

# ALTERNATIVES TO POVERTY AND WELFARE IN ALBERTA

A response by the Edmonton Social Planning Council  
to the problems of poverty and welfare in Alberta.

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## INTRODUCTORY SUMMARY

The basic thrust of the paper is to recommend that policies and programs implemented in future should attempt to raise employment as much as possible in socially useful sectors such as health care, housing, recreation etc. Realizing, however, that automation and cybernation will reduce employment, a policy of work distribution should be implemented through shorter work weeks, reduced overtime etc. For those non-employables and those unable to gain employment for a variety of reasons a policy of more equal income distribution should be adopted. Such a policy would operate through a guaranteed annual income and the tax system. These last two groups of persons should live in dignity at an adequate standard of living, with minimal encumbrance by regulations, investigations and public stigma.

### PART 1 POVERTY AND THE WELFARE RECIPIENT

- a basic accounting of the extent of poverty in Canada and Alberta: numbers involved; the impact of poverty; the working poor not on welfare (60% of the poor).
- an accounting of those on welfare, Canadian and Alberta figures; the categories of reasons for assistance; the portion of these groups as percentages of Alberta's and Canada's population (very low).
- evidence to show that popular conceptions of the welfare recipient are erroneous; the level of cheating is less than 2%.
- suggestion that government and the public should focus not on the erroneous conception of the welfare recipient as work avoiders, but on the recipient as he is shown to be in fact.

### PART 2 SOCIAL AND ECONOMIC POLICIES

- a discussion of role of minimum wage laws in perpetuating poverty, increasing welfare rolls and costs and providing no incentive to the small proportion of recipients who are capable of work.
- the role of the unemployment-inflation trade-off in increasing unemployment and raising the size of welfare rolls and welfare costs.
- role of medicare premiums as a disincentive to go off welfare and as a heavy financial burden on the poor; recommendation that premiums for basic health and Blue Cross be paid for from general government revenues and that this coverage be expanded to include dental care, glasses, medical appliances, drugs, etc.
- a discussion of probable impact of technology and cybernation as it will affect employment and our welfare system;

outlining of alternative responses, recommending adoption of better income distribution policies, work distribution policies and stimulation of employment in socially useful areas such as medicare, housing recreation, etc.

### PART 3 CANADIAN INCOME SECURITY PROGRAMS

- a discussion of the programs involved in and the differences between social insurance, demogrants, guaranteed income programs (G.I.S.) and social assistance; the advantages and disadvantages of each; the costs of each program and their benefit schedules.

### PART 4 OUR PRESENT WELFARE SYSTEM

- an extensive discussion of social assistance, primarily in Alberta.
- organization of and Alberta's participation in C.A.P.
- general impact of social assistance.
- level of benefits.
- loss of dignity and self-respect.
- the negative impact of investigation and policing the system.
- negative impact of discretion and arbitrariness.
- a "right" in law, a "privilege" in practice.
- disincentives in the system.
- social services; recommendation for division of services and assistance payments.
- costs of the system beyond actual monetary costs of programs themselves.
- a recommendation that Government consider not just problems with details of the system but also major problems of the system itself.

### PART 5 G.A.I.

- discussion of G.A.I. proposals; problem of incentives; advantages and disadvantages; costs of different G.A.I. proposals; self-declaration as opposed to individual detailed investigation; random sample checking for cheating; lower administrative costs; our proposals for G.A.I.

### PART 6 PREFERRED ALTERNATIVE

- recommend: G.A.I. with work incentive, higher minimum wage, free health coverage, separation of payments from services; urging federal government to adopt a nation-wide G.A.I. Until this is done the province should immediately institute a provincial G.A.I. to replace Social Assistance.

## PART 1

### POVERTY AND THE WELFARE RECIPIENT

#### CANADIAN POVERTY

Poverty and the welfare recipient have been popular topics of debate in the last year, both in and out of the political arena. In most of these debates (including the present Unemployment Insurance debate) the majority of the population seems to have been operating with a certain conception of the characteristics of the poor and the welfare recipient. This conception has been greatly influenced by our cultural inheritance of the "work ethic" and the idealization of the "rugged individual". Under their influence we are encouraged to think that anyone who has the desire, the drive and the opportunity can succeed in our society. This includes getting an education, finding a job, providing for oneself and one's family and not depending on public support. We tend to think that a person can make his own opportunities, in spite of the obstacles in the way. It only requires determination.

Since most Canadians basically accept these two social philosophies, it is not surprising that most see the poor as *shiftless, unambitious, lazy, and hold the belief that poverty is largely self-inflicted. They assume that opportunities abound for everyone who wishes to take advantage of them, and that therefore idleness is evil and those who do not work do so by choice.* (1)

Lederer, in his investigation of poverty and welfare in Canada and Alberta, points out that

*certain "negative risk factors" associated with the incidence of poverty (low education, low skills, poor health, mental deficiency, old age, coloured skin and rural background) have a tendency to become synonymous with certain "negative personality characteristics" such as apathy, hopelessness, rejection of the work ethic and chronic dependency on others. Using this line of reasoning, it becomes easy to jump from a descriptive accumulation of negative personality characteristics to the conclusion that the poor are responsible for the existence of their circumstances.* (2)

Not only do we see the poor and those on welfare as using up resources and benefits provided by those who are not lazy, but we also see them as contributing nothing of use to society. "They do not pay their own way; they are parasites."

It comes as a shock to many of us to realize that our firmly held beliefs about poverty are, to a great extent, illusions and myths—that is, they are popularly held conceptions which on detailed investigation are found to be based on erroneous information and cannot be supported by the bulk of known, documented investigation. Sometimes, we still refuse to discard our beliefs in spite of the evidence against them.

One major purpose of this paper is to make information about poverty and welfare more widely known. It is appropriate to begin with information about the extent of poverty, the types of people on welfare and the reasons why they are on welfare and in poverty.

#### THE POVERTY LINE

The number of people who are found to be in poverty depends upon what "poverty line" one feels is "reasonable". The Economic Council of Canada (E.C.C.) has generally defined the poor as those who spend 70 per cent or more of their income on the basic necessities of food, clothing and shelter. (3) When applied to the population as a whole in 1961, it placed about 25 per cent of Canadians at or below the poverty line. This type of level allowed families of four only \$20. per week for purchasing items other than food, clothing and housing. Revised only with reference to changes in the cost of living the E.C.C. poverty line resulted in a drop in the percentage of poor from 25 per cent in 1961 to about 18 per cent in 1969. While the poverty line was raised by 26 per cent, the standard of living rose 65 per cent. (4)

The Senate Poverty Committee felt that the E.C.C. levels of poverty were not realistic in that they did not take account of families with six or more members, they did not

make adjustments for relative income deprivation and did not reflect rises in the general standard of living. Consequently, the Senate Poverty Committee established its own poverty lines which were somewhat different and which found that for 1969, the overall poverty rate was approximately 25.1%; this meant that one Canadian in every four was a member of a family unit whose income was below the Committee's poverty line. (5) The following table illustrates the differences between the E.C.C. and the Senate Poverty Committee poverty lines for different family size. (6)

TABLE I:1

Comparison of Senate Committee and Statistics Canada/E.C.C. poverty lines by family unit size, 1969.

Family Unit Size	Senate Committee Poverty Lines	Statistics Canada/E.C.C. Poverty Lines
1	\$2,140.	\$1,894.
2	3,570.	3,157.
3	4,290.	3,788.
4	5,000.	4,420.
5	5,710.	5,051.
6	6,430.	5,051.
7	7,140.	5,051.
10	9,290.	5,051.

Source: Staff Study, D.B.S. Income Distribution by Size in Canada, 1969 (Cat. No. 13-542), Table 7.

