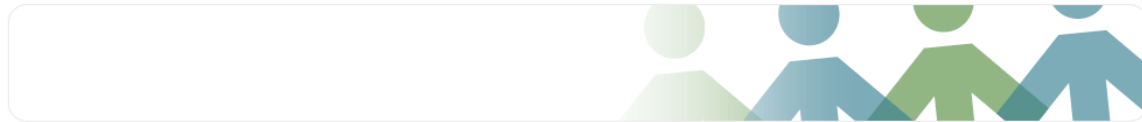


A New Social Care Act for Canada



Prepared for CASW by:

Allan Moscovitch, Professor, Carleton University and
Ginette Thomas, Doctoral Candidate, Carleton University



Foreword

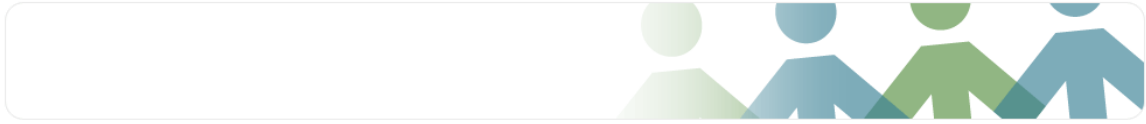
A New Social Care Act for Canada provides an in-depth history of Canada's social policy trajectory, and paints a picture of the Canada that might have been before being derailed by a climate of austerity and budget-balancing-at-any-cost mentality: a Canada that the federal government might boldly pursue through renewed leadership and accountability in the area of social policy by implementing a new *Social Care Act for Canada*.

With the introduction of the Canada Health Act, the Government of Canada acknowledged that certain principles should be upheld across Canada in the delivery of health care services. Far from providing hard laws or regulations, the Canada Health Act serves as a set of guiding principles, meant to ensure that Canadians have quality care regardless of the province and territory in which they reside.

Similarly, the intention of the proposed new *Social Care Act for Canada* is not to impose regulations or restrictions on the use of the Canada Social Transfer and other social investments. Rather the proposed new *Social Care Act for Canada* is to serve as a catalyst for renewed federal leadership in improving the lives of all Canadians, regardless of where they live. The proposed new *Social Care Act for Canada* includes the following ten principles:

1. Public administration
2. Comprehensiveness
3. Universality
4. Portability
5. Accessibility
6. Fairness
7. Effectiveness
8. Accountability and Transparency
9. Rights and Responsibility
10. Comparability

Indeed, this paper demonstrates that the 1971 report of the Special Senate Committee on Poverty recommended that a guaranteed annual income financed and administered by the federal government be established. The in-depth analysis will also guide readers through the 1974-1979 'MINCOME' experiment, when the Governments of Canada and Manitoba funded the Manitoba Basic Guarantee Annual Income project and confirmed the amazing potential of supporting people and the social determinants of health on the economy and the labour market.

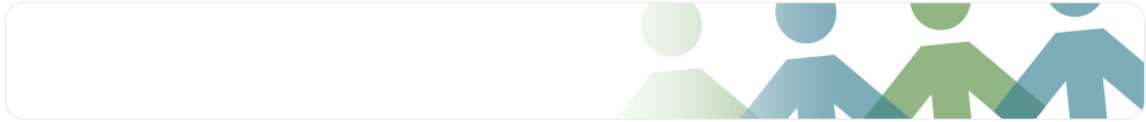


It is these types of holistic programs that are the future of Canadian social policy. Research proves that austerity based policies do not provide the best outcomes, but rather that up front investments in people are best for our country's health and economic prosperity. At this time, however, it is impossible to determine how federal funding for social programs is being used – and whether the best outcomes are being produced. *A New Social Care Act for Canada* will serve to change this by acting as a social policy lens or framework to support the delivery of equitable services to all populations across Canada.

Sincerely,

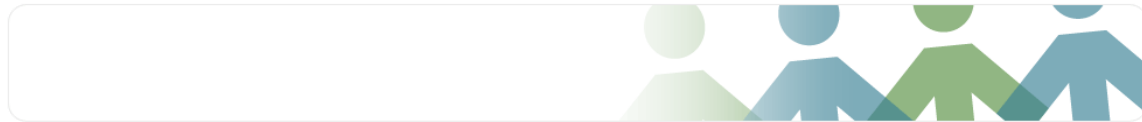
A handwritten signature in cursive script that reads "Morel Caissie".

Morel Caissie, MSW, RSW
CASW President



Contents

1. Introduction	5
1.1 Social Services in Canada: Preamble	6
2. A New Social Care Act	8
2.1 Rationale	8
2.2 Principles for a Social Care Act	9
3. Social Services in Canada: Historical Context	12
3.1 Overview	12
3.2 The Social Security Review	14
3.3 The Canada Health and Social Transfer	20
3.4 The Social Union Agreement	22
3.5 The Canada Assistance Plan Act	25
3.6 Established Programs Financing	26
3.7 Federal Block Funding	29
3.8 The CHT and CST	30
4. The CST: Past, Present and Future	32
5. Conclusion	33
6. Appendix	34
7. Endnotes	36



1. Introduction

When the federal government launched a joint federal-provincial review of social security in 1973, the objective was to explore what all governments were doing in the field of social security. In their 1973 **Working Paper on Social Security in Canada**, the objective of social security was presented in the following manner:

The central, though by no means the sole, objective of social security in Canada is an acceptable basic income for all Canadians – whether that income comes through employment, if a person is able to work, or through pensions or allowances if a person is unable, or not expected to work. For a basic income is essential if a person is to live in decency and in dignity. ¹

In the forty years since this Working Paper was released, the field of social security in Canada has been witness to major transformations and permutations in conception and in delivery. A brief scan of the legislation and the programs since the 1960s indicates that social security has been driven primarily as a matter of fiscal and constitutional policy rather than as a matter of social policy.

There have been four overarching issues at the centre of debate on social security: first, how to maintain the incomes of Canadians in need; second – since the mid-1970s – how to do so while containing and then reducing the deficit and debt; third, the role the federal government should play in social programs, an issue which actually predates the 1960s; and fourth, the form and conditions attached to federal funding for provincial social programs.

The federal government's taxing powers, and therefore its capacity to provide funds for provincial programs, has been the means by which the federal government has attempted to direct the development of provincial social programs. At the same time, demands from provincial governments for greater authority and autonomy in social policy – especially those from Quebec – has led the federal government to pull back from a more direct role in the coordination of social programs nationally.

The development of social programs is integrally linked to the constitutional debate that has taken place in Canada over the past 50 years. Over that period of time, federal funding for provincial social programs began as conditional; this has now changed to the extent that some programs have no conditions, some minimal conditions, and some have principles but no conditions. Further to this observation, federal funding for provincial social programs began in most instances as cost sharing, but has now developed into a block funding model.

This paper will focus on social services funding. Based on a review of the changing nature of federal social program funding, we find that only during the duration of the



Canada Assistance Plan (1966 to 1996) were social services directly subject to legislation. Two other discussions did take place, during the Social Security Review of 1973-1977, as well as during the Social Charter/Social Union debate, from 1995-99. During the transformation of federal funding of social programs from 1994 to 2006, social services were not the direct subject of discussion. Now in the 21st century, we see that federalism has taken a very different path from the direction envisioned by the federal government in the 1960s, a path which CASW believes Canadians are ready to follow again.

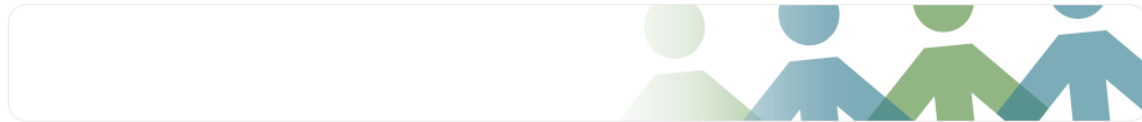
Through this paper's analysis and historical review, the Canadian Association of Social Workers (CASW) will expose the myriad times Canadians sought to implement the more equitable delivery of social services, and why those efforts were thwarted. The analysis will demonstrate that Canadians need a different way of approaching social citizenship: a new model that guarantees equity and fairness across Canada, drawing on the best proposals of past governments - proposals that were ignored due to a constellation of factors that this paper will outline. Ultimately, CASW does not propose conditionality for social transfers, but rather ten principles meant to guide the provinces and territories, providing a broad national framework for what Canadians can expect from their government regardless of where they live. This is the meaning that social citizenship ought to have in Canada for the 21st century.

A review of the changing landscape of federal legislation in support of provincial social and health programs, as well as federal-provincial and territorial discussions and agreements, provides clear context as to where we have been, and where we are now. It provides some guidance as to what has been accomplished, and what remains to be accomplished in order to provide greater certainty of the availability of high quality social services to all Canadians in need, regardless of province or territory of residence. CASW firmly believes that the concept of 'need' should be broadly applied to all those who, regardless of their income, who by virtue of their personal circumstances, whether social or health related, would benefit from assistance from social services practitioners.

1.1 Social Services in Canada: Preamble

It is clear that while there have been several discussions around social service provision since the passage of the Canada Assistance Plan, no discussion has led to the establishment of principles in law. Indeed, while conditions were implied and clarified through program manuals under the Canada Assistance Plan, with the termination of the legislation there are now no conditions other than the prohibition against a residence requirement under the Canada Social Transfer. Finally, there has been a clear evolution in the involvement of the federal government in the funding of social services. In the 1960s, the federal government consolidated its hold on the major sources of taxation through the Fiscal Arrangements Act and made a portion available for post-secondary education and hospitalization through the Established Programs Financing.

