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WORKING DOCUMENT

**EVALUATION OF THE
LEGAL AID MANITOBA
EXPANDED ELIGIBILITY PROGRAM**

**Prairie Research Associates
The Coopers and Lybrand Consulting Group
Professor Rick Linden**

April 1991

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ACQUISITIONS

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- Appendix A Description of Calculated Variables
- Appendix B Illustrations of Income Calculations
- Appendix C Coding By Priority
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EXECUTIVE SUMMARY

OUTLINE OF THE EXPANDED ELIGIBILITY PROGRAM

Legal Aid Manitoba provides services to those unable to afford legal representation. It is organized much like legal aid services in other provinces. Eligibility is based on income; thresholds are set to income levels based on the Statistics Canada Low Income Cutoffs. The threshold eligibility amounts increase with family size.

Under the previous system, it was recognized that clients who were denied legal assistance either deferred their use of the Private Bar, or proceeded at significant personal cost. The result was that many rejected applicants either placed themselves and their families in financial hazard, failed to pay fees owing to the Private Bar, or were unable to seek redress of their cases through the courts.

In June 1989 "The Expanded Eligibility Program" was introduced with funding assistance from the Federal Department of Justice. This pilot program recognized the need for an intermediate position on eligibility.

The advantages to the applicant of the Expanded Eligibility Program are:

- Since the client is paying the Legal Aid Manitoba tariff for legal services, the total costs will be much lower than if these services are secured privately (on average 25 per cent - 35 per cent of the total fee);
- There is no retainer;
- There is a limitation on disbursement costs, as Legal Aid Manitoba is able to purchase some services at reduced cost;
- Payments are by fixed monthly instalments which allows a person with limited income to budget for legal costs rather than receiving large and irregular invoices.

Applicants accepted into the Expanded Eligibility Program are required to enter into an agreement which outlines a payment schedule, fixes a monthly payment, and removes the need for a retainer. Like regular legal aid, clients accepted into the Expanded Eligibility Program are issued a "certificate" which authorizes a lawyer to proceed with the case. The monthly instalments start immediately and the initial payment is requested within two or three weeks from the time the certificate is issued. Failure to maintain payments results in the certificate being cancelled and the lawyer instructed to cease service. Because cases vary in terms of the legal resources required,

clients are not provided with an estimated total bill, but the Expanded Eligibility contract does cite an average and the monthly instalment.

In the period ending March 31, 1990, Legal Aid Manitoba has issued 25,694 certificates. In 1989, 23,732 certificates were issued compared to 24,367 in 1988. Between June 1, 1989 and August 31, 1990, there have been 748 Expanded Eligibility certificates issued.

MAIN ISSUES IN THE EVALUATION

This evaluation research is designed to examine the Expanded Eligibility Program, especially with respect to:

- issues related to default on payments and the costs associated with attempts to collect debts;
- client satisfaction;
- attitudes toward repayment;
- relationship between the Expanded Eligibility Program and the Private Bar.

METHODOLOGY

The research process involved the following main steps:

- The Evaluation Framework (consisting of identification of main issues, associated questions and consequent indicators) was developed in consultation with the client. The framework guided all aspects of the evaluation and determined what aspects of the Expanded Eligibility Program would be investigated. The resulting framework is very broad and is designed to assess the Program to the fullest extent possible.
- Data sources were identified and consisted of:
 - administrative files, both electronic and print (original source), including applications, case management and accounting information;
 - survey of clients;
 - survey of applicants who had been refused (nonparticipants);

- interviews with the Private Bar;
- interviews with management.
- Administrative files included information on applicants, purposes of the certificate (case attributes) and detailed accounting data (trial balances and monthly statements of receivables and account status).
- The survey of clients and applicants who were refused used a random sample of existing clients with a letter from Legal Aid Manitoba to explain the nature of the study. An prepaid enclosed postcard allowed the prospective respondent to decline the interview without prejudice.
- Respondents from the Private Bar were selected in consultation with Legal Aid Manitoba (to ensure that the individual had significant experience with regular legal aid as well as Expanded Eligibility;
- Management interviews included several meetings with Legal Aid Manitoba senior managers as well as telephone interviews with various middle managers.

The analysis involved intensive reviews of accounting information to develop profiles of operating costs and late payment patterns. We also linked client accounts information with case and other client data to facilitate an analysis of the determining features of payment patterns. The client and nonparticipant information was analyzed using standard procedures of survey research (cross-tabulations).

MAIN FINDINGS

Attributes of Clients and Cases

The Expanded Eligibility Program clearly serves the working poor. Incomes and wealth are significantly lower than Manitoba averages. In terms of age and income distribution, the majority of regular legal aid clients are younger and from a lower income level than the Expanded Eligibility clients. Also, about two-thirds of the clients for Expanded Eligibility and regular legal aid are men. About 67 per cent of the cases handled in the Expanded Eligibility Program are civil and domestic (compared to 40 per cent in regular legal aid) and are concentrated in the low to middle income levels. Conversely, the results of the regular legal aid sample indicate that the majority of the matters handled are criminal cases (most often relatively minor offences) and are concentrated in the lowest income level.

Extent of Late Payments/Defaults And Rate of Recovery

- The ratio of clients in arrears (35.8 per cent of active accounts) is reasonable given the type of program, constrained resources and newness of the Program. With additional experience, improved computer systems and an increase in collection procedures, we could probably expect a delinquency in the 20 per cent to 30 per cent range. However, if the caseload increases at the present rate, delinquencies could increase because of insufficient resources to manage the accounts.
- The estimated rate of recovery of between 78 per cent to 86 per cent on the net billings for the period, and the corresponding default rate of between 14 per cent to 22 per cent can be considered to be quite good, especially when one considers the newness of the Program, type of clientele, initial training and start-up costs, and, that a higher default was expected.

Client/Case Characteristics Related To Late Payments/Defaults

Delinquencies are higher than average, especially delinquencies in the over 120 day category, when clients:

- reside in the Northern region;
- are in minor criminal cases.

These two features of the client and case raised the probability by 12 per cent and 10 per cent respectively. Income, home ownership, gender, age and net worth do have not real influence on late payments.

Correspondingly, delinquencies, especially delinquencies in the over 120 day category, tend to be lower than average when clients:

- reside in Winnipeg;
- are in the higher income levels;
- are civil and domestic cases.

Reasons And Patterns For Late Payments/Defaults

In addition to the broad factors in delinquencies (attributes of the client and case), the main reasons and patterns for late payments and defaults are those we would expect (moved - no forwarding address, in jail, lost job and no business telephone number). Clients whose case has concluded tend to be more delinquent than those whos cases are continuing.

Administration of Collections

As can be expected with any start up operation, inefficiencies have occurred mainly from inadequate information systems and the learning curve required because Expanded Eligibility is a new program.

Collection procedures are generally good for the present client load. The prompt cancellation of certificates for overdue accounts is an important policy and should be retained. Also the policy for bad debts requiring Board approval is appropriate. The procedures and the rate of recovery may possibly be enhanced by additional time spent directly contacting overdue accounts by telephone and by a more systematic approach, but this requires additional staff time be made available. Collection procedures and the rate of recovery have been affected by system and administration inefficiencies as well as sudden volume increases. These are typical of first year operations.

Initially, backup of data files was extremely slow -- it was only being done once a month -- but it is now being done on a daily basis. By not backing up daily, the Expanded Eligibility Program was vulnerable to incurring additional costs should problems occur with the system.

The current staffing appears close to a threshold and may require increased resources as certificate volumes increase. This issue will require close monitoring since maintenance of receivables is critical to the financial viability of the Program.

The collections portion of the Program should continue to produce positive cash flow in the future provided that lawyer billing patterns do not change significantly. A move to recovering administrative costs and investments in new systems could alter this cash flow picture. Also, if client loads exceed the capacity of the current staff to manage the receivables, cash flows may deteriorate.

Client and Nonparticipant Surveys

Delinquent accounts may be managed more effectively if it were known that monthly payments might be adjusted. This would result in a lower average payment over a longer period of time. Clients respond well to reminder notices. The majority of clients were very satisfied with the service and the Program. About one quarter of the clients reported some level of dissatisfaction. Although there is no comparison group, it is possible that a similar level of dissatisfaction may be expressed by clients who had retained lawyers privately.

The nonparticipant respondents most frequently stated that all expenses and debt load should be considered when determining eligibility. Despite their reported dissatisfaction with being refused legal assistance, few respondents appealed the decision.

Perspectives of the Private Bar and Legal Aid Staff

The lawyers from the Private Bar who were interviewed had a mixed review of the Expanded Eligibility Program. In general, those who handled criminal cases tended to view Expanded Eligibility as "insurance" and were positive about the Program since they received payment for services rendered regardless of whether the client paid. Those who handled civil cases were less supportive. They believed that the Program had tended to upset the usual financial arrangements they would make with clients and, therefore, it was believed to reduce their incomes.

Members of the Private Bar generally concurred that few Expanded Eligibility certificates were inappropriate and the Program was well targeted.

It is important to note that many respondents had a poor knowledge of the differences between Expanded Eligibility and regular legal aid. Also, much of the objection to the Program reflected general dissatisfaction with the tariffs offered for all legal aid work.

Legal Aid Manitoba staff were supportive of the Program and believed that it was appropriately targeted. There were many concerns expressed about the difficulty in changing a legal aid operation where service is provided without fee to one where fees are demanded and payment is monitored. It was clear that staff felt considerable ambivalence in this change in the "culture" of the legal aid operation. There was general discomfort with this new role.

However many staff also acknowledged that Expanded Eligibility filled an important gap. It offered legal services to the working poor who otherwise would not receive them.

SUMMARY AND CONCLUSIONS

The Expanded Eligibility Program introduced a new approach to extending legal aid to the working poor. Not only did it change the accessibility of legal aid within the province, it also introduced a new process within Legal Aid Manitoba. Prior to Expanded Eligibility, the entire structure of Legal Aid Manitoba consisted of qualifying

clients, and then delivering services without charge except for a small number of clients who were involved in Agreements to Pay.

Expanded Eligibility requires Legal Aid Manitoba to:

- Expend cost in qualifying candidates. Under the regular legal aid program, a high proportion of applicants are on social assistance and once this is verified, no additional financial data are required. Under Expanded Eligibility the financial or means test process is much more onerous and exacting.
- Manage an accounts receivable and accounts payable process. Legal Aid Manitoba must ensure clients pay regularly and on time. This has introduced a different "culture" within the organization.

The concept of a different culture is important. Legal aid is historically a program which provides assistance solely on the basis of an economic and family size test. Once an applicant qualifies, service is rendered without question. Since many applicants are on social assistance and have no assets, the economic tests are unambiguous.

With Expanded Eligibility two important changes are introduced. First, the economic test is usually more complex. With higher incomes, assets may be substantial. Legal Aid Manitoba intake workers often must undertake a more complex economic test to verify whether an applicant is qualified for assistance.

Second, eligibility is constantly assessed by the maintenance of payments. The initial invoice is sent quickly (within 2-3 weeks) after acceptance to set a pattern of regular payment. Clients are terminated if they fail to pay.

The new mode where clients are examined closely and monitored continuously for payment history is a shift for Legal Aid Manitoba staff. Rather than providing "access", the staff must now monitor and check clients. This requires a different mentality, and can be difficult. For cost control reasons, monitoring is essential and many staff may find this distasteful. Against this must be balanced the fact that Expanded Eligibility provides services to those who previously would be disqualified.

Which focus prevails depends on management and its approach to client qualification and payment enforcement. In the final analysis, those who default on their payments limit the services to clients who have yet to apply.

In the first year Legal Aid Manitoba has managed this process quite well. The overall default ratio, that is the proportion of accounts which are delinquent by more than 120 days, is around 14 per cent. This is a good level of performance.

Furthermore, the administrative costs of the Program have met the overall level budgeted. The administrative costs for 1990 - 91, are estimated to be \$143,600, or about \$140 per client (assuming about approximately 1000 clients over this period). These administrative costs are not recovered -- the client only pays the direct legal cost of private or Legal Aid Manitoba lawyers on a tariff or block payment basis. With an average monthly payment of \$50 - \$75, these administrative costs could be borne with an extension of the total billing period of two - three months. Given the sensitivity of clients to the current monthly payment as seen from the telephone surveys, an extension of the payment period seems a more appropriate approach than increasing the monthly instalment.

In general, the administrative costs imposed by Expanded Eligibility are reasonable given the scope of the cases. It is possible that at the current client load the Accounts Administrator and the part-time assistant are overburdened. The recent computer upgrade will assist in alleviating a portion of this burden, but with more clients, further enhancements will be needed to manage accounts and pursue delinquencies. The decision to write off is made by the Board with little discretion exercised by the Accounts Administrator. In general, this is appropriate, but there may be scope for reducing arrears, by encouraging the Administrator to reduce instalments or accept partial payments.

RECOMMENDATIONS

Expanded Eligibility injects a new dimension into Legal Aid Manitoba, and requires that certain approaches, currently instituted, be strengthened and enhanced. At this time, there is no evidence of serious deficiencies in administration. However, our focus is on adding administrative support to deal with the anticipated increased client load which will arise from the current publicity campaign. On another plane, the recommendations deal with the process of qualifying applicants and managing an accounts receivable/payable system which is always a challenge for any organization.

Upgrade the Current Computer System In Accounting

Legal Aid Manitoba should consider replacing current computer hardware and down-loading information from the database system to improve the efficiency of operations.

Develop Long-term Information Systems Strategy

The current information system is split between a client database and an accounting database. These two systems have evolved to meet the needs of Legal

Aid Manitoba, but it is likely that continued expansion of the Program will place greater burdens of all aspects of the information system.

A long-term information systems strategy (Management Information System) should be developed. Based on our initial review, an integrated network system (database, accounting) would appear to offer the most advantages. In our view, the client information system needs to be integrated with the accounting system.

The following should be included in the key information produced to assist senior personnel and management:

- An estimate of unbilled legal fees - on the basis of past experience and case type;
- Monthly delinquency statistics;
- Default statistics and characteristics;
- Delinquency characteristics and patterns;
- Monthly statistics of volumes (number of certificates issued, billings, payments, etc.).

All client history information that is purged upon closing the file should be stored on diskettes. This will facilitate periodic review of the Program.

Provide Training to Backup Accounts Clerk

Managing an accounts receivable function is labour intensive. To reduce exposure and to assist when the accounts clerk is away, a second person should be trained for the accounts clerk's functions. It is probable that increase in client load will necessitate that this be a full-time position.

Improve Cost Allocation Aspect of Budget

The initial budget did not fully reflect all cost categories. The Expanded Eligibility budget should be amended to better reflect its current costs.

Consider Other Cost Recovery Mechanisms

Additional revenue sources will likely have to be considered to reduce the administration costs. These could include charging an administration fee, either a

flat amount or as a percentage of billings and interest on overdue and/or unbilled amounts. A policy of extending the period of payment, which we expect to amount to about 2 - 3 months of extra instalments on average, is probably a more acceptable approach to the average client. Adding \$190 to the total bill represents a substantial increase for the average client who pays between \$200 - \$400 in legal fees. An alternative is to recover only a portion of the administrative fees such as adding only the salaries and office costs. This implies an administrative cost of \$117 per client (the cost per client disregarding bad debts). Other percentages of administrative costs can also be added such as a percentage surcharge to a maximum. There is always a danger of incurring collection problems if instalments are extended over a longer period.

Delinquency Management and Certificate Cancellation Policies

There is evidence that certain client and case attributes are associated with a higher risk of delinquency and eventual default. Although the initial year may well be atypical, cases/clients involved in minor crimes and from the North have a higher risk of delinquency. This suggests that increased monitoring/control and/or a stricter cancellation policy for these cases may be warranted. With additional case information, the management information system should be able to become more precise in predicting clients who are likely to default.

As part of the delinquency management process, a discretionary approach to repayment may prove beneficial. As we discovered in the client survey, many did not attempt to renegotiate their monthly payment. Yet, one-half of those who did, were able to obtain a reduction in their instalments and maintain their eligibility. It is probable that delinquencies could be reduced by being more proactive in offering to review instalments for those who fall into arrears.

Another policy which should be considered is to encourage private lawyers and Legal Aid Manitoba staff counsel to provide better estimates of the total costs the client may face. However, there is risk in projecting fees. Any given case may have particular difficulties which cause costs to increase well beyond previous ranges. Clients could easily misinterpret the estimates as a contract. As an interim measure, one alternative might be to reveal ranges only in those cases where there has been little variation.

Whether to state the expected cost saving from using staff versus private counsel is more controversial. The Private Bar could easily interpret this approach as aggressive marketing by Legal Aid Manitoba. At this time, Legal Aid Manitoba requires the Private Bar to deliver all forms of subsidized legal services, and care must be taken not to alienate private lawyers.

Naturally, any policy of delinquency management and cost recovery should be carefully reviewed as the ongoing administration costs may exceed the benefits. A fully integrated management information system will be essential to producing the timely information needed to support such periodic policy reviews.

Review Eligibility Guidelines

Clients and nonparticipants (those who were refused service) told us that wider considerations should determine eligibility. Some clients complained that monthly obligations other than child maintenance and rent should be considered in determining eligibility. For example, some clients stated that car payments when the vehicle is needed for employment should be considered when setting the monthly instalment.

The consideration of assets, debts, and income poses an important problem for the Expanded Eligibility Program. At this time it appears that in many cases this consideration is not guided by explicit policy. We understand that a written policy is in the final stage of approval.

A related issue concerns the process of verification of economic status. In one aspect, Expanded Eligibility represents a loan program. Clients are allowed access to legal services, for which they pay over an extended period of time. In our view there is benefit in moving the initial application and verification process somewhat closer to the models used by financial lending institutions. Clients on the surveys did not object to the need for providing such information. Many would welcome it in the context of a broader definition of allowable monthly expenditure.

Final Note

In its first year of operation Expanded Eligibility clearly filled a need among the working poor of Manitoba. In general, its administrative function was well executed. Default rates were comparatively low, and the Program was able to cover the costs of legal counsel. It does not, and was not intended to cover administrative costs as well.

In our view there is some opportunity to cover administrative costs by adding an additional two or three instalments to the average case. However, for many clients this could represent a doubling of the total fee. Some adjustment based on total fee may be appropriate and less than 100 per cent administrative cost recovery could be considered. Alternatively, a fixed percentage of administrative costs could be added to each bill.

Several cautionary notes are in order:

- The expected growth in client load resulting from the current publicity campaign will increase administrative loads. Failure to address systems and personnel needs outlined in this report could compromise this initial success.
- Expanded Eligibility attracted a high number of domestic cases. The Private Bar believes these cases to be more expensive than criminal cases. Aside from the comments regarding Legal Aid Manitoba tariffs which are beyond the scope of this study, expansion of these cases will make more demands on the Private Bar. Private lawyers who deal with domestic cases, tend to be ambivalent toward Expanded Eligibility Program. Also, as the client load increases, lawyers may come to view the Program as competition. Legal Aid Manitoba must maintain close contacts with the lawyers who supply this service to ensure there is adequate capacity to deal with increased demand.

The Private Bar which deals with criminal cases tends to view the Expanded Eligibility as an "insurance" program in guaranteeing payment from risky clients. Moves to promote Legal Aid Manitoba staff lawyers would be resented by this group.

- About 25 per cent of all cases use Legal Aid Manitoba Staff Counsel. Typically the cost is about one-half that of using private lawyers. Legal Aid Manitoba could manage costs of an expanded program by hiring more staff counsel. But before such a move is contemplated, it is essential that a study be undertaken to ensure that the marginal costs of additional staff counsel can be met through increased billings. While we believe that this is the case, there is an initial investment in salaries and orientation is required. As a first priority, we believe that investment in an integrated management system is more advantageous. Also, any expansion of Legal Aid Manitoba will require close consultation with the Private Bar.

1.0 INTRODUCTION

1.1 Overview of Expanded Eligibility Pilot Project

Legal Aid Manitoba (L.A.M.) provides services to those unable to afford legal representation. It is organized much like legal aid services in other provinces. Eligibility is based on income; thresholds are set to income levels based on the Statistics Canada Low Income Cutoffs. The threshold eligibility amounts increase with family size. In addition, ownership of certain assets may condition assistance. Service is provided to clients by staff lawyers and members of the Private Bar who bill Legal Aid Manitoba for services rendered, based on a tariff.

Under the previous system, it was recognized that clients who were denied legal assistance either deferred their use of the Private Bar, or proceeded at significant personal cost. The result was that many rejected applicants either placed themselves and their families in financial hazard, failed to pay fees owing to the Private Bar, or were unable to seek redress of their cases through the courts.

In June 1989 "The Expanded Eligibility Program" (E.E.) was introduced with funding assistance from the Department of Justice Canada. There was wide consultation including discussions with the Private Bar. This pilot program recognized the need for an intermediate position on eligibility. The regular legal aid program provided for one main income threshold for each family size. In some cases a second threshold was used when a client with a high income was asked to make a "partial contribution." The problem was that many poor people, especially the working poor, had incomes too high for regular legal aid and, if denied service, their legal problems would remain unattended.

With Expanded Eligibility rather than two thresholds of income to determine eligibility, three thresholds now exist. Applicants below the lower bound qualify for full financial assistance, while those whose income falls between the two lower thresholds qualify for partial support where a one-time contribution is requested. Those whose income is above this second threshold but below the upper threshold may qualify for the "full contribution" which is the Expanded Eligibility Program. Table 1-1 shows the income thresholds for the three programs by family size. This report concentrates on the Full Contribution (Expanded Eligibility) Program.

**TABLE 1-1
INCOME THRESHOLD FOR LEGAL AID MANITOBA PROGRAMS**

Family Size	Program		
	Regular Legal Aid	Partial Contribution	Full Contribution*
1	\$12,000	\$14,000	\$21,500
2	\$16,000	\$18,000	\$25,000
3	\$21,500	\$23,500	\$29,000
4	\$25,000	\$27,000	\$31,500
5	\$29,000	\$31,000	\$35,000
6	\$31,000	\$33,500	\$38,000
7	\$35,000	\$37,000	\$41,000

*** Expanded Eligibility**

The advantages to the applicant of the Expanded Eligibility Program are:

- Since the client is paying the Legal Aid Manitoba tariff for legal services, the total costs will be much lower than if these services are secured privately (on average 25 per cent - 35 per cent of the total fee);
- there is no retainer;
- there is a limitation on disbursement costs as Legal Aid Manitoba is able to purchase some services at reduced cost;
- payments are by fixed monthly instalments which allows a person with limited income to budget for legal costs rather than receiving large and irregular invoices.

Applicants accepted into the Expanded Eligibility Program are required to enter into an agreement which outlines a payment schedule, fixes a monthly payment, and removes the need for a retainer. Like regular legal aid, clients accepted into the Expanded Eligibility Program are issued a "certificate" which authorizes a lawyer to proceed with the case. The monthly instalments start immediately and the initial payment is requested within two or three weeks from

the time the certificate is issued. Failure to maintain payments results in the certificate being cancelled and the lawyer instructed to cease service. Because cases vary in terms of the legal resources required, clients are not provided with an estimated total bill, but the Expanded Eligibility contract does cite an average and the monthly instalment.

In the period ending March 31, 1990, Legal Aid Manitoba has issued 25,694 certificates. In 1989, 23,732 certificates were issued compared to 24,367 in 1988. Between June 1, 1989 and August 31, 1990, there have been 748 Expanded Eligibility certificates issued.