#### THE EXTENT OF POVERTY

Table I:2 gives us an idea of the scope of poverty in different sized families based upon poverty levels shown in Table I:1 (Senate Committee levels). (7)

TABLE I:2

Family unit size	Senate Committee poverty line income	Number of family units below poverty line (Total: 2,767,000)* (thous-ands)	Number of individuals below poverty line (Total: 5,135,000) (thous-ands)	Poverty rate %
1	2,140	629	629	38.7
2	3,570	408	816	28.4
3	4,290	161	483	16.8
4	5,000	157	628	15.6
6.2**	6,570	416	2,579	28.5

\* Because these are estimates the figures have been rounded to the nearest thousand units. \*\* The family size 6.2 was that recommended by Statistics Canada for use as the average size of all those families of five or more persons. This simplification was imposed by the method presently in use by Statistics Canada for presenting income data. Source: Staff Study; derived from D.B.S., Income Distribution in Canada, 1969 (Cat. No. 13-542), Table 2.

Table I:3 shows the monthly and annual maximum budget standards for social assistance, for a family of four, by province. (8) It demonstrates the great variance between the levels of different provinces.

TABLE I:3

Monthly and annual budget standards for items of basic welfare need, by province, December 1970 (a) (family of four)

PROVINCE	MONTHLY	ANNUALLY
Newfoundland (b)	\$230.00	\$2,760.
Prince Edward Island (c)	244.00	2,928.
Nova Scotia (d)	263.00	3,156.
New Brunswick (e)	187.66	2,251.
Quebec (f)	218.00	2,616.
Ontario (g)	271.00	3,252.
Manitoba (h)	246.10	2,953.
Saskatchewan (i)	215.15	2,581.
Alberta (j)	335.00	4,020.
British Columbia (k)	211.00	2,532.

Source: Monthly Budgets for Items of Basic Need under Provincial Assistance Programs (Revised December, 1970) Welfare Research Division, Department National Health and Welfare (December 1970).

Note: Actual allowances granted may be subject to ceilings (see footnotes) and do not necessarily correspond to the budget standards. Municipalities that administer assistance may supplement provincial allowances.

Basic needs are defined as food, clothing, and shelter. Extra allowances for special diets, extra fuel or rent that may be given under special circumstances are not shown.

\*\* Total number of persons (including dependents) for this period is 1,300,000.

Source: Information supplied by the Department of National Health and Welfare, 1971.

If we translate Table I:7 into percentages of all persons on social assistance, we arrive at the following figures.

TABLE I:8

Canadians benefiting from social assistance, July, 1970.

Category	Percent	Number
Dependents	49.0%	638,000
Aged, not all over 65 years	4.6%	59,580
Permanently ill or disabled	20.9%	271,420
Female heads of families	13.3%	172,120
Temporarily disabled	4.1%	52,960
Some working poor	1.5%	19,860
Unemployed	6.6%	86,060
<b>TOTAL</b>	<b>100.0%</b>	<b>1,300,000</b>

Derived from data presented in Table I:7.

In order to appreciate the numbers of these people as a percentage of the poor or as a percentage of the Canadian population, the following figures are useful.

TABLE I:9

Categories of poor persons, as a percentage of the poor, and of the Canadian population. (July 1970)

Category (Senate Poverty Committee Poverty Levels Used)	As a % of the poor	As a % of the Canadian Population
Working poor (not on social assistance)	60	15
Those receiving social assistance	40	10
(a) dependents	19.6	4.9
(b) Aged (not all over 65 years)	1.8	.5
(c) permanently ill or disabled	8.4	2.1
(d) female heads of families	5.3	1.3
(e) temporarily disabled	1.6	.4
(f) some working poor	.6	.2
(g) unemployed	2.6	.7

Figures derived from Table I:7 and I:8. Percentages do not total exactly due to rounding.

It is with this last set of figures (Table I:9) that the proper perspective is obtained concerning the proportions of the Canadian population receiving what is officially called "public assistance" or "social assistance" (unofficially referred to as welfare).

It is totally unrealistic to suggest that dependents should not receive social assistance, as they have no control over their degree of economic independence or their ability to support themselves. Very few Canadians would argue that those permanently ill or disabled, female heads of families, those temporarily disabled or the aged should not receive the social assistance they require. Like dependents, they are affected by circumstances beyond their control. As the Federal White Paper, *Income Security for Canadians*, suggests:

*Most will agree it is unreasonable to expect aged people to earn their own living. In the same category are people suffering from severe and prolonged disability and those who are mentally retarded or mentally ill. Most of these people are not in a position to work and there is no expectation that they should. Many of them have to rely on income security programs as the sole or main source of income.*

*Mothers by themselves raising young children are not in a position to earn their own living unless there are available day care services or other arrangements to look after their children while they work.* (16)

Two other categories of persons in poverty must also be discussed. The majority of the poor (60 per cent) are not on welfare. An additional 3 per cent of persons (excluding dependents) receiving social assistance are also working but require assistance. This group of working poor receiving social assistance may work full-time or part-time. They require assistance because their earnings are inadequate to support their families as wage rates make no allowance for the size of family or because they can only work part of the

year or because their work is not covered by minimum wage laws. (17) This group represents approximately 0.2 per cent of the Canadian population (excluding dependents). (See Table I:9)

## WORK AND POVERTY

The working poor are

*those who too often work to earn less money than they would receive as welfare clients. It is shocking but true that even were they to receive minimum wages, these wages are, generally, below basic welfare levels.* (18)

Dr. D. C. McQueen, a former director of the Economic Council of Canada, draws our attention to the fact that 76 percent of poor families at the time of the 1961 census had one or more earners in the family, and 66 percent of poor families obtained most of their income from wages, salaries, and self-employment. These two percentages must be rammed home again and again to the Canadian public. They identify the phenomenon of the working poor, who together with those others who are in the labour force but unemployed and take jobs when they can find them, turn out to be most of our poor family heads. (19)

Statistics Canada reveals that little change has occurred since 1961.

*63 percent of the low-income heads worked at least some time during 1967, and fully 59 per cent of those who worked during the year worked full-time, i.e. 50-52 weeks, and at least normal working hours. The other 41 percent of those who worked, worked anywhere from one to 49 weeks, and during the span in which they worked may or may not have worked normal working hours, or worked 50-52 weeks and not the normal hours.* (20)

Noting that more than 60 per cent of poor family heads worked during 1967, and that the majority of them worked all year and still were poor, the Senate Poverty Committee suggests that all evidence indicates that they are poor "not because they do not want to work but in spite of working. The Work Ethic seems to have played them false . . . Can we afford to maintain a system where going on welfare is more profitable than going to work?" (21) The Committee goes on to reveal that opinion polls (1970) by the C.B.C. and Maclean's show that a majority of Canadians continue to identify the poor as those who are receiving welfare and they believe that the poor are poor because they do not want to work. (22) The information presented here shows how inaccurate is this majority view. What we should be surprised at is that much larger numbers of the working poor do not quit work and go on welfare. The vast majority of the poor (who are capable of working) do work and most of them very hard with minimal rewards.

## THE UNEMPLOYED

The remaining group to be discussed is those persons who are capable of work but are not working. These people comprise 13 per cent of social assistance cases, 6.6 per cent of those persons receiving social assistance or 0.7 per cent of the Canadian population (see Table I:9). This group represents an extremely small proportion of the Canadian population. Even still, to describe all of these few persons as shiftless, irresponsible and inherently lazy ignores the realities of our economy and state of technology. The Senate Poverty Committee suggests that

*at a time when unemployment among the general population is around 6 per cent, job opportunities are almost non-existent for the person with no skills, little education, and general lack of ability to compete. Even during times of relatively high employment, competition for available jobs remains strong due to the exceptionally large number (200,000) of persons annually entering the Canadian labour force. An increasingly automated, technological society holds out little help for improvement in this situation.* (23)

Ian Adams and his associates conclude in *The Real Poverty Report* that such people find it very difficult to hold a job when times get tough—such as unskilled workers who get shaken out of the bottom of the labour market as unemployment rises. As unemployment rises, the number of people dependent on welfare tends to rise. (24) The Canadian Welfare Council studied over 300 rural families and over 200 urban family cases, all described as "poor" and found the incidence of "shiftlessness" to be practically nil. (25)

## WHO ARE THE POOR

Information contained in the recent Federal White Paper, **Income Security for Canadians**, describes some characteristics of the poor. (10) Data for the whole Canadian population indicates that certain groups of people are more likely to be poor than others. These include: aged persons, especially those 65 years or over, disabled persons, mothers with dependent children, and unemployed persons. Single persons (unattached to a family unit) are particularly prone to poverty as Table I:5 shows. (11) It indicates that for such unattached persons, low income is most common among those aged 14-24 years and those aged 65 and over, with those aged 55-64 years also a large proportion of the poor. Similarly unattached persons with low education and rural residents are more likely to be poor.