Through the Canada Assistance Plan, the federal government established open-ended but

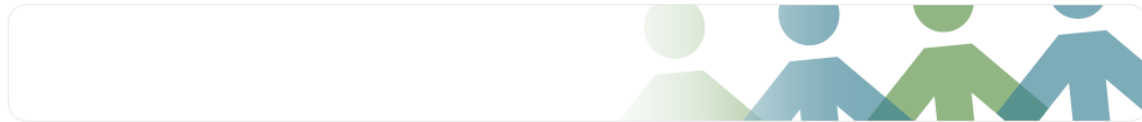


conditional funding of social assistance, including support for women single parents, people with disabilities, and people out of work, as well as social services for people in need or likely to be in need. Later in the decade, funding for medicare was added to the Established Programs. With the addition of the Canada/Quebec pension plan, and the substantial expansion of the Unemployment Insurance, by 1971 Canada could be said to have established a welfare state: one which largely relied on the federal role in both funding within the provinces, and in providing direct benefits based on constitutional amendment.

In addition, by the late 1960s, the government of Quebec was increasingly unhappy with the expansive federal role, particularly in the area of social policy, which it regarded as the exclusive authority of the province. A constitutional review floundered on the questions related to social policy. While there are other issues in the failure of the subsequent attempts to establish an amended and patriated constitution, social policy remains at the heart of the conflict; an issue which arguably remains unresolved today. Indeed, the legislation that created the new programs made opting out possible (through the Quebec Pension Plan) or provided, at very least, an alternative method of payment (through the Canada Assistance Plan). Over time, positions have hardened over the question of whether to accept asymmetry: for example, the idea that Quebec or other provinces could be treated differently through opting out of a program only to create their own in the same area.

The 1990s' Chretien governments, as well as the Harper governments more recently, have refused to accept asymmetry. Instead, both opted to make changes to reduce the federal role in social services, social assistance and post-secondary education to that of revenue distributor. The caveat, as outlined in the short lived Social Union document, is that the federal government can continue to produce social program benefits which are direct to the individual. Consequently, the Harper government has not participated in discussions with the provinces on the objective of creating national social programs. It cancelled tentative agreements reached by the previous government to put substantial funding into child care and Aboriginal programming. Instead, its approach has been to introduce programs direct to the individual such as the Universal Child Care benefit, and an expansion of the National Child Benefit. It has also introduced changes to the tax system such as income sharing for seniors, and more recently for households with children.

The approach of successive federal governments since the 1960s has been to attempt to draw the provinces into sharing the responsibility for providing social assistance and social services to Aboriginal people. A Canada-Ontario agreement signed in 1965 guaranteed 100% federal funding to the province for the provision of on reserve social services. However, since that time, the agreement has not been revised, meaning that it effectively covers a narrower range of services than those available off reserve. No other agreement was signed. The next year, the Canada Assistance Plan contained a section under which the federal government would provide 50% cost sharing for provinces undertaking the provision of on reserve services, but no agreements were signed under the legislation: provinces have maintained that under the constitution, the authority and



responsibility clearly rests with the federal government.

A 1951 federal amendment to the Indian Act made provincial child welfare laws apply on reserve. The federal government was to reimburse the provinces for the cost of the services. However, the First Nations Child and Family Caring Society maintains that at least when it comes to child welfare services, the provinces are not being sufficiently reimbursed by the federal government, leading them to provide lower quality services on reserve. Currently, most reserves have agreements with the federal government to provide funding to them for other services including education, health and social services.

To adjourn this review of the history of the funding of social services in Canada, it is important to note that only one statement of principles related to social program remains in place, contained within the Canada Health Act. The Canada Health Act outlines 5 principles to which the provinces and territories must adhere in their administration of the health care: public administration, comprehensiveness, universality, portability, and accessibility. This paper will propose these principles, as well as adding five additional principles, as the foundation of a new Federal Social Care Act for Canada.

2. A New Social Care Act

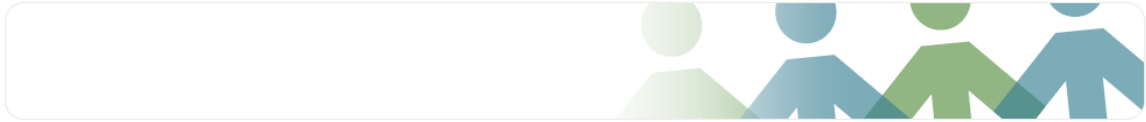
2.1 Rationale

To begin, new social services legislation should be brought forward by the federal government to outline the broad objectives for funds available through the Canada Social Transfer (CST) for the provincial provision of social services. Given the widespread support for Canada Health Act, its five principles are a sound and logical starting point for a new social services act.

Broadly speaking, the original purpose of federal funding for social services was to support people in need, and those who were likely to be in need in order to prevent poverty. The clear orientation of the CAP was towards those people currently living in poverty, or those considered likely to be living in poverty due to factors such as precarious employment or other personal circumstances.

In the Social Security Review, the Working Party on Social and Employment Services concluded that social services should be available to all citizens, as any person may have a need for them at some time in their lives. Universally available social services are directed at

all kinds of citizens - not necessarily all citizens - without distinction. Selectivity, which seeks to reach special kinds of citizens, especially particularly needy citizens, may be practiced in particular programs or as a minor theme, so long as the overriding pattern is of a set of programs serving



citizens without distinction...This approach conveys recognitions that all citizens may need social services at some time.²

Social services that are widely available as needed can make an important contribution to the quality of life of all Canadians through assisting them to exercise rights, assume responsibilities, and generally participate in community. Social services may also assist citizens in developing personal capacities by providing information, referrals to other services, or with advice and guidance in the goals of beneficial decision making. Finally, social services may be instrumental in assisting individuals, families and communities in preventing or changing the social conditions that adversely affect them. These points speak to the objectives of the Canada Social Transfer which should be incorporated into a new social services act. Just as the Canada Assistance Plan had a preamble to express the purpose of the legislation, a new Social Care Act would as well.

Also in support of the idea of principles to guide social services, The Ministerial Council on Social Policy Reform and Renewal contained a **Statement of Principles to Guide Social Policy Reform and Renewal**. This statement had four central themes:

- social programs must be accessible and serve the basic needs of all Canadians;
- social programs must be affordable, effective and accountable;
- social programs must be flexible, responsive and reasonably comparable across Canada.
- social programs must reflect our individual and collective responsibility.

2.2 Principles for a Social Care Act

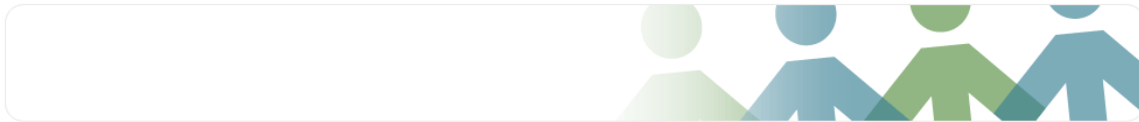
The ten principles put forward here include those used in the Canada Health Act, with the addition of certain other principles proposed by CASW.

1. *Public administration*

Like health care, this principle requires that provincial and territorial social services be managed by a public agency, on a not-for-profit basis. It also requires that social services be delivered by either a public or a private non-profit organization.

2. *Comprehensiveness*

This principle means that in each province or territory there is an agreed range of social services that are available. Each government is responsible for determining what comprehensiveness means within their jurisdiction. At the same time, they are willing to engage in a public consultation process leading to the determination of comprehensiveness.



3. *Universality*

This principle means that all citizens can avail themselves of the same quality of social services as needed throughout the province or territory. There remains the issue of authority and responsibility for social services for Aboriginal people wherever they are resident within the province or territory. This legislation does settle the issue, it simply means that as citizens all Aboriginal people have the same rights as all other citizens. Aboriginality will no longer be a barrier to the delivery of social services nor a reason for delivery in a culturally inappropriate way.

4. *Portability*

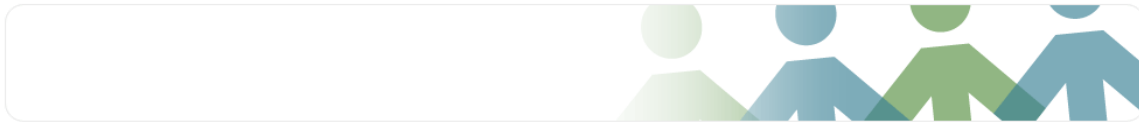
This principle means that citizens who move within provinces/territories or between provinces/territories should experience uninterrupted access to social services as needed. This principle incorporates the ban on residence requirements which is currently in place in regard to the Canada Social Transfer.

5. *Accessibility*

This principle means that there are no financial or other barriers to the provision of publicly funded social services. Services are available to all Canadians as needed. Access does not preclude the possibility of a test of need, but this test has to do with the individual and social conditions of the applicant(s) and not based on their financial situation. Each province and territory must show that access to social services is not limited by a financial barrier. Each province and territory must outline the range of social services available to meet the basic needs of the citizenry (also see *Comprehensiveness* above).

6. *Fairness*

This principle requires that all citizens have the right to apply for any publically supported program, and to have their application reviewed by an appropriate body within a reasonable period of time. Applicants have the right to a written decision within a reasonable period of time and the right to appeal any decisions taken within a reasonable period of time, to have their appeal heard within a reasonable period of time and to receive a written decision within a reasonable period of time. During the period of appeal, applicants have the right to temporary financial support and/or services.



7. Effectiveness

Citizens have the right to be assured that every attempt will be made to ensure services will work for them. Certain social services rely upon the relationship between a worker (service deliverer) and a client (consumer). Thus, the efficacy of social services can sometimes depend on the efficacy of this relationship. Social service effectiveness is dependent on the cooperation of both parties. Nonetheless, there is an agreement in the field that some approaches are more effective than others. Agencies and workers have an obligation to provide services as effectively as possible. At the same time, active participation is the responsibility of the citizen seeking service.

8. Accountability and Transparency

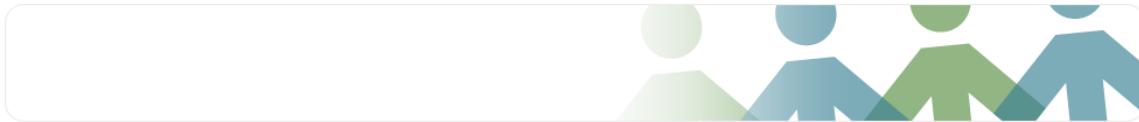
The principles of accountability and transparency mean that each province and territory will publish an annual report explaining how CST funds have been expended on social services. The report will make it possible for citizens to understand the costs of each type of service and the numbers of people being served.

