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IDEOLOGY, FEDERALISM, AND THE WELFARE STATE:
The Public Debate Concerning Guaranteed Annual

By

Graham R. Geddes

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Université d'Ottawa-University of Ottawa

ABSTRACT

IDEOLOGY, FEDERALISM, AND THE WELFARE STATE:

THE PUBLIC DEBATE CONCERNING GUARANTEED ANNUAL INCOMES, 1968-1976

Graham R. Geddes, Supervisor:
University of Ottawa, 1989 Professor Chad Gaffield

The guaranteed annual income was one of the most widely debated social policy initiatives in the late 1960s and early 1970s. This approach to welfare was recommended by numerous government committees, commissions, and agencies in this period. It was also the focus of Canada's social security review, a series of eight Federal-Provincial Ministers of Welfare Conferences, from 1973-1976. In 1975, Marc Lalonde, the Minister of National Health and Welfare announced that an agreement had been reached by the Ministers and a guaranteed annual income scheme would be implemented within several years. However, by 1976 the initiative for a guaranteed income was dead and no legislation was forthcoming.

The fundamental question of this study is why the initiative failed after extensive investigation and debate coupled with support in principal from both federal and provincial governments. A full understanding of this failure requires an examination of both the historical framework and the public process of the debate. The debate has
been accorded little academic analysis. Academics and government officials who have studied the debate conclude that the limitations of Canadian federalism and an economic downturn in the mid-1970s were responsible for the initiative's failure. However, a close analysis of the contemporary discussion and its historical context shows that the issue is more complex.

An examination of the policy process indicates that while the provinces agreed in principal with the initiative there were significant differences of opinion over details of the reform. Specifically, these differences related to the comprehensiveness of the reform project. There were ideological differences between Canada's provinces with NDP governments that favoured a comprehensive guaranteed income program and Canada's more conservative provinces that supported piecemeal change. The possibility of reform was also limited by the inability of Canada's poorer provinces, especially the Maritimes, to afford any new welfare programs coupled with general economic recession.

The initiative also failed due to certain historical views of dependency. This debate was not an historical anomaly and the initiative's failure is not surprising when seen in historical perspective. Traditionally, programs for the aged and children have been accorded support while able-bodied individuals have been seen as "undeserving" of state assistance. During the guaranteed income debate, programs aimed at the former group were favoured while those for the latter were unacceptable to most participants. In the mid-1980s the guaranteed income was once again discussed but a comprehensive guaranteed annual income will only be implemented when longstanding concepts of dependency and the family have changed.
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CHAPTER 1: INTRODUCTION
The idea of a Guaranteed Income has been called both a new hope ... and a threat to democracy; a creative new social program and the most stupid idea of all time; inspired legislation and a giant boondoggle; economic security for everyone and a free handout to welfare chislers; the road to individual freedom and the path to social ruin.¹

Proposals for a guaranteed annual income have evoked polarized responses from academics, the social policy community, and many other Canadians. This approach to welfare was widely researched and debated in Canada throughout the late 1960s and early 1970s. As the focal point of Canada’s social security review (a series of eight Federal/Provincial Ministers of Welfare Conferences from 1973-1976), it received close attention from Canada’s Ministers of Welfare. For its proponents the initiative was seen as the answer to the expensive, overlapping, and poorly integrated measures of the existing welfare network. It would refocus social spending and, in theory, remove the stigma and confusion of existing social programs. Its opponents saw it as yet another costly social program.

In the late 1960s a number of government agencies undertook investigations into poverty and the limitations of the welfare network.² This review was engendered in part by the re-emergence of poverty as a political issue in Canada amidst the apparent


affluence of the time and the realization that despite rapidly expanding welfare programs and expenditures, official poverty (as defined by the federal government's poverty line), was not being reduced. The investigations began in a period of restraint and retrenchment for the welfare state: the movement to "rationalize" programs must be seen at least in part as an attempt to cut social welfare costs. This period saw the collapse of the post World War II economic boom with the start of a decade of high inflation and unemployment, a declining rate of GNP expansion, and a drop in real income growth after twenty years of strong, steady increase.\(^3\)

The late 1960s were also characterised by political unrest within the Canadian federal system and social policy had become an important part of the federal-provincial power struggle. In 1971, Quebec refused to support the Victoria Charter which would have patriated the Canadian Constitution because the proposal failed to address the jurisdiction of social policy.\(^4\) In 1972 a conference of provincial welfare ministers unanimously requested that a federal-provincial conference be convened to discuss social policy.\(^5\) Likewise, women's and anti-poverty groups lobbied the federal government to reform welfare programs and implement a guaranteed income scheme. The review's consideration of the guaranteed income may have also resulted from an "informal" agreement between Pierre Trudeau and the New Democratic Party for the latter's support

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\(^3\) A more detailed account is provided in Chapter Two.


of Trudeau's minority liberal government elected in 1972.\(^6\)

In 1968 the Economic Council of Canada revealed that five million Canadians lived below the poverty line. The Council asserted that while poverty was experienced by a minority, it affected all members of society and, therefore, a "concerted and purposeful attack on poverty" would benefit all Canadians.\(^7\) A number of federal government-endorsed reports recommended that a guaranteed annual income program could be utilized to rationalize the existing network and to provide all Canadians with a basic minimum income. The Special Senate Committee on Poverty (1968-1971) recommended a guaranteed income as did the Quebec Commission of Inquiry on Health and Social Welfare (1968-1971). In general these investigations discovered that the existing network was poorly integrated, requiring rationalization and refocussing.

The investigation intensified with the social security review launched in 1973 with the Department of National Health and Welfare's "Orange Paper". The Department held that "The central, though by no means the sole objective of social security in Canada is an acceptable basic income for all Canadians...".\(^8\) The guaranteed annual income was recommended as a method of providing such an income. In 1974 the Working Party on Income Support and Supplementation's report to the Ministers of Welfare enjoined that one of the fundamental goals of the income maintenance system should be to "to guarantee every individual or family adequate income in relation to

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community standards. It outlined several guaranteed income proposals for the Ministers to discuss.

In the opening stages of the social security review both federal and provincial Welfare Ministers expressed agreement in principal with the concept of a guaranteed income for Canadians. In 1975, Marc Lalonde, Minister of National Health and Welfare announced that a guaranteed annual income program in the form of an income support and supplementation scheme would be implemented probably by 1978 or 1979. However, the Ministers could not agree upon a suitable guaranteed income scheme and no legislation was forthcoming.

The fundamental question of this study is why, after extensive research and debate coupled with both federal and provincial support in principal for the guaranteed annual income, the initiative died in 1976 with the Ministers of Welfare Conferences. An understanding of the initiative's failure requires an examination of both the public process and the historical framework of the debate. This framework includes the evolution of the welfare network as well as the historiographical debate concerning reform in general with a focus on welfare reform. An examination of the evolution of welfare highlights both change and continuity in social policy and programs.

The historiographical discussion concerning welfare can best be seen as one aspect of the broad category of reform history. While both historians and sociologists have written extensively about social welfare and its predecessor, public relief, there is not a


10 Canada, Federal/Provincial Ministers of Welfare Conferences, Communiqué, 1975.
widespread or clearly defined tradition of welfare history in Canada or the United States. In the North American reform literature a broad range of interpretations of the origins and functions of the welfare state span the political spectrum from progressive to marxist. Reform has been interpreted as inherently good by progressive historians, as an attempt to rationalize society by the organizational school, and as an attempt to control society by marxist historians. The debate has evolved beyond the static progressive/social control dichotomy as scholars argue that reform involved elements of both.

The progressive interpretation of reform, prevalent prior to the 1960s but still the basis of considerable literature, is premised on the belief that reform is by definition progressive and that reformers are humanitarians concerned above all with aiding the poor and dependent. Such reformers utilized private charity and local institutions to aid the poor until the early twentieth century when, due to the rapidly growing population and increased demand for aid, they turned to first state and then federal government assistance. "Their generous efforts to ease the burdens of the poor by limiting the working hours of women and children, improving factory, housing, and health conditions, and introducing rudimentary forms of social insurance, ... mark them as the path breakers to the New Deal and the modern welfare state."11 Liberal scholars see the widespread government intervention in society and the economy, necessitated by welfare legislation, as inherently good and democratic. The liberal interpretation of the welfare state sees it primarily as a reaction to social needs and, therefore, as having evolved in a linear fashion over the past one hundred and fifty years as a reaction to a changing

society. The approach usually depicts evolution toward a more just and egalitarian society.

An example of recent work in this vein from the United States is James Leiby's book, A History of Social Welfare (1978).\textsuperscript{12} He claims that social welfare institutions arose between 1815 and 1945 as a response to urban life in a society with a market economy and an industrial base. Social welfare represented "a sense of mutual responsibility and goals among the classes" which resulted from recognition of their interdependence in a fragmented society.\textsuperscript{13} By the twentieth century Americans recognized the impersonal causes of poverty and thus replaced the nineteenth century concern for reforming paupers and criminals with the desire to create a more egalitarian and just society. The devastating effects of the Depression in the 1930s culminated in a significant government role in social and economic life.\textsuperscript{14}

Liberal historians approach reform by analyzing reformers and their rhetoric and only examine sources generated by this elite group. Leiby utilizes National Conference of Charities and Corrections proceedings, various government inquiry and commission reports as well as private relief agency records. This interpretation can be criticized for assuming that reform is inherently progressive, that reformers are naturally humanitarian, and that state intervention is necessarily democratic. Historians such as Leiby fail to look beyond the rhetoric at the purpose, results, and timing of reform. They also fail to question the identity of reformers who were often businessmen with

\textsuperscript{12} Also see Dan Levine, Jane Addams and the Liberal Tradition, Madison, 1971.


\textsuperscript{14} Ibid., p.190.
other than humanitarian motives. Their sources limit them to examining the rhetoric of the reforming elite and thus they present a very biased and limited account of reform.

In the 1960s scholars began to dispute the "progressive" view of reform as they questioned the reformers' identity and looked at the disparity between rhetoric and practice. This approach led Samuel Hays and Robert Wiebe to argue that the reformers' primary desire was to organize and rationalize society. In *The Search For Order* (1967) Wiebe argues that during the "progressive era" the bureaucratic mentality of the "new middle class" triumphed. This new middle class emerged in the 1890s as industrialization and urbanization destroyed the existing social order of traditional "island communities" in which social relations had been local and guided by ethnicity and wealth.\(^{15}\) This new class, which consisted of professionals and businessmen, was drawn together as its members became conscious of their unique skills and the power of scientific and organizational expertise. It reorganized society along national, occupational, and collectivist lines and emphasized efficiency, centralization, and specialization in solving social problems. In short, the new middle class imposed a bureaucratic order on the emerging urban industrial system. This is true of the social welfare system, which in the early twentieth century became professionalized and bureaucratized as social workers made "mutual discovery of one another's existence" and began to establish social work as a distinct field of social science, to train professionals in universities, and by 1910, to develop professional organizations.\(^{16}\)

Wiebe identified the reformers' position in society and compared their rhetoric to


\(^{16}\) Robert Wiebe, *Op.Cit.*, p.120
the reforms that they instituted. Like the progressive historians, Wiebe examined
sources generated by the reforming elite. He concentrated on the records of businesses
and professionals: document collections, congressional hearings, publications of business
and professional organizations, and journals and newspapers addressed to businessmen.
Thus, he too failed to analyze the role and records of other interest groups; he assumed
that the new middle class was fully in control of society.

In his essay "The Emergence Of Social Work in Toronto" (1979), James Pitsula,
argues that Wiebe's emphasis on the role of the new middle class in imposing a
bureaucratic order on the emerging urban industrial society applies to Canada. In
Toronto, the implementation of the middle class ideals of order and efficiency "brought
a thorough-going transformation of charity" away from private control to the realm of
professional social worker. Pitsula shows that as Toronto's population grew from
86,400 in 1881 to 521,900 in 1921, poor relief became less and less adequate. For this
reason the volunteer system broke down around 1900 and, in the interest of efficiency
and economy, was replaced by welfare bureaucracies run by professional social workers.
By 1920 a new charity system based on efficiency and order had arrived. Paul
Rutherford also agrees that Wiebe's thesis is applicable to Canada. He argues that
reformers motivated by a sense of crisis caused by class hatred, moral decay, and concern
over vested interests, sought to institutionalize, centralize, and bureaucratize in order to
create a more humane and rational society.

17 James Pitsula, "The Emergence of Social Work in Toronto" in Journal of Canadian
18 Ibid., p.35.
19 Ibid., p.37.
A third interpretation, which emphasizes exploitation and social control, comes from the New Left. The New Left tradition arose in the 1960s out of the turmoil of that decade which led many young academics to question the traditional assumptions of their disciplines.

"The prevailing history which minimized social ills and conflict and celebrated mainstream America and the notion that the nation's citizens, all its citizens, had been treated fairly by an affluent, just and peaceful society became very difficult, indeed impossible to accept by many young scholars coming to maturity at a time when the seamier side of the nation and many of its actions was all too evident." 21

These scholars argue that the upper classes design reforms and institutions to manipulate and control the poor by shaping their environment and co-opting them with benefits in order to prevent disruption and preserve the capitalist system. As Marxists they see close ties between economic and political elites; state intervention is thus likely to reinforce economic conditions.

Gabriel Kolko, one of the first and best known of the New Left historians, argues in The Triumph of Conservatism: A Reinterpretation of American History, 1900-1916 (1963) that the progressive movement was essentially conservative in that government consistently accepted social and economic reform advocated by big business. "Conservative solutions to the emerging problems were almost uniformly applied. The result was a conservative triumph in the sense that there was an effort to preserve the basic social and economic relations essential to a capitalist society, an effort frequently.


consciously as well as functionally conservative."  

22 Business' main interest was regulation of the economy. In opposing traditional interpretations of the progressive era Kolko claims that business control over politics was the norm. "Business was able to fool the public and many reformers as these groups felt that government economic regulation, in itself was desirable and many ignored business support for such measures by focussing on the less important business opposition that existed."  

23 He concludes that this conservative trend did not end in the 1920s, but became ingrained in the basic fabric of American society.

In his essay, "Big Business and the Origins of Workmen's Compensation" (1967), James Weinstein applies Kolko's thesis to workmen's compensation reform, which was the first social insurance scheme to be introduced to North America (1902-1920). He argues that by 1909 business leaders supported compensation legislation to improve labour relations and productivity, to rationalize costs, and to increase profits. Compensation represented a growing maturity and sophistication on the part of business leaders who came to understand "that social reform was truly conservative."  

24 Workmen's compensation was a victory for business in its attempt to maintain its advantages within capitalist society. In this sense compensation was a conservative and rational reform. Kolko and Weinstein use many of the same elite generated sources as Wiebe such as various government commission reports,Industrial Conference Board reports, Senate committee reports, and correspondence between industrial leaders. They


23 Ibid., p.2.

approach these sources with a negative perception of businessmen which stems from their political views. Like Wiebe they fail to address the role of the working and lower classes in reform movements. They assume that these interest groups were not able to play a positive role in the construction of reform.

The most influential of the New Left literature relating directly to the welfare state is Frances Fox Piven's and Richard Cloward's controversial book Regulating The Poor: The Function of Public Welfare (1971). According to Piven and Cloward, government involvement in social welfare has two functions: maintaining order and enforcing work. Due to industrialization and the unpredictable market system the government provided welfare measures as a buffer against unemployment to ensure stability. They see a cyclical rather than a linear evolution of welfare.

"... relief arrangements are initiated or expanded during the occasional outbreaks of civil disorder produced by mass unemployment, and are then abolished or contracted when political stability is restored. ... expansive relief policies are designed to mute civil disorder and restrictive ones to reinforce work norms."

Thus, during the turmoil of the 1930s and 1960s the American welfare network expanded. They see welfare programs as neither philanthropic nor benevolent, but rather as an attempt to ensure social and political order while ensuring that poor people prefer to remain in the workforce. This system is essentially one of control as even with the availability of relief "the indignities and cruelties of the dole ensure that the lowliest of work is preferable to welfare." Piven and Cloward argue that students of relief have missed the connections between relief practices and social institutions. They


26 Ibid., p.15.
examine the relation between welfare's evolution and industrialization, thus placing welfare within the context of society as a whole. Welfare's expansion is an example of political and economic elites adapting to the mass disorder associated with industrialization and concomitant unemployment.

Piven and Cloward expand their "social control" model in their article "Humanitarianism in History: A Response to the Critics" (1983) arguing that relief historians have failed to see class conflict within the question of welfare policies. Such scholars have seen the struggle as one to make the world more humane, not as a conflict between classes. "Seeing no adversaries they fail to see the true reformers of the welfare state."27 Thus these scholars have failed to understand the role of "ordinary people" in the evolution of the welfare state. Piven and Cloward believe, "the most important victories for political freedom and political decency have been won through periodic struggles by ordinary people against their masters, serfs against nobles, peasants against industrialists. Here is the locus of humanitarianism."28 Thus, humanitarianism only leads to change when "the people riot, strike, march, demonstrate, or revolt." This is human nature; it does not mean that the "oppressed are noble and their oppressors not."29

They use sources of various elites such as government committee and commission reports and business records and correspondence. However, they also examine records which describe the dependent: case records of State Aid to Families With Dependent

28 Ibid., p.117.
29 Ibid.
Children (AFDC), American Federation of Labour records, and census materials. Their approach is new in that they examine the people's role in welfare reform. They use the fluctuating level of unemployment to show that these were periods of extensive dependency, which necessitated government intervention to dissipate potential unrest. Their model places considerable emphasis on the elite's ability to control the masses. While welfare reform had a social control function it is difficult to see such reform as a conscious and coordinated effort to control society.