**TABLE I:5**

Distribution of low income and all unattached males and females by selected characteristics, 1967.

Selected Characteristics	Males with low income	All males	Incidence of low income	Females with low income	All females	Incidence of low income
	(thous- ands)		%	(thous- ands)		%
Canada	221	731	30.2	361	766	47.3
Newfoundland	6	12	49.2	8	11	68.6
Prince Edward Is.	*	*	*	*	*	*
Nova Scotia	12	27	43.8	15	27	55.2
New Brunswick	6	17	35.7	10	20	52.6
Quebec	53	177	30.1	108	208	52.1
Ontario	59	250	23.7	116	280	41.5
Manitoba	14	39	35.4	19	41	46.4
Saskatchewan	15	42	36.9	18	38	47.8
Alberta	18	62	29.2	24	54	45.2
British Columbia	35	102	34.3	43	87	49.3
Area of residence:						
Metropolitan	110	484	22.7	217	538	40.4
Other cities	14	49	29.4	52	81	63.9
Small urban areas	33	78	42.1	51	86	58.9
Rural areas	64	121	52.7	45	66	68.6
Age group:						
14-24 years	42	155	26.9	85	177	48.1
25-34 years	13	128	10.3	11	72	16.0
35-44 years	14	91	14.8	8	47	17.9
45-54 years	19	94	20.2	25	78	31.6
55-64 years	34	97	35.3	59	136	43.6
65-69 years	25	53	47.0	51	83	61.6
70 years and over	74	113	65.9	124	177	70.1
Schooling:						
None or some elem.	98	185	52.9	99	129	76.7
Complete elem. or some high school	83	296	28.0	159	313	50.7
Complete high school or some university	35	186	18.7	102	283	36.1
University degrees	5	64	8.4	5	45	10.7

\* Sample too small on which to base a reliable estimate.  
Source: D.B.S., Statistics on Low Income in Canada, 1967 (Cat. No. 13-536), Tables 12 and 13.

## POVERTY AND TAXATION

The Senate Poverty Committee offers some interesting information about how the poor are taxed.

*The popular notion that our tax system takes from the rich to give to the poor is a myth. . . . Research done by the Royal Commission on Taxation (1966) demonstrates that, since the 1940's, our tax structure has surprisingly little effect on the profile of income distribution. . . . Governments rely on a regressive tax structure as a source of public revenue. (Regressive taxes are those which take away a higher proportion of income from the low-income groups than from the high-income groups) . . . [Table I:6] shows that 56.5 per cent of the income of those earning less than \$2,000, [before transfer payments] goes to paying taxes. If social-security contributions are included, this becomes 60 per cent of their income. By comparison, those with incomes over \$10,000, pay only 37 to 38 per cent in taxes. The property tax, import duties,*

*sales tax, and excises are all completely regressive because they are direct taxes on consumption—and the poor are hardest hit by them. Personal income tax discriminates against large families. When tax revenues are used to finance government programs, the poor usually end up paying a greater proportion of their income than the rich do for highways, transportation, education, etc., but in return, benefit less. (12)*

Table I:6, below, demonstrates the proportionately heavy burden the poor pay in taxes compared to more well-off groups. (13) For units with income below \$4,000, the scale of taxation is regressive, in the extreme for those with income below \$2,000. For those above \$4,000., the scale is slightly progressive.

**TABLE I:6**

Effective total tax incidence for the total tax structure, 1961\*

Tax Source	Family money income class							
	Under \$2,000	\$2,000-2,999	\$3,000-3,999	\$4,000-4,999	\$5,000-6,999	\$7,000-9,999	\$10,000 and over	
	%							
<b>Federal taxes, total</b>	27.3	16.9	18.0	17.3	19.3	20.7	23.8	
Individual income tax	1.1	1.9	3.3	4.5	7.2	8.8	10.4	
Corporation income tax	6.5	3.4	2.8	2.3	2.4	2.7	6.1	
Sales tax	8.0	4.2	4.2	3.7	4.0	4.1	2.7	
Selective excises	4.3	2.6	2.6	2.3	2.5	2.4	1.5	
Import duties	4.7	2.3	2.2	1.9	2.0	2.0	1.3	
Estate duties	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.4	
Social security contrib.	2.7	2.5	2.9	2.6	1.2	.7	.5	
<b>Provincial and local taxes, total</b>	32.7	16.0	14.2	13.1	13.5	13.5	14.6	
Individual income tax	.1	.3	.5	.7	1.1	1.4	1.6	
Corporation income tax	2.0	1.1	.9	.7	.7	.8	1.9	
Sales and excises	8.2	4.5	4.6	4.3	4.7	4.5	3.0	
Succession duties	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.5	
Hospital insurance prem.	2.6	.9	.7	.5	.4	.3	.1	
Property tax	16.3	6.8	5.4	4.8	4.3	4.0	3.8	
Other taxes	2.7	1.6	1.4	1.3	1.4	1.5	2.2	
Social Security contrib.	.8	.7	.8	.8	.9	.9	.5	
<b>TOTAL taxes, all levels</b>	60.0	32.9	32.2	30.5	32.8	34.2	38.4	

\* Using the "broad income" base.

Note: Details may not add to totals due to rounding.  
Source: W. Irwin Gillespie, "The Incidence of Taxes and Public Expenditures in the Canadian Economy," Table 2.3, Study No. 2 for the Royal Commission on Taxation (1966).

## THE WELFARE RECIPIENT

What then is the relationship between those who are poor and those who are "on welfare"? The Senate Poverty Committee discovered that 60 per cent of the Canadian poor are not on welfare but are working poor. (14) Of the remaining 40 per cent of the poor who do receive social assistance (as of July 1970), 49 per cent of these were listed as dependents. Table I:7 shows reasons for social assistance for the 51 per cent who were not dependents. (15) This table shows that in 84 per cent of the cases of Canadian adults who depend on the welfare system, these people have no alternative means of support. They receive social assistance because they are not able to earn their living. These include the elderly, the sick, the disabled, and women in charge of families which require their presence at home.

**TABLE I:7**

Canadian persons (excluding dependents) receiving social assistance, July, 1970

Category	Percent	Number
Aged (not all over 65 years)	9	59,580
Permanently disabled or ill	41	271,420
Female heads of families	26	172,120
Temporarily disabled	8	52,960
Some working poor	3	19,860
Unemployed*	13	86,060
<b>TOTAL**</b>	100	662,000

\* Unemployment rate, July 1970: 6.6 per cent (Source: Table 1, Canadian Statistical Review, May 1971).

\*\* Total number of persons (including dependents) for this period is 1,300,000.

Source: Information supplied by the Department of National Health and Welfare, 1971.

If we translate Table I:7 into percentages of all persons on social assistance, we arrive at the following figures.

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Working poor (not on social assistance)	60	15
Those receiving social assistance	40	10
(a) dependents	19.6	4.9
(b) Aged (not all over 65 years)	1.8	.5
(c) permanently ill or disabled	8.4	2.1
(d) female heads of families	5.3	1.3
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(g) unemployed	2.6	.7

Figures derived from Table I:7 and I:8. Percentages do not total exactly due to rounding.

It is with this last set of figures (Table I:9) that the proper perspective is obtained concerning the proportions of the Canadian population receiving what is officially called "public assistance" or "social assistance" (unofficially referred to as welfare).