9. Rights and responsibility

The principle of rights and responsibility mean that social services are based on mutual responsibility where possible. Social services should be established such that citizens have the right to apply for service, and the right to receive services if they meet the criteria for the service. They also have the right to appeal decisions that are made about their application. At the same time, and based on mutuality, social services have the responsibility to establish contractual expectations about the active participation of the citizen being served.

10. Comparability

The principle of comparability means that citizens should have a reasonable expectation that the services available to them are comparable to those available elsewhere within their province or territory and their available range of choices is broadly comparable to those available to them in other parts of the country. Provinces and territories have an obligation to take account of what is being offered elsewhere in the country and ensure that their citizens have available a range of broadly available choices of services to meet their needs.



3. Social Services in Canada: Historical Context

3.1 Overview

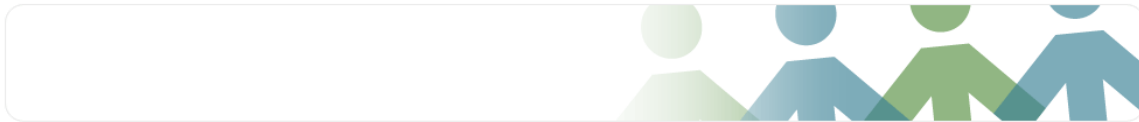
In his classic 1961 article, Asa Briggs observed that developed welfare states included state provision for the social services. Until the 1960s, social services in Canada were highly underdeveloped and largely dependent on the combination of provincial, municipal, and private charitable funding. The focus of the activities of what were largely non-profit organizations was assistance to individuals and households with low and moderate incomes who were in need.

What changed this picture was the advent of the federal Canada Assistance Plan in 1966. As conceived by the provincial administrators who prepared it, the Canada Assistance Plan would lead to the consolidation of the funding and delivery of income assistance programs. Federal cost shared funding was made available to the provinces to support their spending on social assistance programs on the basis that federal programs for people with disabilities would be terminated, and those dependent on such programs would receive provincial assistance instead. According to the preamble, the Canada Assistance Plan would provide funding for programs to alleviate poverty and for programs intended to prevent poverty. It was this phrase in the preamble that opened up funding for the significant expansion of provincial social services.

However, not long after the Canada Assistance Plan and the other pillars of the newly established welfare state were put into place (Canada/Quebec Pension Plan, Guaranteed Income Supplement, amendments to the National Housing Act and the Old Age Pension, Medicare) there was debate on the future of income support in Canada.

In 1968, the Economic Council of Canada produced its 5th annual report on **The Challenge of Growth and Change**, noting that 27% of the nation's citizens were living in poverty. It was based on a 1968 Statistics Canada study that produced estimates of poverty in Canada.³ Later that year, on November 26, 1968, the Senate of Canada constituted the Special Senate Committee on Poverty, chaired by Senator David Croll. The Committee's core recommendation was that the Government of Canada "enact legislation to provide a guaranteed minimum income for all Canadians with insufficient income."⁴ As Finkel notes, the Report was a key piece of a debate which emerged at the time about the institution of a guaranteed annual income (GAI).⁵

In 1970, the federal government released the White Paper on **Income Security for Canadians** which proposed a Family Income Support Plan.⁶ Earlier that year, Quebec announced its plan for the reorganization of health and social services in the Report of the Commission Castonguay-Nepveu. Its co-author, Claude Castonguay, became the Quebec Minister responsible for health and for family and social welfare in May 1970.⁷



During this formative period in the development of welfare state programs, there was intense debate around the provincial and federal governments' roles in social policy, as well as the role of Quebec in the federation. The early 1960s – after the death of Quebec Premier Maurice Duplessis in September 1959 – witnessed an outpouring of nationalist sentiment in Quebec which included the violence of the *Front de libération du Québec (FLQ)* founded around 1962, the Rassemblement pour l'Indépendance Nationale (RIN) founded in 1960, the constitutionalism of the Mouvement souveraineté-association (MSA) founded in 1967, and finally the Parti Québécois founded in 1968 as a political expression of Quebec nationalism which united two key organizations, the RIN and the MSA. ⁸

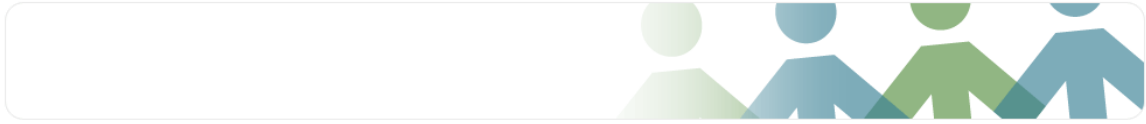
From 1964 onwards, successive Quebec premiers sought additional powers particularly in the area of social policy. In 1965, Premier Lesage rejected the Fulton-Favreau formula for constitutional amendment. In 1966, Daniel Johnson was elected with the Union Nationale. He took a more aggressive stance, outlining in his book demands for a much broader range of powers for Quebec. ⁹ At the same time, some Quebec intellectuals sought to give expression to their aspirations in changed federalism. In 1968, the federal government released its White Paper on the Constitution entitled **Federalism for the Future: A Statement of Policy** which was released for the Constitutional Conference, held in early 1968. ¹⁰ As Peter Russell notes in **Constitutional Odyssey**, it was the beginning of a three year attempt to modify the constitution led by Justice Minister and then Prime Minister Pierre Trudeau. Trudeau's focus would be on the establishment of a bill of rights of the individual, a step which was the key to his strategy to counter Quebec nationalism with its focus on collectivity. ¹¹

At the 1968 federal-provincial conference, Quebec Premier Daniel Johnson stated:

The government of Quebec insists on regaining full responsibility for social security for two main reasons. First, the coexistence of two governments in that area hinders efficient social security planning, allows for contradictory programs and leads to administrative duplication and waste. Then because social security measures on the whole affect the nation fundamentally as a society. ¹²

Federalism for the Future was followed by two social policy related working papers released in 1969 for the Federal-Provincial Conference of that year. The first was **Income Security and Social Services** and the second was **Federal-Provincial Grants and the Spending Power of Parliament**.

A Joint Committee of the Senate and the House of Commons was appointed in 1970 to report on the Constitution of Canada. ¹³ It held hearings and produced a report in 1972. In the spring of 1970, the Liberals under Robert Bourassa were elected. The possibility for a constitutional agreement seemed to open up. In 1971, at the Federal-provincial



conference, a workable set of proposals seemed possible. However, a federal offer on social policy was missing. Quebec wanted to be able to opt out of federal social policy initiatives as they had done with the Canada Pension Plan. From the June 1971 meetings, the federal government and the provinces emerged with what became known as the Victoria Charter. The offer on social policy, under Article 6, spelled out concurrent authority for the Federal and provincial governments. It was not broad enough for the government of Quebec nor did it offer any financial arrangements. The Victoria Charter was rejected, marking the end of this period of constitutional debate.¹⁴ Trudeau would try one more time after re-election in 1980 with a majority. The result was the *Constitution Act* of 1982, which patriated the constitution and established the Charter of Rights, but did so without the support of the province of Quebec.

In 1972, the federal election returned a minority Liberal government, still under Prime Minister Pierre Trudeau. Between 1972 and 1974, the Liberal government was dependent on the members of the New Democratic Party for support. One of the NDP's major interests was in the expansion of the federal role in social policy.¹⁵ They were happy to see the idea of the Family Income Support Plan disappear because it suggested substantial alteration of what had been the universal family allowance. Instead, they wanted to see expansion of the family allowance. Further, the Government of Quebec had been asking for the flexibility to establish a Quebec family allowance program.¹⁶ An increase in the value of the family allowance would solve some political issues. In 1972 the federal government responded:

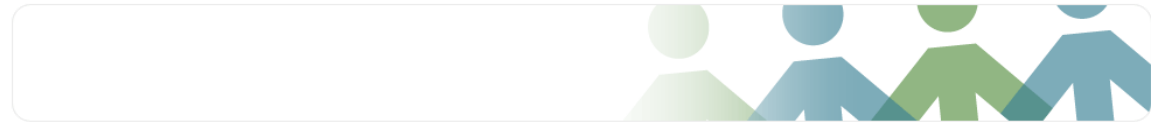
The universal family allowances were nearly tripled - to \$20 per child - and their purchasing power was guaranteed as that of the Old Age Security pensions had been guaranteed in 1972. In recognition of the fact that the higher family allowances would benefit the rich as well as the poor, the Government of Canada subjected the allowances to taxation, thus introducing some redistributive effect. The most radical innovation, however, was to permit the provinces to vary the size of the family allowances paid on the basis of age of child or family size, providing the average per child in the province amounted to \$20, and providing a minimum of \$12 per child were paid.¹⁷

3.2 The Social Security Review, 1973-77

At a November 1972 meeting of provincial Ministers of Social Services

several provinces, not only Quebec, demanded the transfer to the provinces of responsibility for the long-established federal family allowances programme, along with the fiscal resources to pay for them. And at the same conference all of the provinces joined in insisting that a federal-provincial conference be called to develop better mechanisms for achieving a rationalized social security system in Canada.¹⁸

In the Throne Speech on 4 January 1973, the Government of Canada called for a joint



federal provincial review of social security.¹⁹

Finally, it must be accepted that the reconsideration of Canada's social security system must be conducted jointly by the Federal Government and the Provinces. A better social security system can only be realized if a reasonable consensus can be reached between the Governments of Canada and the Provinces. To this end, the Government will invite provincial representatives to a conference of welfare ministers in April.²⁰

A significant side note was the interest by the Manitoba NDP government in establishing an experiment to assess the efficacy of a guaranteed annual income. In March of 1973, before the release of the details of the Social Security Review, the Manitoba government submitted a proposal to establish what became known as the Manitoba MINCOME experiment. One of the research staff members, Derek Hum explained that the

