative.

Commentary

The voucher system is really a way of paying "in kind" or issuing "scrip". These methods of payment enjoyed brief notoriety in southern Canada during the early Depression years, but were found quite unsatisfactory and have been almost completely abandoned in the provinces. In the larger centres in the North, there is little reasonable support for maintaining the system in the face of the difficulties we are now encountering. There is, however, a certain emotional content to arguments for its retention. For the most part, these arguments boil down to a subtle but pervasive conviction that recipients of welfare payments are irresponsible.

A recent extensive survey of Territorial Social Assistance records indicates that, in the last year, more than two out of every five clients were either ill, or elderly, or had small children to care for with no breadwinner in the home. These conditions are in no way related to irresponsibility. Even in the remainder of the social assistance cases - those where payments were made to unemployed employables - there is only sometimes irresponsibility.

Payment by cheque is the standard procedure under all federal welfare programs (Family Allowances, Old Age Security, Old Age Assistance, Blind Persons Allowance, and Disabled Persons Allowance). Experience demonstrates that there is no cause for concern regarding abuses of cheque payment in these programs. The Social Assistance Program is even more closely supervised, and the possibility of abuse is correspondingly smaller. Nevertheless, if the cheque system is used for the Social Assistance Program, in the three centres mentioned, any problem of abuses could be effectively controlled simply by suspending cheque payments, in those cases where it is necessary to do so, and using voucher or trustee payments instead.

Since federal welfare benefits are paid by cheque, a widow with small children now receives her Social Assistance payment by voucher, at the same time that she is paid Family Allowances by cheque. Similarly, a needy man of sixty-four receives Social Assistance by voucher, but commences to receive a cheque on his sixty-fifth birthday when he qualifies for Old Age Assistance. By the same standard, a partially disabled man receives Social Assistance by voucher, but a fully disabled man is given a cheque if he receives Disabled Persons Allowance. These are anomalies that bring the procedures into question and even ridicule.

The degree of control, of ensuring that Social Assistance recipients expend their funds wisely is less in a cheque issue. However, the threat of withdrawing the cheque if abuse is evident, and the opportunities to teach and exercise responsibility are positive factors the value of which far outweigh ~~the negative values in the voucher.~~ ~~As a matter~~ of fact, abuses can occur under the voucher system. Also, if itemized accounts are to be scrutinized in a responsible way the labour involved is vast. One may recognize in the detail of a grocery list a false sense of security and precision. An item "Beans, yellow, 10 oz., choice, 23 cents", has five factors, besides the question as to whether the beans were consumed by the recipient or some variant accepted or traded.

The voucher system is essentially a denial of basic human dignity. It reduces all persons in need to the lowest common denominator by assuming that all will neglect responsibilities.

The only effectual prevention of abuse is the recipient's own sense of responsibility. This may be enhanced by improving his understanding through counselling, and reinforced by the personal supervision of a knowledgeable and responsible local officer who will control only those who require it.

Conclusion

Cheque payment should be introduced in Yellowknife, Fort Smith and Inuvik, and under suitable controls. This would ensure immediate payment to merchants, eliminate the need for itemized statements, enable recipients to shop at a variety of stores to obtain the lowest prices, and reduce the amount of administrative time required to operate the system.

The Commissioner requests the advice of Council.

April 28, 1964.