It is totally unrealistic to suggest that dependents should not receive social assistance, as they have no control over their degree of economic independence or their ability to support themselves. Very few Canadians would argue that those permanently ill or disabled, female heads of families, those temporarily disabled or the aged should not receive the social assistance they require. Like dependents, they are affected by circumstances beyond their control. As the Federal White Paper, *Income Security for Canadians*, suggests:

*Most will agree it is unreasonable to expect aged people to earn their own living. In the same category are people suffering from severe and prolonged disability and those who are mentally retarded or mentally ill. Most of these people are not in a position to work and there is no expectation that they should. Many of them have to rely on income security programs as the sole or main source of income.*

*Mothers by themselves raising young children are not in a position to earn their own living unless there are available day care services or other arrangements to look after their children while they work. (16)*

Two other categories of persons in poverty must also be discussed. The majority of the poor (60 per cent) are not on welfare. An additional 3 per cent of persons (excluding dependents) receiving social assistance are also working but require assistance. This group of working poor receiving social assistance may work full-time or part-time. They require assistance because their earnings are inadequate to support their families as wage rates make no allowance for the size of family or because they can only work part of the

year or because their work is not covered by minimum wage laws. (17) This group represents approximately 0.2 per cent of the Canadian population (excluding dependents). (See Table I:9)

## WORK AND POVERTY

The working poor are

*those who too often work to earn less money than they would receive as welfare clients. It is shocking but true that even were they to receive minimum wages, these wages are, generally, below basic welfare levels. (18)*

Dr. D. C. McQueen, a former director of the Economic Council of Canada, draws our attention to the fact that 76 per cent of poor families at the time of the 1961 census had one or more earners in the family, and 66 per cent of poor families obtained most of their income from wages, salaries, and self-employment. These two percentages must be rammed home again and again to the Canadian public. They identify the phenomenon of the working poor, who together with those others who are in the labour force but unemployed and take jobs when they can find them, turn out to be most of our poor family heads. (19)

Statistics Canada reveals that little change has occurred since 1961.

*63 per cent of the low-income heads worked at least some time during 1967, and fully 59 per cent of those who worked during the year worked full-time, i.e. 50-52 weeks, and at least normal working hours. The other 41 per cent of those who worked, worked anywhere from one to 49 weeks, and during the span in which they worked may or may not have worked normal working hours, or worked 50-52 weeks and not the normal hours. (20)*

Noting that more than 60 per cent of poor family heads worked during 1967, and that the majority of them worked all year and still were poor, the Senate Poverty Committee suggests that all evidence indicates that they are poor "not because they do not want to work but in spite of working. The Work Ethic seems to have played them false . . . Can we afford to maintain a system where going on welfare is more profitable than going to work?" (21) The Committee goes on to reveal that opinion polls (1970) by the C.B.C. and Maclean's show that a majority of Canadians continue to identify the poor as those who are receiving welfare and they believe that the poor are poor because they do not want to work. (22) The information presented here shows how inaccurate is this majority view. What we should be surprised at is that much larger numbers of the working poor do not quit work and go on welfare. The vast majority of the poor (who are capable of working) do work and most of them very hard with minimal rewards.

## THE UNEMPLOYED

The remaining group to be discussed is those persons who are capable of work but are not working. These people comprise 13 per cent of social assistance cases, 6.6 per cent of those persons receiving social assistance or 0.7 per cent of the Canadian population (see Table I:9). This group represents an extremely small proportion of the Canadian population. Even still, to describe all of these few persons as shiftless, irresponsible and inherently lazy ignores the realities of our economy and state of technology. The Senate Poverty Committee suggests that

*at a time when unemployment among the general population is around 6 per cent, job opportunities are almost non-existent for the person with no skills, little education, and general lack of ability to compete. Even during times of relatively high employment, competition for available jobs remains strong due to the exceptionally large number (200,000) of persons annually entering the Canadian labour force. An increasingly automated, technological society holds out little help for improvement in this situation. (23)*

Ian Adams and his associates conclude in *The Real Poverty Report* that such people find it very difficult to hold a job when times get tough—such as unskilled workers who get shaken out of the bottom of the labour market as unemployment rises. As unemployment rises, the number of people dependent on welfare tends to rise. (24) The Canadian Welfare Council studied over 300 rural families and over 200 urban family cases, all described as "poor" and found the incidence of "shiftlessness" to be practically nil. (25)



## WELFARE CHEATING

Few would deny that there are people who could work but are not or that some people do cheat on welfare. Evidence indicates that those who cheat is a very small percentage of welfare cases. The Dominion Bureau of Statistics finds that wages and salaries tend to be truthfully reported, but that investment income, which is concentrated heavily among the rich, is "under reported" by as much as 50 per cent. (26) We should realize that proportions of the rich and middle groups, as well as the poor, cheat governments.

Studies in Canada (and the United States) support the argument that the number of poor who "beat the system" is extremely small, almost certainly less than 2 per cent, a rate which compares quite favourably with institutional cheating on expense accounts. (27) This would mean that persons fraudulently receiving social assistance (excluding dependents who could hardly be classified as "cheating") due to reasons of unemployment, would comprise (at the 2 per cent figure indicated above) 0.26 per cent of social assistance cases or 0.132 per cent of those who receive social assistance or 0.052 per cent of the poor or 0.014 per cent of the Canadian population (see Tables I:8 and I:9). Thus, the actual cheaters on social assistance due to reasons of unemployment comprises 14 people for every 100,000 people in Canada.

Even if 2 per cent of all grants of social assistance were fraudulent (excluding dependents) this would only amount to approximately one per cent (1%) of all persons (including dependents) receiving social assistance or 0.4 per cent of the poor or 0.1 per cent of the Canadian population. This represents one person in every 1,000. No doubt there would be additions to this percentage if we added those who "cheat" on Unemployment Insurance. We have been unable to find figures estimating such practices. However, Mackasey, the federal minister in charge of the Unemployment Insurance Commission recently claimed that the department had zeroed in on them and caught most of those trying to milk the system. Regarding those who left employment to deliberately collect benefits rather than working, he stated "We did a thorough study of this disincentives thing in industries. We found that it is affecting those industries who ran sweat shops, hiring people for under or near the minimum wage." (28)

## THE "WELFARE BUM"

The City of New York, finding the level of cheating very low, is contemplating the elimination of its routine security and investigation apparatus, which apparently costs more than it recovers, and instead implementing a system of random sampling. (29) In the Canadian case,

*professional social workers, economists and welfare administrators, including the director of the corporation of Professional Social Workers of the Province of Quebec, the president of the Quebec Welfare Council, a former moderator of the United Church of Canada, the director of the Economic Council and the director of Welfare Social Services for the City of Montreal—all rejected the popular misconception of the welfare chiseller in their testimony before the Special Senate Committee on Poverty.* (30)

The chairman of the Canadian Association of Social Workers confirms this view: "The popular image of the welfare chisellers, both those who could work but don't and those who live royally on welfare by exploiting the system is, in fact, just a myth." (31) Adams comes to the conclusion that

*the myth of the bum on relief bears little relation to reality; but the procedures of the Canadian welfare systems are centered around that myth and consequently tend to treat welfare recipients as potential, or actual, criminals.* (32)

The inaccuracy of the popular notion of the "welfare bum" is further realized if we also recognize that poverty is not merely a deficiency of income. The Canadian Association of Social Workers, which represents those people who have greatest and closest contact with the poor and the welfare recipient, stress the other deficiencies suffered by the poor.

