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COMPROMISE OR COMMITMENT?

**Submission to the
House of Commons
Standing Committee on Finance
on Bill C-69:
An Act to Permit Restraint of Government Expenditures**

**from the
Edmonton Social Planning Council
Edmonton, Alberta**

May 1990

Introduction: The Work of the Council

The Edmonton Social Planning Council, like other councils across the country, is an independent, non-profit social research and social action agency, and has been active in the Edmonton community for fifty years.

During the past decade, we have focused more and more of our attention on the serious impact that unemployment and poverty has brought to the Edmonton area and to other communities in the province.

- We have examined the impact of the economic downturn that hit our province in the early 1980s.
- We have also studied and reported upon the human costs of poverty and unemployment: the damaging social and psychological consequences such as stress- and poverty-related health conditions, the increasing use of mental health facilities and drug and alcohol programmes, and increasing levels of suicides, family violence, and child abuse.
- We have tried to help the poor and unemployed in our community. We have developed a 'user friendly' guide on how to claim welfare. It is entitled *The Other Welfare*

Manual, and subsequent editions have been printed and distributed throughout the province by the Department of Family and Social Services.

- We have encouraged advocacy training and support for people on welfare and people who are unemployed. We have held workshops on strategies for survival for the unemployed, and have helped groups of unemployed and poor Albertans to organize and advocate on their own behalf.

We therefore come into contact with a wide variety of groups and individuals concerned with poverty in our province: government departments, non-profit agencies, and individuals trying to cope with poverty in their own lives. It is because of the Council's role as advocate for the poor that we believe it is critical that we voice our opposition to two major provisions of Bill C-69.

The Problem: 'Capping' CAP and EPF:

The Canada Assistance Plan (CAP) and the Established Program Financing (EPF), the federal-provincial initiatives to share costs of social assistance, welfare services, health care, and education, are under siege. Finance Minister Wilson, in his most recent federal budget, has indicated that he intends to impose a two-year 5% ceiling increase from the previous year's payments on federal transfer payments to the provinces of Ontario, British Columbia, and Alberta. Although other groups have submitted briefs to the Finance Committee regarding the possible problems, we wish to summarize the concerns that this fundamental change in policy will affect the poor in Alberta.

First, we are pleased that the government of Alberta, together with the governments of British Columbia and Ontario, has launched a legal suit against the federal government's proposed changes to the provisions for what they see as unilateral action on a joint federal-provincial agreement.¹ Indeed, it is difficult to see how the one-sided alteration of the agreement fits with the government's promise that:

"A constant process of consultation and cooperation must be restored... Ministers are regularly meeting their provincial colleagues to eliminate irritants and to improve services to people where the federal and provincial governments have joint responsibilities.²

The outcome of the court action is as yet undetermined, but if the provinces' legal challenge is successful, all Canadians will be the winner. If not, Canadians will lose.

If, for instance, an increased ceiling of 5% per year for CAP and a freeze on increases to the EPF are introduced, the administration of such a change appears to be impossibly complex. Currently, federal transfer payments must be made *after* the money is spent by the provinces, and calculations of the amounts take more than a year. Given these facts, how would the 5% in CAP, and the per-capita expenses for EPF, be estimated? Would budgets from several years back be used? How could this then respond to changing rates of employment, growing or decreasing numbers of welfare recipients, changing numbers of students or those requiring hospitalization or other health care? Both federal and provincial budgets would become increasingly difficult to calculate accurately, and fair

¹ Richard Helm, "Alberta joins court fight on funding cap", in *The Edmonton Journal*, March 15, 1990, p. A3.

² November 5, 1984, Speech from the Throne, quoted in *Review of Federal Reports/Initiatives Affecting Provincial Social Programs*, 1986.

payments to recipients would have to bear the brunt of the miscalculations.

One must also question the future of the limits on federal transfers. Will the government extend the limit? If the increase in CAP transfer payments are limited to 5% this year, will that be decreased to 1% in three years? Will other provinces be affected? Once the principle of a ceiling on CAP is accepted, the government would be able to continue to change it at will.

Finally, behind the ceiling on CAP and EPF lies an important ideological question: what responsibility does the federal government have in ensuring the well-being of all Canadians, especially the poor? The current Meech Lake controversy has brought to the surface conflicting positions as to how to divide the weight of social responsibility between the different levels of government. Some critics of Meech Lake have suggested that it is important for the federal government to retain its role as 'guardian of a sacred trust' in guaranteeing adequate services for Canadians, and in ensuring the maintenance of minimum national standards of living.