NUMBER OF CERTIFICATES ISSUED EXPANDED ELIGIBILITY

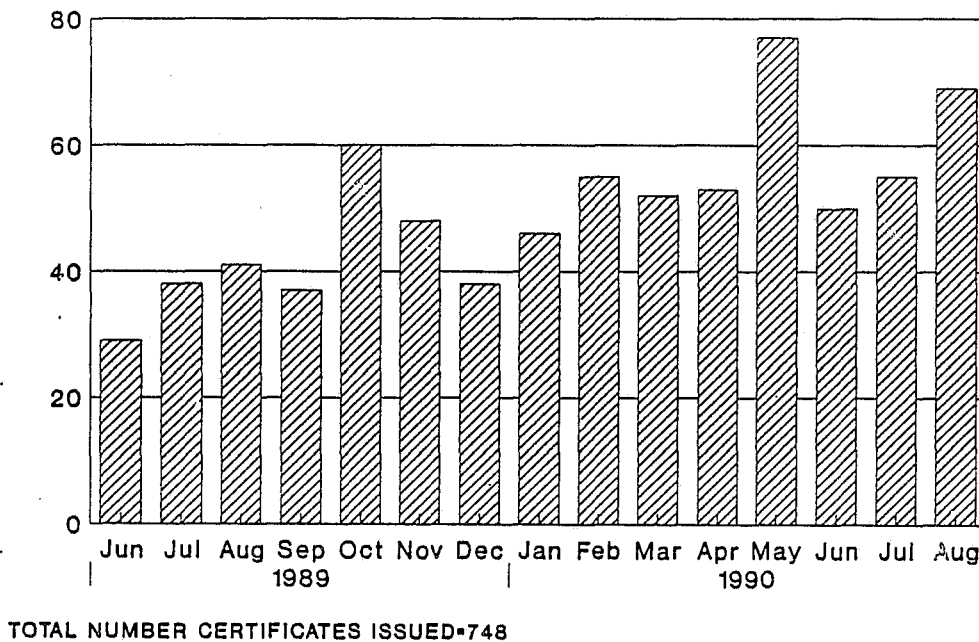


FIGURE 1-1

1.2 Main Issues to be Evaluated

This evaluation research is designed to examine the Expanded Eligibility Program, especially with respect to:

- "issues related to default on payments and the costs associated with attempts ... to collect debts";
- client satisfaction;
- attitudes toward repayment;
- relationship between the Expanded Eligibility Program and the Private Bar.

1.3 Organization of the Report

The next section of the report outlines the main evaluation issues to be considered. These issues are centred on client and case attributes, client satisfaction, cost recovery, and the impact Expanded Eligibility has had on the operation or administration of Legal Aid Manitoba. In Section 3.0, we present the methodology used to address these issues, while Section 4.0 presents the client and case characteristics. Costs and financial administration form a key element in this study, and are presented in Section 5.0. We undertook a client and nonparticipant study, and these data are presented in Section 6.0. Since the Private Bar delivers the bulk of legal aid services, their views are critical and these are presented in Section 7.0. Section 8.0 reviews the overall impact of Expanded Eligibility and presents the conclusions and recommendations of the report.

2.0 EVALUATION ISSUES

Table 2-1 presents the detailed evaluation framework proposed in the Request For Proposal and later enhanced in consultation with the clients. Several aspects of this framework are noteworthy:

- First, some issues, particularly those relating to "retroactivity" (i.e., clients who are referred to legal aid after some service has been rendered) are not amenable to analysis. It was not possible to track retroactive cases. It was also not possible to track cases which may have switched between regular legal aid and Expanded Eligibility. In both cases the numbers were conceded to be very small (less than 10 over a year).
- Each issue is subdivided into a number of questions, and each question is supported by at least one and often more than one indicator/data source. Multiple lines of evidence strengthen the conclusions and provide a stronger basis for the recommendations.
- One issue specified in the terms of reference is only partially addressed in this study. It is not possible to fully explore the differences between clients who had a lawyer and those who were referred to counsel by Legal Aid Manitoba. This question is supported by the client satisfaction survey, but not by administrative or financial data.

Also, retroactive changes from Expanded Eligibility to regular legal aid status and vice versa are not easily detected. This incidence of these changes in status is quite rare.

We have noted these deviations from the originally specified evaluation issues in italics in Table 2-1.

**TABLE 2-1
EVALUATION FRAMEWORK**

EVALUATION ISSUE SOURCE	EVALUATION QUESTION	INDICATOR/DATA
Client and Case Profile	<ul style="list-style-type: none"> • Who is receiving legal service under Expanded Eligibility guidelines? Analysis by major demographics e.g., age, sex, income, marital status, family structure, location (within province). • What legal services are being provided? • What differences are there between those receiving full and partial service? • What differences are there between those who are accepted and those who are rejected? (e.g., demographics, legal services) • How do Expanded Eligibility clients and the general client population compare with respect to demographic attributes (age, sex, income, location, etc.) and type of service? • What is the source of referral (retroactive, from active Legal Aid Manitoba files) by client demographics and case type? 	<ul style="list-style-type: none"> • Administrative File Review • Management Interviews • Client Survey • Non-participant Survey

TABLE 2-1 (Continued)

EVALUATION FRAMEWORK

EVALUATION ISSUE SOURCE	EVALUATION QUESTION	INDICATOR/DATA
Cost and Cost Recovery Review	<ul style="list-style-type: none"> • What is the aggregate direct (financial) cost of the Expanded Eligibility service? 	<ul style="list-style-type: none"> • Administrative File
	<ul style="list-style-type: none"> • What are the direct (financial) costs by type of case and client? 	<ul style="list-style-type: none"> • Management Interviews
	<ul style="list-style-type: none"> • What are the extent of late payments and defaults with respect to: <ul style="list-style-type: none"> - Client and case attributes? - Payment pattern? 	<ul style="list-style-type: none"> • Financial Review
	<ul style="list-style-type: none"> • What is the rate of recovery of bad debts? 	
	<ul style="list-style-type: none"> • What are the reasons for late payments and bad debts? 	
	<ul style="list-style-type: none"> • Is there a positive or negative cash flow created by the rate of payment and the rate of lawyer billing? 	
	<ul style="list-style-type: none"> • <i>Are clients referred retroactively more likely to present payment problems?</i> 	<ul style="list-style-type: none"> • <i>Data not available</i>
	<ul style="list-style-type: none"> • <i>What is the number of transfers from the Expanded Eligibility to the regular legal aid program?</i> 	<ul style="list-style-type: none"> • <i>Data not available</i>

TABLE 2-1 (Continued)
EVALUATION FRAMEWORK

EVALUATION ISSUE SOURCE	EVALUATION QUESTION	INDICATOR/DATA
Rejected Expanded Eligibility Applications	<ul style="list-style-type: none"> • What income and socio-demographic differences exist between Expanded Eligibility clients and those who are rejected? 	<ul style="list-style-type: none"> • Survey of Rejected Applicants
Review	<ul style="list-style-type: none"> • What differences exist between the Expanded Eligibility population and rejected applicants with respect to legal problems? • What are the consequences of rejection to the applicants? 	<ul style="list-style-type: none"> • Administrative File
Client Acceptance and Satisfaction	<ul style="list-style-type: none"> • What difficulties were encountered by clients in attempting to meet payments originally agreed to with Legal Aid Manitoba? • Are clients satisfied with the manner in which Legal Aid Manitoba responded to their difficulties concerning payments? • Were clients satisfied with the service received from the lawyer? 	<ul style="list-style-type: none"> • Survey of Clients • Administrative File
Review		

**TABLE 2-1 (Continued)
EVALUATION FRAMEWORK**

EVALUATION ISSUE SOURCE	EVALUATION QUESTION	INDICATOR/DATA
Client Acceptance and Satisfaction (Continued)	<ul style="list-style-type: none"> • How does client satisfaction influence repayment? On actual delays in payments? On defaults? • What differences exist in client satisfaction and payment patterns for those served by staff lawyers versus private lawyers? 	
Referrals	<ul style="list-style-type: none"> • What proportion of Expanded Eligibility cases were referred by the Private Bar and what proportions are direct contacts to Legal Aid Manitoba? • <i>How many Expanded Eligibility clients represent "retroactive applications"?</i> • <i>What differences exist in terms of case and client characteristics, and payment problems between retroactive referrals and other Expanded Eligibility clients?</i> 	<ul style="list-style-type: none"> • <i>Data not available</i> • <i>Data not available</i>

**TABLE 2-1 (Continued)
EVALUATION FRAMEWORK**

EVALUATION ISSUE SOURCE	EVALUATION QUESTION	INDICATOR/DATA
Expanded Eligibility and the Private Bar	<ul style="list-style-type: none"> • What is the opinion of private lawyers regarding the value of the Expanded Eligibility Program? • What administrative or other problems exist in dealing with the Private Bar? • Has the Program benefited/cost those members of the Bar who participate. 	<ul style="list-style-type: none"> • Interviews with Members of Private Bar
Impact on Legal Aid Manitoba Operation	<ul style="list-style-type: none"> • What intake, screening, and billing procedures were put in place for the Expanded Eligibility Program? • What additional costs (direct and indirect) were incurred for administration of the Expanded Eligibility Pilot project? • What additional staff training was required to manage the Expanded Eligibility Program? • What efforts were required on the part of the Expanded Eligibility Accounts Officer to pursue late payments? How was the decision to declare a file a bad debt? What discretion was exercised? Were the decisions appropriate? 	<ul style="list-style-type: none"> • Interviews with Legal Aid Manitoba Administration • Financial Review

3.0 METHODOLOGY

3.1 Overview

Each question requires the collection of information from the following sources:

- Administrative Files;
- Clients;
- Nonparticipants (Applicants who were refused);
- Private Bar;
- Management.

This section of the report reviews the methodology used to collect information from each of these sources.

3.2 Administrative File Reviews

Legal Aid Manitoba maintains three Management Information Systems (M.I.S.).

Physical Files (Written)

The first consists of physical records on each application and certificate issued. These written records are classified by region (Winnipeg, Brandon, Dauphin, The Pas, and the North) and contain all relevant information and correspondence. Each file is initially assigned an application number, and then, if accepted, a certificate number. Since the same individual may apply for and receive legal aid several times, more than one certificate may be issued to the same person. For the purposes of this study the **unit of analysis** is the certificate number, not the recipient of legal aid.

Computer Based Management Information System (Client M.I.S.)

Corresponding to the Physical Files there is a UNIX network based management information system which presents current information on

certificates and applicants. This system is periodically updated and most staff have access through a number of terminals.

Financial File

Legal Aid Manitoba maintains client account information on a separate PC based accounting system. This system is not integrated with the Client M.I.S. system.

To support the file reviews, we consulted extensively with Legal Aid Manitoba staff. The administrative file review consisted of several steps:

1. Sample Definition

Between June 1, 1989 and August 31, 1990 there were 748 Expanded Eligibility certificates issued. The required samples for this analysis are:

- Expanded Eligibility clients;
- Regular legal aid clients (Comparison Group);
- Applicants to regular legal aid prior to Expanded Eligibility who were refused.

The information coverage in the various data sources conditioned the sampling procedure. Unfortunately, there is no convenient way to recover financial information on Expanded Eligibility clients whose certificates have been cancelled, who have terminated the case voluntarily, or who have fulfilled their obligations. Out of the 748 Expanded Eligibility clients, 453 are current and for whom delinquency data can be obtained. This group was defined as the Expanded Eligibility clients.

We then selected a random sample of 450 regular legal aid clients between June 1989 and August 1990. This random sample was selected in two stages:

- The first step was to define a random sample of working days between June 1989 and August 1990. All applications accepted on these days were then selected which produced a file of about 1200 certificates;
- We then generated a random number for each certificate, sorted the resulting list, and selected the first 450 certificates.

The result of this two stage process produced the sample of regular legal aid clients to serve as a comparison group.

The final group of nonparticipants was identified as all applicants who were refused for financial reasons (i.e., income was too high) between January 1988 and March 1989). A random sample of these applications was used as the basis for the survey, since there is very little information retained on refused applications.

2. M.I.S. File Review

In consultation with the Legal Aid Manitoba staff, the computer based data were reviewed. Key socio-demographic variables (income, age, family size, type of case, etc.) were identified and extracts from the computer system were prepared. These extracts were then classified and coded using the Statistical Analysis System (SAS) on IBM PC equipment. This analysis was used to classify and contrast client and case characteristics between Expanded Eligibility and regular legal aid.

Several features of the computer based files should be noted. First, not all variables are recorded. For example, assets and debts are not recorded, which are considered when deciding eligibility for services. Second, some variables such as current income reflect self-reported income at the time of application. Revisions to current income arising from changed circumstances or financial reviews are not consistently re-entered on the computer based M.I.S.

3. Physical File Review

To update key variables (e.g., current income) and to add information not available on the computer based system (e.g., net worth), we reviewed corresponding physical files. All relevant financial data were recorded, and then coded for computer analysis.

All data were checked for consistency and then we created a master file which united financial, client and certificate attribute data. Our original hope was that all Expanded Eligibility clients would be included, however as stated above, because it is not possible to recover payments history on clients who no longer are making instalments, we elected to use the 453 clients currently active.

3.3 Financial Review

Independent of the M.I.S., Legal Aid Manitoba maintains a computer based accounting system to manage payments from Expanded Eligibility clients. This system provides a method for identifying current status of each client and whether he/she is delinquent. A monthly "aged trial balance" shows the payment history of each client, as well as invoices from, and disbursements to, private lawyers.

Some financial information was merged with the administrative files to allow classification and analysis of delinquency by client and case attributes. Other data were analyzed independently of case and client attributes. In addition, we conducted several interviews with Legal Aid Manitoba staff on the organization and management of Expanded Eligibility.

3.4 Client Survey

The client survey collected attitudinal data from a cross section of clients to the Expanded Eligibility Program. The following steps comprised in this survey:

- An initial sample from the total list of Expanded Eligibility formed the basis for the client survey;
- Once potential interviewees had been identified, we mailed a letter (using Legal Aid Manitoba letterhead) introducing the questionnaire and indicating that an interviewer would be contacting the respondent in the next week. A post card was included in the first wave of letters inviting those who did not wish to participate to return the card. They were also provided with a telephone number to which they could place collect calls. In the supplemental survey, we included only the Prairie Research Associates Inc. telephone number.
- Specially trained interviewers conducted the interviews. Where necessary, telephone numbers were traced through directory assistance (about 40 per cent had no current telephone and many listed numbers were incorrect). Both Legal Aid Manitoba staff and Prairie Research Associates personnel provided training to interviewers to ensure they were able to converse well with the respondents.
- This is a very difficult population to locate, and a supplementary mailing increased the pool of potential respondents after interviewing had been

conducted for two weeks. The interviewing was conducted in two ten-day stages. In total, 1469 letters were followed by telephone contacts made to obtain the final sample sizes. Most potential respondents could not be contacted and 147 respondents eventually participated in the survey.

- We consulted with Legal Aid Manitoba and Justice Canada staff in the development of the survey. It was pretested on 10 respondents, and so few changes were needed that the pretest questionnaires were included in the analysis.
- There was considerable verbatim information collected since each case seemed to be different. After coding, we created SAS system files to analyze the levels of satisfaction and other client perceptions.
- Questionnaires and sample letters are found in Appendix D.

3.5 Nonparticipant Survey

Nonparticipants are those applicants who attempted to secure legal assistance from Legal Aid Manitoba between January 1988 and March 1989 but were refused. This period was selected as a reasonable representation of the period just before the implementation of Expanded Eligibility, but not so close that applicants were accepted because the Program was just about to begin. Essentially the same process was used in terms of contacting potential respondents and allowing him/her to decline the survey, and 91 respondents participated. Questionnaires and sample letters are found in Appendix E.

3.6 Interviews with Private Bar and Management

Private lawyers undertake about 70 per cent of all Legal Aid Manitoba certificates. Therefore, their opinions and perspectives are important to any pilot program. We conducted interviews with twenty-three members of the Private Bar who are very active in handling Legal Aid Manitoba cases. A letter of introduction and an interview protocol (See Appendix F) was furnished to each respondent to assist in focusing the discussion. Lawyers were given the choice of having the interview conducted in-person or over the telephone.

We consulted management throughout this research. Formal interviews were conducted at the outset of the research, during the financial review and as a debriefing for the administrative and financial reports.

4.0 CLIENT AND CASE CHARACTERISTICS

4.1 Overview

It is useful to reiterate the samples used in this study.

- The **"Expanded Eligibility Sample"** refers to the 453 clients who were making payments as of August 31, 1990. Information for this sample was drawn from both the computer files and physical (written) files.
- The **"Regular Legal Aid Sample"** refers to 450 clients of regular legal aid selected through a two-stage random sampling of the client's files. Information was also derived from computer and physical files.
- **Client and Non-participant Opinion Samples** are derived from the surveys. Names and addresses were extracted from the Management Information System at Legal Aid Manitoba.

In total, over 800 clients had been admitted to the Expanded Eligibility Program. The 453 included in the Expanded Eligibility sample refer to the active cases as of August 31, 1991. The remainder were cases which had been closed or cancelled and which were not available on the accounting system. The sample is essentially representative of the client population.

This section of the report relies on the Expanded Eligibility sample and the regular legal aid sample as described above.

4.2 Comparison of Clients in Expanded Eligibility and Regular Legal Aid

Age

In the Expanded Eligibility sample (n=453), the age of the clients ranged from 15 to over 51 years of age with a mean 32.6 years. The regular legal aid sample indicated a similar age range to that of the Expanded Eligibility sample, however, average age was lower at 27.7 years. Further, a larger proportion of regular legal aid clients (78.6 per cent) ranged in age between 15 and 35 years. In other words, these clients are younger than those in Expanded Eligibility. Table 4-1 indicates the frequency of ages according to age category for both samples.

As indicated below, there is a higher percentage of young persons (those clients who are 15-18 years of age and under) in the regular legal aid sample (21.9 per cent) than in the Expanded Eligibility sample (2.2 per cent). This is not unexpected since the majority of young persons are not financially self-sufficient. In addition, some youths may be wards of the court or have parents who refuse to enter into an Expanded Eligibility Agreement. Under these circumstances, they receive court appointed lawyers and are eligible for legal aid. The available data concerning court appointed counsel for youths indicated that, of the young persons in the regular legal aid sample, 4.7 per cent received court appointed counsel.

TABLE 4-1

AGE OF CLIENT BY PROGRAM

Age	Program	
	E.E.	R.L.A.
15 - 18	2.2%	21.9%
19 - 25	21.2%	26.9%
26 - 30	23.4%	17.8%
31 - 35	20.0%	12.0%
36 - 40	15.5%	8.4%
41 - 45	9.1%	6.3%
46 - 50	4.2%	3.4%
51+	4.2%	3.4%
Total	100.0%	100.0%

Note: Columns may not sum to 100 per cent due to rounding.

Gender

Table 4-2 shows that the gender of clients varies little with program. As shall be shown below, the nature of cases handled differs between the two programs, but this apparently does not produce marked gender differences between Expanded Eligibility and regular legal aid.

TABLE 4-2

GENDER OF CLIENT BY PROGRAM

Gender	Program	
	E.E.	R.L.A.
Men	64.7%	67.6%
Women	35.4%	32.5%

Note: Columns may not sum to 100 per cent due to rounding.

Information on marital status is not used to determine eligibility and is not collected on the application form. While the legal aid application form does not request this information directly from the client, marital status may be inferred for some clients from additional information appearing on the application form (e.g., spousal income). However, this would not present an accurate representation of the sample. Also since many Expanded Eligibility clients are involved in separation/divorce/custody cases, marital status would be expected to change. For these reasons, we elected not to attempt any inference on the basis of marital status.

Income

The main test for eligibility into any legal aid program is gross income. In addition, an applicant's economic status is evaluated in a number of other ways. Accordingly a broad range of information on assets, debts, and monthly payments is collected. For example, while gross income is the main test, certain monthly costs are deducted from gross income to determine eligibility, including child support and maintenance. All other monthly expenditures, such as mortgages, rent, car payments, etc. are not deducted from gross income to determine eligibility.

Legal Aid Manitoba also collects information on assets including savings, houses, land, and cars. In some cases support will be refused to one who is deemed to have sufficient assets which could be liquidated to pay for legal counsel. In other cases, Legal Aid Manitoba will place a charge on land. For example, in a separation proceeding, a charge may be placed on the home such as that after the house is sold, a portion of the proceeds may well be used for legal aid expenses.

The measure of Current Family Income on the Management Information System pertains only to self-reported income at the time of application. In many cases this is supplemented by a verification process which is recorded in the physical files, but not the computer system. We have defined Current Family Income at time of application for consistency. Where subsequent verification updated this value at the time of application the revised figure was used. We did not update the information if income changed between the time of application and some point later in the case. Two special cases should be noted:

- A regular legal aid client was not asked for further evidence of income once it had been determined he or she was on social assistance. We estimated the current income using family size and provincial social assistance schedules. For a more detailed explanation of this calculation, please see Appendix A.
- In the case of youth, there would often be no income reported. Where there was no indication the parents had agreed to enter into the Expanded Eligibility Agreement, we assumed this agreement and substituted the parental income for current income. If the parents were known not to have agreed, we set the youth's income to 0. In a few cases it was impossible to determine which income should be used and these were set to 0.

To accurately represent the income of the two samples, we calculated "Current Family Income" in a number of ways. Current Family Income is the sum of the Applicant's Incomes, Other Applicant's Income (i.e., income other than that from employment), Spousal Income, Spouse Other Income and where applicable, the value appearing in the Income Tax Return field.¹ In the case of young persons, this calculation included the Parental Income and Other Parental Income.

¹ See Appendix A for details on the calculation of Current Family Income.

Some clients had incomes which were either very low (i.e., the client apparently should be in regular legal aid and not Expanded Eligibility) or too high (the client apparently should have been denied Expanded Eligibility). We checked each "outlier" and found extenuating circumstances. In one case, the respondent was about to go on unemployment insurance and was granted Expanded Eligibility -- in another case, the current income was parental income, but the notations in the file suggested that the client (youth) would not be supported by the parents. These anomalies are all individually explainable, however they do tend to contribute some "noise" to the data. Rather than editing these anomalies, we retained income as recorded in the physical files (not the M.I.S. data).

It is readily apparent that Legal Aid Manitoba serves the poor and working poor when the income characteristics of the two samples are analyzed. The mean family income for the Expanded Eligibility sample was \$21,828 and \$10,657 for the regular legal aid sample. Tables 4-3 and 4-4 present the results of the analysis of family income by program.

TABLE 4-3
INCOME BY PROGRAM

Family Income	Program	
	E.E.	R.L.A.
\$0-10,000	2.2%	51.2%
\$10,001-20,000	43.4%	41.1%
\$20,001-30,000	42.5%	6.0%
\$30,001+	12.0%	1.7%
Average Income	\$21,828	\$10,657

Note: Total percentages may not sum to 100 per cent due to rounding.

Some of the recorded high incomes for regular legal aid clients (those over \$30,000) are cases involving young persons where the combined total parental

income has been included in the family income calculation (see Table 4-3). Table 4-4 presents a more detailed analysis of income levels by program.

TABLE 4-4
INCOME BY PROGRAM
(Detailed)

Family Income (Thousands)	Program	
	E.E	R.L.A.
\$0 - 4	0.7%	20.8%
\$4 - 8	0.4%	4.5%
\$8 - 12	3.8%	41.6%
\$12 - 16	11.1%	13.6%
\$16 - 20	29.6%	11.7%
\$20 - 24	19.2%	3.3%
\$24 - 28	19.2%	2.4%
\$28 - 32	8.0%	1.0%
\$32 - 36	5.1%	0.5%
\$36 - 40	2.2%	0.0%
\$40 - 44	0.2%	0.2%
\$52 - 56	0.2%	0.0%
\$60 - 64	0.2%	0.2%
Average Income	\$10,657	\$21,828

Note: Total percentages may not sum to 100 per cent due to rounding.

The patterns of income distribution are not unusual. The lower income levels are more prevalent in the regular legal aid sample than in the Expanded Eligibility sample. The majority of these clients (81 per cent) reported an annual family income of \$16,000 or less. In comparison, the majority of the Expanded Eligibility clients (84 per cent) reported a family income of \$28,000 or less per year. Only 16 per cent of the Expanded Eligibility sample has an income of \$16,000 or less.