*For . . . those caught in a cycle of poverty, there is virtually no aspect of their lives or the lives of their families that is unaffected. Each consequence becomes in part a new cause, with the final result that the individual feels overwhelmed with a sense of powerlessness and worthlessness.*

*The barriers that poverty presents in terms of housing, neighbourhood, post-secondary education and hence well-paying jobs, have all been documented in numerous reports and demographic studies. . . . We believe it is less popularly recognized that prolonged poverty, with its anxiety and worry, may have destructive psychological consequences upon the adult poor and to an even greater degree upon their children.*

*Moreover, social workers know from their experience that many of the poor have strengths and capacities that have helped them to face odds that would surely have crushed many of those who never had to face them. . . . social workers . . . know that most people struggle to stay off welfare even, in some cases, when the need is extreme. Peitchinis' research in Calgary (1969) showed that fewer than 5 per cent of those on welfare were employable. His study also showed that a common response of many people eligible for welfare seemed to be "no thank you, we will manage somehow." (33)*

The Canadian Welfare Council also feels that such conditions of unmet needs exist both for those who are on welfare and for many who are not.

*There are many thousands of families with dependent children who, through determination and pride, have managed to stay off social assistance rolls although their income places them within the "poverty band". It is probably a matter of daily irony to them and should be a point of national concern, that many of these families are living below any standard of even minimum need, and in many instances are living on a lower family income than their neighbour who is on social assistance.* (34)

It would seem that we are manipulating these poor by placing such a stigma on welfare that we shame them into accepting an income which is barely a subsistence level. Such "pride" and "determination" of these people might be considered admirable but if it results in inadequate diets, inadequate dental or medical care, inadequate opportunities for their children, etc., then it is an individually and socially undesirable and unjustifiable occurrence.

## CHILDREN IN POVERTY

As mentioned above, it is children who quite often suffer the most from poverty; yet they are the ones who have least ability to change their situation and chances for a decent life. The Dominion Bureau of Statistics reveals that in 1966, 23 per cent (1.6 million) of children under 16 belonged to families defined as "poor" and that 40 per cent of the poor were children under 16 years. (35) Charles Sibberman in *Crisis in Black and White* draws our attention to the life chances of such children (and other poor).

*One of the interesting things about poverty is that relatively few people who are not born in it, wind up in it. The mere existence of opportunities for betterment does not suffice to bring all members of a group out of the condition of poverty. There is a self-reinforcing characteristic to poverty which renders many steps against it ineffectual.* (36)

Leder describes what this means for Canadian poor children.

*Quite obviously many young Canadians are beginning life in a situation of inherited poverty, which constrains their physical and mental development by encapsulating them within an environment that begets continued and habitual impoverishment. . . . To a large extent, it means learning to grow up incompletely—deprived of a wide variety of experiences generally available to children of higher income families . . . poorer educational facilities . . . poorer programs of instruction, weaker teachers, few books. This on top of the first five years of life during which children of the poor suffer the personality and character-dampening impress of social degradation, social neglect and less enriched integration with adults, which cumulate in cognitive retardation. . . . Unable to utilize their most accessible spring-board from poverty—edu-*

cation—these children systematically become the candidates for tomorrow's unemployed and underemployed adult "poor" class. (37)

Children who grow up in poverty do not have the chances for a full life which other children do. By failing to help their families out of poverty now, we are condemning a large number of these children to a life of continued poverty through their adulthood. Their desire for a better way of life will not compensate for lack of opportunity in their attempt to escape from poverty.

We like to think there is equality of opportunity in Canada. It is time to admit that such is seldom, if ever the case, especially regarding the poor.

### THE ALBERTA CASE

In the provincial realm, figures for Alberta indicate that the proportion of people receiving social assistance who are capable of working is quite low, as with the national figures. (Table I:7). Table I:10 shows Alberta caseload percentages for March 31, 1970 and 1971.

**TABLE I:10**  
Alberta Department of Social Development, Caseload Percentages, March 31, 1970 and 1971

Categories of Caseloads	1970 %	1971 %
Aged	30	26
Children	18	17
Disabled	24	25
One Parent Families	17.5	19
Employed — Insufficient Income	3	3
Unemployed — Employables	7.5	9
Employment Opportunities		1
<b>TOTAL</b>	<b>100</b>	<b>100</b>

Source: Alberta Department of Social Development, Annual Reports 1969-70, 1970-71. Queen's Printer, Edmonton.

During 1972, however, changes in the numbers of family or individual units receiving social assistance in certain categories have changed. Table I:11 shows these changes in Alberta's welfare caseloads for the last three alternate months for which figures are available, and the same months in 1971 for comparison purposes.

**TABLE I:11**

Family Unit and Individual Unit Recipients in Selected Assistance Categories (Alberta)

SELECTED CATEGORIES	March 31	May 31	July 31	March 31	May 31	July 31
	1971	1971	1971	1972	1972	1972
Aged	4,782	4,381	4,154	4,283	4,163	4,071
Physical & Mental Ill Health	9,229	9,172	9,213	9,633	9,702	9,544
Employed — Insufficient Income	1,425	1,472	1,531	1,493	1,302	1,041
Unemployed — Employables	4,143	3,690	3,294	3,339	2,986	2,231
Single Parent Families	8,535	8,716	8,887	9,194	9,138	8,646
<b>TOTAL Caseload for all categories of assistance</b>	<b>29,430</b>	<b>28,811</b>	<b>28,549</b>	<b>29,769</b>	<b>29,514</b>	<b>28,952</b>

Source: Table 4 time series by month, Alberta Department of Social Development Caseload Files, supplied by the Department.

One would expect that with increasing population in Alberta, all categories of assistance would increase somewhat in numbers (although not necessarily in percentage distribution) if other factors remained constant. Table I:11, however, does not confirm this expectation. It reveals:

- There is a slight trend towards increasing total numbers receiving assistance. (All months of 1972 have larger numbers than the corresponding months of 1971.)
- There is no consistent increase or decrease in number of single-parent families.
- There is an increase in the numbers of those in physically and mental ill health.  
What is of most interest to us here is that:
- There is a large decrease in both unemployed with insufficient income (down 32 per cent from July 1971 to July 1972) and unemployed employables (also down 32 per cent for July). These figures represent a substantial decrease. Figures for Edmonton, whose assistance programs only exist for unemployed employables, show a similar decline in benefits paid in 1972 over 1971. Figures provided by Mr. K. Wass, the Director of Edmonton's social services, show 1971 benefits paid and approximate payments to date for 1972.

**TABLE I:12**

Benefit Payments, Social Assistance, City of Edmonton, 1971, 1972 (dollars)

MONTH	1971	1972
January	\$ 326,783	\$271,000
February	345,676	279,000
March	358,047	253,000
April	359,746	210,000
May	329,806	208,000
June	337,093	185,000
July	310,467	166,000
August	308,998	192,000
September	278,824	173,000
October	230,687	155,000
November	234,443	
December	275,301	
<b>TOTAL</b>	<b>\$3,695,875</b>	

Source: Edmonton, Department of Social Services, November 5, 1972.

Mr. Wass' estimates for 1972 indicate the City is likely to save 34 per cent on benefit payments in 1972 over 1971. He attributed this saving to two main causes. First, unemployed employables were able to find work in Edmonton (whose employment in trades and labour fields appears to have increased in 1972). Consequently, they were able to leave City welfare roles. The second main reason (which he felt was a lesser factor) was that some unemployed employables may have transferred to the new Unemployment Insurance.

These provincial and municipal figures give indications which we feel are significant for future provincial welfare trends. First, they indicate that a very large number of employed with insufficient income and unemployed employables want to work and do not want to remain on welfare. If they can find a job, they will take it. Secondly, some percentage of the provincial and municipal unemployed are leaving provincial jurisdiction and now fall under federal jurisdiction of the Unemployment Insurance Commission. Again, we should stress that a provincial decline of 32 per cent for unemployed employables in one year is a very large drop.