The social control model is apparent in Michael Katz's early work, such as his book *Class, Bureaucracy, and Schools: The Illusion of Educational change in America* (1975). He argued that between 1800 and 1885 the "fundamental structural characteristics" of the American educational system were set and have not since been reformed. The system was bureaucratized and designed to inculcate the dominant class' values and attitudes. Katz saw the schools that developed as "imperial institutions designed to civilize the natives. ...Their main purpose is to make these (poor) children orderly, industrious, law abiding and respectful of authority. They were designed to reflect and confirm the social structure that erected them." He focused on the social forces that created the education system and examined the sources of the reform elite: state education committee reports, speeches and essays by education reformers, such as Henry Barnard in favour of high schools in 1848, as well as correspondence and speeches by educators and administrators. In basing his "social control" argument solely on the

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rhetoric and actions of this elite, he assumed that they controlled society and that the masses were easily manipulated.

More doctrinaire marxists see welfare's main function as aiding in the reproduction of labour. James Dickinson and Bob Russell claim that "...the state has been and remains a critical entity in the construction and reconstruction of capitalist relations of production. ...State social interventions are thereby established as specific responses to the contradictions induced in the reproduction process in the course of capitalist development."32 Within a capitalist system, wages alone cannot support and reproduce labour and thus welfare measures are necessary for the reproduction of labour. "...within capitalism the working-class cannot reproduce itself on the basis of the wage exclusively, and there is invariably produced a deficiency of wages when compared with the costs of consumption for many working class families. Social welfare emerges as a way of bridging the gap between wages and these costs of consumption."33 According to these marxists, under capitalism the capitalist-controlled state provides assistance to labour to enable the working class to reproduce itself.

Recently, scholars have argued that social welfare reform may have contained elements of several of the above interpretations. Don Kirschner, in his essay "The Ambiguous Legacy: Social Justice and Social Control in the Progressive Era" (1975), argues that both the progressive and social control models of reform are too static.34


While these interpretations appear to be opposites, it is possible that reformers were influenced by conflicting ideals. He writes "even while they were moved by a tender-minded wish to liberate the downtrodden from the shackles of society, they were restrained from doing so by a tough-minded desire to protect society from the threat of the downtrodden." Reformers were never able to overcome their fear of social unrest and immorality among the lower classes and immigrants. Therefore, in spite of their espoused humanitarianism, they were limited by the belief that institutional social control was necessary to keep behavior from being "drawn by the base passions into immoral or socially disruptive patterns." Kirschner's essay shows the necessity of looking beyond the rhetoric of reform without dismissing it. Well known reformers such as J. S. Woodsworth and J. J. Kelso were certainly driven by more humanitarian goals than those of capitalism.

One area of social policy reform where historians have analyzed both the business and the working class role is workmen's compensation. Robert Asher, in "Failure and Fulfillment: Agitation For Employers' Liability Legislation and the Origins of Workmen's Compensation in New York, 1876-1910" (1983), argues that both business and labour played a role in compensation's implementation and benefits accrued to both. The expanding financial responsibilities of employers, their fear of more drastic liability laws, and their desire to rationalize waste in the existing liability system, convinced business of compensation's benefits. However, while business support for compensation

35 Don Kirschner, Op.Cit., p.88
36 Ibid.
was essential to its enactment, labour also contributed because only "... when labour unions themselves were better organized for legislative lobbying was legislative relief finally forthcoming."\textsuperscript{37} For workers, compensation would lessen the risks of the workplace by providing a certain payment in case of an injury. Public arousal over working class dissent and the courts' attempt to lessen business' economic privilege also aided the process. In providing a more rounded picture such scholars utilize government, business, and labour records in an attempt to assess the effect of each group on the legislative process.

In a recent book, \textit{Poverty and Policy in American History} (1983), Michael Katz calls for a more holistic view of welfare history. Katz argues that all levels of society played some role in welfare reform and different elements often utilized measures as best suited their needs.\textsuperscript{38} He advocates examining the role of all parties to welfare reform including those who affect the reform process and those affected by it. Only by comprehending all aspects of welfare and reform as well as all individuals and groups involved will we acquire a complete understanding of welfare and welfare reform.

Thus one can see that the interpretations, research strategies, and sources used to assess reform and social welfare have emerged from the static progressive, organizational, and social control models to a more rounded account which adopts elements of all three. Those who accept this new approach attempt to assess the role of all interest groups in


the historical process. Unfortunately, in the case of the guaranteed annual income there was little interest group input into the debate. However, these interpretations are helpful in assessing the evolving welfare state; they emphasize the necessity of a close examination of the rhetoric and the motives of "reformers", who in the case of the guaranteed annual income, were federal and provincial politicians.

This study examines the public debate over proposals for a guaranteed annual income in Canada. Although it was the most widely debated reform initiative of the late 1960s and early 1970s the guaranteed income has been given little attention by scholars interested in social policy. Several academics and government officials have pointed to the limitations of federalism and a declining economy in order to explain the failure of the proposal. Jaqueline Ismael sees the end of the initiative as the result of the problems of Canadian federalism and the fight for control and jurisdiction between the federal and provincial governments. She stresses the dispute between the two levels of government for jurisdiction of social policy. According to Ismael "The comprehensive social security reform initiative, then was to a large extent victim of the changing relationship between the federal and provincial governments intensified by the changing economic climate". The difficulties of reforming welfare programs have been subordinated to the realities of federalism. Derek Hum agrees, stating "social policy reform in Canada is invariably part of a double-feature with federal-provincial relations the main attraction." Throughout the course of the conferences a major stumbling block was the fight for control and administration of a new program, but it was

30 Derek Hum, Op.Cit., P. 44.
overcome by federal flexibility and by granting administration of the proposed reform to the provinces. Even Quebec's representative, who was outspoken on this matter, accepted the final proposal which he saw as suitable to Quebec's desire to control social programs.

Richard VanLoon writes that "the proposal was hung up on the twin shoals of provincial reservations and the federal cabinet's concern of the potential costs of the program". VanLoon expands on this claiming that welfare reform is governed by issues distinct from the welfare system, primarily the economy. He writes "Reforms that seemed easy and logical in the expansive atmosphere of the late 1960s and early 1970s became unthinkable in the worried climate of the later 1970s". In the case of the guaranteed income, while there was agreement in principal the provinces were very far apart on program details from the start. While all of the parties to the debate expressed concern about the costs of a new program the provinces were widely divided on the scope and scale of the reform project.

For Christopher Leman a major cause of the guaranteed income initiative's failure was the lack of public pressure for reform. The political elites involved in the debate were not pressured by a public lobby for the reform. He writes "By closing out the discordant elements, the Canadian deductive pattern helped promote consensus, but also hampered outside pressure from assuring results when that internal consensus had broken down". Leman sees the isolation of the guaranteed income debate from the public as a

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41 Richard VanLoon, "Tax And Transfer Reform", in Shirley Seward and Mario Iacobacci, eds., Approaches to Income Security Reform, Ottawa, 1987, p. 34.

42 Richard VanLoon, "Reforming Welfare in Canada", in Public Policy, Vol. 27, No. 4, (Fall 1979), p. 471.
catch 22 situation. While federalism and economics were important to the guaranteed income debate the initiative was also hampered from the outset by different ideals concerning how comprehensive reform should be. One weakness common to the above works is their reliance on the Ministers of Welfare conference communiqués for information concerning the debate. As will be seen in chapter four an examination of the conference minutes details many underlying tensions not discussed in the communiqués.

While there is no doubt that the arena of Federal/Provincial conferences limited the guaranteed income debate by restricting input and access and involving the tensions of federalism it did not determine the final outcome, as will be seen in an examination of the conferences. The debate was also influenced by the economic reality of Canada's have-not provinces and differing political ideology among the provinces. While the provinces' desire for jurisdiction could be overcome by allowing provincial administration of the guaranteed income scheme, differing political ideology between the provinces and economics resulted in an unsuccessful end to the reform initiative. Despite the fact that this was a period of struggle between the federal and provincial governments for control of social spending it is evident upon examining the public process that the major conflict was among the provinces and not between the provinces and the federal government.

A close analysis of the contemporary discussion also shows that the debate was not an historical anomoly. Despite rhetoric advocating a basic minimum income for all Canadians the proposals were aimed at those groups traditionally seen as deserving of

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aid. The time honoured distinction between deserving and undeserving poor was still alive and well. That programs designed to provide a basic minimum income for "all Canadians" were strongly opposed is not surprising when seen in historical perspective. By examining both the historical context and the public process in detail the reasons for the initiatives' fate become clear. While many events and outside forces influenced the debate, the proposals for a guaranteed annual income failed for longstanding ideological reasons.

The primary sources upon which this study is based were largely generated by federal government departments, commissions, committees, and working parties. The commissions and committees that examined the existing welfare network and expressed support for the concept of a guaranteed annual income in the late 1960s and early 1970s generated considerable evidence. A close examination of the proposed guaranteed income schemes they espoused proved helpful in determining what the federal government meant by a guaranteed income and for whom they proposed to provide one. The main source of evidence for the debate during the social security review was the Federal/Provincial Ministers of Welfare Conference minutes as well as background papers and speeches made by the various Ministers. The debates concerning details of proposed guaranteed income schemes proved helpful to an understanding of the initiative's failure as did the speeches made by the Ministers outlining their general concerns about the existing welfare network and their desires for reform.

Unfortunately, public input into the debate was very limited, though women's and anti-poverty groups did express support for the initiative. They had, however, been vocal prior to the social security review. Therefore, the most glaring omission in the sources examined in the course of this study is the lack of records from various interest
groups. Because of the structure of the debate at the Conferences, such groups were restricted to remarking on the proposals as they appeared in the conference communiqués and working papers that were released to the public. The National Anti-Poverty Association submitted a report favouring comprehensive reform to the Minister of National Health and Welfare but there was no active and outspoken lobby either for or against the initiative during the review.

This study begins with an examination of the historical context of the guaranteed annual income debate. It provides an historiographical discussion of the evolution of the welfare state commencing with the poor law tradition and culminating with the collapse of the post World War II period of rapid growth of the welfare network and the discussion of rationalization and reform. It focuses on questions such as who has traditionally been considered dependent, who has been responsible for the dependent, and who has been seen as deserving of aid? In attempting to understand the failure of the guaranteed income initiative in 1976 it is essential to assess how the dependent have traditionally been viewed and provided for. Dependency is not a phenomenon of the post World War II world, nor have rapidly expanding expenditures and programs in this period solved the problem. This discussion sets the stage for an examination of the concept of the guaranteed annual income and the numerous programs developed in the late 1960s and early 1970s and how they fit into this evolution. It also provides a framework against which to evaluate these programs.

Chapter three examines the guaranteed annual income approach to welfare including its history and variations as well as the concept as it was discussed and proposed in the period. It provides a close analysis of the proposed measures to show that the government’s rhetoric of providing "all Canadians" with a basic minimum
income was not supported by the reforms it proposed. Chapter four offers an examination of the eight Federal/Provincial Ministers of Welfare Conferences. Despite an agreement in principle among the provinces and the federal government concerning guaranteed incomes there were in fact significant differences of opinion among the provinces concerning the details of the proposed reform. The most important of these was the comprehensiveness of the reform project. This chapter examines why, despite the federal Minister of Welfare's announcement in 1975 that a guaranteed income scheme would be implemented, no legislation was forthcoming. The conclusion discusses the ways in which the debate about the guaranteed annual income fits into the framework of change and continuity in the welfare state's evolution including the possibilities of a guaranteed annual income today and in the future.
CHAPTER 2

GUARANTEED ANNUAL INCOMES:

THE HISTORICAL CONTEXT
The modern social welfare system is a network of legislation, policies, institutions, and services ranging from labour legislation, unemployment insurance, workmen's compensation, old age and disability pensions, health insurance, welfare and manpower services, to institutions such as schools, hospitals, courts and prisons. Some measures like old age pensions are aimed at specific groups while others such as health insurance are universal. Some like unemployment insurance are designed to give temporary support. Others, for example disability pensions, provide permanent maintenance. An important aspect of understanding the welfare state is the changing definitions of public and private spheres. A major issue of social policy concerns the extent to which the government has the right to intervene in individuals' lives. In the nineteenth century governments developed policies on public schooling, public health, labour legislation, and housing regulations. In the twentieth century the various and disparate policies were expanded, centralized, and bureaucratized. Through these processes control was increasingly transferred from the private to the public sector.

The background of the debate over the guaranteed annual income can be analyzed in terms of four periods involving considerable change regarding who was considered deserving of aid and who was considered responsible for undertaking welfare activities. The trend in Canada has been toward federal finance of provincially-administered, federally-approved programs. While there is considerable debate concerning causal factors and the importance of various events and programs before the 1960s, scholars agree that the scope and scale of government intervention into private life through the control of a comprehensive, centralized welfare network, increased dramatically.

Proponents of the guaranteed annual income presented the concept as the logical culmination of this evolution and thus the discussion of guaranteed annual incomes must be understood in the context of the evolving welfare state.

Prior to World War I support was primarily the responsibility of the family and the church and secondarily of local and provincial governments. During this era some professional organizations and administrative boards were developed as an early attempt to coordinate relief functions. However, measures were piecemeal and the state played little direct day-to-day role in the life of the average Canadian. In the interwar years responsibility for relief increasingly shifted from the private to the public domain with the introduction of the first permanent federal welfare measures. While able-bodied Canadians were expected to provide for themselves through gainful employment, widespread unemployment during the Depression showed Canadians that unemployment was not necessarily the result of some personal moral flaw. However, aid to the able-bodied remained less appealing than the most menial and poorly paid work.

World War II through the late 1960s can be seen as the third period which brought a vast expansion of the Canadian welfare state. Benefit levels were increased, programs were extended, and new measures were introduced. In this period welfare expenditures grew faster than both the GNP and total government spending. By this time the state played a significant role in the lives of all Canadians. While this system had its roots in earlier periods, the late 1950s and 1960s mark a fundamental change in the scope and scale of direct government control of a widespread but centralized welfare network. The most recent period in the welfare state's evolution has seen a review of the welfare network and an attempt to rationalize or eliminate some existing measures. It is marked by a slowing of the growth witnessed in the twenty years after World
War II. One result has been the debate about guaranteed incomes in the late 1960s and early 1970s as a method of rationalizing welfare measures and cutting costs.

The central feature of the evolution of attitudes toward welfare concerns the way in which both children and the aged have often been seen as deserving of aid while able-bodied individuals have been rarely considered to be needy. The less eligibility principle still rules much of social policy today as is exemplified by the fact that work, regardless of how menial and poorly paid, is generally held to be preferable to social assistance. The system generally requires that the able-bodied take such work or all support payments cease. During the social security review able-bodied individuals were excluded from programs that received serious consideration. Schemes limited to families with children, the aged, and individuals with various handicaps were more widely supported.

The origins of this distinction extend to the British Poor Law of 1601, which remained the cornerstone of poor relief in England throughout most of the nineteenth century. There is considerable debate concerning its function. E. M. Leonard claims that from 1601, with the implementation of the poor law, all individuals had a "right to relief". According to Leonard this 1601 legislation was "the first thorough execution of the poor law (and) a more complete organization for the help of the weaker classes than at any other period...". He sees this law as the first indication that the community had a duty to protect its destitute from starvation. Other academics see the poor law as at least in part a police measure. Richard Titmuss has argued that the Poor

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3 Ibid., p. 3.
Law's "quasi-disciplinary" functions attempted to enforce social norms and were based on conceptions of worthy and unworthy poor. Poverty was generally seen as the result of immorality, ignorance, or other individual failings. The legislation was premised on the less eligibility principal which ensured that public assistance would be less desirable than the lowest paid job. This would ensure that individuals would not "escape their responsibilities as productive members of the work force". The deserving poor were aided by private philanthropy or voluntary hospitals when the family or the church could not provide aid. Titmuss sees later welfare reforms as a reaction against the "social discrimination of the poor law".

In colonial America, towns and parishes provided for the impoverished in an informal manner and only if they were local residents. In the early nineteenth century, states formalized poor laws with the belief that the threat of the poor house would discourage people from applying for relief. Both British and American welfare policies and programs have influenced those in Canada. In Canada the roots of social welfare can be traced to early social policy in New France, Upper Canada, and the New Brunswick Poor Law of 1768. In this period self-sufficiency was the expected norm

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9 For the Maritimes see Breton Greenbough, "Paupers and Poorhouses: The Development of Poor Relief in Early New Brunswick" in *Histoire Sociale- Social History*, Vol. 1,
with families and the church providing support in times of need.