For example, the federal government was able to use its power to prevent 'extra-billing' for health care services in Alberta by withholding transfer payments. In that instance, the federal government showed its commitment to universal health care and was able to pressure the Alberta government to live up to its commitment. If the federal government cuts back on the CAP and EPF, will it be able to exert any moral pressure on provinces if they begin to withhold services to the poor? Does the Canadian government want to relinquish that role of ensuring quality service for all Canadians, or is this instead an important element of the government's agenda?

The Current Crisis: As Much Human as Economic

Some of the issues facing us today arise out of mistaken assumptions about poor Albertans. These must be put to rest, and replaced with real concerns about the effects of 'capping CAP and EPF'. It is our hope that, having heard and assessed these arguments, you will oppose these changes.

First, it is often assumed that Alberta is a "have" province. Granted, Alberta does not qualify for equalization payments from Ottawa, which makes it eligible for the CAP ceiling and the EPF freeze. It must be admitted, however, that wide variations exist in income levels in the province. Accordingly, even if high-income Albertans earn more than the national average, low-income Albertans earn less than the national average.³

According to 1986 Census Canada data, there were 148,000 poor households in Alberta, 16.8% of all households. There were 103,000 poor children, 15.7% of all children in Alberta.⁴ In the years since the census, these figures have not improved. These are the people who will be affected by changes to CAP and EPF, not the wealthy who live in Alberta.

Second, it is implied by the ceiling on funding that present levels of social assistance are adequate, and so future payments must only take inflation into consideration. This assumption is particularly damaging for Alberta. Shelter rates in Alberta, for example (shown in Table 1, below), have not risen since 1982; they were then cut

³ The richest quintile (20%) of Albertans earns 46.4% of the income distributed in the province, the poorest earn 4.9%. In contrast, the richest quintile of Canadians earns 39.5% of the national income, and the poorest 6.2%. Quoted in *Poverty Profile 1985* (Ottawa: National Council of Welfare, 1985).

⁴ Quoted in David P. Ross and Richard Shillington, *The Canadian Fact Book on Poverty: 1989* (Ottawa: Canadian Council on Social Development, 1989), p. 105.

TABLE 1
Alberta Shelter Allowance Ceilings, 1980-89

Source: Alberta Gov't. Regulations, Alberta Statistical
Review and Alberta Family and Social Services

| Year | 4-person | | 3-person | | 1-person* | | C.P.I.** | | | |
|--------------------|----------|-------|----------|-------|-----------|----------|-----------------------|------------|------|------|
| | max. | % | max. | % | ST empl. | LT empl. | unempl. | base % | | |
| 1980 | \$475 | -- | \$440 | -- | \$260 | -- | --- | 87.9 -- | | |
| 1981 | \$505 | (+6) | \$480 | (+9) | \$315 | (+9) | --- | 100. (+14) | | |
| 1982 | \$560 | (+11) | \$545 | (+13) | \$375 | (+10) | --- | 112.7 | | |
| (+13) | | | | | | | | | | |
| 1983 | \$505 | (-10) | \$490 | (-10) | \$290 | (-23) | --- | 118.8 (+5) | | |
| 1984 | \$505 | (0) | \$490 | (0) | \$290 | (0) | --- | 119.1 (0) | | |
| 1985 | \$505 | (0) | \$490 | (0) | \$290 | (0) | --- | 120.5 (+1) | | |
| 1986 | \$505 | (0) | \$490 | (0) | \$290 | (0) | --- | 122.6 (+2) | | |
| 1987 | \$505 | (0) | \$490 | (0) | \$180 | (-38) | \$215 (-26) \$290 (0) | 124.8 (+2) | | |
| 1988 | \$505 | (0) | \$490 | (0) | \$180 | (0) | \$215 (0) \$290 (0) | 127.7 (+2) | | |
| 1989 | \$505 | (0) | \$490 | (0) | \$180 | (0) | \$215 (0) \$290 (0) | 131.7 (+3) | | |
| 1980-89 | | +6% | | +11% | | -31% | | -17% | +12% | +50% |
| minus C.P.I. | | -50% | | -50% | | -50% | | -50% | -50% | -50% |
| REAL DECADE | | | | | | | | | | |
| % CHANGE | | -44% | | -39% | | -81% | | -67% | -38% | 0 |

* after 1987 shelter rates for single adults were differentiated between short-term assistance employables, long-term assistance employable and unemployables.