The study by Dr. Peitchinis in Calgary in 1969 concerning reasons for municipal assistance led him to conclude that *an examination of the characteristics of people on public assistance and the circumstances which forced them to seek public assistance provides very little support to those who propagate the thesis that public welfare breeds a population of parasites.* (38)

His similar study in 1972 led him to a similar conclusion that there is

*little support for the popular notion that people on welfare are idlers, dawdlers, loafers, tramps, and free-loaders languishing in inactive splendour at the expense of hard-working taxpayers.* (39)

His study found that one-third of all welfare recipients are over 55 years of age, although only 13.6 per cent are actually classified as receiving assistance because of "age". Furthermore, 57.5 per cent of the women receiving assistance did so because of dependent children. This represents almost 40 per cent of all welfare cases. Those suffering from ill health represent 23 per cent of all welfare cases. (40) Among unemployed employables, he found that 9.6 per cent of males and 8.2 per cent of females were 55 years of age or over; that 19 per cent of males were in "poor health" and another

12 per cent were only in "fair" health; that one-half had only grade 9 education or less, a level which placed them in a very vulnerable employment position. (41)

*The lower the level of education, the greater the likelihood of the worker's becoming unemployed . . . the longer the period of illness, the greater the difficulty of finding employment. (42)*

Our research indicates consistency in data available concerning poor people and welfare recipients. In fact, our investigations indicate that higher proportions of welfare recipients in Alberta are incapable of employment than the average across Canada.

### IMPLICATIONS

While appearances are often not reality, we tend to accept them as reality and so our myths about the poor and the welfare recipient are formed. Yet, as Leader points out: "It is somewhat ironic that while the affluent society has become increasingly visible to the poor, the impoverished have become increasingly invisible to the affluent." (43) We either do not see or choose not to recognize the 60 per cent of the poor who work and do not receive welfare, the aged, the disabled, the ill, mothers without breadwinners, and the

unemployed who would desperately love to have a job so they could leave the welfare rolls.

Surely it is time for us to open our eyes and see what is really there, rather than what makes us comfortable to think is there. We do not suffer from lack of detailed and documented information as much as from myopia.

Both governments and the media frequently make direct reference to the distinction between employable and unemployable recipients. Without actually saying it, this encourages the public to focus attention on the "mythical welfare bum", on that minute portion of welfare recipients who do cheat. This approach actively encourages the myth to be a continued topic of debate.

In presenting our research findings, we have demonstrated that the vast majority of welfare recipients are incapable of employment for various reasons. Of that small percentage of those who are capable of employment, we have shown that the vast majority of them are legitimately unable to find employment because of low education, low skill levels, poor or fair health, displacement by technology, a scarcity of jobs generally and a scarcity of jobs specifically in the areas of their training or experience. We have shown that the myth of the "welfare bum" is just that, an erroneous (although popularly held) myth.

## PART 2

### THE IMPACT OF SOCIAL AND ECONOMIC POLICIES

In discussions of welfare policy, social and economic policies are seldom considered, yet they have a significant impact on the lives of the poor and the welfare recipient, as well as on the potential size of welfare rolls and welfare costs. As only a tiny segment of welfare recipients are able to work, the main impact of economic policies is on the working poor. Unfortunately, in these times of high unemployment and increasing redundancy of workers replaced by technology, our social and economic policies do not help these working poor to avoid going on welfare. Even under better employment conditions, these policies do not allow millions of Canadians an adequate standard of living through full-time employment.

Jack McLeod, of the University of Toronto, claims:

*The truth is usually at variance with the prevailing "wisdom"; the truth often hurts, but the truth is that the fiscal (taxing and spending) policies of our government have always favoured the rich at the expense of the poor. (1)*

We have already mentioned the tax system in Part 1. It is perhaps only necessary to add here that having paid a higher percentage of income in taxes (by quite a bit), the poor do not get any advantage from a large proportion of projects that our tax money is spent on. For various reasons, the poor do not benefit from airports, highways, grants to industries, urban renewal, cultural programs, educational expenditures etc., anywhere to the same extent as the better-off groups. But there are many other policies which work against the poor also.

#### MINIMUM WAGES

In Part 1, Table 1:4 indicated how those working for the minimum wage in 1970 were left in poverty as a reward for their independence, self-reliance and hard work. This table is based on the federal minimum wage which was the highest in Canada and by which about 8 per cent of Canadian workers are protected. Many categories of workers even though falling under federal jurisdiction, are exempted from protection by the minimum wage. As of November 1, 1972 the federal minimum wage is \$1.90, up from \$1.75. This increase of 9 per cent is a few percentages more than the rise in the cost of living but nowhere near enough to significantly improve the position of the working poor.

As shown in Table 2:1 below, the provincial minimum-wage rates vary considerably. If the federal minimum wage subjects workers to poverty, the lower provincial minimum wages condemn workers to even greater poverty and suffering. In many industries, furthermore, this legislation is ignored.

*Minimum wage regulations are often violated. Non unionized industries, usually the small service industries, find it relatively easy to do this. Frequently if a complaint is lodged, the employee is found to be incompetent and dismissed, to be replaced by another who is again paid below the minimum wage. (2)*

By way of example, the Ontario Department of Labour Research Branch discovered that in 1967, 35 per cent of employees in laundries, cleaners and pressers in Ontario earned less than the minimum wage; similarly were 26 per cent of workers in eight other industries — leather, cotton, yarn, woollen mills, knitting mills, clothing, wood, retail trade and personal service. Professor McQueen, a former director of the E.C.C. found that 50 per cent of men and 78 per cent of women employed in laundries, cleaners and pressers in Nova Scotia, earned less than the minimum wage. (3)

In Alberta, The Board of Industrial Relations Order No. 1 (1970) exempts from Alberta's minimum wage protection:

- (a) employees for whom specific exemptions have been or will be made under the Alberta Labour Act or any Order made under it;
- (b) employees who perform certain types of casual, seasonal or temporary work;
- (c) apprentices;
- (d) students working as part of a formal training course;
- (e) employees engaged by contract which has been approved by the Board of Industrial Relations;
- (f) employees under 18 years of age (.15¢ less per hour, even if exactly the same task is performed). (4)

The Board of Industrial Relations has informed us that students doing part-time work, who are 18 years and over, are protected by only a \$1.00 per hour rate, and .85¢ per hour if under 18. The Alberta minimum wage is presently a full .35¢ per hour below (or 82 per cent of) the federal minimum wage. Alberta's present minimum wage is \$1.55 per hour. Thus at a 40 hour week, an Albertan receiving the provincial minimum wage would receive \$62.00 per week before deductions. After deductions of income tax, contributions for Canada Pension Plan, Unemployment Insurance, Medicare premiums and possibly union dues or company pension plans, the take-home wage would be considerably less than this. A single individual without dependents might be able to subsist on this, but one wonders how a person with a spouse and one, two or more children can manage to exist with such a low income. For those exempted from the minimum wage, it would be considerably worse. The effect on such children has been noted above. Such a family of only a husband and wife would be living in poverty with all that entails. With an annual income of only \$3,224, (if paid for all 52 weeks) before deductions, for 1972 it would be about \$1,025 below the poverty line. If this family had four children, their income would be over \$4,400 below the poverty line for 1972. Even including family allowances, this figure would be about \$4,100 below the poverty line.

This is how Alberta rewards those who work a full week, all year. Such a minimum wage is largely responsible for the majority of cases of poverty in Alberta. But there are also further consequences for our welfare system. Three percent of cases of social assistance are due to persons working but receiving inadequate income to maintain themselves. An adequate minimum wage would greatly help to allow these persons (and their families) to leave social assistance rolls, with a consequence of improving their living standard and reducing the provincial caseload and welfare costs. Furthermore those who were working could save some of their additional income to provide for the possibility of them becoming unemployed. This would mean that fewer unemployed persons would have to rely on welfare until they could get another job. This would further reduce our provincial caseloads and welfare costs. Thus our low minimum wage directly contributes to maintaining poverty and making our provincial welfare costs higher than they need be. We wonder how many employers in Alberta are paying the minimum wage (or below), with the consequence that the workers are receiving welfare which subsidizes the low wage rates of the employer?