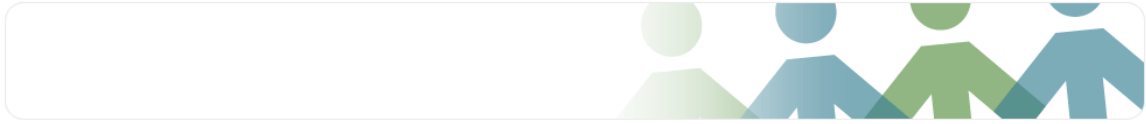
proposal was approved two months later, and on June 4, 1974, Canada and Manitoba formally signed the *Agreement concerning a Basic Annual Income Experiment Project* covering cost-sharing arrangements and the respective roles of the two governments.²¹

The MINCOME experiment was expected to be more than simply an interesting research project. As the press release on February 1974 stated:

"The Manitoba experiment is expected to make an important contribution to the review of Canada's social security system launched last April by all ten provinces and the federal government."²²

On April 18th 1973, the Social Security Review was launched with the release by the Liberal Minister of Health and Welfare Marc Lalonde, of the Working Paper on Social Security in Canada, better known subsequently as the Orange Paper. But, as Johnson pointed out, it was to be a review that was to be done within the existing constitutional framework.²³ At the Federal Provincial Conference which followed, the welfare ministers agreed that the "propositions put forward in the working paper would be an appropriate basis for a social security review."²⁴ As a part of the review, there were three federal provincial staff working parties which were established, including one on Social Services.²⁵

The Social Security Review was intended to be comprehensive of what existed and what could be added to extend the reach of the Canadian welfare state. It was a time when political parties, unions, the public, and even some business organizations were still supportive of the extension of the services of government to protect the vulnerable from the sometimes negative effects of the market. The federal government and the provinces agreed that the Review should look into different strategies for the achievement of social security: the first three relate to employment, social insurance, and income



supplementation. In addition, the fourth strategy built on these three areas of social policy and was premised on the idea that these "three strategies could for a great many people be realized only if there were available to them a broad range of employment and social services. Under this social services strategy the handicapped would receive required rehabilitation and employment-assistance services; single parents with pre-school children would be eligible for day-care services; others might receive at one time or another required counselling, training and job placement services".²⁶

Finally, the fifth federal-provincial strategy:

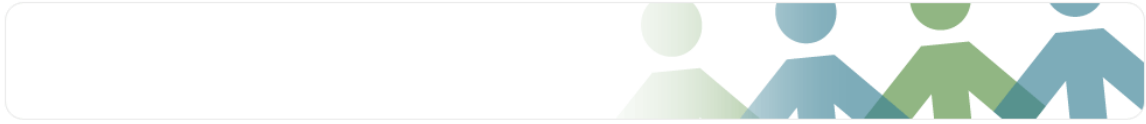
advanced the proposition that the prime responsibility for setting guaranteed income or income support and supplementation levels, including the levels of universal allowances, should reside with the provinces, including - and here was the radical innovation - provision for the variation by the provinces, within certain national norms, of the levels of the allowances paid by the federal government. The federal-provincial strategy went on to suggest that the Parliament of Canada should, within this context, establish national norms and minima by which the provinces would be bound - at least where federal programmes or finances were involved.

What is interesting here is that there *was initial agreement that the federal government should be involved in setting national "norms and minima" by which the provinces were to be bound where they were receiving federal funds.* This is an approach which was subsequently reiterated only in regard to medicare. The Social Services Working Party produced an interim report which "contained a critical review of social services in Canada and proposed areas for further study" in October 1974.²⁷

According to a published account of the report which appeared in 1977, the working paper on social services rejected the "social adjustment" orientation of most present-day social services, with their case-worker-client role sets." Instead, the document supported "conceiving of the whole community as the 'client'; increased emphasis upon leisure and cultural activities within the orbit of social services; giving priority to the promotion of change in social institutions."²⁸

The focus in the **Orange Paper** on social services assisting people into employment was rejected by the Social Services Working Party in favour of a more "holistic approach to individual and community needs." Instead, the focus was on the "enhancement of the "quality of life" of all citizens (which) should be the overall objective of a public social services system." The Working Party report made a number of recommendations including the following

that eligibility for services should be completely separate from financial need per se, that new distinctions be drawn between universal, limited access, and fee-charged services, and that means should be developed to facilitate citizen participation in planning and delivery.



What this meant was that some social services should be available to anyone without needs testing while some services should be available on the basis of need. User charges would only apply to some services “where the costs to government would otherwise be prohibitive, or where the service or an aspect of that service was normally required and paid for by the user. Only the portion of the cost which exceeded the normal level (e.g. special transportation for the disabled) should be fully subsidized.”²⁹

By the time the conference of Welfare Ministers was held in early 1975, the Ministers had agreed that “the major policy aspects of the Social Security Review having been agreed upon ... it was appropriate to proceed now to the operational design stage.”³⁰ At the meeting, the federal Minister Marc Lalonde proposed federal cost sharing of a wider range of social services than what was being covered by the Canada Assistance Plan, with additional financing “for improved services in areas of rehabilitation services and support services for the aged and handicapped.”³¹

Johnson notes that agreement on the social services strategy was reached around three basic points:

first, that social services should no longer be looked upon as attaching solely to 'people in need or likely to become in need'; secondly, that it should be recognized that the degree of universality of social services - their availability and the charge made for them - will change over time; and, thirdly, that the priority accorded to social services, both to assist people in entering into employment or 'useful endeavour,' and to enable them to manage at home instead of being placed in an institution, should be greatly increased.³²

The Communique released following the meeting notes that the Government of Canada would present new legislation to enable 50% federal sharing in social and welfare services provided to target groups. The new legislation would not follow the Canada Assistance Plan which offered open-ended cost sharing nor would it rely on the CAP approach of sharing in the cost of social services to persons in need and likely to be in need. Instead, it would provide federal cost sharing for services made available universally, services available to specified groups without charge, services to specified groups with charges based on an income test, services to people receiving the new guaranteed income, and services of a developmental or preventive category for defined communities. The Communique went on to detail the results of the federal-provincial discussion on a guaranteed annual income.³³

It is worthwhile to repeat what the federal Deputy Minister had to say about the social services discussion at the time because of its contemporary relevance. The social workers who were a part of the working group had some difficulty in reinforcing the importance of social services in improving the lives of the most vulnerable to the economists and other stakeholders present:



It took some time before the economists, and rather less time before the manpower experts began to understand what the social workers were saying. Their argument, in its essence, was that the vast majority of people caught in the 'welfare net' do not need financial incentives to work, nor even simply manpower training services: they need individual rehabilitation, occupational adaptation, transportation, home or day care services, and other social services, in order to make it possible for them to take employment, or indeed, in some cases, for them simply to care for themselves in their own homes.³⁴

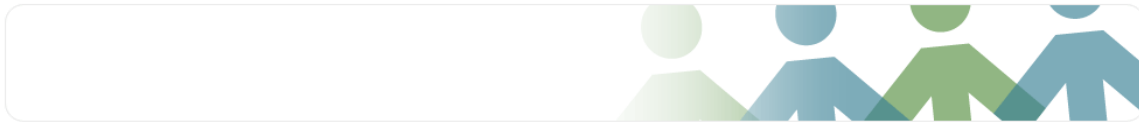
The federal and provincial governments were in broad agreement on proceeding to a more detailed examination in the spring of 1975, but by the fall, a different picture was emerging. In October of 1975, the federal government released its White Paper entitled **Attack on Inflation: a Program of National Action: Policy Statement.**³⁵

While billed as a program to attack inflation and unemployment, it was the first step in what has become a 40 year battle against increasing the size and scope of the federal government. Inevitably, the Social Security Review would become embroiled in the politics of austerity as well as the politics of Quebec nationalism and the role of the federal government in social policy. Within two years, the Social Security Review would be stopped by this combination of barriers.

By the time of the Federal-provincial meetings in June of 1976, all of the provinces were in general agreement with the outline of the proposed federal legislation on social services. The federal government began drafting new legislation on the financing of social services. In the Throne Speech of that year, on October 12th, 1976, the government reiterated its position that there would be new legislation on the financing of the social services:

In the field of social policy, extensive federal-provincial discussions over the past three years have resulted in a new framework for the sharing of costs and for making social service programs more responsive. Parliament will therefore be asked to consider a new Social Services Act which will substantially improve the effectiveness of cost-shared social services in Canada, especially for the aged, children and the handicapped.³⁶

New social services legislation based on cost sharing was still on the table and still meeting with federal-provincial agreement early in 1977. Bill C-57, a new Social Services Act, was being considered in the House of Commons. The legislation began with a definition of social services:



“Social services” means services having as their object enabling persons to lead useful, satisfying and independent lives, preventing personal and social conditions that cause disadvantage or disability, raising individuals, families and groups to a higher level of participation in social and economic life, protecting those whose personal or social well-being is at risk or developing individual, group and community capacity for growth, enrichment and social participation, and, without limiting the generality of the foregoing, includes services that:

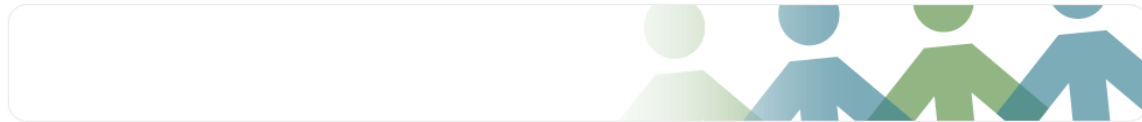
- facilitate access to the necessities of life
- assist disabled or disadvantaged persons to live as normally and independently as possible or support them in doing so
- prevent the need for institutional care or provide alternatives to it
- support or assist the aged, children or families
- facilitate or support the involvement and participation of people in their communities and society
- enhance or maintain employability
- provide information and refer people to available services.³⁷