Case Attributes (Certificate Purpose)

Legal Aid Manitoba groups cases into four general categories. Within each group, there is a further segmentation which produces about 70 different

classifications. Table 4-5 shows the case attributes for Expanded Eligibility and regular legal aid. Category A includes the most serious indictable offences; Category B comprises offences such as Sexual Assault, Incest, Robbery, etc.; Category C includes Break and Enter, Forgery, Breach of Probation, etc.; and Civil and Domestic comprise Separation, Divorce, Custody, Landlord/tenant, Immigration, Workers Compensation, etc. (See Appendix C for a detailed classification).

TABLE 4-5
CERTIFICATE PURPOSE

Certificate Purpose	Program	
	E.E.	R.L.A.
Criminal		
Category A	0.5%	0.4%
Category B	9.1%	9.6%
Category C	23.5%	50.0%
Total Criminal	33.1%	60.0%
Civil/Domestic	66.9%	40.0%

The differences in type of case under Expanded Eligibility and regular legal aid are striking. Regular legal aid clients are typically involved in a large number of less serious Category C offences. Expanded Eligibility clients tend to use legal aid for civil matters, and in turn, these tend to be largely separation and other family matters. There is no difference in the patterns of cases between the two samples for the more serious Category A and B offences.

TABLE 4-6

CERTIFICATE PURPOSE BY GENDER

Certificate Purpose	Program			
	E.E.		R.L.A.	
	Male	Female	Male	Female
Criminal				
Category A	0.7%	0.0%	0.6%	0.0%
Category B	13.9%	0.6%	12.9%	2.7%
Category C	34.7%	5.0%	66.2%	17.1%
Total Criminal	49.3%	5.6%	79.7%	19.8%
Civil/Domestic	50.7%	94.3%	20.3%	80.1%

Note: Total percentages may not sum to 100 per cent due to rounding.

Legal Counsel - Appointed or Requested

Most lawyers are secured by the client. Typically, a request for legal aid will arise in several ways. The client may attend a drop-in program regularly held throughout Manitoba. There they obtain basic information on whether they might be eligible. If the client has a lawyer, the next step is to arrange a consultation. At that point the private lawyer may agree to accept the case and suggest that the client make a formal application.

Another path to legal aid can involve an application and an appointed lawyer (private or staff). This is common when a client is new to the area, or if he/she is arrested and has no representation.

Most Expanded Eligibility clients used private lawyers (78.6 per cent) compared to 21.4 per cent who used Legal Aid Manitoba staff lawyers. This represents the typical ratio of private to legal aid counsel for all Legal Aid Manitoba cases.

Family Size

The variable "Current Family Size" indicates the number of persons in the family including the applicant. The following tables cross-classify Current Family Size and Current Family Income.

As Table 4-7 shows, in the Expanded Eligibility sample a family size of one with an income of between \$10,001 and \$20,000 (168 or 37.2 per cent) is most common. This suggests that the Program provides services most frequently to single individuals at this income level. Further, slightly more than one-half of the sample (53.8 per cent) is comprised of single individuals.

TABLE 4-7

**CURRENT FAMILY SIZE BY FAMILY INCOME -
EXPANDED ELIGIBILITY**

*Family Income (\$'000)	Family Size				
	1	2	3	4	5+
\$0 - 10	2.0%	0.2%	0.0%	0.0%	0.0%
\$10 - 20	37.2%	4.0%	1.3%	0.7%	0.2%
\$20 - 30	12.0%	14.2%	12.0%	3.3%	1.1%
\$30 +	2.7%	1.3%	2.4%	2.0%	3.6%
Total	53.8%	19.7%	15.7%	6.0%	4.9%

* See Appendix A for definition of Family Income.

TABLE 4-8

FAMILY INCOME THRESHOLDS BY FAMILY SIZE -
EXPANDED ELIGIBILITY - FULL CONTRIBUTION

Family Income (\$'000)	Family Size				
	1	2	3	4	5+
\$0 - 21.5	79.0%	39.3%	12.7%	11.1%	9.1%
\$21.5 - 25	8.6%	40.5%	26.8%	0.0%	4.6%
\$25 - 29	6.6%	12.4%	39.4%	44.4%	4.6%
\$29 - 31	2.9%	3.4%	9.9%	14.8%	31.8%
\$31.5 - 35	0.8%	2.3%	4.2%	22.2%	31.8%
\$35 - 38	1.2%	1.1%	5.6%	0.0%	13.6%
\$38 - 41	0.8%	0.0%	0.0%	7.4%	0.0%
\$41 +	0.0%	1.1%	1.4%	0.0%	4.6%
Total	99.9%	100.1%	100.0%	99.9%	100.1%

TABLE 4-9

FAMILY INCOME BY CURRENT FAMILY SIZE -
REGULAR LEGAL AID

Family Income (\$'000)	Family Size				
	1	2	3	4	5+
\$0 - 10	44.7%	2.9%	0.5%	0.5%	0.9%
\$10 - 20	8.6%	15.8%	7.7%	7.2%	1.9%
\$20 - 30	0.7%	1.9%	1.9%	0.5%	2.4%
\$30 +	0.7%	0.0%	0.7%	0.0%	0.0%
Total	54.7%	20.2%	10.8%	8.2%	5.2%

For the regular legal aid sample, Table 4-9 shows a similar pattern to the Expanded Eligibility sample. Regular legal aid clients tend to be single person families (about 55 per cent). In addition, the highest proportion of these clients (about 45 per cent) are single family units who reported an annual family income of \$10,000 or less.

TABLE 4-10

FAMILY INCOME THRESHOLDS BY FAMILY SIZE -
REGULAR LEGAL AID

Family Income (\$'000)	Family Size				
	1	2	3	4	5+
\$0 - 12	85.6%	78.1%	25.0%	8.8%	9.1%
\$12 - 16	9.2%	11.0%	50.0%	2.9%	0.0%
\$18 - 21.5	2.6%	8.5%	5.8%	88.2%	42.9%
\$21.5 - 25	0.9%	2.4%	11.5%	0.0%	19.1%
\$25 - 29	0.4%	0.0%	0.0%	0.0%	14.3%
\$29 - 31	0.4%	0.0%	1.9%	0.0%	0.0%
\$31 - 35	0.4%	0.0%	1.9%	0.0%	4.8%
\$35 +	0.4%	0.0%	3.9%	0.01%	0.0%
Total	99.9%	100.0%	100.0%	99.9%	100.2%

Table 4-11 cross-classifies average family income with family size for both samples. As expected, the average incomes are higher among the Expanded Eligibility clients than the regular legal aid clients. The analysis indicates that the largest percentage of the clients are single person families. The difference in the average income mean for this family unit size for the two samples is large (\$11,139 per year). When compared to 1989 family income statistics the difference in average family income based on family size is dramatic. For example, recent statistics report that for a family size of three the average family income is \$50,217 compared to \$25,996 indicated by the sample of Expanded Eligibility clients.

TABLE 4-11

AVERAGE INCOME AND FAMILY SIZE BY PROGRAM

Family Size	Current Family Income	
	Expanded Eligibility	Regular Legal Aid
1	\$18,671 (243) (19.0%)	\$7,537 (229) (17.9%)
2	\$22,751 (89) (55.1%)	\$11,644 (82) (55.0%)
3	\$25,996 (71) (67.7%)	\$15,780 (52) (55.8%)
4	\$28,000 (27) (40.7%)	\$16,563 (34) (55.9%)
5	\$30,179 (17) (29.4%)	\$17,753 (15) (26.7%)
6	\$38,230 (4) (33.3%)	\$12,500 (2) (50.0%)
7	\$36,950 (1) (0.0%)	\$24,144 (3) (33.3%)
8	0	\$26,388 (1) (0.0%)

Note: Numbers in brackets represent frequencies.

Percentage in brackets represents percent female.

Tables 4-12 and 4-13 cross-classify family income and age of the clients for both samples. In the Expanded Eligibility sample (Table 4-12) the highest percentage of clients (23 per cent) fall in the 26 to 30 year age group. Most of these clients have an annual family income between \$10,001 and \$20,000. With respect to family income level and age combined, the highest numbers were in the 19-25 year age range.

Regular legal aid clients are slightly younger than those in the Expanded Eligibility sample. The largest group (27.2 per cent), are between 19 and 25 years of age. Similarly, the majority (51.5 per cent) of these reported a lower family income level of \$10,000 and under. Considering the effect of income on age, the highest number (16.8 per cent) are in the 19-25 year age range with an annual family income of \$10,000 or less.

TABLE 4-12

**FAMILY INCOME BY AGE OF CLIENT -
EXPANDED ELIGIBILITY**

Family Income (\$'000)	Age							
	15-18	19-25	26-30	31-35	36-40	41-45	46-50	51+
\$0-10	0.0%	0.5%	0.7%	0.7%	0.0%	0.0%	0.0%	0.5%
\$10 - 20	0.9%	12.5%	10.7%	7.6%	5.6%	3.8%	1.6%	0.9%
\$20 - 30	0.7%	6.5%	9.6%	8.5%	8.1%	4.7%	1.8%	2.2%
\$30 +	0.7%	1.8%	2.0%	3.4%	2.0%	0.7%	0.9%	0.7%
Total	2.3%	21.3%	23.0%	20.2%	15.7%	9.2%	4.3%	4.3%

Note: Last row totals may not sum to 100 per cent due to rounding.

TABLE 4-13

**INCOME BY AGE OF CLIENT -
REGULAR LEGAL AID**

Family Income (\$'000)	Age							
	15-18	19-25	26-30	31-35	36-40	41-45	46-50	51+
\$0-10	11.4%	16.8%	7.8%	5.1%	3.9%	2.7%	1.9%	1.9%
\$10 - 20	6.8%	10.2%	8.0%	5.8%	3.6%	3.2%	1.7%	1.5%
\$20 - 30	1.7%	0.2%	1.0%	1.5%	1.0%	0.7%	0.0%	0.0%
\$30 +	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	21.6%	27.2%	16.8%	12.4%	8.5%	6.6%	3.6%	3.4%

Note: Last row totals may not sum to 100 per cent due to rounding.

Tables 4-14 and 4-15 cross-classify current family income by certificate purpose.

TABLE 4-14

**FAMILY INCOME BY CERTIFICATE PURPOSE -
EXPANDED ELIGIBILITY**

Family Income (\$'000)	Certificate Purpose				
	Criminal Category				Civil/ Domestic
	A	B	C	Total	
\$0 - 10	0.0%	0.9%	0.2%	1.1%	1.1%
\$10 - \$20	0.2%	4.4%	14.0%	18.6%	24.6%
\$20 - \$30	0.2%	2.9%	6.9%	10.0%	32.6%
\$30 +	0.0%	0.9%	2.9%	3.8%	8.2%
Total	0.4%	9.1%	24.0%	33.5%	66.5%

Note: Totals may not sum to 100 per cent due to rounding.

TABLE 4-15

FAMILY INCOME BY CERTIFICATE PURPOSE -
REGULAR LEGAL AID

Family Income \$'000	Certificate Purpose				
	Criminal Category				Civil/ Domestic
	A	B	C	Total	
\$0 - 10	0.5%	4.8%	29.7%	35.0%	16.3%
\$10 - \$20	0.0%	3.4%	15.8%	19.2%	22.0%
\$20 - \$30	0.0%	1.0%	1.7%	2.7%	3.3%
\$30 +	0.0%	0.5%	1.2%	1.7%	0.0%
Total	0.5%	9.6%	48.3%	58.6%	41.6%

Note: Totals may not sum to 100 per cent due to rounding.

Net worth

Wealth (net worth) is not formally stated as a condition for eligibility into any legal aid program. Yet, with higher gross incomes, the ownership of assets grows as does the obligation to repay debt. As part of the review of physical files we extracted information on assets and liabilities for each client in Expanded Eligibility and regular legal aid. Table 4-16 shows the overall patterns of net worth for both samples.²

² Net worth is broadly defined as the sum of all assets less the sum of all liabilities. For example, the amount of outstanding mortgage is subtracted from the estimated house value (reported by client). Legal Aid Manitoba does not verify assets in the same detail as a bank might for a loan. This is an expensive and onerous task. Details on how net worth was calculated are found in Appendix A.

TABLE 4-16

CLIENT NET WORTH BY PROGRAM

Net Worth	Program	
	E.E.	R.L.A.
Less than (\$2500)	31.8%	7.8%
(\$2500) - (\$1)	18.5%	5.8%
\$0	12.6%	75.0%
\$1 - \$2500	15.5%	6.0%
More than \$2500	21.6%	4.4%

Note: Columns may not sum to 100 per cent due to rounding.

This table shows that Expanded Eligibility clients tend to be both more in debt and have more wealth than regular legal aid clients. In many cases, the wealth of Legal Aid Manitoba clients (in either program) may be in the form of a house or land. Legal Aid Manitoba may issue a charge on land which will recover legal costs out of the sale of the property after a separation agreement has been finalized. The fact that 75 per cent of the regular legal aid clients have no net worth may reflect their economic reality, but it may also reflect the fact that legal aid is not required to obtain such detailed financial information in determining eligibility. For example, anyone on social assistance is immediately accepted and no additional financial information is requested (except where real estate is owned).

Net worth is a useful indicator, because one component, debt load, does bear on ability to pay and probable delinquency of the client in Expanded Eligibility. *A priori* the higher the debt load, the higher the monthly payments, the more difficulty may be expected in maintaining the regular monthly instalments. This theme is resumed in Section 5.0 below.

4.3 Regional Patterns of Legal Aid

Provincial Overview

The 1989 Annual report tabled by Legal Aid Manitoba, reported that there were a total of 31,061³ legal aid applications in the province. Of these, 8,592 were civil, 11,488 were criminal and 1,857 applications were made by youth. In addition, the 1989 year end statistics indicated that 7,329 applications were refused and 1,857 certificates were cancelled. With respect to the yearly distribution of certificates for the province, 16,983 cases were handled by the Private Bar and 6,749 cases were handled by law centres.

In reference to the distribution of certificates across the provincial regions (and area offices), in 1989 Winnipeg handled 18,053 (58.1 per cent) of the certificates (youth, civil, criminal), Brandon managed 2,382 (7.1 per cent) certificates while the North (Thompson and The Pas) and Dauphin handled 2,091 (6.7 per cent) and 1,506 (4.5 per cent) certificates respectively.

Regional Patterns of Service

With regard to the two samples drawn for this research, Table 4-17 indicates the distribution of certificates across four regions in Manitoba (Winnipeg, Brandon, North and Dauphin). There is a similarity between the yearly provincial statistics and this sample in terms of case distribution. The Winnipeg office handles the largest percentage (71.3 per cent) of cases, followed by the North with 14.3 per cent and Brandon and Dauphin with 11.2 per cent and 3.1 per cent of the cases respectively.

Interpretation of Table 4-17 starts with the observation that most of Manitoba's population lives in the Winnipeg service region of Legal Aid Manitoba. The higher proportion of legal aid clients in the North and Dauphin (16.7 and 4.5 per cent) reflects lower incomes of the population in these areas relative to the province as a whole.

³ Legal Aid Manitoba: Seventeenth Annual Report., March 31, 1989, Appendix A, p.20.

TABLE 4-17

DISTRIBUTION OF CASES BY REGION AND PROGRAM

Region	E.E.	R.L.A.
Winnipeg	71.4%	71.2%
Brandon	14.9%	7.6%
North	12.0%	16.7%
Dauphin	1.8%	4.5%
Total	100.0%	100.0%

The relatively high proportion of Expanded Eligibility clients in Brandon reflects its position in drawing clients from the south-western portion of Manitoba. This would include many clients involved in agriculture with comparatively high net worth, and low income (the typical profile of the prairie farmer). This client might tend to not qualify for regular legal aid.

Another factor in the regional distribution of these cases is that it is generally harder to deliver social services outside a metropolitan area. For this reason, it is not surprising that legal aid clients tend to be concentrated in Winnipeg. Also, since Expanded Eligibility was deliberately not publicized in its first year (to ensure that the Program was able to resolve any initial difficulties), it is to be expected that Winnipeg and Brandon have over 85 per cent of the cases.

Tables 4-18 and 4-19 illustrate the distribution of cases by region and category for each sample. In the Expanded Eligibility sample (Table 4-18), a large majority of cases in Winnipeg and Brandon constitute the "civil and domestic" category. Conversely, in the North region the majority of cases are in the C category. In Dauphin, the majority of cases are split between these two categories. (Refer to Appendix C for classification of certificate purpose).

For regular legal aid, somewhat different results were obtained (Table 4-19). In Winnipeg and Brandon most of the cases were "civil" and "domestic" matters (33.4 per cent and 4.0 per cent). However, there were proportionately more total criminal cases (59.7 per cent) in this sample compared to the Expanded Eligibility Program (33.0 per cent). Most of these consisted of Category C cases.

TABLE 4-18

CASES BY REGION AND CATEGORY -
EXPANDED ELIGIBILITY
(Horizontal Percent)

Region	Criminal Category				Civil/ Domestic
	A	B	C	Total Criminal	
Winnipeg	0.2%	4.9%	14.2%	19.3%	52.2%
Brandon	0.0%	1.3%	3.3%	4.6%	10.2%
North	0.2%	2.7%	5.1%	8.0%	3.8%
Dauphin	0.0%	0.4%	0.7%	1.1%	0.7%
Total	0.4%	9.3%	23.3%	33.0%	66.9%

TABLE 4-19

CASES BY REGION AND CATEGORY -
REGULAR LEGAL AID
(Horizontal Percent)

Region	Criminal Category				Civil/ Domestic
	A	B	C	Total Criminal	
Winnipeg	0.0%	6.7%	31.0%	37.7%	33.4%
Brandon	0.2%	0.2%	3.1%	3.5%	4.0%
North	0.0%	2.5%	12.7%	15.2%	1.6%
Dauphin	0.2%	0.2%	2.9%	3.3%	1.2%
Total	0.4%	9.6%	49.7%	59.7%	40.2%

4.4 Summary Services and Referrals

Legal Aid Manitoba has a number of pathways for clients. This section summarizes the various ways that the working poor become clients of the Program.

Description of Services

Legal Aid Manitoba provides a number of summary services and referrals in addition to the legal counsel it provides directly using its own staff or funds using members of the Private Bar. These include:

- **Duty Counsel** acts in an advisory role for anyone appearing in court who does not have legal representation. Duty Counsel may provide advice regarding the charges, legal procedure, plea and may also confer with the crown attorney on behalf of the defendant. In addition, duty counsel may speak to sentence on behalf of the defendant in the circumstances of a guilty plea. If the case goes to trial they usually cannot act for the client.
- **Drop-In Programs** (mentioned above) provide legal information, general advice and basic assistance to the public. Free 15 to 30 minute consultations are provided by lawyers or supervised paralegal staff. The drop-in centres are located throughout the province as well as in provincial and federal correctional institutions and senior citizens centres.
- **Special Programs** are designed to meet the needs of designated groups. These include:
 - Designated Counsel - Refugee Claimants is a program developed for immigrants arriving to Canada and claiming refugee status. Refugee claimants are provided with "designated counsel" for "Port of Inquiry" hearings.
 - Northern Paralegal Program supports two paralegals to travel to isolated northern communities to operate drop-in clinics. They also assist community and Aboriginal organizations in the development of justice related programs and dealing with legal problems which affect the larger community.
 - The Public Interest Law Centre "... represent(s) groups and organizations on public interest and low income issues of law".⁴

⁴ Legal Aid Manitoba, Seventeenth Annual Report, March 1989, p.18.

These activities include test case litigation, law reform and advocacy training. The mandate includes pursuing cases representing a broad public interest with an emphasis on concerns affecting the low income population.

- Assistance for Non-residents provides legal assistance to non-residents. This agreement extends to family and other civil matters. It does not cover criminal charges.
- University Law Centre organizes second and third year law students, supervised by practising lawyers, to represent defendants for minor criminal, civil, and traffic charges.
- 24-Hour On-Call Service provides continuous access to legal services. This service is extended to residents outside of Winnipeg via the R.C.M.P.

4.5 Summary

The family size, family incomes and types of cases are different for Expanded Eligibility and regular legal aid clients. In terms of age and income distribution, the majority of regular legal aid clients are younger and from a lower income level than the Expanded Eligibility clients. Also, about two-thirds of the clients for Expanded Eligibility and regular legal aid are men. With reference to case category, a significant proportion of the matters handled in the Expanded Eligibility Program are civil and domestic and are concentrated in the low to middle income levels. Conversely, the results of the regular legal aid sample indicate that the majority of the matters handled are Category C criminal cases and are concentrated in the lowest income level.

5.0 COST AND COST RECOVERY

5.1 Introduction

Expanded Eligibility is a program which is income tested. It requires higher administrative costs than regular legal aid in the form of additional qualifications of applicants and in the form of maintaining clients who must be current in their payments to receive legal services. Unlike regular legal aid, where clients are admitted and receive assistance usually without much monitoring, Expanded Eligibility has a higher inherent cost of administration.

This section of the report investigates various aspects of the cost of Expanded Eligibility.

5.2 Overview and History

This stage of the research involved the following steps:

- In-depth reviews of the financial records of the Expanded Eligibility Program;
- Consultations with Legal Aid Manitoba personnel;
- Review of selected tables produced from the Expanded Eligibility sample.

In general terms the cost recovery information for the period June 1, 1989 to August 31, 1990 is shown in Table 5-1.

TABLE 5-1

**COST RECOVERY - TRANSACTIONS BY MONTH
JUNE 1, 1989 TO AUGUST 31, 1990**

Month	Billings \$	Payments \$	Credit Adjustments \$	Write-offs \$
June/89	875	100		
July/89	1,150	1,825		
August/89	4,600	3,525	50	
September/89	5,763	4,767		
October/89	7,802	6,515	100	
November/89	12,172	6,478	97	
December/89	10,315	5,121	365	
January/90	13,483	7,575	1,187	
February/90	12,365	7,619	480	
March/90	12,630	10,987	21	
April/90	15,805	10,247	1,542	
May/90	20,370	11,655	1,509	
June/90	17,631	12,158	888	9,455
July/90	20,523	14,428	264	267
August/90	21,093	14,598	1,321	
Total	176,577	117,598	7,824	9,722

This table shows that a total of \$176,577 has been billed by Legal Aid Manitoba to Expanded Eligibility clients, of which \$117, 598 had been paid as of August 31, 1991. The amount of \$7,824 (credit adjustments) reflects NSF

cheques, reversals due to overpayment⁵, etc., and \$9,722 which has been formally written off by the Board of Legal Aid Manitoba.

TABLE 5-2
COST RECOVERY

Gross Billings	\$176,577
Less Adjustments (NSF, overpayments, etc.)	<u>(7,824)</u>
Net Billings	\$168,753
Payments	(117,598)
Write-offs (43 accounts)	<u>(9,722)</u>
Accounts Receivable August 31, 1990	<u>\$ 41,433</u>
Remaining Case Cost to Private Bar* (Current Client Load)	\$161,155

* Note: This was estimated by applying the average cost of private counsel for each of the 70 categories of cases to the case profile of the Expanded Eligibility sample and deducting the amount paid to the private lawyers. This entry represents the "potential" billings from lawyers for all existing cases.

Negative dollar amounts shown in parentheses.

⁵ An overpayment occurs when a client has been maintaining payments and the case concludes quickly. The lawyer's bill to Legal Aid can be less than the amount paid by the client in which case a refund is paid.

Two points emerge from this history:

- As of August 31, 1990 there were 453 active accounts with an average amount owing of \$91. If we exclude the 209 accounts with nil balances the average amount owing for the remaining 244 accounts is \$170.
- Legal Aid Manitoba has paid lawyer fees for 92 of the 453 active accounts (20.3 per cent) for a total of \$43,010. Expanded Eligibility has thus "prebilled" clients for \$125,743 (\$168,753 - \$43,010). The term "prebilled" refers to the process of Legal Aid Manitoba billing the clients without a commensurate invoice from the lawyer. Assuming that average costs per certificate are typical, the amounts to be billed by private lawyers on the 453 clients in the Expanded Eligibility sample is \$161,155. The unbilled portion is thus estimated at \$35,412 (\$161,155-\$125,743) which represents work which has been authorized but for which clients have yet to be invoiced. Assuming an average monthly client billing of \$75, this represents 472 months of instalments, or an average of slightly more than one month of billings for each client.