Table 2:1 shows the minimum wage rates for the provinces and the federal jurisdictions to the end of 1971 (and to the present for Alberta and federal jurisdictions). (5)

On January 1, 1973, Alberta's minimum wage will be raised from \$1.55 to \$1.75. While this is a definite improvement, it is still well below the present federal minimum wage and far below the level needed to help the working poor and give them a decent standard of living which should be their due reward for full-time work. This new wage level is \$70.00 for a 40 hour week. As an annual income it is below Alberta's 1970 maximum welfare benefits and these welfare benefits have been increased since 1970 (family of four: see Table 1:4). Once again we should be surprised that more working poor do not go on welfare.

TABLE 2:1

Minimum wage rates (to 1971)\*  
General rates for experienced adult workers\*\*

JURISDICTION	DATE EFFECTIVE	RATES
Federal	July 1, 1971	1.75 (1.90 Nov. 1/72)
Alberta	October 1, 1970	1.55 (no change to date)
British Columbia	May 4, 1970	1.50
Manitoba	October 1, 1970	1.50
New Brunswick	September 1, 1970	1.25
Newfoundland	July 1, 1970	1.25 (men) 1.00 (women)
Nova Scotia***	July 1, 1971	1.25 (men) 1.10 (women)
(Zone One)		1.25 (men)
(Zone Two)		1.25 (men)
Ontario	April 1, 1971	1.65
Prince Edward Is.	September 1, 1969	1.25 (men) .95 (women)
Quebec	July 1, 1968	1.50
Saskatchewan	November 1, 1971	1.50
(ten cities)	June 1, 1971	1.50
(rest of province)		1.40
Yukon Territory	May 1, 1970	1.50
North West Terr.	September 1, 1970	1.50

\* In most provinces minimum wage orders now cover practically all employment except farm labour and domestic service in private homes. Farm labourers are, however, covered in Newfoundland, and certain farm-related occupations in Ontario. Most jurisdictions exclude a few additional classes of workers.

\*\* Minimum rates apply throughout the jurisdiction except in Nova Scotia and Saskatchewan, where there are regional differentials. In six provinces minimum wage orders provide that inexperienced workers may be employed during a learning period at a rate below the regular minimum. In all jurisdictions except British Columbia and the Northwest and Yukon Territories, special minimum rates have been set for young workers, or for students or for workers in certain categories such as newboys or messengers. The general minimum wage order for male workers in Prince Edward Island excludes persons under 18.

\*\*\* Zone one consists of Halifax-Dartmouth, Sydney and New Glasgow and surrounding areas (10 mile radius) and of Truro, Amherst, Yarmouth, Antigonish and Port Hawkesbury and surrounding areas. Zone two consists of all parts of the province not included in Zone One.

Source: Canada, Department of Labour, Legislative Research Branch, Research Series "Minimum Wage Rates in Canada", supplied to the Senate Poverty Committee by the Department.

In the area of agriculture, Statistics Canada has revealed that in 1971, the average hourly wage of farm workers in Canada was 7 cents above the federal minimum wage. (6) With such low minimum wage rates and consequent low wages as these farm workers receive, it is not surprising that rural poverty contributes significantly towards such a high incidence of poverty in Canada. A study of the lower income sector of Canadian agriculture discovered that one-third of the 430,000 farmers in Canada were in dire poverty and needed immediate income supplements. Another one-third were a little better-off but needed periodic assistance, but only one-third were considered economically stable. Also assuming that farm families with income so low as not to be taxable are living in poverty, it may be said that more than one-half of the 59,185 Alberta farmers making income tax returns in 1968, would be considered "poor" at that time. (7)

The National Council of Welfare points out that "what is clear is that poverty is the product of inadequate mechanisms of income distribution and even full-time year-round employment is no guarantee against poverty". (8)

The connection between the welfare system and the minimum wage is discussed by Dr. Woodsworth (9), Director of McGill University's School of Social Work.

*Recently Piven and Cloward, supported by Herbert Gans, have revived the argument that the welfare system functions to control the working force, to keep it available for business and industry as a source of supply and keep down the minimum wage.*

These two authors argue further that welfare benefits and programs do not increase as a result of growing wealth or as employment increases but rather when it is necessary to moderate social unrest, usually when unemployment is high. (10)

We still continue to ignore the fact that the vast majority of persons receiving social assistance are either permanently or temporarily (and legitimately) unable to work or unable to find employment. Ignoring this fact perhaps makes it easier to justify keeping welfare benefits below poverty levels. At the same time we reward the working poor who are self-reliant and do not depend on public welfare (even when they would often be better off) with a minimum wage that guarantees them an existence in poverty, continual hardship, and a higher chance of having to depend on welfare at a later date.

The Senate Committee on Poverty sums this situation up thus:

*Our society puts too many people in double-jeopardy: it penalizes and stigmatizes those who earn little or no money. Yet it gives them little opportunity to succeed. Many of those who wish to preserve the Work Ethic show little concern over the fact that minimum wages are generally below welfare payment levels. Such attitudes and practices inevitably result in social conditions which themselves perpetuate poverty.*

*The working poor are, in the main, excluded from union membership; they work for provincial minimum wages, which are poverty wages. There must be a major illness in a society when the working poor (more than 50 per cent of the poor) who have obeyed all the rules of the world of work, are not able to maintain, let alone improve, their relative economic or social position. (11)*

In light of the problems mentioned above, we would urge the Government of Alberta to raise the minimum wage in successive stages to \$2.50 per hour for all categories, without exceptions, by January, 1974, and further that this wage be raised automatically, each year, by the same percentage as the rise in the average standard of living in Alberta. The figure of \$2.50 an hour would be the same wage as persons now receive under the Local Initiatives Program. If this were done, it would probably remove about 50 per cent of the poor from poverty (perhaps more).

## ECONOMIC POLICIES

Low minimum wages are not the only economic policies that create and perpetuate poverty and necessitate welfare payments. The Senate Poverty Committee suggests that

*the economic system in which most Canadians prosper is the same system which creates poverty. Equally fallacious is the belief that economic growth could, in time, "solve" poverty. The evidence produced before the Committee showed that in the 1950's and 1960's (when Canada enjoyed great economic expansion) in absolute terms, poverty in Canada increased at the same time and at the same rate. (12)*

John Kenneth Galbraith suggests the same thing.

*Poverty can be made to disappear. It won't be accomplished simply by stepping up the growth rate any more than it will be accomplished by incantation or ritualistic washing of the feet. (13)*

Economic growth does nothing to help those who are out of the mainstream of economic activity. By itself it provides no income to the mothers with dependent children, the aged, the disabled, the ill or those who cannot find employment due to low education or low skill levels or a scarcity of jobs.

*Government policies based on economic priorities have contributed to the problems of poverty through making choices which directly and indirectly have increased the numbers of poor Canadians and increased the disparity between the poor and the non-poor. Our failure to achieve full employment and our acceptance of policy choices which increase unemployment contribute directly to the spread and perpetuation of poverty . . . when government economic policies or actions cause individual citizens to suffer unemployment and poverty, the government must be prepared to compensate those who suffer. (14)*

Table 2:2 (15) shows Canadian unemployment rates over the past quarter century. Table 2:3 shows Canada's rates of unemployment compared to other selected countries. (16)

TABLE 2:2

UNEMPLOYMENT RATE, CANADA, 1946-1970					
1946	3.8%	1954	4.6%	1962	5.9%
1947	2.6	1955	4.4	1963	5.5
1948	2.6	1956	3.4	1964	4.7
1949	3.3	1957	4.6	1965	3.9
1950	3.8	1958	7.0	1966	3.6
1951	2.6	1959	6.0	1967	4.1
1952	3.0	1960	7.0	1968	4.8
1953	3.0	1961	7.1	1969	4.7
				1970	5.9

Sources: Sylvia Ostry, Unemployment in Canada (Ottawa: DBS, 1968) Table 1, p. 1; and Canada Department of Finance, Budget Papers for 1971-72, in Hansard (18 June 1971): 189 for years 1967-70.