** Consumer Price Index figures are for Edmonton, 1980-89.

back in 1983 and have not increased since that year. In that time, inflation, and rising housing and food costs have meant that the purchasing power for a family of four on welfare in Alberta has decreased by 44%, and for a single, employable person by 81% when the increase in the cost of living, as measured by the Consumer Price Index, is incorporated.⁵

Social assistance rates in our province must be raised soon. Already, surveys have shown that more than half of single, employable welfare recipients cannot find shelter at the allotted

⁵ Karen Potts, "Social Allowance Rates Comparison Project", an unpublished paper of the Edmonton Social Planning Council, February 1990.

amount,⁶ and that an increase over the last year, the number of people using the local food bank and also receiving welfare climbed from 45. to 61%.⁷ This situation must be improved, not worsened.

It is also implied by the current proposed legislation that the cost of the CAP and EPF is becoming overwhelming and must be cut back. In fact, data collected by the National Council of Welfare shows that spending on the CAP and EPF by the federal government has remained relatively stable from 1984 to 1989, averaging about 4.6 billion dollars annually for CAP, and 10 billion dollars for EPF in constant dollars.⁸ Capping the amount of transfer will only put social programmes into jeopardy without reducing government spending or aiding the reduction of the deficit. Despite the size of the federal deficit, the answer is not to be found in shouldering the burden onto the provincial governments, since they have no more money than the federal government. For example, the Alberta deficit is about 1.5 billion dollars.⁹ Even the Neilson Task Force recommended support for CAP as a fundamental income security program.

The continued cost-sharing of CAP and EPF is imperative if governments are ever going to be able to deal with poverty in Canadian society. Even the 'have' provinces do not generate sufficient revenues to provide adequate human services. For instance, the Alberta government received \$483,062,000 from the CAP in 1988-89.¹⁰ Considering the other obstacles to proper service delivery to the poor, changes such as are indicated in Bill C-69 would have a significant impact.

⁶ Quoted in Lynda Shorten, "Restore cuts to welfare, gov't urged", in *The Edmonton Journal*, March 18, 1988, p. B1.

⁷ From Ken Flater, *Intermittent Safety Net: Food Bank Press Conference*, November 30, 1989.

⁸ Figure I: Canada Assistance Plan Spending, 1984-85 - 1989-90, in *Social Spending and the Next Budget*, appendix.

⁹ The actual 1989-90 estimate is \$1,492,917,000. Hon. Dick Johnston, Provincial Treasurer, *1990 Budget Address*, March 22, 1990, p. 32.

¹⁰ *Ibid.*, p. 34.

One of these obstacles is ideological. The philosophy of many of the politicians in our provincial government emphasizes the importance of self-reliance and individualism. Because of this, the poor in Alberta are often treated as failed human beings, despite all we know about social and economic conditions causing poverty and unemployment. One example of this attitude is the current "crackdown" on welfare fraud by Alberta Family and Social Services. This investigation continues, although the majority of the errors in overpayments made last year can be traced to high caseloads resulting in "sloppy accounting habits", according to Alberta's Auditor General.¹¹ Even more recently, the minister formerly responsible for social services was criticized for complaining that there are too many "bums" living off of the welfare system in Alberta.¹² The poor in Alberta are therefore already the victims of prejudice and discrimination from the government.

We are very concerned that the government of Alberta may use restrictions on federal transfer payments to avoid raising social allowance rates. Partly under pressure from agencies such as the Council, Alberta's Family and Social Services Minister recently promised to raise welfare rates in the province. If levels of federal transfer payments are capped, it will be even more difficult to persuade the government to raise social allowance rates, despite the obvious need. Albertans in poverty cannot afford any further delays in financial assistance.

Particularly distressing is the fact that the number of persons receiving welfare continues to rise in Alberta. In 1988, there were more than twice the number of people on welfare than in 1980.¹³ The following contrasts with other provinces show the decline in

¹¹ Quoted in Brian Laghi, "Welfare recipients overpaid by \$11 M - auditor general", in *The Edmonton Journal*, March 14, 1990, p. A8.

