

# Antipoverty Policies and Changing Welfare Concepts in Canada\*

*"The substantial economic growth after World War II led to the expectation on the part of many that with the rising Gross National Product poverty would steadily diminish as a serious problem; this has not proved to be so." This is the opening statement in a recent governmental review of Canadian antipoverty policies. The comment might well have been written about postwar expectations concerning poverty in the United States. Thus, the examination of the Canadian policies, the government programs undertaken to implement them, and the influence that changing welfare concepts have had on Canada antipoverty strategies are of considerable interest in the United States.*

*The two countries have much in common in their separate experiences with the poverty phenomenon. In both countries real per capita income in recent years has increased substantially, yet a significant portion of the population has not benefited to the extent needed to lift them out of poverty. In both countries, considerable research has been devoted to measuring the extent of poverty. In both countries, large proportions of those living at or below the officially defined poverty level have consisted of (1) beneficiaries of public income-maintenance programs or (2) the working poor. In both countries, an array of public programs has been employed in the hope of diminishing poverty as a serious problem.*

*In light of this common experience, the extensive review prepared by the Research and Statistics Directorate of the Canadian Department of National Health and Welfare offers insights for the social scientist both in the United States and Canada. The article that follows consists entirely of excerpts from the Canadian brief.*

\* Excerpted from "A Review of the Role of the Department of National Health and Welfare in Relation to Poverty," Appendix A of the *Proceedings of the Special Senate Committee on Poverty* (Senate of Canada, second session, 28th Parliament), No. 23, February 24 and 26, 1970, pages 63-75.

## I. INTRODUCTION

### (b) Causes and Types of Poverty

To be poor does not signify only lack of income; it means lack of opportunities—for good health, for education, for meaningful employment, for suitable recreation and so forth. Poverty is characterized by a depressing and harmful physical and social environment—both indoors and outdoors. It leads to a sense of failure, a feeling of alienation, and generates personal and social pathologies.

A variety of categories of poverty may be distinguished. First, cyclical poverty, which refers to the temporary deprivation that may occur on a substantial scale because of a downturn in the business cycle, a crop failure, or the seasonal nature of certain industries . . .

Much more difficult to deal with is collective poverty which affects populations in particular geographic locations. Such depressed area poverty may arise from lack of natural resources, changes in the natural or technological environment or retarded economic development because of demographic and geographic factors . . . Sometimes the concept is also used to describe the poverty of particular ethnic groups or people living in the decaying inner cities . . .

Individual poverty results from individual misfortune or incapacity. It may be of a temporary nature arising from injury, illness, unemployment or other circumstances . . . On the other hand, some persons may remain handicapped, physically or mentally, for the rest of their lives . . .

The distinctions drawn between types of poverty and the causes they point to are relevant to the next section in which the Department's policies in respect of poverty are discussed. It is clear that these policies address themselves mainly to individual poverty . . .

## II. POLICIES AGAINST POVERTY

Two basic objectives of social policy in modern industrial states have been to maintain full employment and to achieve freedom from want . . .

The full employment objective has not been attained throughout Canada in recent years. It has been implicitly assumed that, given the appropriate monetary and fiscal policies, the private sector of the economy will generate enough jobs to maintain a high level of employment. But the industrial system does not respond easily to social objectives; rapid technological change makes it increasingly difficult for unemployed people to find jobs. A much heavier burden than would otherwise be the case is thus thrown on the income support system . . . The social security system is blamed for its "failure" to eliminate poverty, when in fact it is the private sector of the economy that has been unable to perform in accordance with public expectations.

The freedom from want objective has also not been fully attained in Canada, for a variety of reasons. One factor which has restricted the development of health and welfare services and income security in Canada has been the lack of clarity in the constitution on jurisdiction in the field of social security. A number of approaches have been employed over the past half century to meet this problem. One of the earliest was the provision by the federal government of grants to the provinces to support health services and to provide income maintenance for the aged . . . Another approach is the use of the federal spending power to make direct payments to persons by way of income support through such programs as family allowances and youth allowances . . .