In New France the seigneurial system was in theory the basis of economic and social security for the lower classes. Settlers were expected to be self-sufficient and the family, with the church's support, was considered the first line of defence against poverty. In exceptional periods of deprivation the Royal government provided some aid for the deserving poor through its Offices of the Poor opened in 1688. The undeserving poor were placed in almshouses to care for the ill or work in the institution's workshop or on its farmland.\(^{10}\) The church cared for the infirm and the elderly whose families could not do so. W. J. Eccles writes "steps were taken to prevent n'ex-do-wells from being a charge on society, and those unable to fend for themselves through no fault of their own were afforded some measure of security".\(^{11}\) At this time there was a strict distinction between the deserving and undeserving poor; the latter were seen to be poor as a result of a personal moral flaw and, therefore, as not warranting assistance.

In the nineteenth century, Upper Canada rejected the English poor law and instead established gaols for criminals, the insane, and the poor. From the 1850s until the 1870s many of the methods, principles, and philosophies of the discipline of social work in Canada were developed. In this period the first specific welfare programs with specialized administrations developed.\(^{12}\) In the 1840s the United Provinces of Canada formed an Administration Board of charities, prisons, and asylums. The Board of

\(^{10}\) W. J. Eccles, Essays on New France, Toronto, 1987, p. 43.

\(^{11}\) Ibid., p.49.

Inspectors of Prisons, Asylums, and Public Charities was created in 1859. Also, the government of Upper Canada provided indirect aid through public grants to private charities. Relief was local but when municipal or voluntary associations failed, provincial aid was sought. In Canada total expenditures on public charities were only 9% of total government spending at Confederation. Welfare was still considered the concern of the family, local community, or the church—not of the state. The assumption remained that work was available for everybody and the notion of self-reliance dictated that able-bodied individuals who did not work did not deserve support.

In the United States the "great wave of institutionalization" began in the 1820s as reformers accepted that institutions were the best place for the mentally ill, the poor, criminals, the blind, the deaf, and numerous other groups. By the 1860s the more populous states had established relief networks and administration boards to coordinate relief functions. These boards were the precursors of the twentieth century departments of public welfare. In contrast, the first attempts at a significant government welfare role in Canada were made between Confederation and World War I. This included the first child welfare legislation in Canada entitled An Act to Provide For the Education and Support of Orphaned Children, instituted in Ontario in 1879 and modelled on legislation in Britain and the United States. From 1880 to 1886, seven Dominion

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13 Ibid.


factory bills were discussed but none were implemented. Specialized welfare agencies were also created in the late nineteenth century. The first meetings of the National Conference of Charities and Corrections were held in Toronto in the 1880s. In 1891 the Toronto Children’s Aid Society was founded.

Elizabeth Wallace relates welfare policies to periods of high unemployment between Confederation and 1900. With Canada’s three pre-1900 recessions—1873-1879, 1884-1887, and 1893-1896, unemployment became visible, especially among immigrants, and by 1881 there was support for government provision of poor relief. She argues that in this period Canadians for the first time questioned whether the poor were indeed responsible for their own condition. She sees this as the germ of Canadian social welfare as a new concern for the well-being of the community as a whole emerged. However, state activity in the nineteenth century was isolated and directed at specific needs rather than being a generalized attempt to provide a social safety net.

The period prior to World War I saw the growth of private charity groups, boards, and institutions as well as the first sporadic social legislation; the majority of welfare institutions remained private. The government did not have a comprehensive welfare function. Charity was generally local and private and the notion of self-

19 Ibid., p. 387.
20 Ibid.
reliance was pervasive. In this period children, the ill, the unfit, and the aged were deemed deserving of aid. The able-bodied were expected to support themselves and the failure to do so was considered a personal moral flaw which rendered them undeserving of aid.

The second stage in Canadian welfare history commenced with the First World War when, for the first time, poverty was not necessarily seen as a personal moral flaw; the able-bodied came to be considered as deserving of aid during temporary periods of hardship. The principal of less eligibility, however, remained intact. The first permanent federal intervention occurred in the interwar years as government aid became the first line of defence against poverty for certain groups and the concept of social insurance became widely accepted. The result was considerable social legislation, such as Mothers Allowances, Unemployment Insurance, and Old Age Pensions which provided limited benefits to certain groups.

The social and economic upheaval of World War I and the Depression inspired extensive government intervention as local relief could not cope with the extent of poverty. In this period there was growing acceptance of the government's role in individuals' lives and a dramatic increase in federal initiative and responsibility for social policy. Many scholars see the events and legislation of this period as the roots of the welfare state. Leonard Marsh, author of the Report on Social Security For Canada, (1943) saw World War I as the preeminent causal agent in the genesis of the welfare state. According to Marsh, "The War, whatever it was in death and destruction, was a vortex in terms of ideas and political ferment". Mothers Allowances were introduced

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in a number of provinces between 1916 and 1920. (Manitoba 1916, Saskatchewan 1917, Alberta 1919, and British Columba and Ontario 1920). Veronica Strong-Boag sees this as a critical stage in Canadian child welfare because "its emphasis on reconstruction of the nuclear family as the unequalled environment for optimal child development entailed a significant break with previous practice". Such legislation was based on the notion that the nuclear family would produce "well adjusted" children. Other legislation passed at this time included, the Children's Protection Act and the Adoption and Unmarried Parents Act in 1927, which endured as the main child welfare legislation for twenty years.

The Depression was an important factor in the growth of the welfare state because it reinforced the perception that individuals, families, and voluntary organizations could not provide adequate relief for the destitute. Canada had experienced economic slumps before the Depression but had not had to contend with unemployment or poverty on the scale of the 1930s when 25-30 percent of Canadians were unemployed and dependency "...ceased to be a monopoly of the lowest social and economic groups in the community". With the 1931 Dominion Relief Act the federal and provincial governments played a major and coordinated role in public assistance for the first time.

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24 Ibid.
Some scholars see the rise of Keynesian economics as responsible for the increased government social intervention. The Depression made evident that groups with no history of dependency could become impoverished and reliant on the state due to forces beyond their control. Keynesian economics dictated that governments should "prime the pump" through high levels of spending during economic downturns. This could partly be accomplished with public works programs and a social welfare network. Doug Owram argues that "To an unprecedented degree the Depression caused the public to look to economists for advice on public policy" and economists began to advise that governments should react to downturns by increasing spending especially on social programs.

Increased provincial and federal roles in relief during the Depression also resulted from the cities' inability or refusal to pay their rapidly increasing welfare rolls. Mackenzie King summed up the policy of the federal government in the early 1930s, which was soon to change:

... the obligation of looking after men who are unemployed... should be understood to be primarily a matter for individuals in the first instance, next between municipalities and the people living within their bounds, in the second instance, next between the provinces and the citizens of the respective provinces, and only finally a matter of concern in the federal arena.

However, the extreme financial burden caused by the Depression could not be borne at the local level. The problem was most acute in large cities that housed about 50% of Canada's unemployed and accounted for approximately 70% of the total relief bill.

28 Ibid., p. 339.
cities' response to the burden of relief was a policy of "relief from relief", which shifted responsibility for relief to higher levels of administration.\textsuperscript{30} As a result relief programs were funded by the federal government and delivered by local governments, a process which was retained after the Depression. In the interwar period the nature of federal-provincial fiscal arrangements dictated that medical care, housing, mothers allowances, and pensions would be subject to only piecemeal reform. The inability of the federal and provincial governments to reach an agreement in 1945 suspended the introduction of health insurance which had been part of the Liberal party's platform since 1919.\textsuperscript{31}

In comparison, the American response to the Depression was Roosevelt's "New Deal", which is commonly branded as the birth of the American welfare state. It represented the first extensive federal initiative in the welfare field and introduced several fundamental changes in American social policy including social security, Aid to Families With Dependent Children (AFDC) and Unemployment Insurance.\textsuperscript{32} The most significant of the reforms, the Social Security Act, was considered to be revolutionary because it "changed both the concept of personal economic security in the United States and the nature of federal-state relationships in the welfare field."\textsuperscript{33} The 1935 Act set up a system of federally funded insurance and assistance programs which represented the

\textsuperscript{30} Ibid., p. 19.


first federal responsibility for the general public's welfare. Like the Canada Assistance Plan (1966) it also provided federal funding and standards for existing state measures.

The Canadian equivalent of the New Deal was more limited. R. B. Bennett's New Deal legislation was announced in the fall of 1934 and early 1935. At this time Bennett informed Canadians that the federal government would begin to take a more active role in society. "I am for reform and in my mind, reform means government intervention. It means government control and regulation. It means the end of laissez faire..." The New Deal legislation included an unemployment insurance scheme and statutes relating to minimum wages, minimum hours of work, and a weekly day of rest. In 1935 Bennett introduced an Unemployment Insurance Act which was declared unconstitutional two years later. Thus, unemployment insurance was not implemented in Canada until the Liberal's Unemployment Insurance Act was enacted with an amendment to the BNA Act in 1940.

The federal government had a role in countering unemployment as early as the 1920s with its national network of employment offices, but these offices did not prove effective and were soon abandoned. However, the threat of unrest and the federal government's social and economic intervention during World War I inspired a continued government role after the war. But not until October of 1932 did the federal government take over relief for single, homeless men through the Department of


National Defence's relief camps. The camps were the federal government's most significant extension of responsibility for the unemployed before Bennett's 1935 New Deal measures. James Struthers interprets the federal government's acceptance of unemployment in 1935 as an attempt to abandon expensive direct relief programs. Also Bennett and his advisors believed that the "dole" was creating unemployment and one method of reducing unemployment was to reduce levels of support, which could be accomplished through an unemployment insurance act.37

Struthers does, however, see UIC as a landmark in the evolution of the Canadian welfare state because the 1914-1941 period saw the transition from poor relief to unemployment insurance. From 1914 to 1941 "the nature of the federal system was reformed and the role of the national government in economic life vastly expanded".38 While he sees the Canadian welfare state developing in the inter-war years, the UIC bill demonstrated that the doctrine of less eligibility still affected federal policy. Struthers writes, "There was no attempt in either the Bennett or King insurance bills to define a minimum standard of living based on need...".39 Support levels were set below wage rates for the unskilled and in accordance with previous contributions. Benefits certainly could not support a family.

The first tentative old age pension programs were also implemented in this period. Elizabeth Wallace argues that Canadians have recognized the necessity of old age

39 Ibid., p. 212.
security since at least 1889 when the issue was discussed in the report of the Royal Commission on Relations of Labour and Capital. The 1919 Royal Commission on Industrial Relations also supported aid for the aged. A pension bill was rejected by the Senate in 1926 but the Old Age Pension Act of 1927 provided benefits of twenty dollars per month to Canadians over seventy who had an income of less than $125 per month. The federal government financed 50% of the program (increased to 75% in 1931) which had to be enabled provincially. Nine provinces participated by 1936. Income security for the aged was increased by the Old Age Security Act of 1952 which provided a universal payment of $40 per month for all citizens over seventy. Wallace argues that the Act indicated a considerable change in the desired state role in society because in the 1890s pension plans were seen to discourage saving. By 1951 there was little opposition to the provision of a minimum level of income for the aged.

After World War I and the Depression welfare measures were for the first time seen as the "first line of defence in combatting dependence". Prior to this time welfare measures played a residual role in society to be used only as a last resort after the family and church proved unable to provide support. This evolution from a residual to an institutional role is an important aspect of the modern welfare state. In this period the deserving/undeserving poor dichotomy changed. Previously the undeserving poor were those who were seen to have become dependent through some moral flaw,

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41 Ibid., p.130.
42 Ibid., p. 134.
43 Dennis Guest, The Emergence of Social Security in Canada, Vancouver, 1980, p.16.
laziness, or irresponsibility and, therefore, were not deserving of aid. Those deserving relief had become needy by accident, disaster, or birth. This distinction lost some of its validity during the Depression as groups which had never before been dependent became destitute and in need of government support.\textsuperscript{44} However, the able-bodied poor were still not seen as deserving full state support and aid would only be provided under exceptional circumstances. In the interwar years the federal government undertook its first tentative steps to combat poverty.

After World War II, programs created in this earlier period were extended to a much larger client group, benefit levels of many of the programs increased, and numerous new programs resulted in unprecedented growth and cost of the welfare network. Poverty was increasingly seen as the state's responsibility though the less eligibility principal continued to affect social policy. Government programs expanded rapidly but the Marsh Report, which advocated an integrated approach to reform, was not followed and this expansion was poorly coordinated.\textsuperscript{45} In theory, the government would ensure income security by building a floor under incomes with social insurance such as UIC, Workmen's Compensation, and the Canadian Pension Plan; universal payments like Family and Youth Allowances; income support programs like the Guaranteed Income Supplement (GIS); and social assistance programs. However, the result of rapid growth in this period was a poorly integrated, complicated, and often wasteful welfare network. One response was the proposal for guaranteed annual incomes.

Throughout the twentieth century the development of a federal response to


poverty has been complicated by a "somewhat uneasy arrangement in the Canadian federal political system by which provincial and local autonomy in the assessment of how much should be given to the poor is vaguely underwritten by the BNA Act". 46 The BNA Act gave the provinces jurisdiction over health, education, and welfare which they could not afford by the 1930s given their limited taxing powers. Thus, the welfare network had to be constructed through negotiation between eleven senior governments. Since the 1960s this has been a problem because the federal government now funds programs administered by ten different governments resulting in inconsistent, overlapping, and poorly integrated programs. The most vociferous opponent to federal initiative has been Quebec which sees its culture in jeopardy in the face of federal programs. In the 1960s Premier Lesage won confirmation for Quebec of the right to determine its own health and welfare programs.47

A considerable array of legislation was passed in this period including; child allowances in 1945, universal old age security in 1950, the Unemployment Assistance Act in 1956, the Canada and Quebec Pension Plans in 1965, the Canada Assistance Plan (CAP) in 1966, the Guaranteed Income Supplement in 1967, and the National Medical Care Act in 1968. One of the most significant reforms of the post World War II period, the CAP, was enacted in 1966 to increase the federal role in financing provincial public assistance programs. Under the plan the federal government funded provincial Mothers Allowance programs, health services, public assistance, child welfare measures,


and other provincial social programs. It set national minimums but left administration of the programs to the provinces.48

Demography was an important factor in the dramatic increase of the welfare network. The post-World War II baby boom accompanied rising expectations of parents concerning their children. Considerable legislation directed at children was enacted such as the Day Nurseries Act in 1947, the Child Welfare Act in 1954, the Children's Institutions Act in 1963, and the revised Child Welfare Act in 1965, which provided total funding for Children's Aid Societies.49 Child Aid Societies thus gained a broad mandate to "protect" children, provide counselling to families, place children in foster homes, and provide care and supervision for children committed to their care.50

Until the mid-1970s spending on Canadian social programs rose faster than GNP and total government spending. From 1965-1970 such expenditures increased fivefold while GNP tripled and overall government spending quadrupled.51 The largest increases were in pensions, health care, and education and in the 1970s the expansion of UIC and family allowances. Between 1950 and 1970 Canada's national income increased by 300 percent but the distribution of income did not change. In 1955 the poorest 20.52 percent of Canadian taxpayers earned 8.67 percent of total income before taxes and 9.08 percent after taxes. In 1970 the poorest 20.13 percent of the population earned 6.24 percent of total income before taxes and 6.24 percent after taxes. Further, in 1955, 51.32 percent of


50 Ibid., p. 196.

51 Michael Bergeron, Social Spending in Canada: Trends and Options, Ottawa, 1979, p. 4.
the population earned under $3,100 and in 1970, 50.72 percent earned under $5,500, the equivalent of $3,080 in 1955.\footnote{52} For many programs, benefit levels were inadequate and had deteriorated in the face of inflation in the 1970s.\footnote{53}

In the post World War II period policymakers opted for piecemeal reforms rather than the comprehensive reform advocated by the Marsh Report, presented to the House of Commons Special Committee on Social Security in 1943. The Marsh Report argued that a social minimum should and could be ensured in Canada by integrating social insurance, social assistance, and children's allowances. Social insurance was seen as preferable to non-contributory programs and benefits would be scaled to wages. Under the Marsh formula "all the branches of social insurance and social provisions... would be integrated ...in such a way that they support each other and work together under a coherent administration".\footnote{54} A similar report drafted in England one year earlier was given greater consideration in that country. The Beveridge Report (1942) recommended widespread reform intended to integrate existing programs into a "comprehensive system under unified administration". B. M. Alexander sees the Beveridge "revolution" as introducing the notion of universality to welfare.\footnote{55} The report proposed a flat scale of benefits throughout the social insurances, extending programs, and increasing benefits.\footnote{56}

Much of the legislation passed in the post-World War II period served a wide


variety of purposes and was a response to particular groups: income maintenance (social assistance) for the poor, social insurance to pool the risks of the workforce, and pension plans for the aged and disabled. This led to a poorly integrated and seemingly unmanageable welfare network. By the 1970s the question became how to rationalize the four components of the social welfare network. By this time the government was seen as responsible for providing a basic minimum standard of living at least to the deserving poor. It attempted to perform this function through a centralized and bureaucratized social welfare network providing assistance and services to a wide range of groups and individuals. The result was an expensive, complicated, and confusing array of programs.