5.3 Status of Accounts Receivable

Key issues for this evaluation pertain to the extent of late payments and rates of recovery. The aging of the Accounts Receivable, on the basis of the number of accounts, on August 31, 1990 was as follows:⁶

⁶ "Aging" of accounts receivable is a term used to denote the proportion of unpaid invoices past stated due dates. The usual bench-marks are 30, 60, 90 and 120 days past the date on the invoice. An unpaid invoice "ages" as it remains unpaid.

TABLE 5-3

STATUS OF ACCOUNTS RECEIVABLE
(Number of Accounts)

Current (No Default)	Defaults Between 30 Days and 90 Days	Defaults More Than 120 Days	Total
291	85	77	453
65.6%	17.6%	16.8%	100%

* Delinquency ratio - 35.8% $[(85 + 77)/453]$.

The aging of the Accounts Receivable on the basis of the account balances, on August 31, 1990 was as shown in Table 5-3. It is difficult to compare this delinquency rate to other instances. Obviously, it is invalid to compare Expanded Eligibility to department stores or credit cards. Further, it is quite common for many people to leave bills unpaid past 60 days and absorb the late payment fees. The 16.8 per cent level for delinquency over 120 days appears to be reasonable given the special circumstances of the client population.

TABLE 5-4

STATUS OF ACCOUNTS RECEIVABLE
(Account Balances)

Current (No Default)	More Than 30 Days	More Than 60 Days	More Than 90 Days	More Than 120 Days	Total Balance Outstanding
\$7,597	\$7,445	\$6,467	\$5,192	\$14,732	\$41,433
18.3%	18.0%	15.6%	12.5%	35.6%	100.0%

Table 5-4 shows that 18.0 per cent of total dollar value of receivables were within the 30-day due date. Of the balances outstanding, 35.6 per cent of the money owed to Legal Aid Manitoba by Expanded Eligibility clients has been due for more than 120 days. Based on information received from Legal Aid Manitoba, the administration will be recommending that \$15,612 of the above balance (37.7 per cent) be written off, \$6,755 of which is in the "More Than 120 Days" category.

The decision to write off a debt is based, in part, on whether an account is more than 120 days overdue, and also on the general prospect for recovering the amount owed. Not all accounts which are more than 120 days overdue will be written off. Similarly, clients who are less in arrears might have their debt written off. For example, if the client has received a long-term sentence, Legal Aid Manitoba might write off that debt. The decision to write off considers many aspects of the case, the client, and the debt.

The Status of Accounts Overdue, on the basis of Account Balances, on August 31, 1990 is shown in Table 5-5.

TABLE 5-5
STATUS OF ACCOUNTS OVERDUE

Status of Account	All Delinquent Accounts	> 120 Days
Case Concluded	29%	38%
Certificate Cancelled	27%	19%
Case Ongoing	40%	35%
Closed	4%	8%
Total	100%	100%

The ongoing accounts have not had their certificates cancelled as clients have reportedly made arrangements to pay the balance.

In analyzing the default and rate of recovery experience for the period June 1, 1989 to August 31, 1990, we first need to project the write-offs on the active accounts. This is typically performed by examining the experience within categories used to classify the aging of the receivables. The approach used is to calculate what would happen under various "write-off" scenarios. In managing the receivables, an organization will usually make decisions about what to do with unpaid bills. Alternatives include: sending a reminder; making a telephone call; "selling" the receivable to a collection agency; or simply accepting it will never be paid and absorbing the loss (i.e., writing off the debt).

As a first step we projected what total default experience would be if:

- All accounts over 120 days would be written off.
- All accounts over 90 days would be written off.

- All accounts over 60 days would be written off.

Tables 5-6 to 5-8 show the write-offs for each of these assumptions.

TABLE 5-6
DEFAULT AND RATE OF RECOVERY
(Active Accounts over 120 days will be Written Off)

Inactive Accounts		Active Accounts			Total
		To Date	Projected	Sub-Total	June 1989 - August 1990
	\$	\$	\$	\$	\$
Net Billings	36,121	132,632	-	132,632	168,753
Payments	(26,399)	(91,199)	(26,701)	(117,900)	(144,299)
Write-offs	(9,722)	-	(14,732)	(14,732)	(24,454)
W/O Experience	26.9%			11.1%	14.4%

Under this assumption, the projected write-off would be \$14,732. Accounts which are now inactive were billed \$36,121 by Legal Aid Manitoba, and clients have paid \$26,399. The difference has been written off (see Table 5-6). Active accounts have been billed a total \$132,632 against what clients have paid (\$91,199), leaving \$41,433 which is currently due. Accounts which are in arrears by more than 120 days amount to \$14,732, which is 11.1 per cent of the total amount billed. The last column of Table 5-6 sums Inactive and Active Accounts.

Therefore, a policy of writing off every account which is more than 120 days in arrears implies that from June 1989 to August 1990, \$24,454 would have been written off, for a default rate of 14.4 per cent.

Tables 5-7 and 5-8 summarize the same exercise as in Table 5-6, except that the write-off rules are more strict. Table 5-7 shows that a rule to write off

after 90 days overdue would increase the default rate in the currently active accounts to 17.6 per cent. A policy of writing off all accounts which are 60 or more days in arrears raises the default rate to 21.4 per cent.

TABLE 5-7

DEFAULT AND RATE OF RECOVERY
(All Active Accounts over 90 days will be Written Off)

Nonactive Accounts	Active Accounts	Total
26.9%	19.9%	17.6% or \$29,646

TABLE 5-8

DEFAULT AND RATE OF RECOVERY
(All active accounts over 60 days will be Written Off)

Nonactive Accounts	Active Accounts	Total
26.9%	19.9 %	21.4% or \$36,113

In summary, we would expect the default experience on net billings for the period June 1, 1989 to August 31, 1990 to be in the 14 per cent to 22 per cent range. Correspondingly, the rate of recovery can be expected to be in the 78 per cent to 86 per cent range. This is further supported by the write-offs which will be submitted at the next Board of Directors meeting totalling \$15,612 of which \$6,755 is in the over 120 days category (see Table 5-6). The default experience or rate of recovery excludes the potential unbilled amounts.

Again, because data on valid comparison groups are not readily at hand, we cannot be definitive about the level of performance. In general, though, this is a reasonable performance for the first year of a pilot program. It is unrealistic to

expect lower rates with this clientele, and these defaults must be included as an inevitable cost of the Program.

5.4 Client/Case Characteristics Related To Late Payments/Defaults

To assist in identifying the attributes of delinquent clients, we matched the current delinquent clients against certain characteristics in the database:

- Region (address);
- Income levels;
- Purpose of certificate;
- Net worth.

TABLE 5-9

DELINQUENCY BY REGION

Region	Accounts 0 Days Delinquent	Accounts 30-90 Days Delinquent	Accounts > 120 Days Delinquent	Total
Winnipeg	68.6%	17.7%	13.7%	100.0%
Brandon	64.2%	17.9%	17.9%	100.0%
North	35.9%	28.3%	35.9%	100.0%
Dauphin	75.0%	0.0%	25.0%	100.0%

Note: Rows may not sum to 100 per cent due to rounding.

The pattern of delinquency is interesting. Winnipeg clients are the least likely to be in default. This may reflect the fact that it is easier to maintain contact with clients in Winnipeg. Another factor seen in Table 5-9 is that there are somewhat higher numbers of criminal cases in the North compared to Winnipeg and other regions. It may be that collecting payment from clients who

are charged with these offences is more difficult than clients who are involved with civil and domestic cases. In criminal cases, a number of the clients would be incarcerated, or may skip bail.

TABLE 5-10
DELINQUENCY BY INCOME

Income Level	Accounts 0 Days Delinquent	Accounts 30-90 Days Delinquent	Accounts > 120 Days Delinquent	Total
\$0 - \$10,000	100.0%	0.0%	0.0%	100.0%
\$10,000 - \$20,000	60.2%	19.9%	19.9%	100.0%
\$20,001 - \$30,000	66.2%	19.3%	14.6%	100.0%
+ \$30,000	64.8%	16.7%	18.5%	100.0%

Note: n=2 for the lowest income group.

Rows may not sum to 100 per cent due to rounding.

The interpretation of Table 5-10 is straightforward. Delinquency falls as income rises. There is a slightly higher proportion of delinquent accounts in the \$10,000 - \$20,000 range. This is expected, since it is the lower income range which tends to have more single individuals who are mobile (harder to trace).

TABLE 5-11

DELINQUENCY BY PURPOSE OF CERTIFICATE

Purpose of Certificate	Accounts 0 Days Delinquent	Accounts 30-90 Days Delinquent	Accounts > 120 Days Delinquent	Total
Criminal				
Category A	50.0%	50.0%	0.0%	100.0%
Category B	63.4%	12.2%	24.4%	100.0%
Category C	44.4%	25.9%	29.6%	100.0%
Total Criminal	49.7%	22.5%	27.8%	100.0%
Civil & Domestic	71.8%	16.9%	11.3%	100.0%

Table 5-11 shows that Category A cases are equally split between delinquency and nondelinquency, but a sample of 2 is too small for generalization. Category B cases are 36.6 per cent delinquent; Category C cases are 55.5 per cent delinquent; and, civil and domestic cases are 28.2 per cent delinquent. When just the delinquencies over 120 days are examined (last column); a similar pattern emerges -- civil and domestic cases are much less likely to be delinquent to this extent compared to offences in Category B or C. For example, 29.6 per cent of Category C cases are more than 120 days overdue compared to 11.3 per cent of civil and domestic cases.

In general, client accounts for criminal cases are more difficult to administer. Those who are incarcerated cannot pay. Those who are fined have reduced resources for repayment. Of those who are acquitted, a number will be repeat offenders who may have other cases pending and therefore are poor risks.

Generally, the lower default risk for clients who have civil/domestic cases may reflect a property settlement which is being adjudicated. This makes the

client better able to pay once the assets have been disbursed. Also, these clients tend to be less transient and easier to locate.

Net worth (wealth) represents the difference between the assets and liabilities of the client. This group is not expected to have large amounts of wealth and as Tables 5-12 and 5-13 show, there is not a strong relationship between default and net worth or home ownership. There is a slight tendency for negative net worth to increase defaults, but the highest rate is for \$0 net worth, which could include someone with high debts and assets as well as someone with no assets or debt. There is also a slight tendency for those with homes to be less in default.

TABLE 5-12

DELINQUENCY BY NET WORTH

Net Worth	Expanded Eligibility			
	Accounts 0 Days Delinquent	Accounts 30-90 Days Delinquent	Accounts >120 Days Delinquent	Total
Less than (\$2,500)	63.2%	18.8%	18.1%	100.0%
(2,500) - (-\$1)	56.0%	27.4%	16.7%	100.0%
\$0	56.1%	17.5%	26.3%	100.0%
\$1 - \$2,500	67.1%	17.1%	15.7%	100.0%
More than \$2500	75.5%	13.3%	11.2%	100.0%

Note: Rows may not sum to 100 per cent due to rounding.

TABLE 5-13

DELINQUENCY BY HOME OWNERSHIP

Home Ownership	Extent of Delinquency				
	0 Days	30 Days	60 Days	90 Days	120 Days
No	61.5%	7.4%	4.7%	8.8%	17.6%
Yes	75.3%	5.6%	3.4%	1.1%	14.6%

Note: Rows may not sum to 100 per cent due to rounding.

When compared to the nondelinquent accounts:

- Delinquencies in the Winnipeg region are lower than in other areas of the province. The higher rural (non-Winnipeg) delinquency in the over 120 days is mainly the result of the Northern region. The relationship between delinquency and region of Manitoba is statistically significant ($P < .01$ using a Chi-square test).
- There is a highly significant relationship between delinquencies and type of offence. Civil and domestic cases are much less likely to incur delinquency compared to criminal cases. ($P < .01$ using a Chi-Square test).
- Net worth has little impact on the patterns of delinquency.
- Home owners are slightly less in default than renters.

In sum, income, net worth, and home ownership do not appear to have a major impact on delinquency. On the other hand, the region and type of offence where the certificate is granted are statistically significant "explanators" of delinquency.

This analysis suggests there is benefit in an increased default management for Category C offences and certificates issued to northern residents. A statistical analysis is presented in Section 5.9 below.

5.5 Reasons And Patterns For Late Payments/Defaults

Based on interviews conducted with Legal Aid Manitoba, as well as the analysis above, the main reasons for late payments and defaults by clients are as follows:

- Moved with no forwarding address, thus unable to locate.
- In jail.
- Lost employment.
- Unable to reach during the day - no business number on application.
- Case concluded.

**TABLE 5-14
DEFAULT EXPERIENCE***

Category	#	\$	%(#)	%(\$)
Moved - no forwarding address	30	8,345	36.6%	32.9%
Refused to pay, NSF cheques, etc.	25	5,212	30.5%	20.6%
Lost employment	5	4,882	6.1%	19.3%
In jail	7	3,633	8.5%	14.3%
Bankrupt	3	1,668	3.7%	6.6%
Separation - no income	2	738	2.4%	2.9%
Contract not signed	6	311	7.3%	1.2%
Other	4	545	4.9%	2.2%
Total	82	25,334	100.0%	100.0%

* Includes \$9,722 written off to date and \$15,612 awaiting approval to be written off.

There is a correlation between default and the current status of the case. Legal Aid Manitoba records the date when the lawyer reports the case has been concluded. This often corresponds to the date when the invoice is submitted and probably does not match the date when legal work ceases, or when the client perceives the case to be concluded. For example, once a client is convicted and sentenced, from his or her perspective the case may be over, but legal work may still be required.

Table 5-15 shows the relationship between the status of the legal case and the account status as of August 31, 1990. Accounts which have concluded prior to August 31, 1990 have a much higher default rate than accounts which are continuing, especially for delinquencies over 120 days. Using a Chi-Square test, this table is statistically significant at the .0001 level.

TABLE 5-15

DELINQUENCY BY CASE STATUS

Case Status (August 31, 1990)	Extent of Delinquency				
	0 Days	30 Days	60 Days	90 Days	120 Days
Continuing (338)*	69.5%	8.3%	4.7%	7.1%	10.4%
Concluded (97)*	40.2%	3.1%	4.1%	9.3%	43.3%

* Note: Total cases which could be matched for this table was 435.

Two qualifications must be emphasized. First, as stated above, the date concluded does not match the date when the client perceives the case to be concluded, or when the lawyer actually ceases work. It tends to correspond to the invoice date. Therefore, there are probably more cases which are actually concluded than are indicated in the table. Second, of those cases which are continuing, a number will default. Therefore, the 69.5 per cent which are shown as continuing and not in default, contain cases which will move into default. These two influences tend to weaken the relationship in Table 5-15.

This relationship should be seen as suggestive and not conclusive. Because of the nature of the information available, it was not possible to match a time series of default with case progress patterns. The fact that a fixed date (August 31, 1990) was needed to perform the financial analysis, imposes an arbitrary test point in a continuous process. Therefore, while it is reasonable to suppose that once a case is concluded clients tend to default, the nature of the information precludes any definitive statement on this point.

The overall patterns and factors in default reflect the nature of the client group. They are very transient, have many other demands on their income, and are low income.

5.6 Administration of Collections

The administration of collections and records management may be described as follows:

- Collections are centralized in Winnipeg with a staff complement of one full-time accounts clerk and one part-time filing and administrative clerk. The Expanded Eligibility Program relies heavily on the accounts clerk who has become very knowledgeable about the Program, the clients, the cases, and the most effective collection procedures. No back-up person has been trained to perform her functions.

There are two important implications of this:

- Systemized and diarized phone calls are not made on overdue accounts - the result of a lack of time by the accounts clerk.
- The accounts clerk reported being overworked since the inception of the Program - high learning curve, inappropriate software creating internal and external (client inquiry) problems, etc.
- The accounting system is not tied into the database system and certain data are input into both systems (new client information, change of address, lawyers fees, payments). As of November 1990, all documentation of the modifications were off-site with the individual who has customized the software.
- The administrative staff has contended most of the past year with software which had not been tailored for their specific needs. In essence, management of the payments process is a standard accounts receivable

problem. Software modifications have now been largely completed which will assist staff in the immediate future - the most significant being a revised client statement explaining unbilled amounts, current activity, and amount owing.

- Software limitations and inadequate computer systems, which have been addressed in the last few months, imply that sending reminders and invoices is a slow process and involves considerable manual intervention. Specifically, the accounts clerk could not automate reminder notices by linking standard letters to address fields in the accounting package. Although this may appear to be a relatively small issue, it represents an important cost and can seriously impair the relationships between client and service provider.
- The current policy of Legal Aid Manitoba is to invoice for the first payment quickly after the certificate is issued (within 14 - 21 days). This policy is designed to establish the importance of regular payment and to reduce the occurrence of lawyers providing service and Legal Aid Manitoba not receiving payments.
- Past due notices are included on customer statements and if no payments are received within seven days, the accounts clerk will cancel the client's certificate. These can be reinstated if the account is brought up to date or satisfactory arrangements are made to pay the account. It is estimated that 50 per cent of the accounts have been cancelled at one time or another.
- Accounts are reviewed and decisions on write-offs are made twice a year. All write-offs must be approved by the Board of Directors.
- The monthly payments to net billings ratio indicates a drop in collections in the months of November and December, 1989 and May, 1990. An explanation is perhaps found when one reviews the monthly billings. The months of November and May (Table 5-1) show sharp increases in the billings volume.
- Current data are not maintained on patterns and characteristics related to late payments and defaults.
- Prepayment by clients of lawyer fees has generated a positive cash flow, for the active accounts, of \$48,189 for the period June 1, 1989 to August 30, 1989 (Payments of \$91,119 less lawyer fees of \$43,010).

5.7 Cost of the Program

We have reviewed and analyzed the projected administration costs for the period June 1, 1990 to May 31, 1991 and compared them to the budget for that period. Our detailed analysis is shown in Table 5-16.

TABLE 5-16

OPERATING COSTS OF EXPANDED ELIGIBILITY

		Per Our Analysis \$
I. SALARIES		
Direct Variable		
Accounts Officer	(1)	29,800
Assistant To Accounts Officer	(2)	<u>11,100</u>
		<u>40,900</u>
Indirect Variable		
Intake Workers	(3)	7,600
Accounts Payable Clerk	(4)	1,600
Accounts Payable Clerk	(5)	3,100
Accounting Clerks	(6)	500
Switchboard Tracing	(7)	2,200
Area Directors-Wpg.	(8)	6,900
Area Directors-Rural	(9)	2,100
Legal Director	(10)	7,600
		<u>31,600</u>
Total Salaries		<u>72,500</u>

TABLE 5-16 (Continued)

		Per Our Analysis \$
II. OFFICE VARIABLE		
Telephone	(11)	500
Postage	(12)	4,000
Supplies	(13)	1,200
Advertising	(14)	<u>5,000</u>
		<u>10,700</u>
Fixed Rent	(15)	4,900
Utilities	(16)	1,000
Micro	(17)	<u>1,000</u>
		<u>6,900</u>
Total Office Expenses		<u>17,600</u>
Total Salaries & Office		90,100
III. OTHER BAD DEBTS (18)		
Bank Interest	(19)	<u>(4,000)</u>
		136,100
Yearly Administrative Costs		
One Time Costs-software (20)		<u>7,500</u>
90-91 Administrative Costs		<u>143,600</u>

The analysis in Table 5-16 is based on the following general assumptions:

- Salaries are apportioned on the basis of estimated time spent on the Expanded Eligibility Program.
- Benefits are 12 per cent.
- Total yearly regular legal aid (R.L.A.) and Expanded Eligibility (E.E.) applications are projected at 32,000. (R.L.A. - 30,000; E.E. 2,000).
- If Expanded Eligibility did not exist, we assumed that 70 per cent of the applicants would be refused or would not have applied.
- Of total yearly applications, 75 per cent are from Winnipeg and 25 per cent from three rural offices.

Specific assumptions and explanations which are used to generate this table are as follows: (Numbers refer to lines in Table 5-16.)

- (1) 95 per cent of Accounts officer salary and benefits; other 5 per cent spent on agreements to pay. ($\$28,000 \times 1.12 \times 95$ per cent) = \$29,800.
- (2) 90 per cent of part-time account officer's assistant salary and benefits; other 10 per cent spent on agreements to pay. ($1/2 \times \$22,000 \times 1.12 \times 90$ per cent) = \$11,000.
- (3) 6.5 intake workers (5 Winnipeg, 1.5 rural offices) with an average salary of \$24,000 and benefits multiplied by the percentage of yearly Expanded Eligibility applications as to total applications. The latter is for applications that would not have been made or been refused had Expanded Eligibility not existed (we have assumed 70 per cent of applications). ($6.5 \times \$24,000 \times 1.12 \times 2,000/32,000 \times 70$ per cent) = \$7,600.
- (4) 2 per cent of 3 taxation clerk's average salaries and benefits. ($3 \times \$24,000 \times 1.12 \times 2$ per cent) = \$1,600.
- (5) 10 per cent of accounts payable clerk's salary and benefits. ($\$28,000 \times 1.12 \times 10$ per cent) = \$3,100.
- (6) 1 per cent of 2 accounting clerk's average salaries and benefits. ($2 \times \$24,000 \times 1.12 \times 1$ per cent) = \$500.

- (7) 5 per cent of each of switchboard and tracing clerk's salaries and benefits. $(2 \times \$20,000 \times 1.12 \times 5 \text{ per cent}) = \$2,200.$
- (8) 12 per cent of Winnipeg area directors' salaries and benefits multiplied by per cent of yearly applications from Winnipeg. $(\$68,000 \times 1.12 \times 12 \text{ per cent} \times 75 \text{ per cent}) = \$6,900.$
- (9) 12 per cent of 3 rural area directors' average salary and benefits multiplied by per cent of yearly rural applications. $(\$63,000 \times 1.12 \times 12 \text{ per cent} \times 25 \text{ per cent}) = \$2,100.$
- (10) 10 per cent of assistant executive director's salary and benefits. $(\$68,000 \times 1.12 \times 10 \text{ per cent}) = \$7,600.$
- (11) Average of \$40/month.
- (12) \$4.00 per certificate (assumed to be 1,000 for year).
- (13) Average of \$100/month.
- (14) Plans have been established to spend budget of \$5,000 for the year.
- (15) 424 extra square feet rented at annual gross cost of \$11.55 sq. ft.
- (16) Expanded Eligibility square feet x total utility costs
 $(424 \times \$19,630) = \$1,000 \text{ total sq. ft. } 8,576.$
- (17) Micro and printer amortized over 3 years. $(\$3,000 / 3) = \$1,000.$
- (18) Allowance for bad debts based on 40 - 50 per cent increase in certificates in last 6 months of agreement as a result of advertising campaign; if increase does not materialize, based on our review, an allowance of \$30 - \$35,000 will likely be sufficient.
- (19) Assumes average positive cash balance (on collections less lawyer fees) of \$50,000 month @ 8 per cent interest.

In reviewing the budget with the current expenditures, the following summarizes our findings:

- The total salary costs are approximately the same as budgeted, (\$1,700 difference) although our breakdown of the costs is quite different. Our cost allocation is based on the percentage of time spent by all individuals

on the Expanded Eligibility Program. Legal Aid Manitoba's budget is based on the incremental personnel cost as a result of the program undertaken.

- Other than advertising, no office costs have been included in the budget. Our office costs, excluding advertising, total \$12,600.
- We have included recovery of bank interest of \$4,000 on the positive cash flow generated by collections. This amount was not included in the Expanded Eligibility budget.
- The provision for bad debts of \$50,000 will vary depending on the level of increased certificates generated by the forthcoming advertising campaign.

In summary, we find that the 1990/91 budget understates net costs by approximately \$8,000. Increased funding will be required to maintain a break-even position. Note that the client only pays the lawyer's fees. The Program's administrative costs are currently covered by a grant from Justice Canada and the normal provincial allocation to Legal Aid Manitoba.