A third approach has been to amend the constitution to clarify the question of jurisdiction in particular fields. . . . With the agreement of all provinces, the federal government . . . secured authority for the enactment of the Unemployment Insurance Act of 1940. Similarly . . . in 1951, and again in 1964 . . . amendments . . . gave Parliament concurrent power with the provincial legislatures in respect of retirement insurance and related benefits such as survivors and disability benefits . . .

Through these approaches the federal and provincial governments have developed the present social security system in Canada. In general, the

provinces administer health services and welfare services and social assistance programs which are best administered at the provincial or local level, while the federal government provides support to the provinces in those fields and makes direct income security payments, either on a universal basis as with family allowances and basic old age security, or on an income-test basis as in the guaranteed income supplement program . . .

The following discussion is concerned primarily with the work of the Department of National Health and Welfare viewed in the context of the total activities of government relevant to poverty. For this purpose, policies against poverty have been grouped into four broad categories: general economic policy, programs to improve the environment, services to improve earning power, and direct income support measures.

Any such separation for discussion purposes should not be interpreted as meaning that each category is self-contained. All are inter-related, and co-ordinated planning is vital for success.

### (a) Government Anti-Poverty Policies

#### (i) General Economic Policy

The Economic Council of Canada has listed the performance goals of the Canadian economy as: full employment, a high and sustained rate of economic growth, reasonable price stability, a viable balance-of-payments position, and an equitable sharing of rising incomes. From this perspective, the most fundamental remedy for unemployment and for poverty is to expand aggregate demand, employment opportunities and incomes . . .

But the Economic Council recognizes also that economic policy consists of more than this . . . Programs have been developed to increase job opportunities in depressed areas or particular sectors of the economy . . .

#### (ii) Programs to Improve the Physical and Social Environment

The squalid environment of poverty areas is frequently characterized by substandard housing, overcrowding, ill-health, dreary surroundings,

low quality public services, alienation, crime and social pathologies. The importance of a physical and social environment which will help the poor to cope with family crises, and offer the children a means of escape from a life of poverty can scarcely be overstressed. Policies related to these problems are concerned mainly with housing, public and community services, community development, and pollution control . . .

### (iii) Services to Improve Earning Power or Reduce Dependency

Services to reduce dependency and increase vocational skills have always been important as a means of attacking poverty. Educational programs, training schemes, health services, grants to help people to move to new jobs, family counseling and family planning services all contribute to the alleviation of hardship among the poor, the prevention of future dependency, and the rehabilitation and remotivation of the poor toward improved self-care, social functioning and earning power.

But the opportunities offered by these services are frequently grasped only by the more able and least deprived persons; conversely, the providers of service also tend to focus their efforts on individuals with good prospects. Thus, the "hard to reach" individuals, families and groups, are given less attention and become even harder to reach . . .

### (iv) Income Support Programs

Income support measures have one or more of the following objectives: first, to provide income support to alleviate the economic circumstances of the poor and to prevent persons from becoming poor; secondly, to provide protection against loss of income arising from certain social risks for all members of society—not just those classified as poor; and thirdly, to redistribute income in favor of certain groups.

In Canada we have five distinct types of income maintenance:

- a. Social assistance
- b. Compensation payments
- c. Income-tested allowances

- d. Universal demogrants
- e. Social insurance

*Social Assistance:* Public assistance based on the means test and administered by municipalities is the oldest type of income support program. Beginning with Mother's Allowances in Manitoba in 1916, provincial governments developed province-wide assistance for particular categories of persons. Federal participation began in 1927 with the Old Age Pension legislation, followed later by cost-sharing of Blind Persons Allowances in 1937 and Disabled Persons Allowances in 1954. Federal cost-sharing for general assistance, used extensively during the thirties on an emergency basis, began again in 1956 for employable persons under the Unemployment Assistance Program; "unemployables" were added two years later. The Canada Assistance Plan, which commenced in 1966, involves federal-provincial cost-sharing of both cash payments to needy persons based on a test of needs, and a comprehensive range of services for all categories of public assistance recipients. Other federal assistance programs include war veterans allowances, and cash payments to Indians and Eskimos.