In the United States consideration was also given to the guaranteed annual income. In the late 1960s the idea of a guaranteed income first surfaced at the policy level in the U.S. in the form of the Family Assistance Plan (FAP) and the Supplemental Security Income Program (SSI). This was the result of a four year examination of the existing welfare network, a precursor to Canada's social security review. The debate was initiated in 1969 when Richard Nixon introduced the FAP to provide a federally-financed "basic income" for all needy families with children. The program would have replaced the New Deal's Aid to Families With Dependent Children program. It was designed to supplement the incomes of the working poor and was not intended to provide all individuals with an income. In January 1974 the Federal SSI replaced combined federal-state public assistance programs for the aged, blind, and disabled which had existed for thirty-five years. It provided a federally funded and administered guaranteed minimum income for these groups. The FAP represented in theory the

concern of the late 1960s with reducing income poverty for the working poor who were bypassed by the welfare system. The idea was that wages would be the primary means of support and if insufficient they would be supplemented by the government.\textsuperscript{58} At this time a Gallup Poll showed that fewer and fewer Americans opposed a guaranteed annual income: in 1965, 67 percent were opposed, by 1968, 58 percent disagreed, and by 1972, the proportion dropped to 50 percent.\textsuperscript{59} In October of 1972 the United States Senate approved the SSI but rejected the FAP. According to D.P. Moynihan the FAP was defeated by "liberals" who saw it as too limited to benefit the poor.\textsuperscript{60} The post World War II period thus saw a dramatic growth of social legislation and welfare programs while poverty remained a widespread problem. In the mid-1960s and early 1970s some academics and politicians began to question why expanding expenditures on social programs were not reducing poverty.

The most recent period of the welfare state's evolution in Canada is marked by the retrenchment of the welfare state in the face of slowed economic growth as governments began to cut costs of social programs.\textsuperscript{61} Unlike the preceding twenty year period, social welfare spending grew slower than government spending as between 1974/75 and 1982/83 total (federal/provincial/municipal) social spending rose by 200% from $20.88 billion to $61.49 billion while total government spending rose slightly

\textsuperscript{58} Ibid., p. 167.


faster and social security spending fell slightly from 37.7% to 37.27% of that total.\footnote{62} A number of economic indicators mark the early 1970s as the end of the post World War II economic boom with a serious recession in 1974-1975.\footnote{63} The majority of western industrial nations had experienced a considerable period of rapid and stable economic growth from 1950-1970. In 1970 the economy commenced to fluctuate followed by a short boom and then a more severe recession in 1974-1975.\footnote{64} From 1954 through 1962 inflation had been less than 2 percent annually. It moved above 3 percent from 1965 to 1970 and then exceeded 10 percent by 1974-1975.\footnote{65} Unemployment also increased rapidly in the 1970s moving above 6 percent in 1971-1972. By 1975 it had reached 7 percent. From 1962 to 1967 unemployment had remained below 4.7 percent.\footnote{66} The term "stagflation" was coined by economists to identify the coexistence of high unemployment and rapid inflation in this period. In an attempt to curb inflation the federal government introduced wage and price controls in 1975.\footnote{67} From 1962-1967 GNP in constant dollars rose 36 percent or by an average of 7 percent per year. In 1975 it grew by only 1.5 percent, the second lowest level since World War II.\footnote{68} From 1955 to 1973, per capita real incomes increased an average of 3.1 percent per year. From 1973 to

\footnote{62} Michael Bergeron, \textit{Social Spending in Canada: Trends and Options}, Ottawa, 1979, p. 79.

\footnote{63} See Graphs in Appendix 1.

\footnote{64} Maurice Lamontagne, \textit{Business Cycles in Canada: The Postwar Experience and Policy Directions}, Ottawa, 1984, p. XXI.


\footnote{68} Maurice Lamontagne, \textit{Op.Cit.}, p. 78.
1982 the average rate was .8% percent, a dramatic slowdown in growth.\textsuperscript{69} The economy was also hurt in 1973-1974 by a dramatic increase in world oil prices. The fourth period examined here began in an era of economic downturn. By 1974-1975 Canada was in the midst of a recession.

Allan Moscovitz argues that while the Canadian welfare system has not been attacked to the same extent as in the U.S. or Britain, Canadian governments have used restraint and changes in the terms and conditions of social programs to decrease social expenditures. In Canada "the politics of restraint have led to a number of methods of cost cutting, from reduction of real wages and salaries of social service workers, to layoffs, budgetary squeezing and privatization of social programmes".\textsuperscript{70} According to Moscovitz such cuts resulted from declining economic growth in the 1970s, rising unemployment, and the ongoing disintegration of the traditional two parent family. In this period attempts were made to rationalize the welfare network and cut costs. One widely discussed method of integrating programs was the guaranteed income. In Canada the social security review and discussion of the guaranteed annual income can be seen as an investigation into methods of reforming and rationalizing welfare measures in order to cut expenditures on social programs.

From 1973 to 1976 a guaranteed annual income approach was one of the most extensively researched and debated social reforms and it was placed on centre stage during Canada's social security review. As a result of the review benefits increased for


a number of client groups, especially the elderly and children, but income supplementation for the working poor, deemed "the cornerstone of the reform exercise", did not materialize.\textsuperscript{71} The programs for the "working poor" that were discussed were aimed at working families with children. While no comprehensive guaranteed income scheme was implemented several limited guaranteed income schemes have been enacted. Saskatchewan implemented a two-tiered guaranteed income program in 1974 and the Refundable Child Tax Credit was adopted in 1978.\textsuperscript{72} The Child Tax Credit aids families with children and provides maximum income to families with incomes of $18,000 per year.\textsuperscript{73} Richard Van Loon sees the Child Tax Credit, designed to provide up to $200.00 per child for families with incomes below $18,000, as an important first step in welfare reform. He argues that "most major social-policy changes in Canada have suffered through long periods of gestation before being snatched off the shelf and moving through Parliament in periods of crisis".\textsuperscript{74}

The modern welfare state is thus a post World War II phenomenon. While many programs pre-date World War II, government intervention in private lives through the control of a comprehensive, centralized welfare network has increased dramatically since that time. Over the four periods examined there has been considerable change in the nature of social welfare. Relief has evolved from being local and private to being centralized and public. It has merged from the responsibility of the family and the

\textsuperscript{71} Richard VanLoon, "Reforming Welfare in Canada", in Public Policy, Vol. 27, No. 4, (Fall 1979), p. 470.


\textsuperscript{73} Ibid., p. 133.

church to that of the government. It has become professionalized and bureaucratized and today the government plays a considerable role in the day to day lives of individuals. Two related aspects have remained: the distinction between deserving and undeserving poor and the less eligibility principal. While poverty is no longer widely held to result from a personal moral flaw and the community is in theory responsible for the individual, able-bodied individuals are only extended tenuous support in periods of temporary hardship. The welfare network attempts to ensure that even the most menial and poorly paid work will be more desirable than state aid as all benefits are forfeited when work is refused. In the 1970s income supplements for the "working poor" excluded able-bodied individuals under forty. The guaranteed income programs which were discussed were aimed at families with children and the aged.

These characteristics of the evolution of welfare policies become interesting when one examines the guaranteed income proposals discussed in the late 1960s and early 1970s. At this time the federal government claimed to be committed to providing all Canadians with a minimum basic income. As will be seen in the next chapter, however, the various programs discussed in the period were primarily intended to provide assistance for families with children and the aged. Programs for those groups traditionally seen as deserving of aid were given favourable treatment and several were implemented. Even measures for the "working poor" (the supposed focus of the social security review) were generally only directed toward families with children and the aged. Able-bodied individuals under forty were excluded from the proposed reforms. Thus, the undeserving poor distinction remained an important determinant of social policy.
CHAPTER 3

GUARANTEED ANNUAL INCOME OR GUARANTEED

ANNUAL "FAMILY" INCOME?
The reforms discussed throughout the late 1960s and early 1970s involved an attempt to refocus, rationalize, and integrate three components of the social welfare network: social assistance, such as family and youth allowances and old age security; social insurance, such as UIC, CPP, and workmen's compensation; and social services, like education and manpower services. The rediscovery of widespread poverty and the reported inadequacy of the existing welfare network resulted in numerous investigations into the effectiveness of existing social policy in this period, all of which saw the guaranteed annual income as a positive step in reforming the welfare state. These included the Special Senate Committee on Poverty (1968-1971) and the Quebec Commission of Inquiry on Health and Social Welfare, (1968-1971). Also a number of reports were produced which discussed methods of reforming welfare programs including The Real Poverty Report (1971), the Department of National Health and Welfare's reports "Income Security For Canadians" (White Paper 1970), and "Working Paper on Social Security in Canada" (1973), and the Federal-Provincial Working Party on Income Maintenance's paper, "Background Paper on Income Support and Supplementation", (1974).

All of the reports expressed support in principal for the guaranteed annual income approach to social welfare. Their main theme was a commitment to providing a basic minimum income for all Canadians. However, both the general proposals and the specific programs presented in the reports were focused on two groups: families with children and the elderly. In fact, the federal government was not committed to ensuring a basic level of income for all Canadians. Debate and discussion occurred primarily in an academic and political forum though some public interest was recorded by the various committees and some of the proposals generated a response from interest groups.
In the late 1960s and early 1970s, the deficiencies of the existing welfare network were said to be numerous. These included its assumption that the economy could ever provide full employment; its disregard for the working poor; the way it stigmatized its clients; its inconsistent benefits which varied by province and familial status; its vulnerability to abuse; and its maze of uncoordinated authorities.¹ Federally, the Department of National Health and Welfare, the Manpower and Immigration Department and the Unemployment Commission all had independent welfare functions. Provincially, the Provincial Department of Welfare, the Workmen's Compensation Board, and manpower or training departments also dealt with the dependent. Municipally, numerous voluntary agencies and municipal welfare offices carried out similar functions.² As a result benefit levels varied considerably, programs often overlapped, and beneficiaries faced a confusing array of welfare policies. There was also no clearly defined relationship among the components of social assistance, social insurance, and social services. Personal income tax exemptions and subsidized services had little direct relationship with social assistance payments.³

The welfare state's lack of coordination was also seen to result in work disincentives because the combined benefits of social assistance and services were often greater than gains through employment at minimum wage. The Federal-Provincial Working Party on Income Maintenance (1974) declared that the "... stacking of financial assistance and in-kind benefits creates inequities among assistance recipients as


well as between these recipients and the working poor⁴. By failing to qualify for income support an individual or family was usually disqualified from subsidized social services such as legal aid and daycare.

In the late 1960s certain academics and politicians concerned with social policy argued that the fundamental problem of the existing network was its lack of focus on the most needy groups.⁵ They saw that some social spending went to the rich and a considerable proportion went to the middle class, especially in the form of family allowances, education, and health measures. In 1970, 20% of Canadian families and 30% of unattached individuals lived below the poverty line of which two-fifths were the "working poor" those generally bypassed by the welfare network.⁶ These critics advocated programs for this latter group.

The comprehensive review of the welfare network in the late 1960s and early 1970s was engendered in part by a realization that despite rapidly expanding welfare programs and expenditures, official poverty, as defined by the federal government's poverty line, was not being reduced. Certain politicians and academics wondered why ever increasing expenditures on social welfare measures were not having the results proposed by policy makers. They noted that while the rhetoric implied that eliminating poverty was the official policy objective, welfare expenditures increased without any significant reduction of poverty.⁷ Also, poverty had reemerged as a political issue in


Canada in the mid-1960s amidst the apparent affluence of the period following closely the "War on Poverty" in the United States, launched in 1964 by President Lyndon Baines Johnson. Women's and anti-poverty groups especially lobbied for reform of programs they claimed were confusing, stigmatizing, and unfair.

In 1968 the "Fifth Annual Review" of the Economic Council of Canada announced that close to five million Canadians existed below the poverty line, which it defined as dispensing 70% or more of individual or family income on food, clothing, and shelter. According to the report, poverty had to be defined in a relative manner in a modern, affluent, capitalist society which had all but eliminated poverty in the sense of absolute deprivation. The Council held that:

The problem of poverty in developed industrial societies is increasingly viewed not as a sheer lack of essentials to sustain life but as an insufficient access to certain goods, services, and conditions of life which are available to everyone else and have come to be accepted as basic to a decent, minimum standard of living.  

The Council asserted that while poverty was experienced by a minority, it affected all members of society negatively and, therefore, a "concerted and purposeful attack on poverty" would benefit all Canadians. It recommended a review of existing social policies. This was undertaken by the numerous committees and commissions culminating in the social security review which came to focus on proposals for a guaranteed annual income.

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9 Ibid., P. 105.
The concept of a guaranteed annual income has a lengthy history although it has only been widely discussed since World War II. An early guaranteed income scheme labeled the "Speenhamland System" was implemented in Berkshire, England in 1795. Under this system the difference between an individual's income and his needs was made up from the parish poor rates. The experiment was a dismal failure because employers, many of whom were farmers at this time, were encouraged to pay very low wages thereby forcing the parish to supplement the cost of their labour. The idea was then virtually ignored until the 1940s when it appeared in the writings of British social activist, Lady Rhys-Williams. She proposed that all social welfare measures could be combined into a single comprehensive system which would pay a social dividend to all citizens and be financed by a 40% income tax rate. The British Labour party unsuccessfully proposed a universal dividend program in 1949. As seen in the previous chapter the idea was not a topic of debate in the United States until the late 1960s when in August of 1969 Richard M. Nixon proposed the Family Assistance Plan.

While there are an infinite number of variations of the guaranteed annual income there are two major approaches: the universal demogrant and the negative income tax. For both approaches the major challenge is balancing adequate support and work incentives. The universal demogrant approach would provide all individuals or families with a uniform minimum income regardless of means or ability to work. In its most extreme form, payment would be set at a level sufficient to allow all other social


welfare measures to be disbanded.\textsuperscript{13} The payment would be taxable and, therefore, be repaid by all but low income earners. It would be financed by a high income tax rate. During the social security review, provinces with New Democratic Party (NDP) governments (British Columbia, Saskatchewan, and Manitoba) supported a universal demogrant program, favouring its comprehensive coverage and straightforward administration since it would provide all citizens with the same set payment and necessitate minimal bureaucracy. For its opponents, the most immediate drawbacks to this approach are its initial costs and its possible work disincentives. According to one economic theory "...an increase in income that is not work-related will induce an individual to reduce the amount of time spent working. As a result of this reduced labour supply, the amount of time spent in leisure activities or work in the home increases."\textsuperscript{14} Some economists have argued that a guaranteed income would produce unemployment, decrease incomes, and raise prices.\textsuperscript{15}

A conservative guaranteed income program is the negative income tax, which takes two forms. One approach is to set a minimum income level and pay individuals or families the difference between their total income and the poverty line set by the state through the income tax system.\textsuperscript{16} The best known American proponent of the negative income tax approach is Milton Friedman, who first discussed it in his book \textit{Capitalism}.


\textsuperscript{16} James Cutt, \textit{Op.Cit.}, p. 3.
A more modest approach would allow low income earners to take advantage of personal deductions and exemptions within the existing income tax structure by paying a credit for all unused exemptions. This approach is much more selective than the demogrant approach as payments would only be made to low income earners. During the social security review, Canada's traditionally more conservative provinces (Ontario and Alberta), supported such a program. The benefits of this approach are its selectivity and hence reduced costs and easy integration into the existing income tax structure. Critics oppose this strategy as being too selective. In both the demogrant and the negative tax schemes, the potential benefits of a guaranteed income scheme include reduced administration, greater accessibility, and the possibility of aid for the "working poor", a group traditionally bypassed by welfare measures due to the fear of work disincentives. The guaranteed annual income is one of the few proposals designed to decrease poverty by directly increasing incomes. It also has the potential to refocus social expenditures on the most needy.

In Canada the various investigations of the guaranteed annual income approach in the late 1960s and early 1970s, outlined a wide range of possibilities and programs. However, there were many similarities in the rhetoric of the discussion. Most of the general proposals excluded able-bodied, single people under 40 and families without children. Even programs for the "working poor" generally were designed for working families with children and the aged by excluding single individuals under forty. The majority also set the guaranteed income level below the federal government's poverty line. While this reflects the official belief that this level was higher than the

subsistence level for a Canadian family, it also shows that the government was not committed to its own rhetoric of providing all Canadians with a basic minimum level of income.

On November 26, 1968, the Special Senate Committee on Poverty was chartered to examine the extent and nature of Canadian poverty. Its mandate was to "...investigate and report upon all aspects of poverty in Canada, whether urban, rural, regional, or otherwise, to define and elucidate the problem of poverty in Canada, and to recommend appropriate action to ensure the establishment of a more effective structure of remedial measures". The Committee, chaired by senator David A. Croll, held public hearings over a three year period in urban and rural centres across Canada, heard 810 witnesses, and received 209 briefs from a cross section of Canadian society. Its witnesses included representatives of federal, provincial, and municipal departments; welfare, housing, and public health organizations; and mayors, women's groups, social workers, and various individuals.