5.8 Costs per Case and Client

Legal Aid Manitoba bills clients on a regular monthly instalment - typically \$50 or \$75 per month. In turn, it is billed by private lawyers who perform approximately 70 per cent of all services rendered. Internal billings are generated by staff counsel. For cases handled by staff counsel, the client is charged by Legal Aid Manitoba the lesser of the billed time of the lawyer or the block fee. In this way there is some reduction in costs to the client. Finally, administrative costs are expended as outlined above in Section 5.7.

From June 1989 - August 1990, the Expanded Eligibility Program served approximately 748 clients. With a total administrative cost of \$143,600 (see Table 5-16), this indicates an administrative cost of \$191.98 per client. If only the administrative costs (\$86,100)⁷ are included, the cost per client is \$115.11.

The fee cost varies by case type, and whether a private lawyer or Legal Aid Manitoba staff counsel provides the service. Table 5-17 below shows the average fees charged by private lawyers who provide services to Legal Aid Manitoba compared to the costs of services provided by staff counsel.

⁷ This includes Salaries plus Office less Bank Interest from Table 5-16.

TABLE 5-17

AVERAGE FEE BY CASE TYPE

	Private Lawyer	Legal Aid Manitoba Staff Counsel
Criminal		
Category A	\$1,628	\$1,360
Category B	\$625	\$308
Category C	\$333	\$167
Civil/Domestic	\$450	\$322

These data pertain to all Legal Aid Manitoba cases for 1989 - 90 and reflect the experience of over 25,000 certificates. The fee ratio of staff counsel to private lawyers range from 83 per cent for major crimes (Category A) cases to 50 per cent for minor crimes (Category C). The internal costs of staff counsel in Category A certificates is somewhat inflated by the fact that the costs of using staff lawyers was about \$1000 higher than the billings of private lawyers for murders. This is an anomaly since in all other instances (except Junior Counsel), Legal Aid Manitoba staff lawyers billed less per case than private lawyers.

Reliable comparisons between the cost per type of case for Expanded Eligibility are risky because there are only 453 cases in the administrative database. There is every reason to believe that the cost advantage shown in Table 5-17 of using staff counsel would apply similarly to Expanded Eligibility.

5.9 Statistical Analysis of Defaults⁸

The tables relating delinquency patterns by type of case, region of Manitoba, and other socio-economic attributes indicate basic patterns. These

⁸ This section is more technical than others and may be omitted without loss in continuity.

patterns of delinquency may be analyzed statistically using a multivariate technique known as logistic regression analysis. This procedure calculates the probability of a delinquency based on type of case and the attributes of the client. Its primary use in this report is to measure which case and client attributes are statistically significant in predicting default. In this way, Legal Aid Manitoba may elect to design client management procedures based on these attributes. A major advantage of this approach is that all important influences on the probability of default can be analyzed simultaneously.

The technique of logistic regression analysis defines an "effect" or dependent variable which is explained by a variety of "causes" or independent variables. The explanation is statistical and algebraic. The regression equation shows how each "cause" contributes to the variation in the "effect." In this model we are seeking to establish how various attributes of the client and the cases (the independent variables) influence the probability of default.

We selected the following attributes to predict default:

- net worth (in thousands);
- family income (in thousands);
- region;
- certificate purpose (criminal vs. civil);
- age of client;
- gender.

In addition we used three indicators of default:

- any delinquency over 30 days;
- any delinquency over 90 days;
- any delinquency over 120 days.

By using progressively stricter definitions of delinquency, it is possible to analyze how late payments pattern relate to socio-economic attributes. Table 5-18 shows the results of a logistic analysis. The dependent variable has the value of 0 if the client is not in default and a value of 1 if he or she is in default. In this way, the 0's and 1's are correlated with changes in income, age, region of Manitoba, etc.

The variables have the following definitions:

- NET WORTH is total assets less liabilities, including equity in home, car value, cash less personal debt and other loans requiring repayment.

- FAMILY INCOME is as stated and explained in Appendix A;
- Three dummy variables are created for the non-Winnipeg Centres of Brandon, the North, and Dauphin. The INTERCEPT accounts for Winnipeg as a region.
- CERTIFICATE PURPOSE is 0 for criminal cases and 1 for civil cases.
- AGE is as defined, and SEX indicates 0 for male and 1 for female.

TABLE 5-18

RESULTS OF LOGISTIC REGRESSION ANALYSIS

Logistic Analysis of Delinquency			
Variable	All Delinquencies	Delinquencies Over 90 Days	Delinquencies Over 120 Days
INTERCEPT	-.159 (.812)	1.854 (.032)	.533 (.497)
NET WORTH	.000 (.263)	.000 (.392)	.000 (.795)
FAMILY INCOME	.000 (.464)	.000 (.045)	.000 (.537)
REGION (BRANDON)	.116 (.426)	-.080 (.699)	.123 (.512)
(NORTH)	.522 (.001)*	.543 (.003)*	.430 (.015)*
(DAUPHIN)	-.242 (.572)	-.016 (.977)	-.293 (.500)
CERTIFICATE PURPOSE	-.302 (.015)*	.025 (.881)	-.430 (.007)*
AGE	.022 (.066)	.012 (.446)	.021 (.174)
GENDER	.139 (.271)	.134 (.409)	.074 (.671)

* Standard errors in brackets.

In Table 5-18 each number represents a "coefficient" or the degree to which an attribute of the case or the client influences the chances of a default. The higher the number, the more influence that attribute has on the chances of default. The numbers in the brackets are the "standard errors" of the

corresponding coefficient. Low standard errors are associated with high reliability. The asterisk * denotes those coefficients with the highest reliability -- the others can be treated as if they had no effect (regardless of their size). The reliability of the coefficient is simply a ratio of the coefficient value divided by the standard error.

Table 5-18 confirms that type of case and region are very important in explaining the pattern of defaults encountered by Legal Aid Manitoba in the administration of the Expanded Eligibility Program. It also shows that none of the other selected case and client attributes are important in explaining the pattern of default.

These variables were selected based on the analysis in Section 5.4. This table may be interpreted in the following ways:

- For delinquencies over 30 days (column 1) the North and Certificate purpose have a statistically significant impact on the probability of delinquency. The three non-Winnipeg regions are referenced to the average for all data. Similar results are seen in Columns 2 and 3 except that whether a case is criminal or civil has no impact on arrears more than 90 days. This is analyzed in more depth immediately below.
- The tables in Section 5.4 suggest that negative net worth may be associated with an increased probability of delinquency. The Logistic model fails to confirm this. It is likely that income, age and gender, and location tend to control for the effect of net worth.
- Since the dependent variable is 0 for no delinquency and 1 for a delinquency, the results in column 1 state that the probability of a default is 12.5 per cent higher for a client in the North compared to a client in general.⁹ The increase in delinquency for the North holds for all levels of

⁹ This is calculated by assuming that the change in probability occurs at the means of all variables. The coefficients in the table are multiplied by .435 (.358 x (1 - .358)) to obtain an estimate of the increase in probability produced by a unit change in the independent variable. The number .358 is the proportion of clients in arrears by more than 30 days. Since the variable indicating a Northern client is a dummy variable (1 for North, 0 for non-North), the coefficient indicates how a client being from the North changes the log of the odds of default. Translated into probability terms, and evaluated at the means of the variables, this implies that the coefficients be divided by four to produce a probability estimate.

arrears as seen in Columns 2 and 3. The increase in probability of arrears of any duration is 10 per cent - 13 per cent for Northern clients.

CERTIFICATE PURPOSE is also a dummy variable (0 for criminal and 1 for civil). The negative sign indicates that a civil case is less likely to cause a delinquency of more than 30 days or more than 120 days (Columns 1 and 3). There is no apparent relationship between whether a case is criminal or civil for arrears more than 90 days. This is curious and probably reflects multicollinearity due to sampling problems. An extension of the analysis is presented in Table 5-19 to address this problem.

TABLE 5-19
RESULTS OF LOGISTIC ANALYSIS
(Alternative Definition of Default)

Logistic Analysis of Delinquency		
Variable	All Delinquencies Over 30 Days	Delinquencies Over 120 Days
INTERCEPT	-.343 (.605)	.222 (.774)
NET WORTH	.000 (.228)	.000 (.753)
FAMILY INCOME	.000 (.579)	.000 (.707)
REGION (BRANDON)	.120 (.415)	.129 (.494)
(NORTH)	.557 (.000)*	.521 (.002)*
(DAUPHIN)	-.225 (.600)	.354 (.414)
CATEGORY C	.409 (.001)*	-.370 (.014)*
AGE	.021 (.087)	.021 (.176)
GENDER	.147 (.220)	.160 (.324)

* Statistically significant at more than 5 per cent error level.

Table 5-19 shows the results obtained by defining arrears as over 30 days and arrears over 120 days and by isolating Category C criminal cases (generally

more minor criminal cases) -- all other types of cases are lumped together. As indicated in Section 5.6, it was this type of case which appeared to have the higher incidence of default. The analysis bears this out. A Category C case is about 10 per cent more likely to be in default than any other type of case. These minor criminal matters present a problem since they are dealt with quickly in the legal system. Often there is no preliminary hearing and cases usually conclude early in the instalment cycle. A case from the North adds another 12 per cent to the likelihood of default.

Some caveats are in order:

- Only those variables which are believed to have important impact on delinquency were included in the model. It is possible that other attributes of cases and clients may influence the probability of delinquency.
- The definition and measurement of some of the independent variables is a problem. In particular, information on family income is very difficult to collect and verify. Similarly, net worth depends on a fairly complex assessment of the financial situation of clients. Legal Aid Manitoba performs a sufficient determination within the parameters of established policy and the legislation, however, as a basis to assess probable default these variables require very precise and validated measures.
- Additional experience in the Program will increase the statistical validity of this model. After another year, and a sample size of perhaps 1500 or so, the logistic approach will more precisely indicate the relationship between client and case attributes.
- The model has several descriptors of clients (income, net worth, age, sex, etc.). In comparison case attributes are only ranked by Legal Aid Manitoba on a scale from 1 - 70, and then further categorized in to four categories, three of which are criminal cases. Although the ranking certainly appears reasonable and is based on judgement and experience, it is possible that this sole indicator of case attributes is not a sufficient measure of case characteristics. Other attributes such as typical sentence, conviction rate, etc. may improve the predictive power of the model.

These caveats aside, logistic regression analysis confirms and extends the analysis of default patterns presented in Section 5.4 above. Clients in the North, and clients involved with Category C cases present a higher probability of delinquency than others. This suggests that certificate management which varies with key attributes, especially the location of the client and the type of case could prove beneficial.

Two alternatives present themselves for managing default:

- increased management and follow-up;
- earlier cancellation.

The logistic regression model clearly demonstrates the increased delinquency risk posed by cases in Northern Manitoba and Category C cases. Additional experience with the Program would allow the collection of additional variables to increase the ability of management to identify cases and client types which present higher than average risks of default. This would further refine default management practices.

5.10 Conclusions and Recommendations

Extent of Late Payments/Defaults And Rate of Recovery

- The ratio of clients in arrears (35.8 per cent of active accounts) is reasonable given the type of program, constrained resources and newness of the Program. With additional experience, improved computer systems and an increase in collection procedures, we could probably expect a delinquency in the 20 per cent to 30 per cent range. However, if the caseload increases at the present rate, delinquencies could increase because of insufficient resources to manage the accounts. Both human resources and systems resource enhancements will be needed if additional client loads are contemplated.
- The account balances in the over 120 day category are quite high - \$14,732 or 35.6 per cent of the total amount owing as of August 31, 1990. However, this statistic is somewhat misleading as Legal Aid Manitoba has written off accounts only once since the beginning of the Program. A better performance indicator is the projected default experience (see below).
- A significant percentage of the accounts over 120 days have had their cases concluded (38 per cent) or are still ongoing (35 per cent). The rate of recovery on the cases that are concluded (38 per cent), cancelled (19 per cent) or closed (8 per cent) will likely be negligible, while the recovery on the ongoing cases will be considered good if it achieves 30 per cent to 40 per cent of the outstanding balances (\$1,500 to \$2,100). There is still an overestimate, since a client who is cancelled for

nonpayment will incur lower costs than a client who proceed to the conclusion of the case.

- The estimated rate of recovery of between 78 per cent to 86 per cent on the net billings for the period, and the corresponding default rate of between 14 per cent to 22 per cent can be considered to be quite good, especially when one considers the newness of the Program, type of clientele, initial training and start-up costs, and, that a higher default was expected.

Client/Case Characteristics Related To Late Payments/Defaults

- Delinquencies are higher than average, especially delinquencies in the over 120 day category, when clients:
 - Reside in the Northern region;
 - Are in Category C cases.

Correspondingly, delinquencies, especially delinquencies in the over 120 day category, tend to be lower than average when clients:

- Reside in Winnipeg;
 - Are in the higher income levels;
 - Are civil and domestic cases.
- Whether or not clients own a home does not appear to have a significant impact on delinquencies.
 - The amount of total debt does not have an effect on delinquencies.

Reasons And Patterns For Late Payments/Defaults

In addition to the broad factors in delinquencies (attributes of the client and case), the main reasons and patterns for late payments and defaults are those we would expect (moved - no forwarding address, in jail, lost job and no business telephone number).

Administration of Collections

As can be expected, with any start up operation, inefficiencies have occurred resulting mainly from inadequate information systems and the learning curve required because Expanded Eligibility is a new program. While

modifications to the software accounting package will be beneficial, inefficiencies will still result from:

- The duplication effort resulting from data entry into both systems;
- Limited access to the system when both accounts employees are working, (one terminal).

Collection procedures are generally good for the present client load. The prompt cancellation of certificates for overdue accounts is an important policy and should be retained. Also, the policy for bad debts requiring Board approval is appropriate. The procedures and the rate of recovery may possibly be enhanced by additional time spent directly contacting overdue accounts by telephone and by a more systematic approach, but this requires additional staff time be made available. Collection procedures and the rate of recovery have been affected by system and administration inefficiencies as well as sudden volume increases. These are typical of first year operations.

Initial backup of data files was extremely slow -- it was only being done once a month -- but it is now being done on a daily basis. By not backing up daily, the Expanded Eligibility Program was vulnerable to incurring additional costs should problems occur with the system.

The current staffing appears close to a threshold and may require increased resources as certificate volumes increase. This issue will require close monitoring since maintenance of receivables is critical to the financial viability of the Program.

By not having a trained assistant for the accounts clerk, the Expanded Eligibility Program is exposed to incurring substantial costs should its present accounts clerk leave.

The centralized collections procedure in Winnipeg, in the initial year of the Program, is the most efficient and effective way of proceeding. Should the Program become permanent and the volumes increase, the rate of recovery may be improved by decentralizing the function to the various district offices. At this time we are unable to determine at what client load this might be appropriate.

The collections portion of the Program should continue to produce positive cash flow in the future provided that lawyer billing patterns do not change significantly. A move to recovering administrative costs and investments in new

systems could alter this cash flow picture.¹⁰ Also, if client loads exceed the capacity of the current staff to manage the receivables, cash flows may deteriorate.

Information is lacking to assist personnel and management in evaluating key aspects of the Program as they pertain to delinquencies and defaults and thereby assisting in decision making.

Client file information should be made accessible via a consolidated computer file. This would facilitate quick access to relevant client information and reduce the reliance on the physical files.

¹⁰ Recall that clients only pay for legal fees and not the administrative costs of the program.

6.0 CLIENT AND NONPARTICIPANT PERCEPTIONS OF EXPANDED ELIGIBILITY

6.1 Overview

This section of the report presents the findings of the telephone survey conducted with a sample of expanded eligibility clients as well as those who were refused legal assistance. Prairie Research Associates Inc. contacted and interviewed 147 clients (present and former) and 91 applicants who were refused assistance. The client survey was used to collect attitudinal data from a cross section of clients on the Expanded Eligibility Program. The survey of nonparticipants was conducted in order to assess their attitudes toward the Program as well as the perceived effects of refusal.

Each table notes the sample size of those respondents who provided a response to the question. The difference between this sample size and the numbers who participated in the survey reflects those who did not know, could not recall, or simply declined to respond to that particular question. Questionnaires and sample letters are found in Appendices D and E. This section summarizes findings by question and theme. Refer to Sections 3.4 and 3.5 for details regarding the survey methodology.

Case Distribution

Similar to the results of the administrative review, the largest percentage of cases handled by the Expanded Eligibility Program (41.8 per cent) were separation or divorce matters. Criminal cases comprised 20.5 per cent of the caseload, while variation in maintenance and child custody made up 26.7 per cent of the total caseload (Figure 6-1). The majority of the cases (76.0 per cent) were handled by private lawyers, and in more than two-thirds of the cases the lawyer was chosen by the client.

DISTRIBUTION OF CASE TYPE CLIENT SURVEY SAMPLE

n = 146

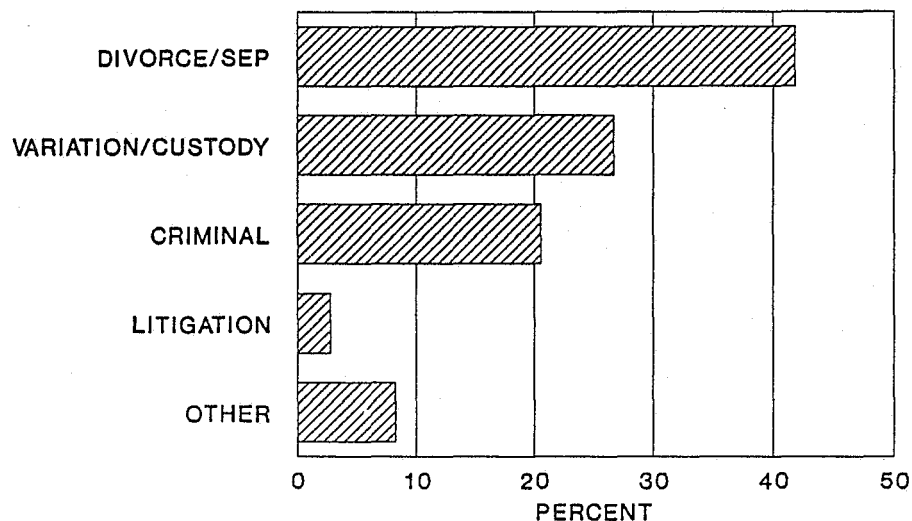


FIGURE 6-1

6.2 Client Attitudes and Satisfaction

Client Awareness and Understanding of the Program

The majority of the respondents (61.9 per cent) reported that they first contacted a lawyer before applying for Expanded Eligibility or any form of legal assistance. The other respondents indicated that they went directly to Legal Aid Manitoba prior to seeing a lawyer.

From another perspective, of those who saw a lawyer first, most respondents (66.3 per cent) indicated that he/she referred them to Legal Aid Manitoba. Table 6-1 shows who suggested that the respondents contact Legal Aid Manitoba. The category "other" consisted of responses which included: "myself", "duty counsel", and "heard about Legal Aid Manitoba on the street." Two stated that they didn't know who had suggested they apply to legal aid.

Most of the respondents who contacted a lawyer prior to applying for legal aid, indicated that their lawyer would not offer services unless the client were on the Expanded Eligibility Program. Of the lawyers who were reported to have offered their services, most clients declined because of the cost (total fee and retainer).

TABLE 6-1
CONTACT SOURCE

Contact Source	
Lawyer	66.3%
Social worker	1.1%
Friend/family	6.7%
Other	25.5%
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.
n = 58

A slight majority of the clients asked their lawyer about the amount of the total bill under the Expanded Eligibility Program. Of those who asked, about one-third reported they were told the amount of the total bill under expanded eligibility.

In terms of how well clients understood the Program, the majority of the respondents (95.2 per cent) reported that they understood the expanded eligibility agreement. The few who indicated otherwise, most frequently stated that they didn't understand the amount and/or duration of payment.

Information Regarding Eligibility for Regular Legal Aid

Two questions explored the length of time that passed before respondents were informed that they were not eligible for free legal assistance. The first asked when the respondents were informed about their eligibility, while the second asked respondents to comment about the process of informing applicants about eligibility. Only those who had waited a long period before hearing about their eligibility, or were appealing the decision provided comment to the second question.

TABLE 6-2

INFORMED ABOUT INELIGIBILITY FOR REGULAR LEGAL AID

Length of Time	
First discussion/lawyer	2.8%
When applied	12.5%
Within 1 week	21.5%
More than 1 week	63.2%
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.
n = 144

- Table 6-2 shows that the majority of respondents waited more than 1 week for information regarding their eligibility.

TABLE 6-3

INFORMED ABOUT INELIGIBILITY - COMMENTS

Length of Time	
Two weeks	37.5%
Three weeks	22.5%
Four or more weeks	22.5%
Other circumstances	17.5%
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.
n = 40

- As shown in Table 6-3, forty respondents made comments on the delay in receiving the information concerning their eligibility. Of these, 60.0 per cent recalled waiting two to three weeks while 22.5 per cent waited for four or more weeks. These respondents reported no unusual circumstances which might explain this delay. Legal Aid Manitoba management disagrees with these recollections, as administrative data show that delays of more than four weeks are very rare.
- The category "other circumstances" consisted of appeals or a change in financial circumstances which delayed the final decision regarding eligibility.

Several questions asked whether respondents received the legal aid information package, whether it was understood by respondents, and who respondents contacted if they did not understand any aspect of the Program. Most of the respondents (76.1 per cent) indicated that they received an information package from Legal Aid Manitoba. Further, most who received the information package said they understood it.

Since the large majority of the respondents indicated that they did not have problems understanding the Program, it is expected that most reported not asking either their lawyer (69.2 per cent) or Legal Aid Manitoba personnel (72.6 per cent) for additional information. Similarly, most of the respondents (88.4 per cent) reported they understood that they would be required to make monthly payments for legal services.

Attitudes toward Eligibility and the Expanded Eligibility Contract

The interview included several questions designed to measure the attitudes of the respondents regarding how financial eligibility is determined by Legal Aid Manitoba. Respondents were asked what their initial reactions were to having to pay for legal assistance on an instalment basis as well as whether they felt Legal Aid Manitoba understood their financial situation. Table 6-4 shows how respondents recalled initially reacting to the requirement for payment under the Expanded Eligibility Agreement.

TABLE 6-4

REACTIONS TO EXPANDED ELIGIBILITY AGREEMENT

Type of Reaction	
Payments were fair	52.1%
Payments were unfair	25.1%
Was surprised/payments	11.8%
Was concerned/payments	6.3%
No reaction	4.9%
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.
n = 144

- From Table 6-4, a slight majority of the respondents (52.1 per cent) thought that the requirement to pay for legal services on a monthly basis was fair.
- Those who thought that repayment was unfair stated they thought the payments were too high. Some also indicated concern about their ability to make the monthly payments.
- A few respondents (11.8 per cent) reported that they were surprised about having to repay Legal Aid Manitoba. However, their comments indicated that they were relieved at receiving assistance.

The majority of the respondents reported that they felt Legal Aid Manitoba staff understood their financial position at the time of application. Some 38 per cent of the respondents felt differently and Table 6-5 illustrates their reasons.

TABLE 6-5

FACTORS ATTRIBUTED TO NOT UNDERSTANDING CIRCUMSTANCES

Factors	
Debts	46.0%
Overestimated ability to pay	42.0%
Spousal income	8.0%
Other	4.0%
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.
n = 50

The majority of these respondents perceived that the Legal Aid Manitoba staff did not consider the extent of the client's debt load. A related response was the feeling that Legal Aid Manitoba had overestimated their ability to pay. Clients perceived that the staff failed to appreciate the extent of the client's debt and expenses. Additional responses included the inappropriate consideration of spousal (in most cases common law) income in determining payments. The category "other" included a few responses concerning the consideration of U.I.C. payments as income.