¹² Quoted in Richard Helm, "'Bums' feeding off welfare system, Osterman says", in *The Edmonton Journal*, March 21, 1990, p. A7.

¹³ The numbers of recipients (recorded for September of each year) rise as follows: 1980: 73,119; 1981: 78,262; 1982: 104,081; 1983: 115,751; 1984: 118,191; 1985: 125,705; 1986: 138,130; 1987: 148,218; 1988: 149,649. Potts, p. 3.

Alberta's status as a 'wealthy province': from the province with the second-lowest number poor families to the fifth-highest; from the seventh-place in poor seniors to third-place; and from third-lowest number of poor children to third-highest.¹⁴

Many of the new recipients are single mothers with children,¹⁵ as teenage pregnancy and divorce rates in Alberta are among the highest in the country. This means that more and more of the poor in Alberta are children.¹⁶ As such, they are not 'employable' and therefore are not easily removed from the ranks of the poor.

Even attempts by the provincial government to find jobs for employable Albertans have come under attack, such as the "Work for Welfare" plan, which gave companies financial incentives to hire people on welfare, but which saw most of those people laid off when the incentives ceased. In effect, the plan merely switched their benefits from Social Assistance to Unemployment Insurance, and provided no long-term solution.

Moreover, changes to Canada's Unemployment Insurance Plan, currently in Parliament, will likely increase even more the numbers of persons requiring social assistance in Alberta. Unemployment rates in Edmonton are high compared to many cities across Canada, and to other parts of the province. If the bill currently before parliament introducing changes to the Unemployment Insurance Plan passes, many people in Edmonton currently eligible for U.I.C. benefits will be ineligible for future payments, or will receive only limited

¹⁴ Statistics Canada. Quoted in "Percentage of Albertans Living in Poverty on the Rise", in *Alberta Liberal Opposition News*, April 10, 1990.

¹⁵ 29,366 out of 60,207 social allowance recipients in the Edmonton region are single-parents. Potts, p. 4.

¹⁶ A rise in recipients under the age of 18 from 37,166 in 1980 in Alberta to 69,304 in 1988. Potts, p. 3.

benefits.¹⁷ Among other changes, people claiming benefits will have to have worked more weeks in the year to receive funds.

These changes will likely see more 'employable' people receiving welfare where previously they had received U.I.C. benefits. Indeed, the Canadian Centre for Policy Alternatives has suggested that the changes will increase the poverty rate in Canada by 2.5%.¹⁸ In particular, women and people approaching retirement are more likely to have worked only part-time or for a few weeks in the year. With such changes on the horizon, it becomes even more imperative to hold out a safety net of social assistance to the poor.

Conclusion: Reaffirming a Commitment

To sum up our arguments, then, this committee must push for the House of Commons to reconsider its proposed changes to the Canada Assistance Plan and the Established Program Finance. The government must reaffirm its commitment to all Canadians, but in particular to the poor, to assure them that their well-being is an important priority. It must not allow false ideas of 'fiscal restraint' to obscure this commitment. Finally, it must preserve its moral voice to pressure provincial governments to honour this commitment too.

The Edmonton Social Planning Council voices its support for the recommendations submitted by the National Anti-Poverty Organization to this committee. Moreover, we reiterate the

¹⁷ The New Democratic Party Research Group has estimated that in Alberta, 5,470 persons will not qualify for U.I.C. benefits by the new regulations, and that a further 40,980 will have eligible weeks reduced. Memo from Eve Elman.

¹⁸ This represents 50,000 Canadian families. Gerard Docquier, *et al.*, *Victimizing the Unemployed: How U.I. Cuts will Promote Poverty in Canada* (Ottawa: Canadian Centre for Policy Alternatives, 1989), p. 4.

importance of consultation in this process of decision-making. Inter-governmental consultation is essential to smooth transitions in financial policy with such far-reaching effects as this, but consultation is also necessary with all stakeholders: agencies, organizations and individuals with important concerns about poverty. Hearings across Canada are imperative in allowing the greatest opportunity for all participants to play a role. We hope that you consider such hearings as you deliberate our submission and those of our colleagues.

Finally, we would ask that you always keep before you the human face of poverty: the single-mothers, the children, the older men and women, the single men without job training or education, the native people, who form the poor in Canada. Can they rely on our support, or can they only expect our derision? It is sadly ironic that at the time in their lives when they require the most help from society, society pushes them away, blaming them for their own condition and belittling their need.