Due to the format of the Committee's investigation it provided a rare glimpse of public reaction to reform of the welfare network and the guaranteed annual income. Groups which submitted briefs and presentations in favour of a guaranteed income included: The Vanier Institute of the Family, the Ontario Welfare Council, the Company of Young Canadians, the Canadian Welfare Council, and the Metis of Alberta, Saskatchewan, and Manitoba. During the hearings the Canada Department of Labour enjoined that the working poor should not have to choose between work and welfare in

the face of poor economic conditions. Instead "in order to improve their incomes (and just as important, their self-reliance, dignity and integrity) they should be able to supplement their welfare incomes by employment".\textsuperscript{21} At this time the guaranteed income concept had a widespread, albeit not very vocal base of support.

The committee reported that 25 percent of Canadians were members of families which existed below the poverty line and that unless the federal government took immediate action five million Canadians would continue to exist below the poverty line under bleak conditions. The Committee reported that poverty had become entwined in the Canadian social fabric as many individuals were caught in an endless trap of poverty. For many unskilled and poorly educated Canadians poverty had "...become a way of life; an ugly subculture within Canadian society. The poor and the children of the poor are trapped in a substandard environment".\textsuperscript{22} According to the Senators the welfare network was a "social wasteland and an economic morass". They based their recommendations for reform on two notions: the first, moral, and the second, the economic reality of the existing welfare state. First, they argued that the poor could no longer be seen as being impoverished due to some "uncommon moral flaw that sets them apart". In a submission to the Committee the Canadian Welfare Council stated that:

\begin{quote}
It is still assumed by many that poverty is primarily due to inherent personal defects, that the poor have only themselves to blame, and that therefore it is unfair or immoral for them to be given or receive help, and that poverty is a condition to be despised.\textsuperscript{23}
\end{quote}


\textsuperscript{22} Canada, Report of The Special Senate Committee on Poverty, Ottawa, 1971, P.12; Unless otherwise noted the following discussion is based on this report.

\textsuperscript{23} Canada, Special Senate Committee on Poverty, Proceedings, 1st session, Vol. 12, June 19, 1969, p. 463.
The Commissioners agreed that this was a myth that needed to be dispelled. Instead, poverty had to be seen to result from the overall management of the Canadian economy and society. Under existing conditions for the dependent poor, help could only be secured at the cost of "...humiliation, loss of self-respect, the break up of families and the destruction of human dignity". They castigated the welfare network for being paternalistic and manipulative of its clients. Secondly, the existing welfare network, which cost $6 billion each year, had not significantly reduced poverty. Despite increasing costs it was becoming less capable of addressing the needs of its clients.

Thus the Committee recommended that a guaranteed minimum income program be developed for all Canadians with insufficient income. It set very broad guidelines for a guaranteed annual income as it proposed that:

…the Parliament of Canada enact legislation to provide a guaranteed income for those Canadians with insufficient income. This includes the elderly, the infirm and the handicapped, female heads of families, the unemployed, those whose incomes are too low because they work in seasonal occupations, and those who are victims of jobs with insufficient pay. (P. 13)

However, such a program would be restricted considerably by excluding single individuals under forty. Therefore, it would be directed at families and the aged.

The Committee saw the guaranteed annual income as an effective tool with which to attack the social and economic problems of the welfare network and believed that it would be most effective if integrated into the existing tax system. Therefore, its guaranteed income program would be based on the negative income tax method. Single, unattached individuals under forty years of age would be excluded. It would include those who were unable or unexpected to work— the aged, infirm, handicapped, and female heads of families—and those who were employed but whose incomes fell below
the poverty line due to low wages, large families or seasonal employment. Those who existed below the poverty line would be provided with economic security without the stigma of the existing welfare network.

The guaranteed income would be set at 70 percent of the poverty line and vary with family size. This would provide a family of four with a $3,500 tax credit in 1969 when the Committee's poverty line was set at $5,000 for a family of four. The program would provide an incentive to work by taxing income at seventy cents for every dollar of other income. This would, in theory, ensure that workers would receive more than those who did not work. Funding and administration of the guaranteed income were to be federal responsibilities and due to the estimated costs ($600-700 million for 1967- less than 1 percent of 1967 GNP - with costs to increase by 15 percent by 1970) and magnitude of the program it would be phased in over several years. Administration would be independent of social services which would remain under provincial jurisdiction. While social insurance, such as Unemployment Insurance and the Canada Pension Plan would be retained, many existing social assistance measures, such as Family and Youth Allowances, Old Age Security, and the Guaranteed Income Supplement, would be dismantled. While the Committee saw the guaranteed income as "the first step in the war against poverty" it saw the ultimate goal of the welfare state as increasing the income of the poor to enable them to be self sufficient. In realizing the latter goal the poor had to be given greater access to social services and most importantly the education system.

In general the report recommended a restrictive guaranteed income scheme aimed at families with children with benefits set at only 70 percent of the poverty line. It favoured a negative income tax approach, proposed a separate but integrated system of
social services, and advocated federal administration and finance of the program. If implemented this proposal would cut a number of existing social assistance measures and replace them with a limited guaranteed income scheme for families, the infirm, and the aged.

In April of 1971, four of the Senators on the Special Committee, Ian Adams, William Cameron, Brian Hill, and Peter Penz, resigned from the Committee because they believed that it would not fulfill its mandate. They complained that discussion of the underlying causes of poverty such as the process of collective bargaining, corporate autonomy, and problems within the tax system were eliminated from drafts of the Committee's report. Also, the Committee had failed to assess the relationship between poverty and poor health, substandard education, and inadequate housing. The four Senators refused to "contribute to the production of a document that was obviously intended to be useful more to politicians than to the poor".24 Their contribution, The Real Poverty Report (1971) provides an interesting contrast to the Commission report.

The dissenting Senators strongly supported a guaranteed annual income scheme, but criticized the Committee's proposal for setting benefit levels too low. An income program with inadequate benefits would do nothing to change existing economic and social inequalities and would perpetuate poverty. Such a guaranteed income scheme, if not closely scrutinized by Canadians would be a "glorified welfare program" and be dangerous because "... its introduction would allow the Canadian government to make political hay out of a minor adjustment in bookeeping". Concern was also expressed that a guaranteed income scheme might be introduced in isolation from other programs

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24 Ian Adams, The Real Poverty Report, Edmonton, 1971, P.5; Unless otherwise noted the following discussion will be based upon this report.
and policies. Therefore, Canadians would have to examine any guaranteed annual
income scheme very closely to ensure that it would be a positive and equitable reform.
Government policy should include a "better distribution of wealth and its benefits".

Adams, Cameron, Hill, and Penz believed that the guaranteed level should be set
relative to the well-being of all Canadians:

The guaranteed annual income, to be most useful, must have as its basis
the concept of poverty as relative to affluence. In other words, the income
level must be set at or above the relative line, and it must rise as that
line rises, in relation to the overall well-being of the country. (P. 192)

The income guarantee should be set at one half of the average Canadian income after
taxes and be adjusted according to family size. Such an income guarantee would be
sufficient to keep individuals and families out of poverty while providing ample
incentive for those able to work to do so. In contrast to the Commissioners they
favoured a universal demografic approach with benefits to be recovered from all other
earned income at sixty cents per dollar until the total benefit had been recovered.
According to their calculations a family of four would receive $3,800 in 1967. The
four Senators also argued that a guaranteed annual income should only be one measure
in an integrated social security network designed to prevent Canadians from falling
below the poverty line. They asserted that opposition to a guaranteed income grounded
on work disincentives neglected the fact that the existing welfare system did not
encourage work.

Like the Senate Committee report, The Real Poverty Report recommended that
social insurance programs such as Unemployment Insurance should be maintained, though
they advocated increasing benefits to 50 percent of wages. The Canada Pension Plan and
Workmen's Compensation would also be retained. However, social assistance programs
like Family and Youth Allowances and the Old Age Security Pension would be abolished. Also like the Senate Committee Report, the later report did not provide any details of its guaranteed income scheme, preferring to outline the general provisions of such a scheme and its benefits. Nor did it provide a time frame for the implementation of any program. The greatest difference between the two reports was that the Real Poverty Report’s guaranteed income scheme was to be universal with single individuals under forty not excluded.

From 1966 to 1970, Quebec’s Commission of Inquiry on Health and Social Welfare undertook one of the most extensive explorations into the effects of social policy in Canadian history. Its report, which consisted of seven volumes and twenty-eight appendices, strongly supported a guaranteed annual income to provide the state’s assurance that, "...all families and individuals will have a certain annual level of financial resources. The state then makes up for the difference between the individual’s or family’s own resources and the guaranteed income level". 25 Like the Real Poverty Report’s proposal this guaranteed income scheme would be universal. The Commissioners proposed the most comprehensive guaranteed income program discussed in this period. They outlined the General Social Allowance Plan (GSAP); it would provide a universal minimum income with the sole criterion of income inadequacy. The report held that "...the GSAP is a universal plan by virtue of which any individual, breadwinner or unattached person, becomes eligible for an allowance when his income level is lower than the break even point". The joint objectives of such a plan were the assurance of a minimum standard of income for the entire population and to "preserve the appeal of

25 Quebec, Report of the Commission of Inquiry on Health and Social Welfare, Vol.5, Income Security, 1971, P. 284; Unless otherwise noted the following discussion will be based upon this report.
work". The guaranteed income scheme involved the community's assumption of responsibility for maintaining a minimum level of living conditions for all members of society. It was based upon the assumptions that poverty is a characteristic of the economic system, all citizens should have access to the benefits of economic development, and individuals should be free to choose occupations.

The Commissioners reasoned that a minimum standard of living was essential to the development of the individual and access to programs and agencies to facilitate development. Accordingly, a program such as the GSAP would provide the basis for development and would encourage individuals to "... acquire, preserve or reestablish a certain economic independence". The program's reduction of eligibility requirements to inadequate income recognized that the unemployed are not poor because of personality defects but because of the nature of the economic system "mainly difficulties created by the rapid transformation of the production system". For the program to be effective the minimum income level would have to be adjusted in relation to the standard of living of the community as a whole. The plan would be part of a three-tiered social security network which would integrate social assistance, social insurance, and social service programs. Some other social assistance programs such as family and youth allowances and old age security, would be retained to help provide an adequate minimum income. Macroeconomic and manpower policies would also be integrated to maximize employment.

The GSAP would be based upon a negative income tax divided into two stages. Stage one was aimed at the working poor and was designed to supplement income. It would allow workers to receive a combination of wages and benefits to place them above the poverty line. According to the Commissioners, "By adding to his income a
fraction of the basic amount of social allowance, the recipient can obtain an income level higher than the minimum income level. Work incentives would be produced by reducing allowance payments by 33 cents for each dollar of the first $2,500 earned and 61 cents on each additional dollar. Because this stage was designed to supplement personal income this figure could be below the poverty line. The basic allowance for a family of four in 1973 was $3,200. The basic allowance in stage two was higher as recipients in this stage were not expected to work and, therefore, benefits had to provide for all of their needs. Under this scheme a family of four would receive $4,600 and any income would be taxed at 100%. The decision regarding which stage to be placed in was to be left up to the individual with the assumption that the work incentives provided by stage one would attract employable persons.

The Quebec report provided the first detailed guaranteed annual income scheme for Canadians. While both the Senate and the real poverty reports recommended abolishing Old Age Security, the Guaranteed Income Supplement, and Family and Youth allowances, the Quebec report recommended maintaining them to supplement its guaranteed income proposal. Under the new program Family Allowance payments would be taxed. Unlike the Senate report the Quebec report recommended that the guaranteed income should be administered at the provincial level. In contrast to the Senate report but in accordance with The Real Poverty Report the Quebec report called for a universal guaranteed income scheme.

In 1970 the Department of National Health and Welfare's report "Income Security For Canadians" (White Paper) declared that major changes in Canada's welfare network were required. Reform was necessary because despite expenditures of $4.5 billion in 1969 on income security measures, about four million Canadians lived at or below the
poverty line. The Department set the goal of the welfare state as ensuring that "everyone has an adequate income on which to live". The government's role was to set social and economic policies which would help people to attain this goal. The White Paper would be a starting point in developing "much needed changes that over the next few years would improve substantially income protection and support and would redirect the emphasis of the whole income security system". The basis of such "change" would be refocussing expenditures on the most needy groups. At this time the priority for refocussing aid to the most needy groups was low income families with children. While it recognized the possibilities of the guaranteed income approach for refocussing welfare measures it opted for reforming existing programs rather than comprehensive reforms. Any reforms would require cooperation between the federal government and the provinces rather than unilateral federal or provincial action.

The paper maintained that income security policy required refocussing to assist groups in the greatest need. The reduction of poverty "...should be accomplished in a manner which enables the greatest concentration of available resources upon those with the lowest incomes". At this time the Department of National Health and Welfare's fundamental aim was to "...provide a more stable income base for low-income families". The federal government saw one of its responsibilities as assisting families in poverty and the lower middle-income range with "the economic burden of raising children to take their place in the society of the future". The White Paper opposed developing an all-encompassing guaranteed income program to replace the existing welfare system reasoning that very few of the existing programs could be dismantled without causing

26 Canada, Department of National Health and Welfare, Income Security For Canadians, Ottawa, 1970, P. 1; Unless otherwise noted the following discussion will be based on this report.
hardship. Also, there was a paucity of information on work disincentives and administrative feasibility as well as prohibitive costs. Instead the report proposed that the most efficient "...approach is to revise each of the instruments of income security policy, to redirect their emphasis and scope, and to seek the combination that will best meet the basic income security objectives". Hence, reforming existing measures would most efficiently utilize available resources.

In attempting to refocus expenditures the report advocated shifting emphasis away from demogranats and social assistance to social insurance and guaranteed incomes. Universal payments which were not tied to the recipients' income should be replaced with selective benefits based on income. Also, expanding social insurance programs would help prevent poverty. Under the existing income security system, payments for 1969-1970 were distributed: 50.5 percent by demogranats (a large proportion of which went to Family Allowances), 23.1 percent by social assistance, 20.4 percent by social insurance, and 6.0 percent by guaranteed incomes (GIS). Without extensive reforms, by 1971-1972 the distribution would be: 5.4 percent by social insurance, 84.7 percent by demogranats, and 9.9 percent by guaranteed incomes. The Department proposed that by 1973-1974 the distribution should be: 16.6 percent by social insurance, 48.6 percent by demogranats, and 34.8 percent by guaranteed incomes. Therefore, guaranteed incomes would play an increasing role in distributing social spending. However, any reform of the existing welfare network must not interfere with "the national productivity, which not only keeps most people out of poverty but provides the means to assist those who are in difficulty".

The guaranteed income approach, however, was seen as important because it could directly alleviate poverty without the stigma attached to many welfare programs while
effectively refocusing expenditures. The White Paper saw the guaranteed income's most beneficial use as redirecting family and youth allowances and some old age programs toward low income earners. Therefore, two guaranteed income schemes for the aged and low income families were put forward: increased Guaranteed Income Supplement (GIS) payments for the aged and the Family Income Security Plan (FISP) for families. The changes in GIS and introduction of the FISP would transfer about $470 million to lower income earners. The GIS, which had been implemented in 1967 as a short term program while the Canada Pension Plan was maturing, would be made permanent. By funnelling more money through the GIS, which was income related, than through the Old Age Security Pension, which was a demogrant, more money would be focused on the poor. The program would increase the minimum income floor for seniors from $1,337 in 1970 to $1,620 in 1971. The GIS for a single pensioner with no other income would increase from $31.83 to $55.00 per month. At this level the guaranteed minimum for the elderly remained well below the poverty line.

The White Paper's second guaranteed income proposal, the Family Income Security Plan, would replace the Family Allowance program instituted in 1945 and the Youth Allowance programs which had existed in nine provinces since 1964. It was "...intended to compensate families for the inability of wage rates to take into account the number of dependents a worker has; workers with low wages and several children have insufficient income to raise and educate them". Under this scheme assistance dollars would be refocused by redirecting benefits paid under the existing Family Allowance program to low income families. Family Allowances had been widely criticized for the inadequacy of benefit levels and for their failure to reduce poverty despite high costs. Also, because payments were universal, a considerable portion of the payments went to families with incomes above the poverty line. In 1971, 76 percent of expenditures under
the two programs would be paid to families with incomes over $5,000. Under the FISP expenditures would be refocused as the full benefit of $16 per child under 16 per month would be paid to families who earned less than $4,500 per year (Family Allowances had paid $6 for children under 10 and $8 for those 10-15). This payment would be reduced in relation to income and families that earned over $10,000 would receive no benefits. In 1970 the income ceiling of $10,000 would include approximately 70 percent of Canadian families. According to Health and Welfare's calculations the program would cost no more than the existing family allowance, which for 1969-1970 cost $560 million. The price tag for FISP was estimated at $660 million, the extra $100 million of which would be financed by taxes collected from benefits paid under the plan.

Both major income security proposals were aimed at specific groups: the aged and families with children. The federal government was not willing to introduce a comprehensive guaranteed income plan, but saw this approach as a method of refocusing welfare expenditures. Such expenditures should be concentrated on the most needy. As seen in its proposed reforms, the GIS and FISP, the aged and low income families with children topped its priority list. Able-bodied individuals would be excluded from the proposed programs.