Respondents were asked to provide suggestions as to what other financial information should be considered upon application. Two respondents did not know and four others did not respond. Table 6-6 shows the responses of those client's who had suggestions as to what other financial information should be considered when applying for legal services.

- Of the clients responding to this item, almost 40 per cent indicated that all expenses should be considered when determining eligibility and monthly payments.
- This was related to the second factor mentioned, namely debt load.
- Additional responses included income changes (change in employment status, income decrease, actual maintenance payments received as opposed to court mandated payment schedule), applying net rather than gross earnings, and excluding spousal (common law) income from consideration.

TABLE 6-6

**FACTORS WHICH SHOULD OR SHOULD NOT BE
CONSIDERED IN DETERMINING ELIGIBILITY
(As Supplied By Respondents)**

Factors	
Should be considered:	
Expenses	38.0%
Debts	26.0%
Recent change in income	14.0%
Poverty	2.0%
Should not be considered:	
Net equity	8.0%
Net spousal income	8.0%
Net income	4.0%
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.
n = 50

The final question designed to measure attitudes toward the eligibility criteria concerned the required verification of financial information. With the exception of one respondent, clients indicated that they felt that the verification of financial information was a reasonable request.

Financial Problems Experienced by Clients

An integral part of the evaluation of the Expanded Eligibility Program involves the assessment of delinquent payments. The interviewers asked respondents the extent to which they had experienced or continued to experience financial difficulties with meeting monthly payments. The survey incorporated several questions designed to measure the extent to which clients experienced financial difficulties while on Expanded Eligibility.

Most of the clients interviewed (67.1 per cent) reported that they experienced difficulties in budgeting their monthly payments. Correspondingly, a substantial proportion of the sample (49.7 per cent) indicated that they had fallen behind with monthly payments at some time.

Reminder notices are issued to clients whose accounts are delinquent. Of the clients who said that they had fallen behind in payments, 80.0 per cent reported having received a reminder notice. Further, the Legal Aid Manitoba staff are available to clients who wish to discuss the difficulties they are experiencing. In some cases, adjustments to the payments may be made. Of the clients who reported difficulty in making the required payments, the majority approached Legal Aid Manitoba to discuss their problems and also stated that the staff was sympathetic.

There was an interesting finding regarding delinquent clients and clients who attempted to have their monthly payments adjusted. As reported above, 49.7 per cent of the respondents reported that their account was in arrears at some time. Yet only 22.4 per cent of the sample attempted to have these payments adjusted. In view of the reported difficulties it is surprising that a larger number did not attempt to have their payments adjusted, especially since 53.1 per cent were successful in negotiating an adjustment.

Were it more widely known that a client had a 50/50 chance of negotiating a reduction in payment, the number of requests would increase. This might have two effects:

- the duration of payment would increase as the average payment declines;
- delinquent files would fall.

Table 6-7 shows the relationship between falling behind in payments and attempts to adjust monthly payments. Only one-third (31.9 per cent) of respondents who reported falling behind in payments attempted to have payments adjusted.

TABLE 6-7

**EFFECTS OF FALLING BEHIND IN PAYMENTS ON
ATTEMPTS TO ADJUST PAYMENTS
(Horizontal Percent)**

Fall Behind?	Attempted to Adjust Payments?		
	Yes	No	Total
Yes	31.9%	68.1%	100.0%
No	12.3%	87.7%	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.
n = 145

In relation to maintaining their monthly payments, respondents were asked what, if any, changes in their lifestyle were required to keep their accounts current. These results are shown in Table 6-8.

TABLE 6-8

CHANGES REQUIRED TO MAINTAIN PAYMENTS

Changes Required	
Cut back on monthly expenses	52.3%
No changes needed	39.2%
Borrowed from family/friends	15.4%
Other measures	6.2%
Took extra work	3.8%
Sold car/house/other assets	3.1%
Borrowed from bank against house/ other assets	3.1%

Note: Total percentages do not sum to 100 per cent due to multiple responses.
n = 130

Table 6-8, shows that most clients reduced expenditures in order to maintain payments (52.3 per cent), but many, almost 40 per cent, reporting having to make no change at all. Others reported, borrowing from friends and/or family, taking on extra work, selling assets and borrowing against equity as adjustments which needed to meet the monthly instalments. "Other measures" included money-related measures such as: incurring debt through the use of credit cards, using family allowance cheque, delaying legal aid payments.

In conjunction with questions on financial difficulties experienced by Expanded Eligibility Clients, respondents were asked to explain what effects maintaining monthly payments had on their lives.

TABLE 6-9

EFFECTS OF PAYMENTS ON CLIENT AND FAMILY

Type of Effects	
General effect/situation was difficult	37.8%
No effect	32.1%
Specific effects	
Reduced spending	13.6%
Deferred payment of bills	7.9%
Reduced food expenditures	2.9%
Mental stress	2.9%
Relieved stress	1.4%
Did not proceed	0.7%
Near bankruptcy	0.7%
Total	100.0%

Note: Total percentage may not sum to 100 per cent due to rounding.
n = 130

Table 6-9 shows that:

- More than a third of the clients stated that they experienced some financial difficulty as a result of maintaining payments. Slightly fewer than one-third reported no effect.
- About one quarter of the respondents reported that a reduction in spending was necessary (food, bills, other expenditures).

- Some clients reported effects other than financial (mental or emotional).

Tables 6-8 and 6-9 show that many respondents (less than one-half however) reported neither having to make any changes in terms of their finances in order to maintain payments (39.2 per cent) nor experiencing an effect on them or their families (32.1 per cent) as a result of Expanded Eligibility instalments. Yet, almost one-half of these clients reported being behind in their payments to Legal Aid Manitoba at some point in time.

A number of factors may account for this. First, a policy of Legal Aid Manitoba is to send initial reminders 14-28 days after the certificate is renewed. Many clients can be technically delinquent at the outset. Second, clients may not initially understand the nature of the agreement and believe they will get free counsel. This is especially so if they have only visited their lawyer once. Despite the fact that 89.5 per cent reported understanding the nature of the Expanded Eligibility Contract, this understanding may have only arisen as a result of falling behind in payments. It is common for survey respondents to either have imperfect recall or be reluctant to admit to ignorance.

TABLE 6-10
WITHOUT ASSISTANCE HOW WOULD CASE
HAVE BEEN PURSUED

How Would Case Have Been Pursued?	
Dropped case	29.5%
Borrowed nonbank to pursue case	21.3%
Don't know	13.7%
Represented myself	11.0%
Made my own arrangements	8.9%
privately	6.2%
Taken bank loan	3.4%
Used savings to pursue case	2.7%
Other	2.1%
Be in jail	1.4%
Postpone matter	
Total	100.2%

Note: Total percentage may not sum to 100 per cent due to rounding.
n = 146

What could have been done if assistance were refused? Table 6-10 shows the reported options if assistance had been refused. Almost one-third of the respondents indicated that they would have dropped their case and 21.3 per cent would have borrowed money from a nonbank source to pursue their case. A few reported they would have tried to represent themselves.

Costs of Private Legal Services

A substantial percentage of clients indicated that if they had not received assistance from Legal Aid Manitoba, they would have pursued the case privately or would have borrowed money in order to resolve their legal matter. In relation to the way in which respondents would have pursued their cases if they had been refused assistance, respondents were asked to provide an estimate as to how much their case would have cost if handled privately.

The majority of the respondents (68.8 per cent) did not know the approximate cost of their case. Of those who provided an approximate cost, Table 6-11 illustrates the breakdown of the costs.

TABLE 6-11
APPROXIMATE COST OF CASE WITHOUT
LEGAL ASSISTANCE

Approximate Cost	
\$1,000 or less	48.8%
\$1,001 - 5,000	30.2%
\$5,001 - 10,000	11.6%
Over \$10,000	9.3%
Total	100.0%

Note: Total percentage may not sum to 100 per cent due to rounding.
n = 43

Most respondents who reported that they could provide an estimated cost for services indicated a total cost of \$1,000 or less. About one-third estimated a cost of between \$1,000 and \$5,000.

The cost of private legal assistance is so great compared to Expanded Eligibility that very few applicants can reasonably adopt it. The survey was administered some time (1-2 years) after the case was accepted and there clearly is misestimation by the respondents of their capacity to pursue their past legal problems.

Cancelled Certificates

The policy of Legal Aid Manitoba under the Expanded Eligibility Program, is to review whether to cancel certificates for delinquent accounts of 120 days or more. The majority of the respondents in this sample (88.3 per cent) reported that their certificates had not been cancelled for nonpayment. A withdrawal of service was reported by 11.7 per cent of the clients. Table 6-12 illustrates the results of their cases.

TABLE 6-12

RESULTS OF CASES WHICH WERE CANCELLED

Case Result	
Resumed payments	31%
Dropped case/intend to resume	21%
Dropped case/will not resume	21%
Appealed cancellation	14%
Deferred case/resumed with private lawyer	14%
Total	101%

Note: Total percentages may not sum to 100 per cent due to rounding.

n = 14

- Of the clients whose certificates were cancelled due to nonpayment, slightly less than one-third resumed payment with Legal Aid Manitoba.
- About one-fifth have deferred and intend to resume while a similar number have deferred and do not intend to resume.
- A small number (14 per cent) resumed their case with a private lawyer.

- Similarly, a small number are appealing.

Satisfaction with the Expanded Eligibility Program

Most of the clients interviewed (81.2 per cent) were satisfied with the services provided by their lawyer and the quality of the representation they received. Similarly, most reported that they had received the same quality of legal service as clients who did not receive any assistance and that their lawyers took their cases seriously.

One-quarter (24.4 per cent) of the respondents indicated that they did not feel that they had received the same quality of service as clients who paid lawyers directly (Table 6-13). Client dissatisfaction was attributed to the length of time required to resolve their matters. These clients perceived that their cases took longer to resolve because the service was slower and of lower quality compared to service retained privately.

TABLE 6-13

**L.A.M. SERVICES THE SAME AS PRIVATE LAWYER
(As Supplied By Respondents)**

Yes	75.6%
No	24.4%
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.
n = 127

One client stated that, *"I have to call three or four times a week and still don't get any response back from my lawyer until I finally threatened to call Legal Aid Manitoba if my lawyer didn't answer my calls."* A few of these clients felt that this lack of service was related to the lower fee schedule. One respondent commented that, *"My lawyer admitted that I'm not on her priority list because of the lawyer fee schedule."*

One interview question asked respondents whether they agreed or disagreed with various statements about the service they received from Legal Aid Manitoba. Question 29 stated,

I am now going to read a number of statements. As I read each statement please tell me whether you agree or disagree. Now thinking about legal aid...

ATTITUDES TOWARD LEGAL AID SERVICE CLIENT SURVEY

n = 144

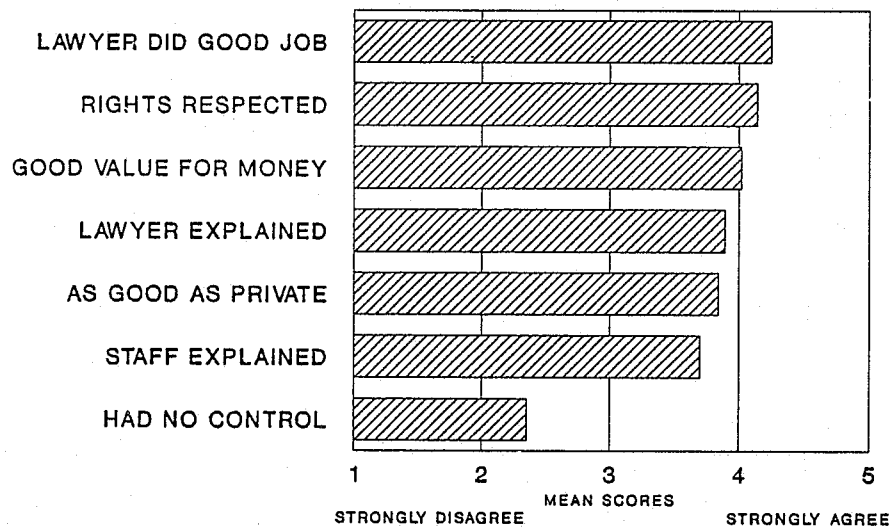


FIGURE 6-2

The percentage of the sample responding in each category was converted to an average response on a scale of strongly disagree (1) to strongly agree (5). Figure 6-2 shows how the respondents scored each statement.

- Most of the respondents scored each statement in the somewhat agree or strongly agree response categories. This indicates a very high level of satisfaction with the service provided by Legal Aid Manitoba.

- Respondents either somewhat or strongly disagreed to the statement which asked whether they felt that they had no control over the case. This level of disagreement is actually a positive result indicating the clients felt that they had control over their case.

Client Comments about the Expanded Eligibility Program

Respondents were asked to provide general comments about the Expanded Eligibility Program. The responses to this open-ended question were later coded for analysis. The results are presented in Table 6-14.

TABLE 6-14

COMMENTS ABOUT THE EXPANDED ELIGIBILITY PROGRAM

Comment	
Good program	61.5%
Should consider debt	10.7%
Payments too high	7.4%
Incompetent lawyers	7.4%
Program not helpful	1.6%
Should consider change in income	1.6%
Staff friendly	0.8%
Staff rude	0.8%
Other	8.1%
Total	99.9%

Note: Total percentage does not sum to 100 per cent due to rounding.
n = 122

- The majority of the clients interviewed commented that they thought the Expanded Eligibility Program was a good program.
- 10.7 per cent indicated they thought that more consideration should be given to debt load. A related comment was that some clients thought the monthly payments were too high.

Client Satisfaction and Delinquency

Information from the Client Survey was merged with the administrative files to determine whether client satisfaction was correlated in delinquency. Two questions on the client questionnaire relate to satisfaction. One is a direct question regarding satisfaction with legal services, the other relates to whether a private or staff counsel were used. As Tables 6-15 and 6-16 show, there is some relation between satisfaction with legal services, or the type of counsel used and delinquency. There are fewer payment arrears of any duration with those who are satisfied and who engaged private lawyers under the Expanded Eligibility Program. Neither of these relationships is statistically significant at the five per cent level using the Chi-Square test, although other measures of association such as Phi support the existence of some relationship.

Bivariate analysis such as in these tables mask many other potential interactions. For example, we know that clients in the north tend to be more delinquent; they may also use Legal Aid Manitoba staff lawyers more. The small samples preclude further analysis.

TABLE 6-15

**SATISFACTION WITH LEGAL SERVICES
AND PAYMENT ARREARS**

	0 Days	30 - 90 Days	90 or More
Satisfied	73.9%	18.2%	11.4%
Not Satisfied	56.5%	30.5%	13.4%

Chi-Square = 3.31, P = .189

Note: Totals may not sum to 100 per cent due to rounding.

TABLE 6-16

TYPE OF LEGAL SERVICES AND PAYMENT ARREARS

	0 Days	30 - 90 Days	90 or More
Legal Aid Staff	54.6%	27.1%	18.2%
Private Lawyer	75.5%	14.5%	10.0%

Chi-Square = 3.82, P = .146

Note: Totals may not sum to 100 per cent due to rounding.

6.3 Demographic Attributes of the Client Sample¹¹

This section presents the Client Sample in relation to the Administration Sample. In this way, it is possible to infer the direction of any bias resulting from sampling and non response error.

¹¹ Where the data were available, the demographic data from the client survey sample were compared with that from the Administrative Review.

Age

TABLE 6-17

AGE OF CLIENT

Age	Survey Sample	Admin Sample
15 - 18	0.7%	2.2%
19 - 25	11.8%	21.2%
26 - 30	26.4%	23.4%
31 - 35	19.4%	20.0%
36 - 40	16.7%	15.5%
41 - 45	11.8%	9.1%
46 - 50	8.3%	4.2%
51+	4.9%	4.2%
Total	100.0%	100.0%

Note: Columns may not sum to 100 due to rounding.

- Table 6-17 shows the distribution of ages of the client sample. The largest percentage of clients were between the ages of 26-30 years.
- 62.5 per cent of the sample were between the ages of 26 and 40.
- The survey sample is similar to the larger administrative review sample with the exception of the 19-25 age group which is under-represented in the survey sample.

Gender

TABLE 6-18

GENDER

Gender	Survey Sample	Admin Sample
Men	52.4%	64.7%
Women	47.6%	35.4%
Total	100.0%	100.0%

Note: Columns may not sum to 100 due to rounding
n = 50

- Gender was evenly distributed in the client survey sample.
- Women were under-represented compared to men in the Administration Sample. This reflects the increased difficulty of locating male clients who are typically more mobile. Women tended to be involved in separation and divorce cases and were more "locatable" than men.

Education

TABLE 6-19

EDUCATION LEVEL

Education Level	
Grade 9 or less	13.8%
Grade 10 - 12	36.6%
High	25.5%
school/ged.	6.9%
Tech/voc.	11.7%
training	3.5%
Some university	
University grad	
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.
n = 145

- The majority of the client sample (62.1 per cent) reported a secondary school level of education.
- The largest percentage of the sample indicated that they had completed grades 10 to 12.
- 49.6 per cent had attained a secondary school or higher level of education.

TABLE 6-20

EDUCATION LEVEL - 1986 CENSUS CATEGORIES

Education Level	E.E. Sample	1986 Census
Grade 13 or less	75.9%	62.6%
Some Post Secondary	18.6%	28.5%
University grad	5.5%	8.9%
Total	100.0%	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.

- Table 6-20 compares Expanded Eligibility client education level to 1986 Manitoba Census data. Categories from Table 6-19 were collapsed to correspond with census data education categories.
- Grade 13 or less includes the categories grade nine or less, grade 10-12, and High school/ged. categories from Table 6-19. Some Post Secondary includes the categories Tech/voc. training and some university.
- Generally, the client sample is less well-educated than the general population of Manitoba.

Income

TABLE 6-21

INCOME

Family Income	Survey Sample	Admin Sample
Under \$10,000	8.8%	2.2%
\$10,000-16,000	26.5%	13.7%
\$16,000-20,000	25.0%	29.6%
\$20,000-24,000	21.3%	19.2%
\$24,000-28,000	8.8%	19.2%
\$28,000-32,000	6.6%	8.0%
\$32,000-36,000	1.5%	5.1%
\$36,000-40,000	1.5%	2.2%
\$40,000 over	0.0%	0.7%
Total	100.0%	99.9%

Note: Total percentages may not sum to 100 per cent due to rounding.

- 72.8 per cent of the sample reported a total family income of between \$10,000 and \$24,000 per year.
- 18.4 per cent of the sample reported a family income of \$24,000 or more per year.
- The client survey sample was different than the administrative review sample in several income categories.

A summary of the demographic attributes of the client sample indicates that the respondents were almost as likely to be female as male and were between the ages of 26 and 30 with a secondary education and a yearly family income of \$10,000 to \$16,000. In most respects, the differences between the client survey sample and the administrative review sample are anticipated.

6.4 Nonparticipant¹² Attitudes and Reported Impact of Refusal

This section of the report examines the attitudes of applicants who were refused services. Because of the nature of the respondents, the questionnaire is shorter than the one used for participants.

DISTRIBUTION OF CASE TYPE NON-PARTICIPANT AND CLIENT SAMPLE

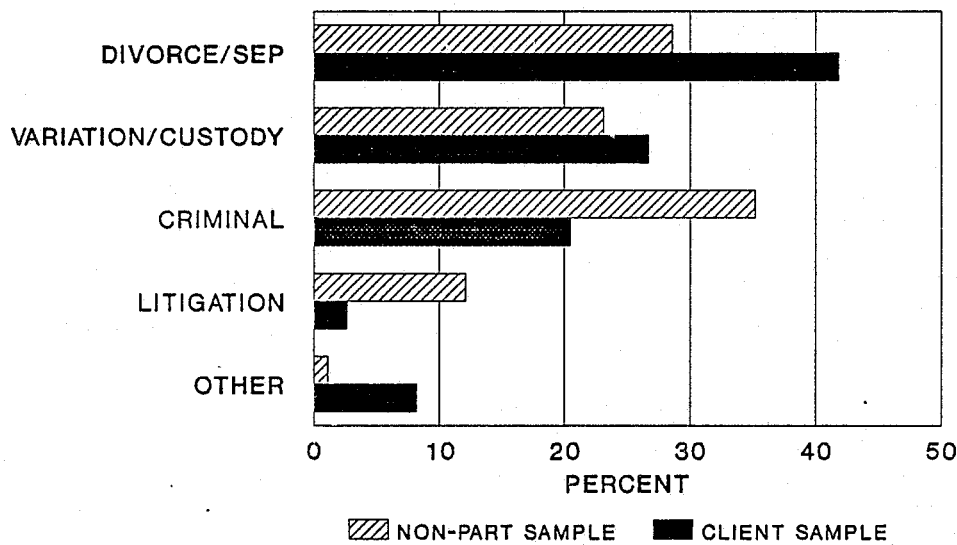


FIGURE 6-3

Figure 6-3 shows that this sample differed slightly from both the client survey and the administrative review (Expanded Eligibility clients) samples with

¹² The client sample included three cases which were initially identified as a part of the nonparticipant sample. Upon contacting these individuals it was revealed that they had in fact received assistance from Legal Aid Manitoba. To verify their status as a client, they were asked several qualifying questions before the interviewer continued with the remainder of the interview. These questions included the type of payment the respondent was required to make (monthly, agreement to pay or direction to pay), whether the respondent was still making payments at the time of the interview and the amount of the monthly payment. Finally, they were asked when they first started making payments to Legal Aid.

respect to the distribution of case type. There were significantly fewer divorce/separation matters in this sample (28.6 per cent) compared to the client survey (41.8 per cent) and the administrative review samples (66.9 per cent). The percentage of criminal cases were higher in this sample than in the client survey sample (20.5 per cent) but equivalent to the administrative review sample (33.1 per cent).

Prairie Research Associates Inc. contacted 91 individuals who were recorded by Legal Aid Manitoba as having been refused assistance on the Expanded Eligibility Program. These respondents were very difficult to trace, especially since some were refused two years ago. Also, many had a poor recollection of the circumstances surrounding their refusal. There is a relatively high proportion of missing data in the following tables. This reflects respondents who either refused to answer a question or could not remember the circumstances.

TABLE 6-22

CONTACT SOURCE

Contact Source	
Lawyer	81.1%
Social worker	0.0%
Friend/family	2.7%
None	16.2%
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.
n = 37

- Unlike to the client sample, the majority of nonparticipants interviewed (57.8 per cent) reported that they approached Legal Aid Manitoba directly. 81.1 per cent of the remaining 37 clients, were referred to Legal Aid Manitoba by their lawyer.
- Similar to the client sample, the majority of the nonparticipant respondents reported that a lawyer suggested they approach Legal Aid Manitoba for assistance.

TABLE 6-23

INFORMED ABOUT INELIGIBILITY FOR LEGAL ASSISTANCE

Length of Time	Nonpart Sample	Client Sample
First discussion/lawyer	6.7%	2.8%
When applied	4.5%	12.5%
Within 1 week	23.6%	21.5%
More than 1 week	65.2%	63.2%
Total	100.0%	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.

n = 89

- Similar to the client survey, most of the respondents (65.2 per cent) were informed about their ineligibility for assistance more than one week after they applied.

TABLE 6-24

INFORMED ABOUT INELIGIBILITY - COMMENTS

Length of Time	Nonpart Sample	Client Sample
Two weeks	46.2%	37.5%
Three weeks	23.1%	22.5%
Four or more weeks	30.8%	22.5%
Other circumstances	0.0%	17.5%
Total	100.0%	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.

n = 13

- Table 6-24 shows that of respondents who waited more than one week to be informed about their ineligibility (65.2 per cent), most (46.2 per cent) were informed two weeks after the time of application.
- A large percentage of the respondents (30.8 per cent) waited four weeks or more for information regarding their ineligibility for assistance.

Information about Refusal for Legal Assistance

The interview of nonparticipants included several questions designed to collect information about the nature of the refusal for assistance as well as the course pursued by the respondent once assistance was refused.