It died before it could be passed. In April 1977, the federal government introduced the idea of block funding for health services. In August of that year, Minister Lalonde announced that social service cost sharing was being replaced by unconditional block funding, the new direction that the government was taking to contain costs. Under the Canada Assistance Plan, funding had been cost shared and open ended. Provinces were spending 50 cent dollars, and could spend as many as they could afford.³⁸

In October of 1977, the federal government continued to reiterate its commitment to new social services legislation, making it a priority in the Throne Speech:

The Government has recently made new funding proposals to the provinces which will improve the efficiency and flexibility of social services such as the rehabilitation of disabled persons, day care and community development services. The delivery of these services will thereby better reflect varying conditions and priorities across the country. It is hoped that the response of provincial governments will lead to the introduction of a revised Social Services Act during this Session.³⁹

Early in 1978, it still appeared that new legislation on social services would go ahead, but by the summer, conditions had changed. In August, Prime Minister Pierre Trudeau announced a cost cutting exercise. Not long after, federal Minister Monique Begin was forced to announce to her provincial counterparts that the new social services legislation was dead.⁴⁰



On October 11th, 1978, the federal government delivered another Throne Speech at the opening of Parliament calling for:

action on two fronts. The first requirement is to further reduce the growth rate of federal spending. The second is to pare down or eliminate many worthwhile but low-priority programs, in order to free the dollars necessary for a serious assault upon high-priority goals. These goals are to stimulate industrial expansion, put more Canadians back to work, and further protect from the impact of inflation those who are least able to protect themselves. ⁴¹

As the government pointed out, since a major portion of the federal government's expenditures was in the form of transfer payments to the provinces, the government announced its intention to "negotiate reductions which will cause a minimum of difficulty for provincial governments." ⁴²

Discussion of broad based changes to social policy was over. Instead, the Throne Speech proposed that it was "the unfair impact of inflation upon lower-income groups (which) calls for further protection." The core proposal was to reduce the Family Allowance to \$20 per month and to put the savings into "a yearly payment of \$200 per child to mothers in low and middle-income families." The Social Security Review was at an end. ⁴³

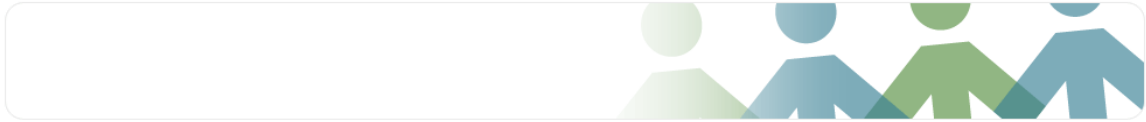
In the fall of 1977, the federal government introduced the **Federal-Provincial Fiscal Arrangements and Established Programs Financing Act** which proposed to establish block grants to the provinces for social services under a revised Bill C-57. Had this been introduced, it would have resulted in the conversion of cost shared social services funding under the Canada Assistance Plan into block funding under a new social services act. This was not to be.

3.3 The Canada Health and Social Transfer (CHST)

The 1990 ceiling (called the 'Cap on CAP') on Canada Assistance Plan funding can be seen as the beginning of the end of the legislation. In January 1994, federal Minister Lloyd Axworthy announced a review of social programs which stated:

We recognize that over the next two years, these measures will not significantly alleviate the disparity which exists across the country in federal support for social assistance as a result of the existing limit on CAP transfers to better-off provinces. That is why one of our objectives in social security reform will be to restore greater fairness in federal support for the whole system throughout Canada. ⁴⁴

The government's full plan for reform was not announced until a year later. In the 1995 Budget Speech, the government announced that it was terminating the cost sharing of social assistance and social services under the **Canada Assistance Plan** and combining



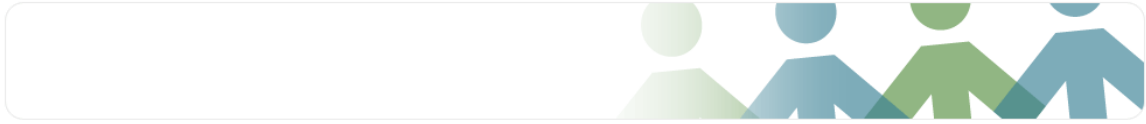
the funding of those programs with post-secondary education and health to form a new **Canada Social Transfer**. As a result, the core rationale for the present segregation of the three transfers into separate categories disappears. Therefore, we are combining all three into a single consolidated block transfer, beginning in 1996-97 – which will now be referred to as the Canada Social Transfer.

There were two reasons for this change, both stated somewhat obliquely in the Budget Speech. First the reference to innovation, was a way of stating that after more than 25 years of failed attempts to patriate the constitution and to establish conditions that Quebec could live, the federal government was preparing to withdraw from many social program areas. Second, the federal government's austerity agenda was paramount and led to the decision to abandon cost sharing completely and conditionality almost completely. What remained was the statement that the federal government would attempt to establish principles and objectives in concert with the provinces:

Provinces will now be able to design more innovative social programs that respond to the needs of people today rather than to inflexible rules. However, flexibility does not mean a free-for-all. There are national goals and principles we believe must still apply, and which the vast majority of Canadians support. Our goal must be to combine greater flexibility with continued fidelity to those principles. The conditions of the Canada Health Act will be maintained. Universality, comprehensiveness, accessibility, portability, and public administration. For this government, those are fundamental. In addition, we will maintain the existing principle that provinces must provide social assistance to applicants without minimum residency requirements. Furthermore, the Minister of Human Resources Development will be inviting all provincial governments to work together on developing, through mutual consent, a set of shared principles and objectives that could underlie the new Canada Social Transfer.⁴⁵

Under Part V of the **Federal-Provincial Fiscal Arrangements Act**, the government established not a **Canada Social Transfer** as outlined in the budget speech, but a **Canada Health and Social Transfer**. Section 3 of Part V, contains the government's wish to establish principles and objectives for social programs funded under the act:

(3) The Minister of Human Resources Development shall invite representatives of all the provinces to consult and work together to develop, through mutual consent, a set of shared principles and objectives for the other social programs referred to in paragraph (1) (d) that could underlie the Canada Health and Social Transfer.



3.4 The Social Union Agreement

The change in federal direction led the provincial premiers to take joint action. At their 1995 meeting, held in August in St. John's, Newfoundland, the premiers of Canada's provinces agreed to establish a Ministerial Council on Social Policy Reform and Renewal with a mandate to develop a report on social programs.

At the 1995 Annual Premiers' Conference, premiers agreed on the necessity to provide leadership in the reform and renewal of Canadian social policy. This commitment led premiers to establish a Ministerial Council, with the view to developing a national agenda for social policy reform and renewal that could protect the national dimensions of social programs and undertake the reforms necessary to enhance the effectiveness of social programs in Canada.⁴⁶

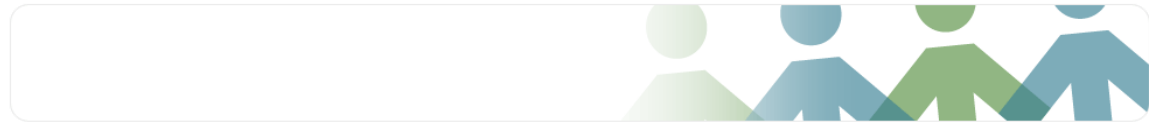
Six months later, on March 28, 1996, Premier Tobin of Newfoundland released the report of the Ministerial Conference. The document outlined 16 principles to guide social policy reform and renewal. It is worthwhile taking the time to examine them in detail. While stated as four principles to guide social policy reform in Canada, they are composite and are elaborated in more detail. They are also intended to apply to all areas of social policy, taken here to mean income support, social services, housing, health, labour market, status of women, and post-secondary education. Here is what is stated:

- social programs must be accessible and serve the basic needs of all Canadians;
- social programs must reflect our individual and collective responsibility;
- social programs must be affordable, effective and accountable; and
- social programs must be flexible, responsive and reasonably comparable across Canada.⁴⁷

The report also contained three recommendations for a national agenda on which the provinces and the federal government should cooperate that should:

reflect the Statement of Principles contained in this report; incorporate the agenda for reform woven through the recommendations of this report and related work by sectoral Ministerial committees; and establish a mechanism for settling differences and monitoring progress on the national scope of progress in social policy reform and renewal.⁴⁸

Lastly, the Premiers agreed on a series of criteria for determining federal and provincial responsibility for social policy. Two issues were most important - that the federal government not encroach on the authority of the provinces and not force the provinces to take authority for matters under federal jurisdiction, and that the provinces have adequate



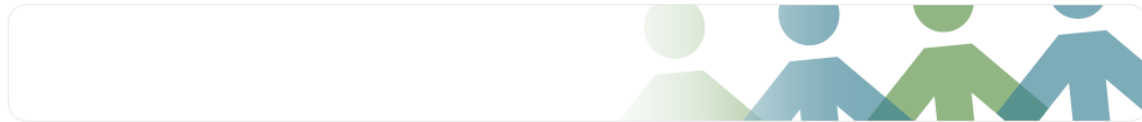
resources to provide social programs:

- federal activity in areas of sole provincial responsibility should occur only after federal-provincial/territorial consultation, and provincial/territorial agreement on how federal spending can be effectively applied;
- as responsibilities within the federation are clarified and realigned, commensurate resources should also be transferred;
- areas of joint federal-provincial/territorial responsibility should be minimized in those instances in which this would improve the effectiveness of these programs;
- the use of federal spending power in areas of sole provincial/territorial or joint federal-provincial/territorial responsibility should not allow the federal government to unilaterally dictate program design; and
- the federal government should accept full responsibility for all programming for Aboriginal people, both on and off reserve, with a gradual transfer of authority to Aboriginal communities.⁴⁹

In November of 1996, the federal government joined the provinces and territories as a part of the Federal-Provincial-Territorial Council on Social Policy Renewal. The first meeting took place on November 27, 1996. The press release from the meetings suggested that the participants would:

- work together in a new partnership to renew Canada's social safety net. The Council agreed that a spirit of trust, openness and mutual respect exists, and partnership is the key to their work together. The Council believes that this non-partisan approach will lead to more effective cooperation among governments in the design and delivery of social programs to ensure that they meet the needs of Canadians.
- First Ministers are looking to the Council to co-ordinate an approach to overarching social policy issues of national importance. The Council is also to support and coordinate the work of sectoral ministries, such as social services, labour market and health, in developing practical solutions in specific areas of priority. The Council relies on the individual sectors to develop and implement specific reforms
- The Council's work reflects the commitment by First Ministers to work together on social policy renewal, building on the work of the Ministerial Council Report to Premiers and to pursue, as priorities, joint work on an integrated child benefit and practical solutions for improving programs for persons with disabilities.⁵⁰

At a meeting in January 1997, the Council announced that they had reached agreement on the development of a National Child Benefit.⁵¹ As Peter Meekison notes in **Reconsidering the Institutions of Canadian Federalism**, Quebec was not represented by its premier, but did send observers to the meeting and to subsequent meetings until the summer of 1998. At that time, the participants had agreed on the right to withdraw with compensation. In the fall of 1998, negotiations began on the establishment of a social



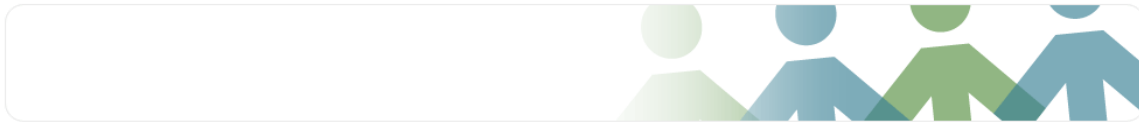
union agreement. An agreement was reached in February 1999, the **Social Union Framework Agreement** (SUFA) but it was not as previously agreed and Quebec did not endorse it.⁵²

The main features of the SUFA agreement for social services are contained in Section 5: here the different governments agreed that the federal government would not introduce new intergovernmental programs without prior consultation and agreement with a majority of the provinces. Each government would be able to establish features of the program appropriate to their province or territory. They agreed that the Federal government can introduce payments to individuals in the areas of social policy with three months' notice and an offer to consult with the provinces and territories. They agreed that they will work to ensure that there are no impediments to mobility established in any new programs. Additionally, they agreed on common principles which included the following:

- Treat all Canadians with fairness and equity
- Promote equality of opportunity for all Canadians
- Respect the equality, rights and dignity of all Canadian women and men and their diverse needs
- Ensure access for all Canadians, wherever they live or move in Canada, to essential social programs and services of reasonably comparable quality
- Provide appropriate assistance to those in need
- Respect the principles of medicare: comprehensiveness, universality, portability, public administration and accessibility
- Promote the full and active participation of all Canadians in Canada's social and economic life
- Work in partnership with individuals, families, communities, voluntary organizations, business and labour, and ensure appropriate opportunities for Canadians to have meaningful input into social policies and programs
- Ensure adequate, affordable, stable and sustainable funding for social programs
- For greater certainty, nothing in this agreement abrogates or derogates from any Aboriginal, treaty or other rights of Aboriginal peoples including self-government⁵³

While inclusion of these principles in a federal-provincial-territorial agreement is important, because they are not included in federal and provincial/territorial law nor in the constitution, there can be no enforcement.

Just after the signing of the SUFA, the federal government, flush with cash from budgetary surpluses, was willing to put additional funds back into the funding of provincial social and health programs. The National Children's Agenda including additional funding for the National Child Benefit and the Early Childhood Development were examples, as well as the additional funding for improvements in health care.



In 2003, the Premiers of Canada founded the Council of the Federation with a permanent secretariat to coordinate their activities. In July of 2003, the Council produced a major review of federal transfer programs to the provinces. In 2004, the Canada Health and Social Transfer was split into two, with a Canada Health Transfer and a Canada Social Transfer. Under the new CHST:

- Provinces and territories were no longer subject to rules stipulating which expenditures were eligible for cost sharing;
- Provinces and territories could pursue their own innovative approaches to social security reform; and
- Federal expenditures were no longer be driven by provincial and territorial decisions on how, and to whom, social assistance and social services would be provided.⁵⁴

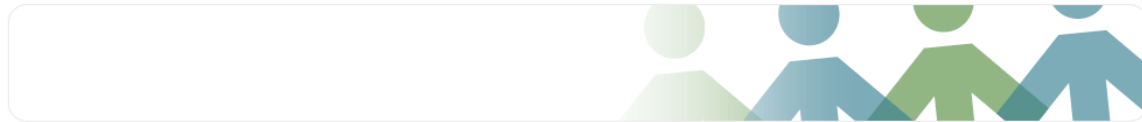
There was no change in the principles or conditions which applied to either of the transfers.

3.5 The Canada Assistance Plan Act

The Canada Assistance Plan Act was a symbol for a new and innovative approach to managing social programs in Canada, and it accomplished this in six ways.⁵⁵ The purpose of the legislation was to encourage "the further development and extension of assistance and welfare services programs throughout Canada by sharing more fully with the provinces in the cost," based on a concern for "the provision of adequate assistance to, and in respect of, persons in need," and for "the prevention and removal of the causes of poverty and dependence on public assistance."⁵⁶

First, the principles for the cost-sharing of social assistance and welfare programs were enshrined in the Preamble of the Act and they provided a statement of government social policy: that assistance be available on the basis of need rather than means. Social assistance was to be made available on the basis of a test which would look not only at the income of the person, but also at the relation between resources and budgetary requirements in order to arrive at an assessment of need.

Second, the use of the term "need" was meant to signify a change from the older categorical programs in which assistance was based on the particular characteristics of the applicant. CAP replaced existing programs for the cost-sharing of assistance to disabled, blind and employable but unemployed applicants. This change also eliminated a problem with the implementation of federal cost-sharing under the Unemployment Assistance Act as there were cases when applicants were shifted from the unemployable category to the employable category to qualify for social assistance. In addition, provincial mothers allowance programs were to be phased out since single mothers would



be eligible for assistance on the basis of need under CAP.

Third, the provision of assistance and services on the basis of need also meant that social assistance applicants could not be required to accept employment as a condition of receipt of assistance. This interpretation while not stated explicitly in the Act or the Regulations is the understanding on which the administration of CAP was based from the commencement of operations.⁵⁷

Fourth, the words "the extension of assistance and welfare services programs throughout Canada" emphasized the importance of the prohibition against residency requirements as a condition of receipt of social assistance, first introduced in the **Unemployment Assistance Act**. Some provinces and municipalities had regularly enforced such restrictions previously, requiring applicants to return to their previous city of residence, and supplying only enough assistance to allow for the return journey.

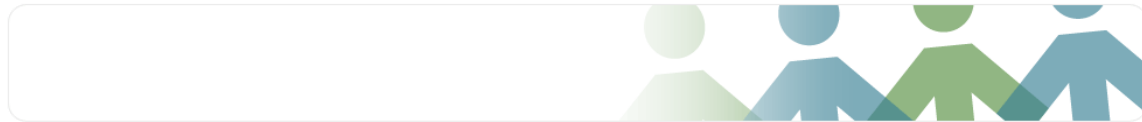
Fifth, the concept of cost-sharing as a national approach to deal with the problems of poverty was introduced for welfare services on the basis that such services would assist in the "prevention and removal of the causes of poverty." The Act interprets welfare services to mean services "provided in the province pursuant to the provincial law to or in respect of persons in need or persons who are likely to become persons in need unless such services are provided" This definition was considered key to the expansion of welfare services to a clientele which included not only social assistance recipients, but also to a broader range of persons who were likely to be in need.

Finally, cost-sharing for what were called work activity projects was introduced to further reduce "dependence on public assistance". These projects were to be established to "prepare for entry or return to employment persons in need or likely to become persons in need." At the same time, it is also worth noting that the use of the term "provision of adequate assistance" was not intended to have particular importance. It was expected that the establishment of the social assistance rate structure through which adequacy is operationalized would remain the sole prerogative of the provinces.

Interestingly, minimum standards for welfare rates were not part of the Act nor of the regulations. Neither did they become a part of the guidelines. Welfare rates have been interpreted to be the full prerogative of the provinces/territories. However, the purpose of the Act is to provide cost-sharing in order to ensure "adequate assistance" to those in need, and it is at least arguable that CAP has an obligation to ensure this. And how else to ensure adequacy than by setting standards at least in relation to the federal government's own poverty lines established by Statistics Canada.

3.6 Established Programs Financing (EPF)

As the various programs in support of health and social programs became more established, a consensus among governments emerged that there was less necessity for



conditional cost-sharing arrangements. With the introduction of **Established Programs Financing** (EPF) in 1977, the federal government replaced the prior cost-sharing arrangements in support of health care (i.e., hospital insurance and medical care) and in support of post-secondary education with a block grant made up of roughly equal parts tax room and cash payments to the provinces and territories. Through the block fund, once payments were made, provinces and territories had the ability to redistribute funds received under EPF according to their priorities without the need to report their decisions to the federal government.⁵⁸

With respect to the funding formula, under the original agreement in 1977, the value of the tax points was to grow as economies expanded and the cash transfer was to escalate with the growth rate of per capita Gross National Product (GNP). In the 1980s, the funding allocations for EPF and the CAP were modified mainly in response to federal concerns over rising program costs. Table 2 provides a chronological list of the key changes to these fiscal arrangements.⁵⁹

Table 2 – Chronology of Established Programs Financing and the Canada Assistance Plan

Year	Description
1982	EPF included equal per capita ceiling for total entitlements such that cash transfers were determined residually. As a result, the GNP per capita escalator was applied to the total EPF, rather than to EPF cash alone.
1983	The federal government adopted the “6 and 5” anti-inflation program, limiting the PSE component of EPF to growth rates of 6% in 1983–1984 and 5% in 1984–1985.
1986	EPF growth was reduced from GNP to GNP-2%.
1989	The federal budget announced that EPF growth would be further reduced to GNP-3% beginning in 1990–1991.
1990	Growth in the CAP transfer for three non-equalization provinces (Ontario, Alberta and British Columbia) was limited to 5% annually for 1990–1991 and 1991–1992. The EPF per capita transfer was to be frozen for 1990–1991 and 1991–1992 for all provinces and territories.
1991	The federal budget extended the EPF freeze and CAP growth limit for three more years to 1994–1995.
1994	The federal budget announced that total CAP and EPF transfers in 1996–1997 would be no higher than in 1993–1994.
1995	For 1995–1996, EPF growth was set at GNP-3%, and the CAP was frozen at 1994–1995 levels for all provinces and territories.