Two years later, in April 1973, the Department of National Health and Welfare launched Canada's Social Security Review with the "Working Paper on Social Security in Canada" (Orange Paper). In contrast to the White Paper, this second report, rather than presenting specific programs, set broad social policy objectives to be discussed by the Ministers of Welfare with the goal of developing and implementing programs over a three to five year period. The focal point was how to provide an acceptable basic income for "all Canadians":

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.\textsuperscript{27}

Its ideal model for producing a minimum income was based on a "living wage" ensured by minimum wage legislation for people of working age who are able to work. A second component was providing for periods of unemployment or disability and retirement with savings and social insurance (UIC, CPP). Thirdly, for those who did not receive an adequate income from work, support measures would be provided. However, this income would not be for "all Canadians". The income support measures would be integrated with social and employment services in an attempt to make people employable. The aim of the network would be employment.

While an "ideal" social security system should combat poverty by providing an "acceptable minimum" income, the Orange Paper held, it should not threaten existing social values. For example "income guarantees or supplementation should not be set at such high levels as to undermine the willingness to work; and there should be incentives to work not disincentives". Secondly, it should not interfere with the "motive forces of the economy". Therefore, it should not "seek to support incomes beyond the productivity of the economy, nor indeed redistribute incomes to an extent which would impair economic growth, and thereby the increases income available for redistribution". It should be supplemented by social services and institutions. An ideal system would provide work incentives and ensure that those who worked would always be better off.

\textsuperscript{27} Canada, Department of National Health and Welfare, Working Paper on Social Security in Canada, Ottawa, 1973, P.4; Unless otherwise noted the following discussion will be based upon this report.
than those who were supported by the government. Therefore, welfare schemes could not be too generous to keep social spending from interfering with the economy and for fear that individuals would be encouraged to give up work in favour of social assistance. The less eligibility principal was alive and well.

Like earlier papers discussed here the Orange Paper's most immediate proposals were also directed at the family and the aged. In addressing the problem of insufficient family income for the working poor the Orange Paper proposed increased family and youth allowances and a "General Income Supplementation Plan" (GISP). The latter would exclude single individuals and childless married couples under 35 and be tied to wages and thus only be available to the employed. Under the plan federal family allowances would be increased from the existing average of $7.21 per child per month to an average of $20.00 per child and be taxed. Under the GISP "the incomes of those who are working but whose incomes are inadequate by reason of family size or by reason of the nature of their employment should be supplemented under a single, general income supplementation plan with built in work incentives". For people unable or not expected to work- "retired or disabled, single parent families, and people who are not presently employable by reason of a combination of factors such as age, lack of skills, or length of time out of the labour market"- an additional income supplementation would be provided. The program would stress making people more employable.

The federal government would continue to play a significant role in combatting poverty as only at that level could government ensure national unity by limiting income disparity. The federal government had "a responsibility to combat poverty by way of a fair distribution of income among people across Canada". The provinces would be given full authority to set levels of supplementation subject to national minimums dictated by
the federal government. Health and Welfare recognized that any reform must be based
on a "reasonable consensus" between the federal and the provincial governments but it
was confident that a consensus could be reached within two years. Specific programs
would be developed and implemented within three to five years. The two most pressing
reforms—increased Family Allowances and Canada Pension Plan benefits would be
implemented "at the earliest possible date". In the Orange Paper the federal government
expressed its support for a comprehensive guaranteed income scheme while placing
greater emphasis on much more conservative proposals. Its guaranteed income proposal
would be limited to families with children and at least one employed member.
Individuals under 35 would be excluded. Like the White Paper, the 1973 report
expressed the necessity of cooperation between the federal government and the provinces
in reforming the welfare network. It left the discussion of details of a guaranteed
income program to the Federal-Provincial Welfare Ministers and the Working Party on
Income Maintenance.

The Federal/Provincial Working Party on Income Maintenance was established in
1973 in accordance with the recommendations of the federal government's Orange Paper.
Its mandate was to examine the feasibility of developing an income support/
supplementation scheme and providing more adequate social insurance programs for
Canadians.\textsuperscript{28} Performing this function included providing the Ministers with a variety
of programs for discussion. The Working Party asserted that the fundamental goals of
the income maintenance system should be:

1) to guarantee every individual or family adequate income in relation to
community standards;

\textsuperscript{28} Canada, Working Party on Income Support and Supplementation, Background Paper
on Income Support and Supplementation, Ottawa, 1975, P. 1.
2) to minimize hardships resulting from sudden changes in income, by protecting the continuity of income in the face of broadly shared risks;

3) to encourage people to improve their social and economic position.

The social network should provide for a similar standard of living across Canada, be based on common eligibility criteria, and be designed to increase the chances and incentives for Canadians to improve their social position. Premised on the ideal of ensuring that individuals attain adequate income from employment it would supplement inadequate income where necessary.

The Working Party first presented the Ministers with three families of schemes. These were very general proposals and included no program details. They included an omnibus program combining income supplementation and social insurance, integrating existing social insurance and assistance plans, and extending existing social insurance plans to support the working-poor and the unemployed. Only the first family would involve comprehensive reform of the welfare network. The Working Party urged the Ministers to commence the reform process by discussing broad policy options and leave details of jurisdiction, administration, and funding for later stages of the review. Throughout the review the Ministers were presented with increasingly more detailed proposals. In February 1975 the Working Party presented the Ministers of Welfare with six income support/supplementation proposals. All were more conservative than those of the first family discussed above.


30 Canada, Working Party on Income Support and Supplementation, Background Paper on Income Support and Supplementation, Ottawa, 1975, P. 4; Unless otherwise noted the following discussion will be based on this paper.
Option 1- A Combined Support/Supplementation System

Option one proposed a universal negative income tax system with no distinction between the unemployed and the employed. The sole eligibility criterion would be income, though "single people under thirty, strikers, etc." might be excluded. Because both support and supplementation would be administered under one program there would be a conflict between adequacy and work incentives. Ideally the minimum level should be set at a level which would support recipients on a "long term basis". Work incentives would be maintained with a relatively low reduction rate. Family Allowance payments would supplement benefits. There was no mention of the proposal's relationship to other programs.

Option 2- Income Supplementation Through 2-Tiered Transfer Payments

Option two was also based upon a universal negative income tax system. However, payments in the second tier, for those not expected to work or unable to work, would be higher because such payments were the sole source of support for such individuals. In the first tier benefits were designed to supplement income from work. Also in the first tier benefits would be related to income level but "students, strikers, and single people under a specified age might be excluded". The rate of benefit reduction as income increased would be set at a low level intended to maintain work incentives. The full support tier would be aimed at individuals and families that relied almost exclusively on the existing income security system on a long term basis. The guarantee level would be set according to "an acceptable community standard" and have a considerably higher reduction rate. This option would also retain family allowances.

Option 3- Income Supplementation Through Refundable Tax Credits.
This option would provide tax credits under the existing tax system and would be aimed primarily at the working poor. The existing tax system would be modified so that personal and family tax exemptions became tax credits, which would be paid to claimants whose income did not allow them to utilize all exemptions. Tax credits would vary with family size. There would be a limited support tier similar to that in option two which would operate separately from the tax structure and be restricted to the unemployable and those not expected to work. The tax credit system would supplement existing social allowance and social insurance systems and any benefits from the latter systems would be taxable.

In addition to the above general proposals the Working Party prepared three "Child Oriented Options". Statistics showed that incomes were often unacceptably low because of family size. A minimum wage might support an individual but would not provide for the needs of a family. In the early 1970s families with children represented 75-80% of the non-elderly (under 65) poor (according to most low income measures). Thus, supplementation directed at the family and specifically at children, would aid a significant percentage of people existing below the poverty line. It would, however, exclude approximately one million adults as well as the elderly.

Option 4- Income-Tested Child Allowances

An income tested Child Allowance would be paid to families with children under a specified age. Benefits would be determined by family size, income, and the age of the children. A support system would be provided for adults and children with special long-term requirements. Support of children with "normal" requirements would be ensured by the supplement.
Option 5- Refundable Child Tax Credits

Under this system tax credits would be paid to families with children below a certain age in accordance with family income. While the program would be universal, high income earners would not receive benefits. Child tax credits would vary by family size. They would replace child tax exemptions in the tax system. (A Child Tax Credit program was implemented by the federal government in 1978). Option 6 was a proposal to expand the existing Family Allowance system.

The Working Party pointed out that the most important variables in the cost of the schemes would be the guarantee level, the reduction rate, and the income threshold (the level at which supplementation would cease). To compare the various programs the working party set the minimum income level at $4,800 in 1974. This was above the average social assistance limits in Canada but "significantly" below the Senate's 1974 poverty line. The Working Party's proposals were intended to stimulate discussion at the Ministerial conferences. Jurisdictional issues were avoided, most options advocated maintaining Family Allowances, and the relationship between its proposals and existing social insurance and social service programs were left vague. While the Working Party described the goal of a reformed social security network as providing all Canadians with a basic minimum income its proposals were aimed primarily at families with children.

Through the late 1960s and early 1970s many avenues for reforming the welfare network were examined. There was agreement within the social policy community that the existing system, which had increased dramatically since World War II, needed to be rationalized and refocussed to make the system more cost-efficient. In the various reports examined here the Canadian government claimed to be committed to ensuring a basic minimum income for all Canadians and expressed support for the guaranteed
income approach. However, upon closer examination, the government appeared to be concerned with providing such an income only for families with children and the elderly. Like the proposals outlined above the reforms discussed by the Ministers of Welfare from 1973 to 1976 were aimed at children and the aged—those traditionally seen as deserving of aid. Individuals who were unemployed but able to work or employed but at very low wages were still seen as undeserving of welfare benefits except during temporary periods of hardship. The time-honoured deserving/undeserving distinction remained an important determinant of social welfare policy. As will be seen in the next chapter guaranteed annual income programs discussed at the Ministers of Welfare Conferences from 1973-1976 also focused on these groups.
CHAPTER 4

PROCESS AND POLITICS: AN END TO

THE GUARANTEED ANNUAL INCOME INITIATIVE
The Canadian government's examination of the social network and the debate concerning guaranteed incomes, associated with the numerous committees and commissions, culminated in the social security review, the eight Federal/Provincial Ministers of Welfare Conferences from 1973 to 1976. At the outset, both federal and provincial governments supported the principal of a guaranteed annual income. In 1975, Marc Lalonde announced that an income support-supplementation program would be introduced within several years. However, while all of the provinces expressed agreement in principal with the concept of a guaranteed annual income, it was apparent that when the Ministers began to discuss program details they were widely divided about the form and scale of reform. After three years of negotiations the initiative faltered. By 1976 even a scaled down and provincially-administered guaranteed income scheme was received with reservation by a number of provinces. In the end, despite considerable federal flexibility, no guaranteed income scheme was implemented as the provinces could not agree on the comprehensiveness of reform and several provinces expressed their inability to implement any new program for financial reasons.

Federal/Provincial conferences increased in frequency after World War II and became essential to policy development in Canada. By the 1970s such conferences were the norm for negotiations concerning areas of joint constitutional jurisdiction such as social policy. The complexity of federal/provincial negotiations increased as government at all levels expanded drastically and as the provinces became more assertive in such

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1 Canada, Federal-Provincial Ministers of Welfare Conferences, Communiqué, Ottawa, 1975.

negotiations. New and complex issues arose which did not fit into recognized constitutional compartments. Many areas of social policy resulted in competition between the federal and provincial governments for jurisdiction. Certain scholars argue that this forum limits the possible outcome of any reform initiative. According to Richard Simeon there are many drawbacks to the federal/provincial negotiation process including conflict and tension concerning jurisdiction and administration of policies and programs. Also "...much of the debate is far removed from public scrutiny and involves obscure questions which only those who do the negotiating seem to understand". Simeon concludes that a number of public policies developed in the 1960s "...have taken the form they have because they were worked out in the federal/provincial arena". The arena of the debate is important in that it limits the range of discussion and options and thus the possible outcome of the debate. At intergovernmental conferences debate is often insulated from public interest groups and individuals. Participation is also often limited to technical "experts".

The general character of federal/provincial negotiations is quite evident in the conferences' discussion of guaranteed incomes. The conferences effectively limited public input to a reaction to the proposals generated by the Working Party on Income Support and Supplementation, which itself was insulated from public participation. Groups such as the National Anti-Poverty Organization and various women's associations expressed

5 Ibid., p. 313.
6 R.W. Broadway and K.H. Norrie, "Constitutional Reform Canadian Style: An Economic Perspective", in Canadian Public Policy, 6, No. 3, (Summer 1980).
interest in guaranteed incomes but had no avenue to voice their views at the Ministers of Welfare conferences. In 1975 the National Anti-Poverty Organization supported by its provincial affiliates such as the Federated Anti-Poverty Association of British Columbia and the Saskatchewan Council of Anti-Poverty Organizations presented their report "A New Tomorrow For Canada's Poor?" to Marc Lalonde. The report, which responded to the proposals put forth at the Ministers Conferences, favoured a comprehensive, unitary guaranteed income scheme which would not discriminate in providing all Canadians with a basic minimum income. It lamented that the Working Party's proposals would distinguish between the employed, the unemployed, and the unemployable. This, the report held, would continue the stigma attached to receiving aid from the welfare network. The report was not discussed at the conferences nor were the recommendations it contained. Similarly, the Ontario Welfare Council lobbied the Ontario government on behalf of the poor in reforming federal social service and income security legislation. Revealingly, its requests for revised income security legislation were not reflected in Ontario's position at the conferences.

The forum of intergovernmental conferences further restricts the possibility of reform because of the prevalence of the tensions of Canadian federalism at the conferences. Jaqueline Ismael recently argued that "the problems of developing policies for the needy, the focal point of a social welfare system, are increasingly subordinated

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8 Marjorie Hartling, "A New Tomorrow For Canada's Poor?" Ottawa, 1975, p. 4.

to the problems of federalism in the Canadian system. One such "problem" is the demand for provincial jurisdiction over social programs. In the case of the guaranteed annual income the federal government would have allowed provincial administration thereby overcoming some of the provincial demands. However, economic and ideological differences could not be remedied. Keith Banting argues that the institutions of Canadian federalism such as intergovernmental conferences are a conservative force on the welfare state limiting it to piecemeal growth or retrenchment. In the late 1970s and 1980s the rapid growth of welfare measures slowed but retrenchment has been incremental. According to Banting:

...the conservatism inherent in the dynamics of federalism helps to explain this pattern. The fragmentation of authority is one factor that constrains radical initiatives, both to expand and reduce the role of the state, and thereby encourages a more incremental process of policy change.

Banting concludes that in both the post World War II period of growth and the late 1970s-1980s period of retrenchment "institutional complexity slowed the pace of change." Therefore, retrenchment was limited but the possibility of integrating and rationalizing the overall network through comprehensive reform was also restricted.

While there is no doubt that the arena of federal/provincial conferences restrained the guaranteed income debate by limiting input and access and by exposing the tensions of federalism, the causes of the guaranteed income initiative's failure are more

12 Ibid.
complex. The debate was also significantly influenced by the economic reality of Canada's have-not provinces and by ideological differences among the provinces. While the provinces' desire for jurisdiction could be overcome by allowing provincial administration of the guaranteed income scheme, differing ideologies and economic circumstances among the provinces undermined the reform initiative.

The social security review was launched in February 1973 with the Federal government's "Working Paper on Social Security" (Orange Paper), which lent federal support to the principal of a guaranteed annual income. The review was the first attempt at a broad rationalization of the total social security system. While various provincial governments and the federal government had reviewed certain aspects of the welfare system this would be the first intergovernmental endeavor to review existing programs and create an integrated social security network. Marc Lalonde, Minister of National Health and Welfare and chairman of the conferences, was given a broad mandate for the review. At the first conference in February 1973, he informed the Ministers that the federal government had no preconceived "...hangups on social security in Canada as it exists today...". Further, that he had been given a "complete mandate" by cabinet to carry the negotiations at the conferences. The provinces would be given a free hand to set the scope and scale of reforms to be discussed and implemented. He suggested that the review should take two years with preliminary discussions to be limited to broad policy discussion. The federal government would develop alternative program models for the Ministers to discuss and the provinces were encouraged to do the same. The Ministers would first attempt to hammer out broad policy aspects of reform

leaving discussion of details for later in the review.

The Ministers agreed that the review would proceed at three levels. The first would be the Ministerial conferences. Second, each government assigned one member to the Continuing Committee on Income Maintenance which was to establish five working parties, coordinate their studies, and review papers to be presented to the Ministers.\(^{14}\) A.W. Johnson, Deputy Minister of National Health and Welfare, chaired the committee. The third level was the working parties. The working party charged with investigating the guaranteed income was the Working Party on Income Support and Supplementation, composed of social policy experts, economists, and social scientists. It produced regular "Progress Reports" such as the "Background Paper on Income Support and Supplementation". Its members recognized that an income maintenance system was only part of a network of economic and social policies designed to reduce income inadequacy. The Working Party argued that the major constraints of reform would be cost, administrative feasibility, and political acceptability. As the review progressed and the proposals became more concrete they became less comprehensive, evolving from a guaranteed annual income for all Canadians to a guaranteed income for families and the aged.