TABLE 6-25

REASON FOR REFUSAL OF LEGAL ASSISTANCE

Reason	
Income was too high	68.1%
Owned property or had assets	24.2%
Spousal income too high	7.7%
Poor chance of winning case	3.3%
Additional information needed which was not provided	2.2%
Other	4.4%

Note: Total percentage do not sum to 100 per cent due to multiple responses.
n = 91

- As indicated in Table 6-25, the majority of the cases refused in this sample were due to income levels which were beyond the Legal Aid Manitoba guidelines.

- Ownership of property and/or assets was another frequent reason for refusing assistance.
- In the category "other" one respondent reported that there was no reason for refusal provided, two didn't know why they were refused assistance and one indicated that Legal Aid Manitoba didn't handle cases of that nature.

Respondents were asked what course they pursued after they had been refused legal assistance (Table 6-26).

TABLE 6-26

COURSE PURSUED AFTER REFUSAL OF LEGAL ASSISTANCE

Course Pursued	
Proceeded using a private lawyer	58.2%
Other	20.9%
Stopped legal action/will not resume	15.4%
Appealed the decision	3.3%
Stopped legal action/plan to resume	2.2%

Note: Total percentage do not sum to 100 per cent due to multiple responses.
n = 91

- Once refused, the majority of respondents pursued their case with a privately retained lawyer. A small number (15.4 per cent) dropped legal action and do not plan to resume. There were very few appeals of refusal decisions.

In addition to the methods of proceeding with their cases mentioned in Table 6-26, respondents reported having pursued a variety of other courses (Table 6-27).

TABLE 6-27

"OTHER" COURSES PURSUED AFTER
REFUSAL OF LEGAL ASSISTANCE

"Other" Courses Pursued	
Represented myself	42.1%
Case resolved itself	15.8%
Court appointed lawyer	15.8%
Reapplied	5.3%
Went to jail	5.3%
Postponed case	5.3%
Paid fine	5.3%
Case handled by law centre	5.3%
Total	100.0%

Note: Total percentage do not sum to 100 per cent due to multiple responses.
n = 19

- Of the respondents who indicated that they pursued some "other" course after being refused by Legal Aid Manitoba (20.9 per cent, Table 6-26), the majority stated that they represented themselves in the matter.
- Three respondents indicated that the case resolved itself. This response typically refers to reconciliation between the parties involved.
- Three respondents indicated that they received a court appointed lawyer. This would apply in the cases dealing with young persons.

Only three respondents stated that they appealed the decision. Two appealed to the Board and one appealed to the Executive Director. Further, the respondent who had appealed to the Executive Director indicated that he/she had won at that level and therefore would not be appealing to the Board.

Attitudes Toward Eligibility Criteria

Similar to the client survey, the nonparticipant survey included two items designed to measure attitudes toward the criteria used in determining financial eligibility.

Since these respondents had been refused assistance, it was not surprising that a slight majority (53.3 per cent) felt that the Legal Aid Manitoba staff did not fully understand their financial situation. Tables 6-28 and 6-29 illustrate the reasons why the respondents felt this way and what other information they thought should have been considered when determining eligibility.

TABLE 6-28

**FACTORS ATTRIBUTED BY RESPONDENTS AS TO WHY
LEGAL AID MANITOBA DID NOT UNDERSTAND
THEIR CIRCUMSTANCES**

Factors	
Expenses/debts	33.3%
Assets/equity	15.6%
Other income related reasons	15.5%
Spousal income	13.3%
Parental income	8.9%
Lost information	6.7%
Other	6.6%
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.

n = 45

- Table 6-28 shows that respondents believed, the most frequently mentioned reason why they felt Legal Aid Manitoba staff did not understand their financial situation was the extent of their expenses and debts.
- Respondents also indicated that certain assets or equity were considered inappropriately.

- 13.3 per cent of respondents in this sample compared to 8.0 per cent in the client sample, indicated that spousal income was considered inappropriately.
- The category "other income related reasons" comprised of responses including the inappropriate consideration of unemployment insurance earnings, the application of gross rather than net income, and the application of previous income levels.
- The category "parental income" refers to the application of combined parental income in the case of young persons. These respondents indicated that this income was considered inappropriately since the youths did not perceive that their parents were legally or financially responsible.
- A few respondents indicated that the Legal Aid Manitoba office had lost their financial information or had used inaccurate information in their determination of eligibility.

TABLE 6-29

**FACTORS WHICH SHOULD OR SHOULD NOT BE CONSIDERED
(As Supplied by Respondents)**

Factors	
Should be considered:	
Expenses	37.2%
Debts	11.6%
Current income	7.0%
Loss of income	2.3%
Type of case	2.3%
Should not be considered:	
Spousal income	16.3%
Certain equity/assets	7.0%
Maintenance/disability payments	4.7%
Parental income	4.7%
Don't know	7.0%
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.

n = 47

- The category "other" refers to responses such as the respondent's perception that the decision regarding their case was "rushed" or not considered thoroughly. Other responses included the application of unemployment earnings and maintenance payments even if they were not actually received by the applicant.
- Most respondents indicated that Legal Aid Manitoba staff should have considered expenses and debts (37.2 per cent and 11.6 per cent respectively).
- Consistent with some of the responses in Table 6-29, nonparticipants indicated that current rather than previous income should be considered as well as loss of income due to a change in employment status. It should be noted that it is the policy of Legal Aid Manitoba to apply current income when determining eligibility. Similarly, it is practice to give additional consideration to individuals who experience a loss of income for various reasons.
- Respondents also cited factors which they felt should not be considered when determining eligibility. These included spousal income particularly in separation proceedings, maintenance and disability payments, parental income (in the case of young persons) and certain assets and equity.
- Three respondents indicated that they did not know which factors should be considered.

A large majority of the nonparticipant respondents (90.1 per cent) reported that the verification of financial information was a reasonable request. Of those who indicated otherwise, most respondents thought that spousal income should not be considered in determining eligibility. Consequently, they felt that submitting financial verification of this income was unreasonable. Other respondents felt that the information was personal and should not be requested by Legal Aid Manitoba.

In addition to these questions, Question 11 asked respondents whether they agreed or disagreed with various statements about the financial aspect of the Expanded Eligibility Program.

Question 11 stated,

"I am now going to read a number of statements. As I read each statement please tell me whether you agree or disagree. Now thinking about legal aid ..."

TABLE 6-30

"IF I COULD HAVE PAID A MONTHLY FEE I WOULD HAVE PROCEEDED WITH MY CASE"

Strongly agree	38.9%
Agree somewhat	31.1%
Neither agree or disagree	5.6%
Disagree somewhat	10.0%
Strongly disagree	14.4%
Total	100.0%

Note: Total percentage may not sum to 100 per cent due to rounding.

n = 90

- 70.0 per cent of the sample either strongly agreed or agreed somewhat to the statement that if they could have paid the monthly payments they would have proceeded with their case. This response appears to be inconsistent with that from Table 6-26, where 58.2 per cent of the respondents indicated that they proceeded with their case by retaining private counsel. This implies that either the respondents may have been able to secure a lower fee from the private counsel they retained or were able to make lower payments over a longer period of time. Alternatively, these respondents may have simply incurred the cost of private lawyer's fees because they needed legal representation.
- Almost one fourth of the sample (24.4 per cent) either disagreed somewhat or strongly disagreed with this statement.

TABLE 6-31

"THE MAXIMUM INCOME ALLOWED FOR LEGAL ASSISTANCE SHOULD BE HIGHER"

Strongly agree	53.6%
Agree somewhat	21.4%
Neither agree or disagree	15.5%
Disagree somewhat	7.1%
Strongly disagree	2.4%
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.
n = 84

- 75 per cent of the respondents either strongly agreed or agreed somewhat to the statement that the maximum income threshold should be higher. This is expected since most respondents were refused legal assistance on the grounds that their incomes were over the maximum allowed under the current guidelines.

Reported Impact of Refusal of Legal Assistance

The third statement in Question 11 (Table 6-32) measured the respondents perceived impact of having been refused legal assistance.

TABLE 6-32

"NOT PROCEEDING HAS CAUSED HARDSHIP"

Strongly agree	43.2%
Agree somewhat	23.9%
Neither agree or disagree	9.1%
Disagree somewhat	13.6%
Strongly disagree	10.2%
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.
n = 88

- The majority of the respondents agreed (strongly or somewhat) with this statement. Similar to the results in Tables 6-26 and 6-27, this response is at variance with a substantial percentage of the respondents that they proceeded with their case through alternative means (e.g., privately retained lawyer or represented themselves).
- Almost one-quarter (23.8 per cent) of the sample disagreed somewhat or strongly disagreed with this statement.

Another question which was designed to obtain additional information on the impact of refusal was an open-ended question which asked respondents what the effect(s) of not receiving legal assistance were on their lives.

TABLE 6-33

EFFECTS OF NOT RECEIVING LEGAL ASSISTANCE

No effect	32.2%
Financial hardship	37.9%
Lost money	8.0%
Matter unsettled	8.0%
Mental stress	6.9%
Reduced spending	2.3%
Went to jail	2.3%
Positive effect	1.1%
Bankruptcy	1.1%
Total	100.0%

Note: Total percentages may not sum to 100 per cent due to rounding.

n = 87

- One-third (32.2 per cent) of the sample indicated that there had been no effect on them or their families as a result of not receiving assistance from Legal Aid Manitoba.
- The remaining reported negative effects. Most reported financial difficulties (including financial hardship, bankruptcy, loss of money and reduced spending).

- Other negative effects included mental stress, ambivalence because the matter had not been resolved, and going to jail.
- One respondent reported a positive effect citing that the parties were able to communicate in a cooperative rather than an adversarial situation.

6.5 Demographic Overview of the Samples

This section of the report provides an overview of some demographic attributes of the four samples (regular legal aid, administrative review, client and nonparticipant). The extent to which the four samples are comparable across specific attributes reflects the varying features of each sample. (See Appendix G for a comparison of the client and nonparticipant samples).

Age

TABLE 6-34

AGE

Age	Legal Aid	Admin Sample	Client Sample	Nonpart Sample
15 - 25	48.8%	23.3%	12.5%	24.4%
26 - 35	29.8%	43.4%	45.8%	22.2%
36 - 45	14.7%	24.2%	28.5%	28.9%
46 +	6.8%	8.4%	13.2%	24.5%
Total	100.0%	100.0%	100.0%	100.0%

Note: Columns may not sum to 100 per cent due to rounding.

Gender

TABLE 6-35

GENDER

Gender	Legal Aid	Admin Sample	Client Sample	Nonpart Sample
Men	67.6%	64.7%	52.4%	60.0
Women	32.5%	35.4%	47.6%	40.0
Total	100.0%	100.0%	100.0%	100.0

Note: Columns may not sum to 100 per cent due to rounding.

Income

TABLE 6-36

INCOME

Family Income	Legal Aid	Admin Sample	Client Sample	Nonpart Sample
Under \$10,000	51.2%	2.2%	25.0%	17.1%
\$10,000-16,000	29.4%	13.7%	21.3%	28.0%
\$16,000-20,000	11.7%	29.6%	8.8%	9.8%
\$20,000-24,000	3.3%	19.2%	6.6%	11.0%
\$24,000-28,000	2.4%	19.2%	1.5%	14.6%
\$28,000-32,000	1.0%	8.0%	1.5%	9.8%
\$32,000-36,000	0.5%	5.1%	0.0%	2.4%
\$36,000-40,000	0.0%	2.2%	8.8%	3.7%
\$40,000 or more	0.5%	0.7%	26.5%	3.7%
Total	100.0%	100.0%	100.0%	100.1%

Note: Total percentages may not sum to 100 per cent due to rounding.

Tables 6-34 to 6-36 show that the regular legal aid sample had the largest percentage of clients between the ages of 15 and 25 years. This age group has a lower annual income and probably became eligible for regular legal aid. The 26 to 35 year age group were comparable in the administrative and client samples. This reflects the high percentage of divorce or separation matters which are common in this age group.

The distribution of males and females (Table 6-35) indicates that the majority of clients of Legal Aid Manitoba are males which is consistent with the level of criminal involvement in the general population.

In terms of income, the samples were consistent with the expected levels of income for each program. The regular legal aid sample has the highest percentage of clients with a reported family income of less than \$10,000. The client sample had the largest percentage (26.5 per cent) of reported income over \$40,000. This may be attributed to the parental incomes of young persons and larger family sizes.

Sample Quality

In summary, four groups comprise the "client" samples for this study:

- Regular legal aid (data from administrative files);
- Expanded Eligibility (data from administrative files);
- Client survey (sample from Expanded Eligibility file);
- Nonparticipant survey (sample from refused regular legal aid applicants file).

The comparison of common demographic variables (income, gender and age) show expected differences. There is also sampling variation in the two survey samples. The client and particularly the nonparticipant samples were difficult to contact for interview purposes. A total of 1469 individuals were contacted by mail followed by a telephone contact in order to obtain the client and nonparticipant samples.

The general consistency among the four groups suggest that we have obtained a representative samples for the analysis. Although differences exist, it is not possible to readily identify a norm to use as a basis for weighting any of these groups.

6.6 Summary of the Main Findings

This section of the report has presented the findings of the client and nonparticipant telephone survey. Specific findings important to the evaluation of the Expanded Eligibility Program included:

- Delinquent accounts may be managed more effectively if it were known that monthly payments might be adjusted. This would result in a lower average payment over a longer period of time.
- Clients respond well to reminder notices.
- The majority of clients were very satisfied with the service and the Program.
- About one quarter of the clients reported some level of dissatisfaction. Although there is no comparison group, it is possible that a similar levels of dissatisfaction may be expressed by clients who had retained lawyers privately.
- The nonparticipant respondents most frequently stated that all expenses and debt load should be considered when determining eligibility.
- Despite their reported dissatisfaction with being refused legal assistance, few respondents appealed the decision.

7.0 PERSPECTIVES OF THE PRIVATE BAR

7.1 Overview

Prairie Research Associates conducted 23 interviews with lawyers from the Private Bar. Thirty lawyers were initially contacted by letter (Appendix F) to inform them of the study and to advise that they would be called for an interview within a few days. A copy of the interview guide was enclosed for their information (Appendix F).

Of the 30 lawyers contacted, two declined to be interviewed saying they had not provided legal services to anyone receiving Expanded Eligibility and did not believe they were well enough informed. Five others were repeatedly unavailable each time they were phoned, although three of these indicated interest in being interviewed and attempted to return calls.

Lawyers were given the choice of a telephone or in-person interview. All except one respondent preferred the telephone. Fourteen of the lawyers were male; nine were female. Respondents had a range of experience and estimated having dealt with from one to about a hundred Expanded Eligibility cases. Most (n=7) stated they had experience with approximately 10 to 15 Expanded Eligibility cases.

7.2 Understanding of the Program

Lawyers had mixed opinions on how well the Private Bar was believed to understand Expanded Eligibility. Eight said the Program was sufficiently understood by the average lawyer, while another eight said it was not. Seven others were uncertain and one added that legal aid in general was not well understood.

Their own explanations of what they thought was the rationale for Expanded Eligibility reflected the diverse opinions of what they thought their colleagues knew. Although most knew that the Program is intended to assist those who do not fit within the financial criteria of Legal Aid Manitoba, some comments indicated confusion about Expanded Eligibility. For example, one respondent said, *"Those who are not eligible for regular legal aid are asked to make a contribution to the cost of legal services."* Another replied, *"They pay a set rate to Legal Aid Manitoba which is some portion of the actual cost."* Some answers such as *"allows services to be provided less expensively"* suggest a limited knowledge of

the Program. A critic of the Program commented, "It's a way to get lawyers to do work but be limited to the tariff."

When asked if they thought their clients understood the Program, 14 of the respondents said they did. Only two said they believed clients did not understand Expanded Eligibility, three said they were not sure and the remaining four said "sometimes" or "most of the time." One of the respondents who said their clients understood the Program added, "... but they may not understand what a good deal they are getting." Another explained that he always reviews the information very carefully with clients to ensure they understand it. Of course, those lawyers whose own knowledge of the Program was admittedly limited, may be less effective in educating their clients. In fact, they may even hesitate discussing the details of Expanded Eligibility with their clients.

7.3 Handling of Cases Prior to the Program

We asked respondents whether they had clients prior to Expanded Eligibility, who were ineligible for regular legal aid and could not afford their services. All but one answered "yes." They were further asked whether they handled this by declining service, adjusting their fee, doing the work for free, receiving payments over time, and/or encouraging clients to liquidate assets. Table 7-1 illustrates the range of responses.

TABLE 7-1

HOW CASES WERE HANDLED BEFORE EXPANDED ELIGIBILITY

	Yes	Sometimes	No
Declining service	9	10	4
Adjusting their fee	14	6	3
Doing the work for free	14	9	
Receiving payments over time	23		
Encouraging clients to liquidate assets	10	3	10

As seen above, many lawyers said they provided service to clients who could not pay, several also said they did free work. Some did so for compassionate reasons, others stated that although the client said they had no

money at the time, they assessed the credit risk of taking a case. Therefore, if the client was employed, owned a home, or if there was a divorce settlement expected which would generate money to cover legal costs, they might take the case. Some lawyers said they would try to get clients to pay disbursements and defer the balance of the fees while others said they were able to refer the case to someone more junior in the office (generally in larger firms).

Most lawyers said it was common for them to adjust their fees and all stated they have made arrangements to receive payments over time. Some respondents had received post-dated cheques - one mentioned carrying about 30 files with post-dated cheques to 1993.

Most of the lawyers said they have had problems collecting from clients who pay on an instalment basis. Only four said they have never had such a problem. Two respondents said they alleviated this concern by insisting on post-dated cheques.

Lawyers were just as likely as not to encourage clients to liquidate assets to pay legal fees. One respondent reported encouraging the sale of a house which was to be sold anyway as part of a settlement. Another has advised clients to sell a car or house on which they were making payments. This lawyer added, "*but they usually don't listen.*"

Respondents were asked what was their practice on the retainer for disbursements and what they do when the client is unable to pay it. Only six out of the 23 said they would accept such a case. This is a more critical issue for family practitioners since there is an initial cost to open a file, while this is rarely the situation in criminal cases. This initial cost arises because divorce cases require disbursements at the outset.

7.4 Opinions of the Program

Seven respondents were extremely positive in their remarks about the Expanded Eligibility Program. An equal number were unequivocal about their dislike and nine felt it was good for the client but not for the lawyer.

Some comments of those who were opposed to the Program include:

Don't like it because if a person does not pay, the certificate is cancelled and I don't have a retainer to fall back on.

This view is inaccurate. Lawyers will always be paid for time and costs once the Expanded Eligibility contract is signed.

Should get rid of it entirely because it is subsidized by the legal professionals so the government can look good. The government only covers the cost of administration.

Don't like it because it creates unfair competition. It amounts to price-cutting and puts legal aid lawyers in a position where they are competing with themselves. People who really need legal assistance can usually borrow from a relative or the lawyer will work out monthly payments. They usually have the initial retainer and then we work out the rest.

The following are typical comments from respondents who suggested Expanded Eligibility is an advantage to consumers, but not lawyers. Several in this group said the Program was good for the working poor, but also added:

Don't like it because it means lawyers must work cheaper. However, it is a great social benefit for people with lower incomes.

The Legal Aid Manitoba rates are too low ... but I like to see legal aid available to more of the working class.

Takes money from lawyers and qualifies people who would otherwise pay full fare, but its good for the clients and Legal Aid Manitoba.

The rationale is good, but some [clients] actually want free service. Also Legal Aid Manitoba will not pay for services once a certificate has been withdrawn, but sometimes proceedings have been initiated and we are obliged to show up in court.

It's a "pain" just like all legal aid in having to deal with all the administration. The tariffs are out of line in family law and we spend more time with clients than we get paid for. Good for the community - lousy for the lawyer.

Those who favoured the Program said they liked the idea of expanded eligibility. Some added:

It is a good program because it is shrinking the gap between the poor and middle class in providing access to legal services.

If you solve legal problems, you are solving social problems. This is an excellent program and immensely valuable to society. It is especially important for family disputes to be settled quickly.

Creates more of a market for lawyers. If people can't afford legal services they don't deal with their legal problems. Also lawyers commonly have a problem collecting from these clients and this takes the responsibility for collection away from the individual lawyer.

Respondents were equally divided on their opinions as to whether the Program extends services to people who could not otherwise access them. One who thought the service was not fulfilling this objective said, *"If people are serious about litigation, most can come up with the money or we can work out some arrangement."* Another recounted that *"many of these people could access legal services, but wouldn't make the sacrifices required."* However, slightly more than one-half the respondents felt the Program extended services which could not otherwise be obtained.

Eight lawyers stated that some people who should not be eligible are getting into the Expanded Eligibility Program. Some reported there are those who will abuse any part of the system if they can. Four respondents said they did not know if this was occurring, while 11 thought that those receiving assistance on Expanded Eligibility were doing so legitimately. Eight respondents also thought that eligibility could probably be expanded even further, although most did not agree with this suggestion.

Only four of the respondents believed that the instalment requirement may discourage some people from proceeding with their case. One explanation offered was: *"They believe since they don't pay for medical services they shouldn't pay for legal services either. Also if they didn't initiate the divorce they don't think they should have to pay for legal services."*

Six of the lawyers interviewed said they had clients who decided to hire them privately rather than enter the Expanded Eligibility Program. Some indicated that they were ethically bound to tell potentially eligible clients about Expanded Eligibility and believe that if clients are told, they will choose the cheaper rates. Two lawyers said they encourage clients to apply for Expanded Eligibility and at the same time, guarantee the same service.

Clients electing to proceed privately in spite of being eligible for Expanded Eligibility told the lawyers they did so because the paper work is too complicated, the requirements (such as a charge on land) are intrusive, and the client appears to perceive better service from the Private Bar. As well, respondents said,

... it can take 2 or 3 weeks for approval and sometimes because assets are so difficult to assess, it takes even longer. Also some clients believe that the legal aid lawyer will not do as good a job.

Legal Aid Manitoba may register a charge on their land - this could change "joint tenancy" to "tenancy in common" and the client could lose one-half the property to the estate of the other person if they die.¹³

Six lawyers said clients had given their opinions of Expanded Eligibility. Two said their clients were pleased with the Program, although one said that some clients are happy, but others think they should not be paying at all. Another said the clients only understand they are paying for a service and do not perceive it as "a favour." Also, some indicated to their lawyers that they felt they were receiving less competent service. Two said they find the Program administratively cumbersome and do not like the requirement of having to remit receipts. One case was related in which a husband and wife had two separate legal issues and both received Expanded Eligibility with \$75 monthly payments each. The clients felt they should not have to pay twice as a family. Another Expanded Eligibility client had to withdraw because he decided he could not make the payments.

Four lawyers reported a client who was accepted into the Expanded Eligibility Program after having retained them privately. One said this did not cause any problem. The other three said they experienced problems because earlier work is not considered and the lawyer is expected to pay back any retainer and "write off" the work done privately.

When asked to assess the Expanded Eligibility Program purely in terms of cost or benefit to members of the Private Bar, twelve respondents said Expanded Eligibility resulted in a cost, while seven said it benefited them. Two said there is a benefit to criminal lawyers, but not for family lawyers because the latter group are required to spend considerably more time with clients. The remaining two respondents said they did not know.

¹³ This is a wrong perception. Legal Aid cannot file a caveat which severs joint tenancy.

7.5 Suggestions From the Private Bar For Improving Expanded Eligibility

There were relatively few direct suggestions for improving the Program. Some lawyers mentioned raising the block fees and a couple said the Program should be terminated. Specific suggestions were:

Expand the coverage further and stagger payments where circumstances require, as some clients do seasonal work.

Do not cancel a certificate until lawyers are warned to bill for all work done up to time of cancellation. Sometimes most of the work has been done and the certificate is cancelled.

There should also be a way to ensure that lawyers' time is covered when they have to go back to deal with a case for which they are already on the record, but the client is no longer on a certificate. There should be a warning mechanism - for example, a letter stating the client is in arrears and the certificate will be cancelled in 15 or 30 days. This gives counsel an opportunity to get off the record or persuade the client to pay.