*Compensation Payments:* Provincial workmen's compensation programs pay cash benefits as compensation for loss of earning capacity arising from work-connected disability or death. War Pensions are provided by the Department of Veterans Affairs as compensation for service-connected disability or death . . .

*Income Tested Allowances:* Income tax exemptions for dependents may be considered as allowances available to persons above a specified income level, (i.e. persons having taxable income); with rising marginal tax rates the benefit increases as income increases. Conversely, the guaranteed income supplement for old age security recipients introduced by the federal government in 1967, is available to persons below a specified income level; the benefit decreases as income increases. In both instances there is an "income test" . . .

*Universal Demogrants:* A universal demogrant is a flat rate benefit on a universal basis to all persons in a category. This was the approach followed in the federally administered Family Allowances Program introduced in 1944. A similar approach was adopted in 1951 in the federally administered Old Age Security Program . . .

*Social Insurance:* Social insurance involves periodic contributions as a condition of eligibility for benefits. The first such program in Canada was the federal Unemployment Insurance Program, begun in 1941, to protect workers against loss of income through unemployment. In 1965, the Canada and Quebec Pension Plans were introduced to provide a degree of protection to contributors and their dependents against the risks of loss of income through retirement, death and disability.

### **(b) Changing Welfare Concepts**

. . . Something should be said about changing welfare concepts as they affect program development. These may be examined in terms of four strategies: prevention, rehabilitation, income-redistribution and participation. While these four objectives are all present in greater or less degree in most antipoverty programs, the relative emphasis has varied over the years.

During the early post-war years, the *preventive strategy* dominated economic and social policy. With memories of the depression of the nineteen thirties still fresh, what we have described as cyclical poverty was the main preoccupation. The primary concern was to prevent another economic depression, and economic policies were, and still are, directed towards the objectives of maintaining full employment and stabilizing the economy. The new major federal programs of income security (i.e., unemployment insurance, family allowances, and old age pensions) were viewed as “built-in stabilizers” for the economy—important devices for maintaining aggregate demand and stabilizing consumer purchasing power. The attractiveness of the approach was that measures that helped to prevent individual unemployed workers, children and old people from living in poverty, simultaneously helped to modify any recession. Thus, cyclical poverty, life cycle poverty and temporary crisis poverty arising from unemployment could be attacked by policies that also promoted greater national production at the same time.

While the prevention of poverty was a main objective the redistribution of income was an important subsidiary consideration. The maintenance of full employment, of course, improved

income distribution by reducing the number of families at the low end of the income scale because of unemployment. Transfers of income from the working population to the main non-working groups also were intended to redistribute income. The income security programs further reflected a new approach to the old Canadian problem of regional economic disparities. In addition to inter-governmental transfers of funds, transfer payments directed to persons caused a flow of funds from the more prosperous provinces to provinces having higher proportions of unemployed workers, older persons and children in the population. There remained, of course, the problem of the “unemployables”—long-term dependency among the working age population. This was seen as a gradually diminishing residual problem which could be looked after by the provinces and municipalities using traditional techniques of public assistance; low levels of assistance combined with rehabilitation services would help to reduce the size of the residual group.

To sum up, the essence of the preventive strategy against poverty was full employment for the working-age population, plus universal benefits for all persons at risk in non-working groups. The development of universal benefit programs could proceed step by step in line with economic growth, and in accordance with social priorities. Thus, social insurance for the employable unemployed (1941) was followed by the universal demogrant for children under 16 (1944) and for the aged over 70 (1951); later came universal hospital insurance (1957), and the medical care program (1966), the last two at the option of the provinces. Also, during the fifties and sixties, the coverage of unemployment insurance was extended, and during the sixties the age range of the universal demogrant was extended by youth allowances and by amended old age security. The Canada Pension Plan was enacted in 1965. Social solidarity among all classes of citizens was promoted by these developments, although universal benefit levels were sufficiently low that benefits did not interfere with incentives to employment.