At the first two conferences (February and April 1973) the Ministers outlined administrative details of the review and examined the possibility of reforming family allowances and the CPP. However, guaranteed income schemes were discussed at a very general policy level and all provinces expressed support in principal. Marc Lalonde asserted that at this initial stage in the review the important question was how

comprehensive a reform package could be agreed on. He posed the question of whether the provinces wanted to abolish the Canada Assistance Plan or initiate reforms within the existing welfare structure. While the Ministers agreed to limit debate to broad policy issues, initial discussion indicated that there were considerable obstacles to comprehensive reform including jurisdiction, administration, costs, and cost sharing. While the provinces expressed their support in principle and agreed to a general policy discussion they also expressed concern about the existing system and the complexity of the reform project.

Rene Brunelle, Ontario's Minister of Community and Social Services, outlined problems with the existing system and the difficulties involved in planning and implementing comprehensive reform. He asserted that the major weakness of the existing social security network was that it had evolved in response to specific problems rather than in accordance with a common and well defined goal. Also programs were initiated and administered by several levels of government with the result that "...gaps, overlaps, inequities and disincentives are common". Therefore, the existing network required extensive reform. A comprehensive income security scheme would require complex negotiations of "...jurisdiction, finance, administration, social structure, and human behavior". Other Ministers also expressed their views of the existing situation. A. J. Murphy, Minister of Social Assistance for Newfoundland, claimed that the existing network "resulted in conditions that were destructive to the national conscience and national morale". Mr. Stewart, Nova Scotia's Minister of Public Works, claimed that the existing system too often merely threw money at social problems. Considerable

15 Canada, Federal Provincial Ministers of Welfare Conference, April 26, 26, and 27, 1973, Minutes, Tape 5, p.6; Unless otherwise noted the following discussion is based on the minutes of this conference.
improvement could be attained without increased costs by rationalizing existing programs. According to Stewart "...a more effective management of resources already available within the welfare system is equally as important as the commitment of new resources to it". (Tape 1, p. 40) Most importantly reforms were needed immediately for the growing number of "defeated men and women" who found it impossible to function in Canadian society.

The provinces were also concerned about increased costs of social programs. Neil Crawford, Alberta's Minister of Health and Social Development, expressed his government's concern claiming, "A very deep, a very cautious and thorough analysis of what kind of costs we will have to face is needed and we should not try to deal seriously with the matter until we have some understanding of how much money we are talking about". (Tape 3, p.28) Crawford requested more details of the proposed reforms before committing Alberta to any new programs.

There was also concern about the comprehensiveness of reform. Many of the Ministers made general statements concerning their province's goals for a reformed welfare network. Mr. Toupin, Manitoba's Minister of Health and Social Development, outlined four principals for reform. It should promote maximum well-being, greater equality of human condition, public participation in government, and citizens' rights not to be coerced to leave their province by economic forces. This, he argued, could be achieved with a guaranteed annual income that was integrated with employment and social service strategies. Such reforms should be implemented as soon as possible for the large number of people "...by-passed by the benefits of society". Both Norm Levi from British Columbia and Alex Taylor from Saskatchewan urged that a guaranteed income scheme be implemented sooner than the three-to-five year time frame suggested by the
federal government. Levi argued that there was already enough background information regarding guaranteed incomes available on which the Ministers could base policy decisions. At this stage the majority of provinces supported in principal a guaranteed annual income. However, questions of jurisdiction, administration, coverage, costs, and the comprehensiveness of reform had already arisen. As the discussions moved toward program details at later conferences these questions became more contentious.

The first extensive discussion of guaranteed incomes was at the third conference in Edmonton, February 19 and 20, 1974. The Ministers discussed three families of options relating to guaranteed incomes prepared by the Working Party in its "Progress Report # 2. These included:

1) The development of a new omnibus program incorporating social insurance and income supplementation for those working at unacceptably low wages; 2) the continuation of existing social insurance programs and development of a separate, integrated social security plan; 3) the adoption of existing social insurance measures to supplement incomes of the working poor and support the unemployed.16

Only the first would involve extensive reform of the welfare network and implementation of a comprehensive guaranteed annual income. The majority of the provinces supported the second family of reforms. However, British Columbia, Manitoba, and Saskatchewan advocated the first group of proposed reforms. The views of these provinces with New Democratic Party (NDP) governments are helpful in understanding the outcome of the review.17

Alex Taylor, Saskatchewan's Minister of Social Services, expressed concern that

17 For an overview of provincial governments see Appendix 2.
the Ministers were moving away from comprehensive reform. He feared that the Ministers were only "tinkering" with the existing welfare network and their discussions "would result in the addition of yet another income maintenance program to an already confusing situation".18 He supported the implementation of an omnibus program which he saw as the best method of rationalizing the existing welfare network. Norm Levi, British Columbia's Minister of Rehabilitation and Social Improvement, was also disappointed with the review's progress and like Taylor advocated extensive reform. In his opening submission to the conference he claimed that the B.C. government was committed to providing each citizen with "...a share of the national wealth sufficient to enable him to participate fully in Canadian society."19 Only by radically reforming the welfare system could this be accomplished. The ministers were urged to "abandon traditional welfare approaches" in order to allow them to discuss "...a comprehensive, co-ordinated, and hopefully, imaginative approach to social security".20 The ideal would be an omnibus guaranteed annual income for all Canadians with benefits based on family size. Support levels would be established by Federal/Provincial agreement, differ between provinces according to the cost of living, and keep pace with the average industrial wage level. Benefits should be taxable and financed with employer premiums and public funds.21 Initially the guaranteed annual income would replace social allowances, UIC, workmen's compensation, and disability pensions. Eventually, he


envisioned extending it to replace all other social assistance and insurance schemes.\textsuperscript{22} Levi and Taylor’s call for comprehensive reform of the welfare network such as the proposals in the first family of options was also supported by Manitoba’s representative.

The remaining provinces expressed support for the second, less comprehensive, group of reforms. The Ministers requested that the working party provide them with more concrete proposals within the first two families of guaranteed income options for their next meeting. The conference communiqué failed to express the differences which had already appeared in the debate. Instead it reported that there was a consensus in favour of the second family of reforms. Further it stated that the Ministers had confirmed their commitment to the primary objective of the social security review which was "...meeting the needs of the poor and disadvantaged, including those who are without work and those who derive insufficient income from employment".\textsuperscript{23}

By the November 1974, conference the Ministers could discuss several relatively concrete proposals on income maintenance outlined in the Working Party on Income Support and Supplementation’s "Progress Report #3". It contained more fully developed approaches of the second family of proposals and, as instructed by the Ministers, some of the first family to use as benchmarks against which to measure the other options. The report proposed six options divided into two families:

...the first family of options includes three income support and supplementation plans which would cover essentially all individuals and families, but with varying degrees of "restrictiveness" in access to (or eligibility for) the higher income support levels (as distinguished from the lower supplementation levels available to people who have some but still

\textsuperscript{22} Ibid., p.4.

inadequate earnings). The second family of options includes another three income support and supplementation plans under which the supplementation part of the system provides benefits only for children.\textsuperscript{24} Only the former would result in comprehensive reform if given serious consideration. The second group was much more limited, being aimed at reducing poverty resulting from large family size.

At this time the Working Party also made the first tentative cost estimates for their proposals. They set potential gross costs at $2-$4 billion and net costs at $500 million to $2 billion. The Continuing Committee on Income Maintenance pointed out that the variables involved in evaluating costs were numerable, including: effect on work choices, definition of family and income, treatment of assets and income from other programs, and the benefit structure. Marc Lalonde suggested that the Ministers should examine the options in view of the policy issues of coverage, eligibility, delivery method, and cost.\textsuperscript{25} In the ensuing discussion the provinces stressed different aspects of these issues.

Both British Columbia and Saskatchewan supported option one: the most comprehensive and least restrictive of the first family of options. Alex Taylor responded negatively to the more restrictive options, once again fearing that limited reform would merely result in adding another program to the existing "confusing situation". He was also concerned that instead of designing "...a framework that allows us to innovate, experiment, and develop..." the Ministers would retain existing welfare


\textsuperscript{25} Canada, Department of National Health and Welfare, Minister's Briefing Book for the November 1974 Ministers Conference, p.2.
programs that stigmatized and confused their clients. Both these provinces favoured comprehensive, non-restrictive guaranteed income programs. Manitoba and Quebec expressed general support for the first three options and requested further details. The majority of the remaining provinces supported more detailed examination of options two or three of the first family.

Ontario, which was already experimenting with tax credits, expressed support for the second group of options. René Brunelle informed the Ministers that he saw a close relationship between the personal income tax system and income security and, therefore, the two must be closely integrated for any income security program to function efficiently. For Ontario the most important aspects of an income support/supplementation scheme were "...the method of delivery and the relationship between a supplementation system and the tax system".

The conference did not generate a consensus but the Ministers instructed the Working Party to expand on both support-supplementation and tax credit options. The conference communiqué did not reflect the degree of dissent and the significant differences expressed in the discussions. It read that the Ministers had agreed the existing welfare network should be reformed gradually to replace existing social assistance plans with income support/supplementation and employment programs. While the Ministers agreed to this principal there were significant differences of opinion concerning how

change should take place and how extensive that change should be.

By 1975 the obstacles to an agreement increased as the Ministers began to discuss details of the income support-supplementation proposals presented by the Working Party at conferences in February and April. The federal government was still optimistic that the existing support network could be reformed by 1976 and a supplementation scheme could be implemented by the fall of 1976.\textsuperscript{29} Marc Lalonde favoured a restrictive two-tiered guaranteed income program claiming that "...the federal government is not ready to give a guaranteed annual income to anyone applying regardless of whether, if capable, they do or do not choose to work".\textsuperscript{30} Able-bodied individuals would be excluded from any reforms. However, the federal government continued to be flexible with regard to provincial desires for support and supplementation. For Lalonde, the only remaining tasks were to elaborate on the design of a guaranteed income program and harmonize it with social insurance plans. He proposed that the federal government would assume 2/3 of the cost of the supplementation tier and 50\% of the support tier.\textsuperscript{31} Lalonde assured the provinces that the federal share of funding would not decrease claiming "We now share in these (social assistance) costs on a 50-50 basis and we have no intention of diminishing this overall commitment".\textsuperscript{32} He added that the federal government desired to increase the proportion of federal contributions to the provinces utilized in guaranteed income schemes.


\textsuperscript{30} Ibid., p. 8.

\textsuperscript{31} Canada, Federal Provincial Ministers of Welfare Conference, November 1975, Minutes, Tape 1, p.1.

\textsuperscript{32} Ibid., Tape 2, p. 42.
While the federal government was willing to be flexible at this time regarding program design, Lalonde desired a commitment from the provinces on a general policy level so that the April 1975 deadline for the review could be met. Once such a decision was made at the political level, officials could proceed with the detailed design of an income support-supplementation program and prepare legislation within two years. Lalonde stated that "We cannot await a perfect system for integrating everything". Further, the rationale of the review was to create one coordinated social security system which would be impossible if the provinces could not agree on broad guidelines for a guaranteed income scheme. If the provinces wanted to implement their own income supplementation programs they could but this would preclude a "coordinated system". At the February conference the Ministers discussed the proposals contained in the "Working Paper on Income Support and Supplementation" outlined in chapter two.

The provinces were less inclined to act without finalizing program details. The most significant problems for the provinces involved administration, jurisdiction, coverage, benefit levels, and costs. They raised questions concerning: how national standards would be set, flexibility of programs, provisions for family size, and relationship to the minimum wage and income tax system. Also would administrative costs be shareable, and would the provinces have to specify the proportion of support/supplementation paid? New Brunswick and Nova Scotia both strongly supported the

34 Ibid., p.11.
35 Ibid., Tape 2, p. 38.
36 Ibid.
federal position and desired immediate action. Other provinces were less supportive and while the majority agreed in principal with the federal proposals there was considerable conflict over details. British Columbia, Saskatchewan, and Manitoba (NDP Provinces) regretted the review's lack of progress and favoured an omnibus program to restructure radically the existing welfare network. Norm Levi expressed concern about the "...lack of concrete, significant outcome to the review" and the number of outstanding issues which prevented an "adequate basic minimum income for all." The most recent federal proposals continued to "...categorize people eligible for income maintenance". Further, the proposals "begged the question of adequacy". Until the officials provided further details little more could be accomplished. Saul Miller, Manitoba's representative, accused the federal government of ignoring the provinces that favoured comprehensive reform.

Alex Taylor (Saskatchewan) held that an ideal new system would provide "...simple administration and easy access; adequate benefits; no categorization or employability testing; employment assistance for all who request it; constant financial work incentives for all types of jobs; and sufficient flexibility for the provinces in program operation". He still feared that the Ministers would opt to add a new program rather than consolidating the existing social welfare network. The three NDP

41 Ibid., Tape 1, p. 4.
provinces advocated comprehensive reform of the social welfare network.

Ontario and Quebec agreed in principle with the proposed reforms but expressed several concerns. Ontario advocated a two-tiered guaranteed income scheme with supplementation delivered through a tax credit system.\(^{42}\) René Brunelle, Ontario's Minister of Community and Social Services, also demanded more details before a decision could be made on this very complex issue. He stated that more research and discussion was necessary before an agreement could be reached. Further, any decision would have to be approved by Ontario's Treasury Department and Government Policy Division.\(^{43}\) Quebec favoured concentrating on income supplementation which Claude Forget, Quebec's Minister of Social Affairs, saw as the "broad answer" to poverty. He supported the NDP provinces' desire for an integrated system rather than a new program which would not eliminate "administrative red tape". Any supplementation scheme would have to include cost sharing and provincial administration. Forget claimed "We find the concept of federal administration of the supplementation system constitutionally unacceptable."\(^{44}\) He specified that "reform cannot mean federal intrusion into provincial fields."\(^{45}\) Thus, in order to continue with the review Quebec requested more specific information regarding federal jurisdictional aims and cost sharing. Forget also claimed that "Quebec cannot support an ill-defined position, vague in outline, imprecise as to cost, and

\(^{42}\) Ibid., Tape 1, p. 9.

\(^{43}\) Canada, Federal Provincial Ministers of Welfare Conference, April 1975, Minutes, Tape 3, p. 4.

\(^{44}\) Canada, Federal Provincial Ministers of Welfare Conference, February 1975, Minutes, Tape 1, p. 7.

\(^{45}\) Ibid., Tape 1, p. 17.
uncertain as to its application." Another issue was flexibility of the reformed system of support-supplementation. Bruce Rawson, Alberta's Chief Deputy Minister, Department of Health and Social Development, queried whether the guaranteed income scheme would take into account regional differences in Canada. All of the provinces expressed concern about becoming committed to a program without knowing details about its costs and a timeframe for its implementation.

Thus, by 1975 substantial differences had emerged as the review moved toward examining details of a support-supplementation scheme; little agreement was apparent over jurisdiction, cost-sharing, cost, and method of delivery. The provinces supported a guaranteed annual income in principal but needed several program details clarified before they would agree. Also the review was growing in complexity. By 1975 federal and provincial Departments of Finance were interested in the social security review as they concluded that the review was raising issues of vital concern to the Ministers of Finance. The issue of guaranteed incomes and the Social Security Review was also touched on at the First Ministers Conference. Once again the conference communiqué did not express the underlying tensions of the debate when it read that the Ministers had reached an agreement at a policy level and "that it was appropriate to proceed now to the operational design stage of the income support-supplementation strategy."

46 Canada, Federal Provincial Ministers of Welfare Conference, April 1975, Minutes, Tape 1, p.6.

47 Letter from Bruce Rawson, Chief Deputy Minister, Department of Health and Social Development, Alberta to A.W. Johnson, Deputy Minister, Department of National Health and Welfare, February 5 1975, p.2.

48 Letter from M.A. Cohen, Department of Finance to A.W. Johnson, January 10, 1975.

By 1976 the federal government was anxious to reach an agreement. At the February 3 and 4, 1976 Conference, Marc Lalonde informed the provinces that the review could not be extended beyond June of that year. The federal government would compromise on the details of income support supplementation but the structure of the proposal was set. Lalonde warned the provincial Ministers that "...the federal government is not willing to go back to the drawing board on this and I would rather sink the whole damn thing than to start all over again or fuss around the basic structure". The proposed guaranteed income scheme had been scaled down since the April 1975 conference resulting in a substantial decrease in estimated costs. The latest federal proposal was aimed primarily at working poor families and the aged. It would be paid to families with children under 18 and couples over 54 not receiving OAS or the GIS. The program was optional and the provinces could implement a unitary (support) system or a two-tiered, support-supplementation system. Administration and delivery would be provincial but subject to federal guidelines. If a general agreement could be reached an implementation date would be set at the next conference.