Sources: Author’s compilation, using information obtained from Nancy Miller Chenier, [Health Policy in Canada](#), Publication no. 93-4E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 4 December 2002; Health Canada, [Canada’s Health Care System](#); Department of Finance Canada, [A History of the Health and Social Transfers](#); and Tim Prince, [Canadian Health Care Royal Commissions, Commissions of Inquiry and Task Forces, 1878–2002: A Selected Bibliography](#), Saskatchewan Legislative Library, 29 November 2002.

In terms of the policy framework, a document issued by Health and Welfare Canada in 1983 stated:

The Government of Canada believes that a civilized and wealthy nation, such as ours, should not make the sick bear the financial burden of health care. Everyone benefits from the security and peace of mind that come with having pre-paid insurance. The misfortune of illness which at some time touches each one of us is burden enough: the costs of care should be borne by society



as a whole. That is why the Government of Canada wishes to re-affirm in a new Canada Health Act our commitment to the essential principle of universal health insurance.⁶⁰

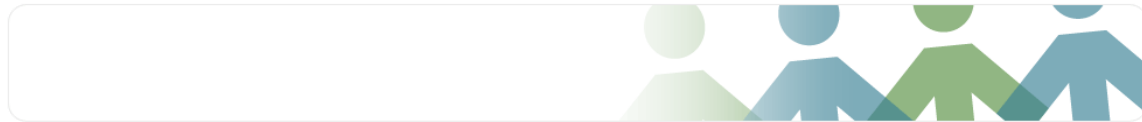
This document paved the way for the **Canada Health Act**, which came into effect in April 1984. The Act combined and updated the 1957 **Hospital Insurance and Diagnostic Services Act** and the 1966 **Medical Care Act**. Although it does not set specific program standards, the new *Canada Health Act* improved on the existing legislation by enshrining five national principles to support federal funding in health care programs, and added financial restrictions to the provincial management of health care services to deter any form of direct patient charges in order to provide citizens of all provinces with access to health care regardless of ability to pay. It also contained the five principles CASW proposes for the development of a new Social Care Act.

In terms of funding conditions, it is within the context of its last principle, accessibility, that the **Canada Health Act** provides its most stringent conditions – funding restrictions and linkages between itself and EPF. Free access to insured health services is the key principle of the *Canada Health Act*. The specific funding conditions of the Act are included to specifically discourage financial contributions by patients, either through user charges or extra-billing, for services covered under provincial health care insurance plans.

Financial penalties under the **Canada Health Act (CHA)** are linked to federal transfers to the provinces. More precisely, each provincial health care insurance plan must comply with the requirements of the **CHA** before the province receives its total entitlement of cash transfers. If a province fails to comply, the federal government may impose a penalty and withhold part or all of the transfers. Over the years, the federal government adjusted the way that it used the annual fiscal transfers under EPF as the lever to ensure provincial compliance to the extra-billing conditions in the **CHA**. Between 1984 and 1991, this financial penalty was applied to that portion of EPF cash transfers that was earmarked for health care.

Between 1991 and 1996, financial penalties were not limited solely to federal cash transfers for health care. In fact, the government expanded the penalties to cover other cash transfers. It had become necessary to extend the financial penalty to transfer payments in other fields because of the federal government's continued restriction on the growth rate of EPF transfers and its specific impact on cash transfers. Studies such as those conducted by the National Council of Welfare in 1991 and Jenness and McCracken in 1993 had predicted that EPF cash transfers to some provinces would be non-existent by the year 2000.⁶¹

By introducing the CHST, the federal government moved to prevent the erosion of its power to enforce compliance with the *Canada Health Act* across the country. Obviously, if a province were to decide to forgo its cash entitlement under the CHST, it would no longer be required to comply with the requirements of the *Canada Health Act*. Although the Act is now linked to the new CHT, the penalties still apply to total cash transfers to



the provinces for health and social programs, as well as to other federal cash transfers.⁶²

3.7 Federal Block Funding of Provincial and Territorial Program

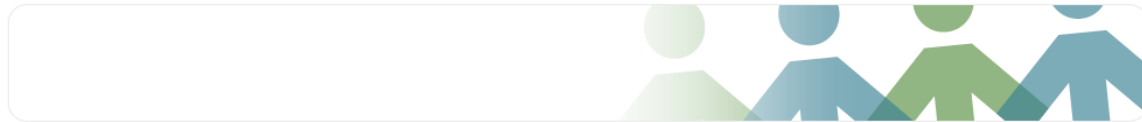
There were few legislative requirements tied to the transfer of funds under CHST. The federal government continued to enforce the funding criteria and conditions of the **Canada Health Act** with respect to health care related user fees and extra billing, and, the social assistance related requirement that prohibited provincial and territorial governments from imposing any minimum residency requirements.

The CHST provided the federal government with the same flexibility they had under the EPF to establish funding based on a combination of a tax transfer and a cash transfer. There was some stability in the funding levels for the first year of the CHST, 1996–1997, with funds allocated in the same proportion as the 1995–1996 total entitlement of the EPF and CAP transfers that were being replaced. But in the following year, federal funding under the CHST was reduced by \$2.5 billion.

Funding was also reduced in subsequent years. According to the Caledon Institute, the total value of the funding reduction was close to \$30 billion dollars. In the 1996 federal budget, a five-year funding arrangement for the CHST was announced for 1998–1999 to 2002–2003, under which funding amounts would progressively grow with the increasing pace of GDP growth. In addition, in response to concerns regarding the erosion of the cash transfer by provincial and territorial governments and stakeholders, the federal government instituted a cash floor of \$11 billion for 1997. In 1998, the cash floor was raised to \$12.5 billion and extended until 2002–2003.⁶³

With the elimination of federal deficits and with growing concerns about the adequacy of federal support for health and social programs, there was a transition in federal funding levels in the years that followed the introduction of the CHST. In its 1999 budget, the federal government announced an additional \$11.5 billion into the CHST over the next five years, specifically for health care. It also announced that this funding would be allocated on an equal per capita basis. Of the \$11.5 billion, \$8.0 billion would be paid through future increases in the CHST and the additional \$3.5 billion would be provided as an immediate one-time supplement for the CHST from funds available that fiscal year. By 2001–2002, due to these funding increases, the level of federal support for health care would have returned to its level before the application of fiscal restraint measures.

Even with the additional funding, provinces and territories were still concerned with both the rising costs of providing public health insurance in Canada and the effect of the reduced levels of cash transfer payments under the CHST that had been a result of the federal fiscal restraint of the 1990s.⁶⁴ In a series of First Ministers meetings, federal, provincial and territorial governments came to agreements that increased the level of federal cash transfers for health care, and to a lesser extent PSE and support for children,



in return for provincial and territorial commitments on renewal and reform of their existing systems.

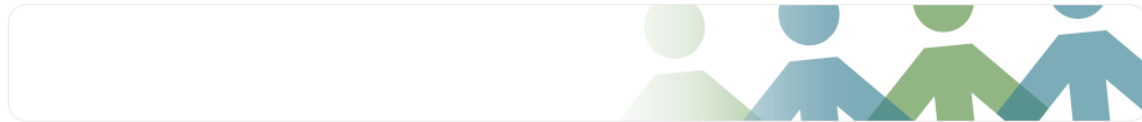
3.8 The Canada Health Transfer and the Canada Social Transfer (CHT and CST)

In the first year after splitting the CHST, the CHT accounted for 62% of the value of the former CHST, with the CST making up the remaining 38%. Since the principles for health renewal were already well established in the 2003 Accord, the principles guiding the transfer of funds for social programs were outlined in the CST. While moving to equal per capita cash, the federal government began providing information on the notional allocation of federal support among the three priority areas – PSE, support for children, and other social programs. This occurred although the block fund structure of the CST remained, giving provinces and territories the ability to allocate funding according to their own priorities. The notional allocations are based on provincial and territorial spending patterns and existing child care agreements, as well as further investments from recent budgets.

The original CHST legislation (Bill C-31) specifically guaranteed, for a number of fiscal years, a floor for the cash transfer. The purpose of this floor was to provide protection against unexpected economic fluctuations that might reduce the total entitlement or significantly increase the value of the tax transfer, leading to a decrease in cash transfers to the provinces. Initially, this floor was set to be no less than \$11 billion. Bill C-28, assented to on 18 June 1998, raised the floor to \$12.5 billion for 1997-1998 and beyond. The cash floor provision of the CHST was abolished in 1999 as the amended legislation (Bill C-71) provided a level of cash transfer over and above the \$12.5-billion limit. Many commentators argue that, unlike the EPF, which aroused fears that the cash transfers might reach zero, the CHST ensures that a monetary contribution will be made to the provinces and thereby preserves the federal government's power to mandate compliance with the **Canada Health Act**.

The 2007 federal budget renewed the legislated funding framework for the CST to 2013–2014, putting it on the same long-term legislative track as the CHT. As part of this renewal, an annual 3% escalator was legislated to start in 2009–2010 to ensure predictable and sustainable increases in CST funding, broadly in line with population growth and inflation. Budget 2007 also made new investments in base CST cash starting in 2008–2009 by adding \$800 million for PSE and \$250 million for the creation of child care spaces.