But as universal programs have progressed, problems of cost have come to the forefront. Increasingly, despite the growth of the gross national product, rising expenditure levels have inhibited extension of benefits, endangered adequacy of benefits, and have forced reconsidera-

tion of the concept of universality. In the case of health care, rapidly rising costs of insured services have generated pressures to examine the efficiency of the health delivery system, and to re-introduce some form of direct payments by patients. In the case of universal demogrants, the age range has been extended, but benefit levels for family allowances have not kept pace with increases in the cost of living. There remain some gaps and inadequacies in the protection afforded by the unemployment insurance program and the Canada Pension Plan. Thus, the effectiveness of universal programs in preventing poverty has become increasingly restricted by cost considerations.

At the same time, full employment policies failed to solve the problem of poverty. Rapid economic growth generally meant that various areas and groups, both rural and urban, were increasingly left behind by economic progress elsewhere, thus increasing their "relative poverty." Wage levels for relatively unskilled work failed to keep pace with other sectors of the labour force, thus highlighting the phenomenon of the "working poor." The influx of rural residents and immigrants into urban areas created many new problems and pressures, which tended to push vulnerable individuals and families into crisis poverty and long-term dependency. The available structures of health, welfare and educational services and of income support measures (despite changes and improvements) seemed increasingly inadequate to cope with the problems.

Yet . . . the social security system is blamed for the failure of the private industrial sector to meet the problem of poverty due to unemployment in a period of rapid technological change when the structure of family relationships has weakened considerably. In periods of full employment, the people who are on social assistance will be the aged, the disabled, mothers with small children, and the unemployable. These people really need help; they are not on the assistance rolls due to any lack of individual motivation. In our complex industrial society which seems unable to provide a high level of employment, there are also a large number of unemployed persons on the assistance rolls. These people are there through no fault of their own—they need income support, and the kind of society we have developed makes it hard for them to obtain income in any other way.

The demonstrated insufficiency of the preventive strategy of full employment and universal benefits appears to be bringing about divergent results. On the one hand, the effects of the broad preventive strategy are being pushed forward into the future. That is to say that under the Canada Pension Plan, for example, the preventive effects in reducing the number of persons who would otherwise be in needy circumstances will be felt only gradually over many years. Similarly, many observers are stressing that increased output from the economy over the long-term is the only ultimate way of providing a satisfactory living standard for all citizens.

On the other hand, in the short-term the preventive strategy is being increasingly merged with and subordinated to a rehabilitation strategy and an income redistribution strategy. That is to say that there is a growing movement in favour of more selectivity in the provision of cash income directed to persons having the greatest need. This parallels the growing awareness that inflationary pressure (a side effect of full employment policy) as well as counter-inflationary policy both tend to have selective adverse effects on low-income groups. As contrasted with universalism which tends to promote social solidarity, selectivity tends towards a more clearcut division between "the haves and the have nots."

*The rehabilitation strategy* aims to build up earning capacities and reduce dependency by promoting opportunities and encouraging independence. It focuses on individuals and tries to give them the tools to lift themselves out of poverty. Beginning with the physically disabled, following successful methods developed for workers and war veterans, this approach has been extended to the chronically ill, the mentally handicapped and retarded, and various "socially" disabled persons. It involves co-ordinated provision of counselling and guidance, health care, welfare services, training and job placement services directed towards deprived individuals and families. Co-operation among many agencies and all levels of government is essential.

In the early post-war years, the rehabilitation strategy was seen as complementary to the preventive approach, and as being directed to the residual group affected by crisis poverty and long-term dependency; this was perceived as arising mainly from physical or mental disability or

illness. Gradually, a broader approach has emerged, stimulated by the developing notion of "structural" imbalance in the economy. Not only the disabled, but all poor persons are viewed as underutilized resources of human capital. As pointed out by the Economic Council, many suffer from "remedial disadvantages, such as lack of education or training, lack of information about job opportunities, inability to move to known job opportunities, poor work habits, and poor physical or mental health stemming from economic deprivation."