Provincial reaction was mixed. Newfoundland, Nova Scotia, New Brunswick, and Prince Edward Island expressed support but claimed that they could not afford to implement any new measures. According to R.C Brett, Newfoundland's Minister of Social Services:

It will be extremely difficult to maintain existing levels of services in many areas of social policy over the next several years and it will be virtually impossible to contemplate any new current account programs unless there is a dramatic change in economic circumstances and this appears most unlikely. (Tape 1, p. 3)

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50 Canada, Federal Provincial Ministers of Welfare Conference, February 1976, Minutes, Tape 2, p. 3; The following discussion is based on the minutes of this conference unless otherwise noted.
Quebec also endorsed the proposal as it was now "flexible enough to allow each province to satisfy its own particular set of options." The details, however, needed further study. Saskatchewan, and Manitoba supported the proposal in principal but had major reservations about its details. Manitoba's greatest concern was that this particular scheme "...would mean a reduction in work incentives for Manitobans". Herman Rolfes, Saskatchewan's Minister of Social Services, expressed concern that existing programs in Saskatchewan were more generous to families than the proposed reforms. He supported providing large families with ten dollars more per individual than recommended by the federal government's proposal.

British Columbia (now Social Credit) and Ontario withheld judgement pending further details. James Taylor, Ontario's Minister of Community and Social Services, argued that the greatest problem was the "...need to rationalize a large number of existing programs and of defining which programs would be part of the rationalization process." For example he questioned whether provincial tax credits would be considered part of social security. He claimed that Ontario preferred to deliver supplementation through the income tax system. With only one remaining conference there was still significant provincial opposition to the federal proposal for an income support supplementation program even though, and in some cases because, it had been vastly streamlined from earlier proposals.

The eighth and final conference took place June 1 and 2, 1976. The proposal discussed was intended to be flexible enough to be integrated with the provinces "fiscal capacities and social priorities."51 The provinces would be able to proceed incrementally.

Lalonde explained that the latest scheme would "...allow the provinces who do not wish to embark upon supplementation because of financial reasons, to limit their activities to support like they are doing at the present time".52 Provinces that opted only for support could later implement supplementation which would only be available for two groups of the working poor: families with children under 18 and persons over 54. It would contain "...financial incentives toward self-reliance and productivity through employment for those who can work".53 This proposal was once again aimed at families and the aged.

The last report of the Working Party on Income Support and Supplementation estimated that supplementation would benefit about 500,000 Canadian families without any increased expenditures relative to the GNP.54 The federal government would fund 1/2 of the support tier and 2/3 of the supplementation tier and provincial administration would be subject to federal standards. The program gave sufficient powers to the provinces to gain Quebec's support. It allowed for flexibility to ensure that any increased provincial expenditures would be "...compatible with their fiscal capacities and social priorities".55

However, the majority of the provinces still had reservations about the federal proposal. Laurent Desjardins attacked the federal government for not providing enough

52 Canada, Federal Provincial Ministers of Welfare Conference, April 1976, Minutes, Tape 1, p. 36.
53 Ibid., Tape 1, p. 17.
55 Ibid., Tape 1, p. 18.
funding and proposing a scheme that was too limited. He stated that Manitoba was "...willing to put new dollars into a good program, but not into a program that is excessively restrictive...". Instead Manitoba favoured a support/supplementation scheme that was sufficiently funded to ensure that it would not be as "inadequate" as the existing social assistance network. While Manitoba remained committed to a guaranteed annual income for Canadians, the federal proposal was unacceptable. Desjardins expressed concern that fiscal responsibility for social programs was being transferred to the provinces by measures such as cuts in UI benefits. Manitoba supported the guaranteed income approach because "A guaranteed income approach helps to remove unnecessary government involvement in peoples' affairs required by needs testing, while strengthening our ability to prevent abuse". This approach would remove the "stigma and confusion" of needs testing as well as its administrative difficulties. It would also be an improvement by extending aid to the working poor and encouraging workers to seek more lucrative work. Manitoba sought more details of the proposal including assurance from the federal government about cost sharing of the new program.

Herman Rolfses, Saskatchewan's Minister of Social Services, expressed support in principal for the federal proposal but claimed that he had several reservations including: uncertainty of implementation, differential treatment of different categories of people between support and supplementation, the low level of supplementation, and the need

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56 Ibid., p. 19.

57 Laurent Desjardins, "Notes For An Opening Statement", Presented to the Federal-Provincial Ministers of Welfare Conferences, June 1-2, 1976, p.3.

58 Ibid.

for employment availability testing for supplementation. Rolfses advocated a more generous and comprehensive program. Newfoundland and Nova Scotia also supported the proposal but regretted that their financial situation precluded implementing the plan. William MacEachern, Nova Scotia’s Minister of Social Services argued that while the federal government and some of the richer provinces could "...contemplate enriched and exotic social welfare programmes...", Nova Scotia could only concern itself with providing adequate benefits with the existing basic programs. He claimed "You are perhaps putting the icing on the cake but we have not even baked our cake yet". Desjardins questioned the validity of a program which not all of the provinces could afford. Catherine Callbeck, representing PEI, supported the proposal in principal. However she believed that there was too little information on the cost of supplementation and saw that it was difficult to determine how much costs would increase once the program was implemented. Ontario found the proposal unacceptable for other reasons. James Taylor argued that the proposed program would merely add to the multitude already in place. Taylor claimed that "Not only is such a system unnecessary and unnecessarily bureaucratic, but it denies the individual the very thing the proposal purports to provide— independence and human dignity". It would not rationalize existing programs and was thus unacceptable.

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61 Ibid., Tape 2, p. 18.
62 Ibid.
63 Ibid., Tape 1, p. 28.
64 James Taylor, Address to the Conference on Social Development June 16, 1976, p. 8.
Also by this time the proposed reforms went beyond the jurisdiction of the Ministers involved in the review. The Western provinces had announced in April of 1976 that "...final decisions should be made in conjunction with decisions concerning the new federal provincial fiscal arrangements legislation and the financing of other joint programs in health and post secondary education."\(^65\) They also expressed this sentiment at the June, Welfare Minister’s conference. Laurent Desjardins supported the federal proposal but claimed that he hoped that the Ministers could reach an agreement on the proposal "but only after further progress is made in other areas of federal provincial negotiations."\(^66\) The other provinces agreed to await the outcome of the upcoming First Ministers Conference. However, with the combination of provinces which would have to opt out for financial reasons and those that found the federal proposal unacceptable there was little hope of legislation ever being passed and implemented. The Conference Communiqué held that all the provinces except New Brunswick and Ontario had expressed agreement in principal for a guaranteed annual income scheme. It concluded that the review had been a success and that the Ministers should "continue the pursuit of improving the social security system as a matter of regular business".\(^67\) The Conference minutes, however, did not reflect much consensus as many of the provinces had serious reservations about the federal income support/supplementation scheme.

By 1976 the initiative for a guaranteed annual income was dead. No legislation

\(^{65}\) Communiqué of the Western Premiers Conference, Medicine Hat, Alberta, April 29, 1976.


was implemented. Several Maritime provinces expressed support in principal for the guaranteed income approach, but as the review progressed came to argue that they would not be able to implement support/supplementation in the foreseeable future for financial reasons. Nova Scotia and Newfoundland expressed concern that they could not afford existing programs and, therefore, could not contemplate the expense of another. While all of the provinces and the federal government supported the guaranteed income in principal in 1973, through the course of the review they disagreed about whether to proceed toward a comprehensive scheme or reform existing programs. From the outset British Columbia, Saskatchewan, and Manitoba favoured a comprehensive guaranteed income scheme that would replace a number of existing programs. The remaining provinces expressed support for more limited reforms. In general the NDP provinces wanted a more comprehensive guaranteed income program, Quebec wanted provincial administration, Ontario wanted to use tax credits to deliver the program, and the Maritimes agreed in principal with a guaranteed income proposal but could not afford to implement any new programs. At the conferences an omnibus guaranteed income scheme was ruled out immediately despite support from the NDP provinces. Discussion then turned to more limited schemes aimed at families and the aged. In the end no guaranteed income scheme was implemented. The federal government proceeded unilaterally with piecemeal reform in 1978 in the form of the Child Tax Credit.
CHAPTER 5:
CONCLUSION
The initiative for a guaranteed annual income in Canada had not died because of neglect. Instead the reform had been proposed by numerous government commissions and committees and had been a focal point of the three year social security review. Not surprisingly, given the possible scope of a comprehensive guaranteed income scheme, it evoked a polarized response from Canada's social policy community. Numerous supporters applauded its potential for reforming and refocusing the welfare state's many programs while concomitantly rendering these programs less confusing and stigmatizing for clients. Likewise, the guaranteed income initiative generated considerable opposition within the social policy community from those who saw it merely as another costly social program. For this latter group traditional fears about welfare's work disincentives and the possibility that the "undeserving poor" might be aided also led them to oppose the reform. These responses were expressed throughout the late 1960s and early 1970s when the guaranteed annual income was examined, proposed, and debated at length. Each of the government-sanctioned committee or commission reports came to similar conclusions: a guaranteed annual income scheme could be utilized to reform and refocus existing welfare measures. While these reports expressed support for providing a basic minimum income for all Canadians, upon closer examination the reforms outlined in them were directed at the aged and families with children. The investigation of reforming the welfare network intensified with the social security review and then in 1975, Marc Lalonde announced that a guaranteed income scheme would be implemented, perhaps by 1978 or 1979. However, after three years of negotiation Canada's Welfare Ministers were unable to reach an agreement on a suitable guaranteed income program and no legislation was forthcoming.

The reasons for the initiative's failure are complex. By the late 1960s the federal-provincial power struggle included social policy. The social security review took
place in the aftermath of the 1968-1971 constitutional review and was undoubtedly
affected by the resulting tensions between the two levels of government. There was
considerable political uncertainty between the federal and provincial governments as the
latter fought for control of social policy and spending. The forum of federal-provincial
conferences limited the possibility of change because it necessarily included the "tensions
of federalism" and insulated the debate from outside input. Also, by the last Ministers
of Welfare conference in 1976 Canada was in the midst of a recession. The post-war
economic boom had ended in the early 1970s and by 1976 rapid inflation and high
unemployment were prevalent. However, while the limitations of the forum of federal-
provincial conferences and the economic recession both played a part in the initiative's
failure a close examination of the various commission and committee reports as well as
the conferences shows that the issue is more complex. Ideological disparity between
Canada's provinces with NDP governments that favoured comprehensive reform of the
welfare system and Canada's more conservative provinces that supported more piecemeal
change were a major factor in the outcome of the debate. Likewise, the inability of
Canada's less affluent provinces, namely the Maritime provinces, to afford any new
welfare schemes, coupled with general economic recession limited the possibility of
reform. The federal government's final proposal, a guaranteed income scheme for
families with children, was unacceptable to most provinces. For some it was too limited,
for others it was merely one more expensive welfare program.

However, such explanations remain secondary to the importance of a key
contradiction within the proposals for a guaranteed annual income. This contradiction
involved the distinction between rhetoric favouring a program to aid all impoverished
Canadians and the actual proposals to aid only those groups traditionally seen as
deserving of support. Despite the lengthy discussions of reform which occurred during
the social security review only limited schemes directed at these groups were implemented. In the 1970s the Canadian government was not committed to a welfare network which would truly provide a basic minimum income for all Canadians. The federal government was only interested in programs for the elderly and families with children. This indicates that the aged, handicapped, and families with children continued to be seen as the deserving poor when impoverished; programs for able-bodied individuals were still seen as unacceptable. That programs intended to provide aid for the former groups were favoured over proposals to provide "all Canadians" with a basic minimum income is not surprising when seen in historical perspective. The deserving/undeserving poor dichotomy has been a continuous and central feature of welfare discussion and legislation. This becomes clear through analysis of both the historical context and the public process of the guaranteed annual income debate.

In the debate about guaranteed incomes, poverty was no longer seen as an expected result of a personal moral flaw but the able-bodied were still only seen as deserving of assistance in periods of temporary hardship. The less eligibility principal remained an important determinant of social policy. In the various reports of the period, the Canadian government claimed to be committed to providing a basic minimum income for all Canadians. However, close examination of the evidence indicates that the government was really only concerned with providing programs for families and the aged, the groups traditionally seen as deserving of aid. Programs for the "working poor", a group traditionally bypassed by the welfare network, which were deemed the "cornerstone" of the social security review excluded single individuals under forty. The programs were principally designed to aid working families with children.

At the Ministers of Welfare Conferences an omnibus guaranteed income scheme
was ruled out almost immediately. Even a more conservative program could not be agreed upon for several reasons. The consensus and agreement in principal between the provinces and the federal government was at a broad policy level. Once program details were discussed, differences among the provinces became apparent. The main disagreement concerned how comprehensive the reforms should be. Questions of jurisdiction, flexibility, coverage, and costs were central to the debate. Provincial demands for administration of programs were easily overcome by designing a scheme which would be federally funded but provincially administered subject to federal minimum standards. Differences of opinion concerning the scale of reform could not be overcome. The New Democratic Party (NDP) provinces, British Columbia, Saskatchewan, and Manitoba, favoured comprehensive reform in the form of an omnibus program which would rationalize the welfare network by replacing a number of existing programs. Ontario, the most outspoken opponent of comprehensive reform, supported more conservative changes in the form of tax credits. After three years of negotiations no middle ground could be found. The final proposal discussed by the Ministers would add one more welfare program to an already confusing array of programs. It was received with reservation by the majority of provinces. The economic realities of Canada's poorer provinces accentuated by the recession in the mid-1970s also stalled the initiative. Several Maritime provinces expressed support in principal for a guaranteed income but claimed an inability to afford any new programs.

While no comprehensive guaranteed income scheme was implemented, several limited guaranteed income programs have been enacted by unilateral federal legislation. The social security review did result in increased benefits for the aged and families with children. In 1972 Parliament assented to bills to increase Old Age Security and Guaranteed Income Supplement (GIS) benefits. The Canadian Pension Plan would
henceforth be responsive to the cost of living. In 1973, benefits under the family allowance program were increased to an average of $20.00 monthly per child and the provinces were given greater leverage for setting benefit levels. Saskatchewan implemented a two-tiered guaranteed income scheme in 1974. As of 1974 the Canada Pension Plan would be responsive to the cost of living and levels of insurable earnings would be increased. The federal Child Tax Credit, adopted in 1978, aids families with children and provides maximum advantage to families with incomes of $18,000.00 per year.¹ The GIS was increased by $20.00 per month in 1978.

An examination of the guaranteed income debate confirms that it is essential to compare the rhetoric of reformers to the reforms they introduce. This study is thus offered as one step toward an understanding of welfare reform in the late twentieth century. A Katzian holistic view of welfare is impossible at this early date and considerable research will be necessary to provide the entire picture. Our understanding of the period will be especially enhanced by insight into the world of the clients of the welfare system in this period. Specifically, how were they affected by the reappraisal and refocus of programs? In light of Francis Fox Piven's and Richard Cloward's argument that welfare expansion occurs in periods of social disorder produced by mass unemployment and as a result of struggle, revolt, and demonstration on the part of ordinary individuals, it is also important to explain the limited role of advocacy and lobbying in this period. Was there in fact very little "grass roots" support for the guaranteed income concept?

The evidence, thus far examined, however, indicates that there were more forces

at work in ending the guaranteed income initiative than the frustrations of Canadian
federalism and the economic downturn of the 1970s. While federalism and the forum
of the federal/provincial conferences certainly constrained the legislative possibilities, the
maintenance of historic attitudes toward the poor was very significant. There was more
to the issue than the provinces' pursuit of control of social policy and social spending.
The federal government appeared to be flexible concerning the reform project but the
provinces were widely divided. An examination of the conferences indicates that
fundamental differences were between the provinces—those with NDP governments and
those traditionally more conservative—and not between the provinces as a collectivity
and the federal government.

The concept of comprehensive welfare reform lay dormant until the mid-1980s
when the Quebec White Paper (1984), the Royal Commission on the Economic Union and
Development Prospects for Canada (MacDonald Commission 1985), and the Commission
of Inquiry on Unemployment Insurance (Forget Commission 1986) called for major
restructuring of the income security system. The MacDonald Commission proposed the
Universal Income Support Program (UISP) which particularly rekindled debate about
guaranteed incomes among social scientists and bureaucrats. Perhaps, like many major
welfare initiatives in Canada which have taken twenty to thirty years of discussion
before becoming politically acceptable, the guaranteed income may not be dead but rather
still in a period of gestation. However, history suggests that no such proposal will be
implemented without significant ideological change. Long established concepts of
dependency and family will have to be reconsidered before a guaranteed annual income
program can be legislated. Only then can constitutional and financial problems be
overcome.
ECONOMIC INDICATORS

A  -Federal Government's Deficit or Surplus.¹

- Unemployment and Inflation Rates.²

FEDERAL GOVERNMENT DEFICIT OR SURPLUS

INFLATION RATE

UNEMPLOYMENT RATE


2  Ibid.
B -The "Misery Index".\textsuperscript{3}

\textbf{THE MISERY INDEX = ANNUAL UNEMPLOYMENT + ANNUAL INFLATION RATE}

## APPENDIX 2

### PROVINCIAL GOVERNMENTS, 1971-1976

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