Despite the increased transparency of federal transfers for PSE and social programs introduced through Budget 2007 changes, as the identification of support for these programs through the CST remains notional, it is not possible to determine precisely how provincial and territorial governments are using this funding. One possible indicator is



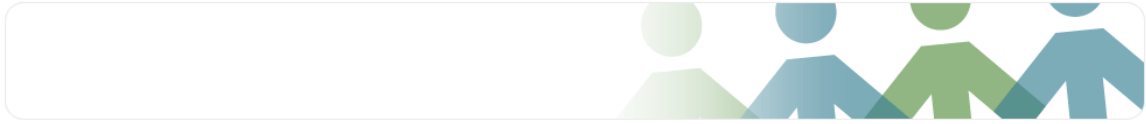
the share of federal support in total provincial and territorial government spending in these CST-supported areas.

Using data from Statistics Canada, it can be observed that federal PSE transfers grew from 14.4% of provincial and territorial spending in the fiscal year 2005–2006 to 16.9% of provincial and territorial spending in the fiscal year 2008–2009. For social services, including support for children, the federal transfer share of provincial/territorial spending declined slightly, from 14.4% in 2005–2006 to 13.7% in 2008–2009.

Adding to the difficulties of making links between federal support through the CST and its use for provincial and territorial social programs is the fact that there is also no clear indication of how various provincial and territorial social indicators, such as social assistance rates, are changing. Nonetheless, Table 2.1 below from a recent study by the National Council of Welfare provides an overview of these trends across Canada.⁶⁵

Table 2.1: 2009 WELFARE INCOMES FOR SINGLE PERSON CONSIDERED EMPLOYABLE					
	Basic Social Assistance	Other P/T* Benefits	GST Credit	P/T* Tax Credits	2009 Total Income
Newfoundland and Labrador (NL)	\$8,085	\$1,200	\$268	\$40	\$9,593
Prince Edward Island (PE)	\$6,661		\$245		\$6,906
Nova Scotia (NS)	\$6,114		\$245		\$6,359
New Brunswick (NB)	\$3,528		\$245		\$3,773
Quebec (QC)	\$7,067		\$245		\$7,312
Ontario (ON)	\$6,877		\$245	\$379	\$7,501
Manitoba (MB)	\$6,060	\$510	\$245		\$6,815
Saskatchewan (SK)	\$8,316		\$245	\$219	\$8,780
Alberta (AB)	\$6,996		\$245		\$7,241
British Columbia (BC)	\$7,320	\$35	\$245	\$178	\$7,778
Yukon (YK)	\$14,873	\$155	\$341		\$15,369
Northwest Territories (NT)	\$16,942		\$374		\$17,316
Nunavut (NU)	\$43,452		\$374		\$43,826

* Provincial/Territorial



4. The CST: Past, Present, and Future

As discussed above, major federal transfers to provinces and territories are virtually unconditional. But as major federal transfer arrangements have evolved, so too have reporting and accountability frameworks. Over time, more emphasis has been put on public accountability. It is the federal government's position that provinces and territories are best placed to determine program priorities and implement programs in response to them.

In relation to the CST, as with other major federal transfers, three fundamental accountability relationships exist:

- Accountability of federal, provincial and territorial (FPT) legislatures to citizens for the implementation of their programs.
- Accountability of the executive branches of FPT governments to the elected legislatures for the expenditure of public funds according to the purposes approved by the FPT legislatures.
- Mutual accountability between the executive branches of the FPT levels of government.

In general, most agree that the federal government's role in influencing provincial and territorial social programs has declined as compared to the post-war period, when cost-sharing arrangements included conditions on the use of matching funding and explicit government-to-government accountability mechanisms. It is generally accepted that any effort to increase federal influence, through attempts at imposing conditions, standards, or reporting and accountability mechanisms, would need to take account of the evolving character of the federal system.⁶⁶



5. Conclusion

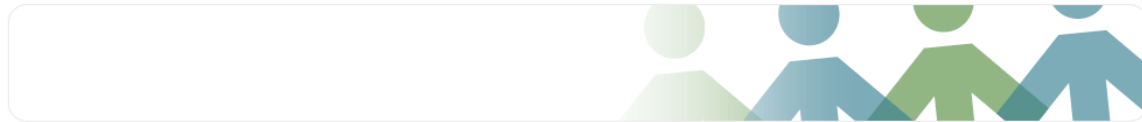
From this review of the history of the evolution of federal-provincial/territorial relations in the last 60 years, CASW makes the following recommendations for the future of the social services in this country.

Recommendations:

1. That a new federal *Social Care Act* be established which contains the 10 principles outlined in this paper;
2. That this new federal *Social Care Act* would be consistent with the direction of federal-provincial/territorial relations in that it does not establish compliance conditions, nor a federal framework to determine compliance. Like the Canada Health Act, it would establish common principles for the use of Canada Social Transfer funds for the purposes of social service program funding in each of the provinces and territories;
3. That such new legislation is consistent with the principles annunciated and agreed on by the federal government and the provinces and territories in the Social Security Review in the 1970s and established by the provinces and territories in the discussion leading up to the Social Union in the 1990s;
4. That such legislation raises again the question of the agreement of Quebec. It is important to note that the government of Quebec was not a party to the prior agreements outlined in point three above. At the same time, at present the government of Quebec is a party to, and recipient of, funds under the CHT and the CST, and the Canada Health Act does apply in Quebec. Nonetheless, the passage of new legislation in the field may raise again the question of asymmetry in its application regardless of whether the government of Quebec is in agreement with the principles contained in the Act.

It is clear from the historical review that federal accountability in the delivery of social services has been a matter of great concern throughout the last several decades. A new Social Care Act containing these ten principles would improve the lives of all Canadians, and most align with our values of fairness, accountability, and social responsibility.

CASW urges the federal government to implement a Social Care Act to support the best quality of life for citizens across the country, and to help refocus governments' attention on the importance of social services in Canada. The implementation of an act with the



above outlined principles could help stop the erosion of social services funding, as well as helping to clarify how various provincial and territorial social indicators are changing, providing vital information for the sound development of future social policy. Canadians should expect to receive the same level and type of services regardless of the province or territory in which they reside: this proposed act would help make this a reality.

6. Appendix

Key Issues for Future Consideration⁶⁷

In accordance with a Finance Canada commitment announced on 19 December 2011, the 2012 budget implementation Act confirmed the federal government's intention to continue to increase the CST cash contribution by 3% annually, at least until fiscal year 2023–2024.

During a 27 July 2012 meeting of provincial and territorial premiers, the Council of the Federation (CoF) released a report estimating the impact of the proposed changes to the CST, as well as to other major federal transfers. According to the working group's analysis, as a result of the current federal commitment to maintain the CST escalator at 3% annually, "major federal transfers for post-secondary and other social services will comprise a progressively smaller proportion of overall major federal transfers."

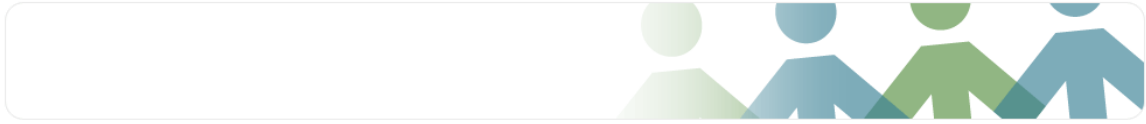
An alternative scenario for the CST is offered by the CoF working group, in which the CST escalator is set at the rate of growth of national nominal GDP, consistent with the escalator applied to the CHT. According to CoF estimates, this would result in a cumulative \$4.2 billion more over the next 10 years for PSE and social programs than would be provided through the existing 3% escalator.

Provided below are some of the key issues related to the CST which could be considered for future discussion among FPT governments.

Targeted Federal Support to Provinces and Territories For Post- Secondary Education

In Budget 2007 the federal government created notional allocations for PSE support within the CST. By 2013–2014, roughly one third of the CST provided to provinces and territories will be in support of their PSE programs.

The identification of federal transfer support for PSE has been welcomed by stakeholders, because federal funding remains notional, provinces and territories are free to allocate total CST funding according to their own priorities. This means that accountability mechanisms among FPT governments remain limited, as provinces and territories are not required to report on how they use CST funding to support their priorities for PSE. Possible discussions among FPT governments may therefore include considerations about how to increase accountability for and the transparency of federal support for PSE.



Allocating the Canada Social Transfer on an Equal Per Capita Vs. Need Basis

The federal government and other experts justify the move to equal per capita cash by proposing that the change removes an implicit mechanism within the CST that compensated for fiscal disparities among provinces and territories, an issue that is argued to be more appropriately addressed solely through the Equalization program.

Some academics and the less prosperous provinces and territories maintain, however, that while an equal-per-capita transfer may appear equitable, it is possible that it is not equitable in practice, since it does not match resources with needs. They propose that factors such as demographics and density, for example, should be considered.

In response to this view, the federal government and some experts note that one of the challenges to determining an appropriate needs-based allocation is the complexity in attempting to account for the wide range of factors that could affect provincial and territorial health and social program costs, including PSE. Given the disparity of opinion, negotiations on CST renewal could include considerations on the appropriate allocation method.

Additional Funding for the Canada Social Transfer

In addition to the option presented by the CoF to apply an annual CST escalator according to nominal GDP (mentioned above), in the lead-up to efforts to restore fiscal balance among FPT governments in 2006, provinces and territories called on the federal government to provide an extra \$2.2 billion as a first step in restoring funding for social programs to 1994–1995 levels; this amount would rise to an overall increase of \$4.9 billion to account for inflation. The year 1994–1995 was chosen as a benchmark because it represented the level of funding for social programs just prior to cutbacks in spending introduced by the federal government in the mid-1990s.



7. Endnotes

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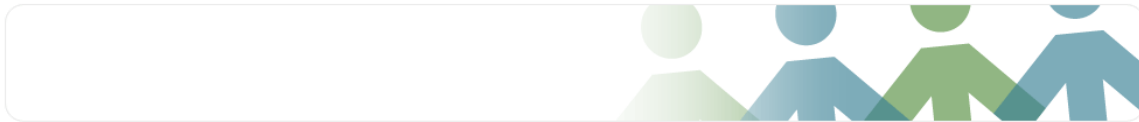
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