Arising from recognition of this situation, the systems of training and education are being reorganized to weld together the needs of the poor for appropriate skills, and the needs of the economy for workers in various occupations. Methods of developing job opportunities, work activity projects, sheltered workshops and employment services are being given more attention and resources than formerly. In the field of health care, an emphasis on prevention and rehabilitation implies reorganization to promote the efficient delivery of the right service to the right person in the right place at the right time. Similarly, welfare services can be directed to areas of greatest need and, as specified in the Canada Assistance Plan, this may include services for persons likely to become needy if such services are not provided. This approach, if successful, has the happy result of increasing the gross national product while reducing the number of families in poverty.

It should be pointed out that selectivity in the provision of services is not contradictory to universal availability of benefits. If services are to be selectively directed to areas of greatest need in an efficient way, universal availability of benefits without a financial barrier to persons requiring them, is a necessary prerequisite for optimum allocation.

*The distributive strategy* reflects a growing preoccupation with cash transfers stemming from recognition of the injustice of the existing distribution of income. It is being better understood that the vast majority of the poor are in their unfortunate situation through no fault of their own. Moreover, the tax policies often fall heavily on the poor, requiring them to pay taxes from meagre resources.

As already noted, the universal demogrant of

the early post-war years had important redistribution effects on non-workers and on less wealthy regions. However, gradual inflation combined with continuing low wage levels for unskilled work muted these effects among employed persons; furthermore due to inflation and continuing long-term unemployment in depressed areas, poverty arising from long-term dependency increased instead of gradually "withering away" as had been hoped.

In line with the early post-war view of residual poverty as being caused mainly by physical or mental incapacity, federal policy aimed at supplementing universal benefit programs with financial support for provincially administered means test assistance for blind persons (1937), elderly persons 65 to 70 years of age (1951), and permanently and totally disabled persons (1954). A new departure in 1956, however, heralded the beginning of a trend towards a broader base for income redistribution on a selective rather than universal basis. The Unemployment Assistance Act (1956) extended federal sharing to provincial and local assistance for the employable unemployed; two years later unemployables also were included. This increased federal aid gradually stimulated pressure in favour of more adequate benefits based on a more selective approach designed to help those who most need such assistance.

During the sixties there was increasing criticism of the universal demogrant as providing inadequate benefits for those needing it, while at the same time (despite the element of recovery through the income tax machinery) providing income support to many persons who don't need it. Social assistance programs also have come to be widely criticized as being unnecessarily complex, of depriving the recipient of dignity, and of denying him the ability to participate in community life because allowances are inadequate and restrictive. These changing attitudes have stimulated a search for new approaches, of which the use of a declaration of income which is tested impersonally through the income tax machinery is an example; this has been incorporated into the Guaranteed Income Supplement program for the aged.

Within public assistance itself, the trend has been toward a needs test rather than a means test as a means of measuring the assistance to be provided; and this approach was incorporated into

the Canada Assistance Plan (1966). Between 1959 and 1969 the number of assistance recipients in Canada approximately doubled. Undoubtedly, benefit levels have gained on unskilled wage levels over this period, despite the development of minimum wage legislation. The minimum wage has tended to set a ceiling on further changes in assistance levels, which otherwise might reduce work incentives. A higher minimum wage helps not only the working poor but also ceases to act as a deterrent to more adequate assistance levels. A low minimum wage can adversely affect the incentive to work among those who would fare better on assistance than at work. On the contrary, a high minimum wage can increase unemployment among low-paid workers whose higher wages are not justified by their low productivity; this applies particularly to marginal industry. A further point to be made is that minimum wages do not take into account the number of children a wage earner may have; family allowances and tax deductions somewhat compensate for this. If an adequate minimum living standard is to be achieved, either sufficient cash payments must be made to large numbers of unemployed persons, or work opportunities must be provided by government serving directly as the "employer of last resort." For those who are long-term dependency cases unable to work, cash income maintenance is the only approach left open. This is the distributive strategy.