The rates and maximum billings for family law should be higher than those for criminal law. These [family law] cases take ten times the amount of work. It also limits the involvement of senior lawyers because they can make more money by not accepting Legal Aid Manitoba certificates.

7.6 Summary

There was considerable ambivalence reported towards Expanded Eligibility by two-thirds of the respondents. Lawyers who were critical of Expanded Eligibility tended to be in family practice, rather than criminal law. Critics of Expanded Eligibility believe that family law consumes more of the lawyers' time and that the present tariffs are insufficient. Supporters of the Program perceive advantages in acquiring a clientele that would not otherwise seek legal services and having their responsibilities for collections eliminated. The Program's social value to society was acknowledged by most respondents, including several who believed it was not benefitting the Private Bar.

In any event, it is clear that some of the objections to Expanded Eligibility are objections to the tariff. There is no difference in the tariffs paid to lawyers on regular legal aid and Expanded Eligibility. It is also clear that many lawyers are not sure of the differences between Expanded Eligibility and regular legal aid.

7.7 Views of Legal Aid Staff

To obtain input from Legal Aid Manitoba staff we conducted six brief interviews by telephone with directors and supervisors. All six respondents believed the Program was beneficial to the target population and a variety of positive comments were expressed. Most, however, admitted that administratively, the Program was somewhat of a burden. Although there was agreement that the Program (rightly) provides the ability to ease up on the stringent financial guidelines for regular legal aid, it was viewed by some as more difficult to administer.

It requires lots of administration and needs fine tuning in the payment structure. Sometimes there are strong reasons given for nonpayment. For example, if someone had a job when they received the Expanded Eligibility Certificate and subsequently lost the job.

Another respondent posed a dilemma around delinquent accounts: *"Do you go after the money? If not, it threatens the integrity of the Program. We impose a charge on land but then ignore it."*

When asked whether Expanded Eligibility made their jobs easier or more difficult, most respondents said the Program made their job more difficult. This was mainly due to their perception that their offices are not set up to look after money and further, that staff lawyers were not oriented to providing service for payments from clients. They have been accustomed to *"addressing peoples' problems and the business [persons'] mentality doesn't come easy to them."* Collecting money causes them discomfort.

On the other hand, two respondents said it made their job easier because now they do not have to refuse legal services to people they know cannot afford it, but do not fall within regular legal aid guidelines. Also, for those who are responsible for reviewing financial appeals, the number of requests have significantly decreased.

There was no sense by respondents that ineligible people are getting into the Expanded Eligibility Program. It was generally felt that the present Expanded Eligibility guidelines were sufficiently flexible and that legitimate applicants would not be turned away. One respondent maintained that if the Expanded Eligibility thresholds were further increased, the Program should not be delivered under the guise of legal aid.

Respondents were asked if there were changes to the Program they would suggest. Most comments pertained to its administration, and not the Program itself. The only exception was that Expanded Eligibility should only apply to civil law - that the idea of reimbursement in criminal law is self-defeating, *"since most criminals go to jail."*

Changes to the administration of the Program pertained to increased resources. Some suggested that support for the accounts administrator was required. Others mentioned the back-log of the accounts work. It was also thought that the Program is becoming more difficult to administer as the level of complexity of applications increase and more financial analysis and financial decision-making are required. It was also reported that if collections were to become decentralized, it would create more work for an already overworked system.

There were also some comments about changes to the "culture" of Legal Aid as a result of the Expanded Eligibility Program. There is now a *"different group of people being served."* Although clients are still low income, the ratio has changed slightly toward domestic cases. A suggestion was posed that this is *"good for the organization because of [society's] negative perception of criminal clients."* The domestic cases are *"politically and socially more acceptable."*

The change in "culture" also refers to the philosophical change of Legal Aid collecting money. Concern was expressed that this will contribute to the widely held contempt of lawyers and the legal system. Conversely, helping the working poor to obtain services more reasonably was regarded by one respondent as *"a message to the Private Bar that they are costing too much."*

8.0 CONCLUSIONS AND RECOMMENDATIONS

8.1 Impact of Expanded Eligibility on Legal Aid Manitoba

The Expanded Eligibility Program introduced a new approach to extending legal aid to the working poor. Not only did it change the accessibility of legal aid within the province, it also introduced a new process within Legal Aid Manitoba. Prior to Expanded Eligibility, the entire structure of Legal Aid Manitoba consisted of qualifying clients, and then delivering services without charge except for a small number of clients who were involved in Agreements to Pay.

Expanded Eligibility requires Legal Aid Manitoba to:

- Expend cost in qualifying candidates. Under the regular legal aid program, a high proportion of applicants are on social assistance and once this is verified, no additional financial data are required. Under Expanded Eligibility the financial or means test process is much more onerous and exacting.
- Manage an accounts receivable and accounts payable process. Legal Aid Manitoba must ensure clients pay regularly and on time. This has introduced a different "culture" within the organization.

The concept of a different culture is important. Legal aid is historically a program which provides assistance solely on the basis of an economic and family size test. Once an applicant qualifies, service is rendered without question. Since many applicants are on social assistance and have no assets, the economic tests are unambiguous.

With Expanded Eligibility two important changes are introduced. First, the economic test is usually more complex. With higher incomes, assets may be substantial. Legal Aid Manitoba intake workers often must undertake a more complex economic test to verify whether an applicant is qualified for assistance.

Second, eligibility is constantly assessed by the maintenance of payments. The initial invoice is sent quickly (within 2-3 weeks) after acceptance to set a pattern of regular payment. Clients are terminated if they fail to pay.

The relative difference between a client on Expanded Eligibility declines sharply with family size (see Table 1-1). The difference in circumstances for the regular legal aid client and the Expanded Eligibility client may appear to be quite small.

The new mode where clients are examined closely and monitored continuously for payment history is a shift for Legal Aid Manitoba staff. Rather than providing "access", the staff must now monitor and check clients. This requires a different mentality, and can be difficult. For cost control reasons, monitoring is essential and many staff may find this distasteful.

Against this must be balanced the fact that Expanded Eligibility provides services to those who previously would be disqualified.

Which focus prevails depends on management and its approach to client qualification and payment enforcement. In the final analysis, those who default on their payments limit the services to clients who have yet to apply.

In the first year Legal Aid Manitoba has managed this process quite well. The overall default ratio, that is the proportion of accounts which are delinquent by more than 120 days, is around 14 per cent. This is a good level of performance.

Furthermore, the administrative costs of the Program have met the overall level budgeted. The administrative costs for 1990 - 91, are estimated to be \$143,600, or about \$140 per client (assuming about approximately 1000 clients over this period). These administrative costs are not recovered -- the client only pays the direct legal cost of private or Legal Aid Manitoba lawyers on a tariff or block payment basis. With an average monthly payment of \$50 - \$75, these administrative costs could be borne with an extension of the total billing period of two - three months. Given the sensitivity of clients to the current monthly payment as seen from the telephone surveys, an extension of the payment period seems a more appropriate approach than increasing the monthly instalment.

In general, the administrative costs imposed by Expanded Eligibility are reasonable given the scope of the cases. It is possible that at the current client load the Accounts Administrator and the part-time assistant are overburdened. The recent computer upgrade will assist in alleviating a portion of this burden, but with more clients, further enhancements will be needed to manage accounts and pursue delinquencies. The decision to write off is made by the Board with little discretion exercised by the Accounts Administrator. In general, this is appropriate, but there may be scope for reducing arrears, by encouraging the Administrator to reduce instalments or accept partial payments.

8.2 Summary and Conclusions

The findings of this evaluation may be placed in synopsis format, according to the framework presented in Section 2.0. The last set of issues relating to the impact of Expanded Eligibility on Legal Aid Manitoba has been reviewed immediately above in Section 8.1.

Client and Case Profile

Legal Aid Manitoba is providing the Expanded Eligibility Program to the intended target, the working poor. The vast majority of clients are within the guidelines and family size and income guidelines set down in the Program policy. The "outliers" are largely accounted for by difficulties in accurately reporting incomes of certain clients such as young persons and youth, for whom parental income may be recorded. (See Appendix B for illustrations). About two-thirds of Expanded Eligibility (and regular legal aid) clients are men and most clients in both programs are below the age of 40.

In expanded eligibility, services tend to be about 67 per cent civil and 33 per cent criminal, compared to 60 per cent criminal for regular legal aid. The criminal cases in Expanded Eligibility are largely for more minor offenses classed as Category 3. This difference in the nature of the cases in the two programs reflects an important service provided to the working poor by Expanded Eligibility in providing legal services to assist with divorce and family matters.

Differences between clients accepted into Expanded Eligibility and those rejected for this program are not large. There is a slight tendency for those who are rejected to be in the youngest or oldest age groups. There were some income differences noted from the two telephone surveys. Nonparticipants reported higher income levels than Expanded Eligibility clients. The two samples varied in terms of legal service provided. The client sample were involved in more divorce and separation cases (41.8 per cent) than the nonparticipants (28.6 per cent). Correspondingly, the nonparticipant sample were involved in a higher number of criminal cases (33.1 per cent) than Expanded Eligibility clients (20.5 per cent).

A comparison of demographic attributes of the Client and Administrative Review samples indicates some variation in terms of gender and income. The age distribution of the two samples were comparable. There were more women in the client than administrative sample. This is attributed to the higher percentage of criminal cases in the administrative sample in which men are typically more involved than women.

The highest variation in income between the two samples is at the low and high income levels (under \$10,000 and over \$40,000). At the low income level, this result may reflect the difference in the definition of income applied in this research. Income was determined at the time of application. Variation in income subsequent to application was not considered. In addition, clients reported their current income at the time of the interview. This may have been lower than at the time they applied for legal assistance. At the higher income level, the client sample may have had a higher percentage of young persons where the reported income includes combined parental incomes.

We are able to report from the two telephone surveys that most clients are referred to Legal Aid Manitoba by lawyers, from public forums, and from the distribution of information pamphlets.

Cost and Cost Recovery

Our analysis of the operating costs of the legal aid service indicated a total administrative cost for 1990-91 of \$143,600. The budget under-estimates the net costs by approximately \$8,000. Attempts to recover costs will have to be increased to maintain a break-even position. The total administrative cost per client for the period June 1989 - August 1991 (741 clients) is approximately \$190. Costs per case range from \$1,628 for private lawyers on Category A cases to \$167 for Legal Aid Manitoba lawyers on Category C cases. The cost advantage from using staff counsel ranges from 50 per cent - 80 per cent with an average of \$409 for all cases billed by private lawyers and \$235 on cases billed by staff counsel.

Delinquencies (especially over 120 day category) are lower than average when clients are residents of Winnipeg, Dauphin, and Brandon, have higher incomes, are involved in civil and domestic matters, and have a positive net worth. The amount of total debt does not have an impact on delinquencies. Home owners are slightly less in default than renters.

The primary reasons and patterns for late payments and defaults are those where the client has moved without leaving a forwarding address, the case has resulted in incarceration, termination of employment, and where the client has no business telephone number. The conclusion of a case also is associated with defaults.

The estimated rate of recovery of between 78 per cent to 86 per cent on the net billings for the period, and the corresponding default rate of between 14 per cent to 22 per cent is considered to be good considering the factors related to the development of a new program. There is currently a positive cash flow due to instalment payments and lawyer billings. In general, this should be the case as

long as instalments are used to cover legal costs and administrative overhead costs are not charged to the client. If major capital investments, such as hardware upgrade, or even normal administrative costs are charged against Expanded Eligibility certificates, this positive cash flow will not necessarily be maintained.

Since information pertaining to clients referred retroactively to the Expanded Eligibility Program are not retained on the Management Information System, we were unable to conduct a comparison of payment problem between clients who were referred retroactively to those who applied directly to Legal Aid Manitoba. Similarly, data were unavailable on the number of transfers from the Expanded Eligibility Program to regular legal aid.

The fact that the conclusion of a case appears to be related to defaults poses potential problems. The evaluation covered the initial or pilot year of the program. As the program matures and more cases are concluded, default rates could increase. This suggests that accounts management and delinquency control will become more important if the program is to maintain cost recovery.

Rejected Expanded Eligibility Applications

The demographic attributes of the two telephone survey samples were generally comparable in the distribution of age, education level, and gender. The client sample had a higher number of respondents in the 26-35 age group. This reflects the high percentage of divorce or separation matters which are common in this age group.

The distribution of income levels varied between the samples. As expected, the nonparticipant respondents reported higher income levels than the clients which was the primary reason for being refused legal assistance.

The type of legal problems experienced by the two samples differed in that the clients had a significantly higher percentage of divorce and separation matters (41.8 per cent) compared to the nonparticipant sample (28.6 per cent) (See Figure 6-3). The nonparticipant respondents tended to be involved in more criminal matters than clients.

Most nonparticipant respondents reported that the refusal of legal assistance caused some degree of "hardship". However, over one-half reported pursuing their case with a private lawyer after being refused assistance. An additional 20 per cent of these respondents pursued their case through some other means.

Client Acceptance and Satisfaction

Most clients reported difficulties in budgeting their monthly payments. Almost one-half stated that they had fallen behind in their payments at some time. Over one-half of the respondents reported they had "cut back on monthly expenses" to maintain their payments. However, 39.2 per cent reported "no changes" were necessary.

The majority of respondents stated they thought Legal Aid Manitoba staff understood their financial situation. Some 38 per cent reported that the staff should place more emphasis on debt load and expenses when determining eligibility. Most clients who stated they experienced difficulties had approached the Legal Aid Manitoba staff and indicated that they had been sympathetic to their financial problems.

Clients reported a high level of satisfaction with the service received from their lawyer - 81.2 per cent stated that they were satisfied with the quality of the representation they received. Most clients reported they felt they had received the same quality of service from staff lawyers as they would have from private lawyers.

From the client telephone survey satisfaction with legal services is weakly related to payment arrears. However, arrears and defaults are probably more strongly related to the clients success in negotiating adjustments. If this information were more widely known, a higher number of clients might attempt to negotiate reduced payments and delays in payments and defaults may decrease. Disseminating such information may prove beneficial to payment management.

Referrals

Data pertaining to referrals, extent of and variation between retroactive application and other Expanded Eligibility clients were not maintained on the Management Information System.

Expanded Eligibility and the Private Bar

The respondents from the Private Bar were divided in their opinions regarding the value of the Expanded Eligibility Program. Approximately one-third were positive, the same number were negative, while another third felt the Program was beneficial for clients, but not for private lawyers.

Some administrative problems occurred when a client was accepted into the Program after already having received some service privately. The lawyers did

not appreciate having to "write off" work performed privately in order to receive the Legal Aid Manitoba certificate. Cancellation of certificates for nonpayment without due notice to the lawyers was also cited as a problem. Lawyers reported suffering the consequence of not receiving payment for services which have not been invoiced prior to the cancellation. As mentioned previously, lawyers are always paid for work done after the contract is signed.

Twelve of the respondents felt the Program cost the members of the Private Bar who participate, while nine believed there were benefits to private lawyers. Benefits to the Private Bar were somewhat more likely to be acknowledged by those involved in criminal practice, as family practitioners felt their cases require more time. Further, the Program relieves the individual lawyer of the responsibility for collection and there is a higher delinquency rate among criminal cases.

8.3 Recommendations

Our recommendations relate primarily to the administration of the Expanded Eligibility Program. In general, the basic thrust is that this program injects a new dimension into Legal Aid Manitoba, and requires that certain approaches, currently instituted, be strengthened and enhanced. At this time, there is no evidence of serious deficiencies in administration. However, our focus is on adding administrative support to deal with the anticipated increased client load which will arise from the current publicity campaign. On another plane, the recommendations deal with the process of qualifying applicants and managing an accounts receivable/payable system which is always a challenge for any organization.

Upgrade the Current Computer System In Accounting

Legal Aid Manitoba should consider replacing current computer hardware and down-loading information from the database system to improve the efficiency of operations.

We have been informed that the XT model computer has been upgraded to a 286 based system with a faster hard disk. We also suggest that a second terminal be added in a Local Area Network to allow both the administrator and assistant to maintain the records. These upgrades will have a quick pay-off. They will create much needed additional time for the accounts clerk to spend collecting delinquent accounts.

The backup process could be enhanced by using 1.2 megabyte diskettes and a backup software package such as Fastback. Another alternative would be to use a tape back-up procedure which costs about \$1000.

To reduce duplication, consideration should also be given to down-loading information that is currently being entered twice from the database system to the accounting system.

Develop Long-term Information Systems Strategy

The current information system is split between a client database and an accounting database. These two systems have evolved to meet the needs of Legal Aid Manitoba, but it is likely that continued expansion of the Program will place greater burdens of all aspects of the information system.

A long-term information systems strategy (Management Information System) should be developed. Based on our initial review, an integrated network system (database, accounting) would appear to offer the most advantages. In our view, the client information system needs to be integrated with the accounting system.

A Management Information System forms the core of all aspects of administrative control and analysis. In our review we discovered that the process of up-dating key client attributes such as income was intermittent. For example, only by examining the paper files was it possible to obtain accurate measures in income and wealth, which are critical to determining eligibility. Because of the type of clients in the Expanded Eligibility Program, incomes may change throughout the life of the certificate.

As part of this development, formal protocols are needed to govern data entry and quality assurance. For example, access to the system should be minimized to ensure control over data entry and thereby ensure the highest accuracy.

The following should be included in the key information produced to assist senior personnel and management:

- An estimate of unbilled legal fees - on the basis of past experience and case type;
- Monthly delinquency statistics;
- Default statistics and characteristics;

- Delinquency characteristics and patterns;
- Monthly statistics of volumes (number of certificates issued, billings, payments, etc.).

All client history information that is purged upon closing the file should be archived on diskettes. This will facilitate periodic review of the Program.

Provide Training to Backup Accounts Clerk

Managing an accounts receivable function is labour intensive. To reduce exposure and to assist when the accounts clerk is away, a second person should be trained for the accounts clerk's functions. It is probable that increase in client load will necessitate that this be a full-time position.

Improve Cost Allocation Aspect of Budget

The initial budget did not fully reflect all cost categories. The Expanded Eligibility budget should be amended to better reflect its current costs as described in Section 5.

Consider Other Cost Recovery Mechanisms

Additional revenue sources will likely have to be considered to reduce the administration costs. These could include charging an administration fee, either a flat amount or as a percentage of billings and interest on overdue and/or unbilled amounts. A policy of extending the period of payment, which we expect to amount to about 2 - 3 months of extra instalments on average, is probably a more acceptable approach to the average client. Adding \$190 to the total bill represents a substantial increase for the average client who pays between \$200 - \$400 in legal fees. An alternative is to recover only a portion of the administrative fees such as adding only the salaries and office costs. This implies an administrative cost of \$117 per client (the cost per client disregarding bad debts). Other percentages of administrative costs can also be added such as a percentage surcharge to a maximum. There is always a danger of incurring collection problems if instalments are extended over a longer period.

Delinquency Management and Certificate Cancellation Policies

There is evidence that certain client and case attributes are associated with a higher risk of delinquency and eventual default. Although the initial year may well be atypical, cases/clients involved in minor crimes and from the North have a higher risk of delinquency. This suggests that increased monitoring/control

and/or a stricter cancellation policy for these cases may be warranted. With additional case information, the management information system should be able to become more precise in predicting clients who are likely to default.

As part of the delinquency management process, a discretionary approach to repayment may prove beneficial. As we discovered in the client survey, many did not attempt to renegotiate their monthly payment. Yet, one-half of those who did, were able to obtain a reduction in their instalments and maintain their eligibility. It is probable that delinquencies could be reduced by being more proactive in offering to review instalments for those who fall into arrears.

Another policy which should be considered is to encourage private lawyers and Legal Aid Manitoba staff counsel to provide better estimates of the total costs the client may face. Section 5.8 developed average costs based on data derived from 25,000 certificates. A properly functioning Management Information System would be able to provide a reasonable high/low estimate of the costs the client might face in any case. If this information were introduced at the start of a certificate, clients who had a weak commitment to paying might reconsider.

There is risk in projecting fees. Any given case may have particular difficulties which cause costs to increase well beyond previous ranges. Clients could easily misinterpret the estimates as a contract. As an interim measure, one alternative might be to reveal ranges only in those cases where there has been little variation.

Whether to state the expected cost saving from using staff versus private counsel is more controversial. The Private Bar could easily interpret this approach as aggressive marketing by Legal Aid Manitoba. At this time, Legal Aid Manitoba requires the Private Bar to deliver all forms of subsidized legal services, and care must be taken not to alienate private lawyers.

Naturally, any policy of delinquency management and cost recovery should be carefully reviewed as the ongoing administration costs may exceed the benefits. A fully integrated management information system will be essential to producing the timely information needed to support such periodic policy reviews.

Review Eligibility Guidelines

Clients and nonparticipants (those who were refused service) told us that wider considerations should determine eligibility. Some clients complained that monthly obligations other than child maintenance and rent should be considered in determining eligibility. For example, some clients stated that car payments

when the vehicle is needed for employment should be considered when setting the monthly instalment.

The interaction of income and net worth presents a problem for all income tested social programs. Many low-income clients who happen to own significant assets (usually a home) resent the requirement that these be disposed of before they become eligible for the Program. In the case of Expanded Eligibility, divorce cases where a home is involved may result in the payments being made on the sale of the house once the case has concluded. This occurs only if the client is in default of payment.

The consideration of assets, debts, and income poses an important problem for the Expanded Eligibility Program. At this time it appears that in many cases this consideration is not guided by explicit policy. We understand that a written policy is in the final stage of approval.

A related issue concerns the process of verification of economic status. In one aspect, Expanded Eligibility represents a loan program. Clients are allowed access to legal services, for which they pay over an extended period of time. In our view there is benefit in moving the initial application and verification process somewhat closer to the models used by financial lending institutions. Clients on the surveys did not object to the need for providing such information. Many would welcome it in the context of a broader definition of allowable monthly expenditure.

8.4 Final Comments

In its first year of operation Expanded Eligibility clearly filled a need among the working poor of Manitoba. In general, its administrative function was well executed. Default rates were comparatively low, and the Program was able to cover the costs of legal counsel. It does not, and was not intended to cover administrative costs as well.

In our view there is some opportunity to cover administrative costs by adding an additional two or three instalments to the average case. However, for many clients this could represent a doubling of the total fee. Some adjustment based on total fee may be appropriate and less than 100 per cent administrative cost recovery could be considered. Alternatively, a fixed percentage of administrative costs could be added to each bill.

Several cautionary notes are in order:

- The expected growth in client load resulting from the current publicity campaign will increase administrative loads. Failure to address systems and personnel needs outlined in this report could compromise this initial success.
- Expanded Eligibility attracted a high number of domestic cases. The Private Bar believes these cases to be more expensive than criminal cases. Aside from the comments regarding Legal Aid Manitoba tariffs which are beyond the scope of this study, expansion of these cases will make more demands on the Private Bar. Private lawyers who deal with domestic cases tend to be ambivalent toward Expanded Eligibility Program. Also, as the client load increases, lawyers may come to view the Program as competition. Legal Aid Manitoba must maintain close contacts with the lawyers who supply this service to ensure there is adequate capacity to deal with increased demand.

The Private Bar which deals with criminal cases tends to view the Expanded Eligibility as an "insurance" program in guaranteeing payment from risky clients. Moves to promote Legal Aid Manitoba staff lawyers would be resented by this group.

- About 25 per cent of all cases use Legal Aid Manitoba Staff Counsel. Typically the cost is about one-half that of using private lawyers. Legal Aid Manitoba could manage costs of an expanded program by hiring more staff counsel. But before such a move is contemplated, it is essential that a study be undertaken to ensure that the marginal costs of additional staff counsel can be met through increased billings. While we believe that this is the case, there is an initial investment in salaries and orientation required. As a first priority, we believe that investment in an integrated management system is more advantageous. Also, any expansion of Legal Aid Manitoba will require close consultation with the Private Bar.