*The participation strategy* is based on the growing awareness of the need to involve the people directly affected by social development programs in their planning, development and implementation if these programs are to be successful. This awareness stems from our increased understanding of the process through which people individually and in groups learn to accept and use their own resources, as well as the technical and financial resources of the community, to develop new solutions to their problems.

This strategy is based on the concept that people have a right to exercise influence over the forces in their environment which affect them, and that those affected are in the best position to identify their problems and needs, decide on their priorities, plan solutions, and participate in their implementation. There is also a growing awareness that people can only begin to develop

the skills, the knowledge and the commitment to deal in more adequate ways with their environment through the experience which grows out of participation.

The effectiveness of this approach is usually of a long-term nature, with positive results and increased capacity of citizens only becoming evident after periods of several years of relatively intensive action aimed at promoting citizen participation. The effectiveness of this approach has been demonstrated by the growing ability of Indian and Metis people in dealing with their own situations, articulating their needs and entering a position of negotiation with government regarding future programs and policies which will directly affect their position and status in our society.

There has been a fairly rapid realization among other disadvantaged groups, including welfare recipients, that they too can achieve positive development through collective action. This is being demonstrated by the variety of welfare rights groups, tenants associations, and community improvement groups which have sprung up among low income citizens in the past year or so.

As citizens groups gain experience in participation they have shown an increasing ability to be more effective and to achieve positive results more quickly. Government has recognized the advantages and often the necessity of promoting citizen participation to make its own plans and programs more effective and to reduce the dependency-inducing nature of many of its present services. To this end the department has, and is currently, supporting a number of special projects and activities aimed at initiating, encouraging and experimenting with this approach.

Direct support for such projects has been provided from the program of funding for welfare demonstration projects. Projects of a similar nature but with a health orientation are being considered for funding in the present fiscal year under the health grants program. Projects with a social-recreational focus are being explored for possible funding by the Physical Fitness and Amateur Sport Directorate of the Department in the new fiscal year. The Department supports activities and programs geared to participation of consumers of service and disadvantaged groups generally under the cost-sharing agreements in the Canada Assistance Plan.

Agreement has been reached with the National Indian Brotherhood which is establishing an Indian Health Committee to meet with the Minister semi-annually to recommend improvements in policy and administration of health services for Indians, and at any time to report cases of poor or inadequate health services. Indian liaison officers have been appointed to improve communication between the Indian people and departmental medical officers. Indian representatives are studying ways in which their people can make more effective use of the fitness and amateur sports grants that are available to improve Indian recreational facilities.

The Department has also established a National Council of Welfare, an advisory body to the Minister, which includes substantial representation from low income, welfare recipient and economically disadvantaged minority groups, and which is designed to serve as a vehicle through which the poor can enter into dialogue with government on the efficacy of present programs and participate in the development of new ones.

The citizen participation strategy rests on the principle of collective self-help and is dependent

upon a responsiveness among the poor to such a course of collective action. Although a certain number of these organizations have come into being through the sponsorship of local social agencies or government, they are most largely a spontaneous phenomenon initiated by the poor themselves. As a phenomenon these groups post-date the observations in the Economic Council of Canada's 5th Annual Review that "the poor tend to be collectively inarticulate, . . . lack the education and organization to make themselves heard . . . (and) . . . have few spokesmen and groups to represent them and give voice to their needs."

The Department views the emergence of these self-help groups among the poor as a highly positive development. If, as the Economic Council suggests, the absence of such groups has been among the reasons for the perpetuation of poverty, the presence of such groups offers the prospect of reaching the roots of what the Economic Council's report described as the "sense of entrapment and hopelessness . . . accumulated defeat, alienation and despair which often so tragically are inherited by the next and succeeding generations."