TABLE 2:3

UNEMPLOYMENT RATES FOR SELECTED INDUSTRIAL COUNTRIES, 1959-63

COUNTRY	1959	1960	1961	1962	1963
U.S.A.	5.5%	5.6%	6.7%	5.6%	5.7%
Canada	6.0	7.0	7.2	5.9	5.5
France	1.4	1.3	1.1	1.2	1.5
West Germany	2.4	1.2	0.8	0.7	0.8
Great Britain	2.2	1.6	1.5	2.0	2.5
Italy	5.2	4.0	3.4	3.0	2.5
Japan	1.5	1.1	1.0	0.9	0.9
Sweden	2.0	1.4	1.2	1.3	1.4

Source: Arthur F. Neef, "International Unemployment Rates 1960-64," Monthly Labour Review 88 (March 1965): 258. These figures have been adjusted to U.S. definition of unemployment.

These two tables indicate how poorly Canada has done compared to other countries in reducing unemployment. Making reference to more recent statistics, Peitchinis indicates that

*Canada and the United States have the distinction among nations with highly developed economies of tolerating levels of unemployment which are excessive under any standard of measure. Between 1946 and 1970, this nation has had an average annual rate of unemployment of nearly 4.3 per cent. No other nation with an advanced economy (except the United States) has approached even one-quarter of such a rate of unemployment over that period. (17)*

Canada's performance is not accidental. Canadian governments have frequently chosen to use high unemployment as a tool in fighting inflation. When such decisions are made they do not affect Canadians randomly. Rather unemployment is concentrated in the low-wage and low-skill occupations, affecting those who are already the poor and who can least afford to lose their jobs. There is no escaping the conclusion reached by the Economic Council of Canada that now "Canada has the highest rate of unemployment among the more industrially advanced nations of the world." (18) (7.1% in September 1972)

Table 2:4 (19) indicates that the poorer paid occupations suffer most from high unemployment.

TABLE 2:4

AVERAGE UNEMPLOYMENT RATES, BY OCCUPATION, CANADA 1961-66	
OCCUPATION	UNEMPLOYMENT RATE %
White collar occupations	1.8
Service and recreation	4.3
Primary occupations	5.2
Craftsmen and productions process workers	6.2
Transportation	6.9
Labourers	16.4
All occupations	5.1

Source: Sylvia Ostry, Unemployment in Canada (Ottawa: DBS, 1968), Table 9A, p. 17.

The use of deliberately high unemployment to attempt to lower inflation throws large numbers of Canadians out of work, a large number of whom are then forced to apply for Unemployment Insurance benefits and/or provincial social assistance. This directly raises the costs of both types of programs. However, even with this deliberately high unemployment, inflation has hardly been controlled. The 1969 increase in the Canadian Price Index rate was 4.5 percent and in 1970, 3.3 percent. Between April 1971 and April 1972, it rose by 4.5 per cent. (20) Not only do the poor get thrown out of jobs and on to public support, but they have to exist on these meagre public benefits at a time when the real purchasing power of the benefits are gobbled up by inflation. Neither Unemployment Insurance benefits, nor social assistance benefits are adjusted to compensate for inflation.

*To increase the problems of those suffering from unemployment, the longer a worker is unemployed, furthermore, the more likely he is to stay that way. Skills, in the end, after a long stretch without a job, become rusty; his drive to look for work declines; and finally he slides into the category of "hard core unemployed". Workers may also lose touch with improvements in the methods used to do those jobs. Other workers may lose their jobs simply because technology has complicated the jobs so much that workers can't cope with the new demands. (21)*

The results of our policies of minimum wages, unemployment and wage and salary differentials among different groups, are shown in Tables 2:5 (22) and Table 2:6 (23).

TABLE 2:5

AVERAGE EARNINGS OF MAJOR OCCUPATION GROUPS, 1967

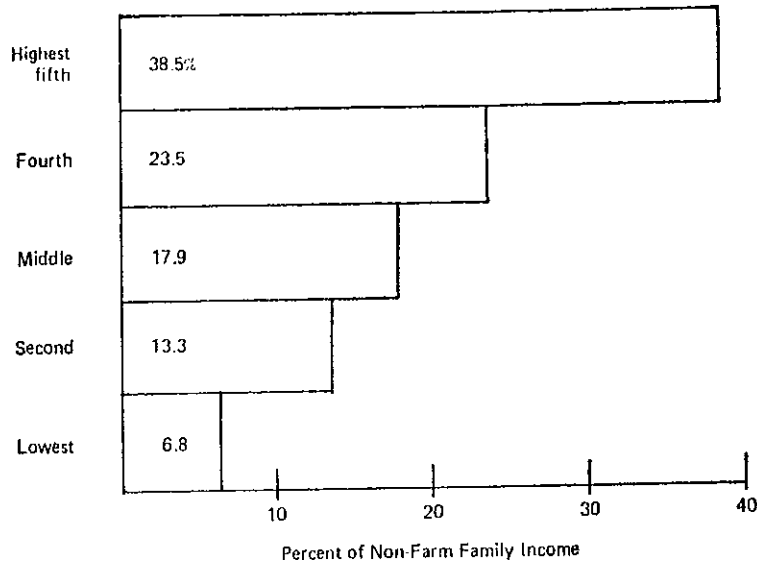
OCCUPATIONS	AVERAGE EARNINGS OF FULL-YEAR WORKERS	
	\$	% of average of total income
Managerial	8,267	179
Professional and technical	7,673	166
Miners, craftsmen, etc.	5,617	121
Transportation and communications	5,404	117
Sales	5,071	110
Labourers	4,410	95
Clerical	4,314	93
Services and recreation	3,488	75
Farmers, loggers, fishermen	3,020	65
TOTAL	\$4,631	100%

Source: D.B.S., Income Distribution by Size in Canada, 1967, Cat. No. 13-534 (December 1970) Tables 41, 42, 49.

Managers earned almost three times as much as loggers, farmers and fishermen on the average. In 1961, fish canners, curers and packers averaged \$1,606, while doctors and surgeons averaged \$15,093, which is almost 9½ times more. (24)

TABLE 2:6

Income distribution by quintiles (fifths) of non-farm families after transfer payments, 1967.



Source: D.B.S., *Incomes of Non-Farm Families and Individuals in Canada; Selected Years, 1951-1965* (Cat. No. 13-529), Tables 4 and 12; D.B.S., *Income Distribution by Size in Canada, 1965* (Cat. No. 13-528), Tables 13 and A 11; D.B.S., *Income Distribution by Size in Canada, 1967* (Cat. No. 13-534), Table 3.

As Table 2:6 shows, in 1967, the richest 20 per cent of our population had almost 6 times as much income as the poorest 20 per cent, even after transfer payments. Add to this the fact that the poorest pay the highest percentage of their income in total taxes, the discrepancy would be even greater after all taxes had been paid.

It is evident that the existing welfare and income distribution systems have no significant effect on the relative position of the poor. This is demonstrated by studies done by the Dominion Bureau of Statistics in which

*the data show that income distribution has remained virtually unchanged since 1951 . . . in fact, the gap in dollar-terms between the poor and the affluent has increased.* (25)

In a similar vein Lederer stresses that *poverty is not just some debilitating occurrence that happens. There are many individuals and groups of individuals who profit from the social condition of the poor. Correspondingly, there are many others whose profit or power would be seriously jeopardized should the poor become economically secure or active social and political participants in society. Poverty also makes possible the existence or expansion of a goodly number of respectable middle-class professions and occupations such as penology, criminology, social work, welfare administration, public health, journalism and social science research.* (26)

While the middle and upper classes derive some definite advantages from poverty, the poor gain nothing but continued deprivation, hardship and suffering. The system we use to distribute income and wealth allows the better-off to continue taking a much larger share of the resources than they begrudge to the poor.

We have not concentrated on developing economic and social policies which produce jobs, eliminate poverty or reduce welfare roles and administrative costs. Rather we continue to give subsistence financial assistance to individuals who have already lost their jobs or are already in poverty. Then we turn around and blame the victim rather than our governments whose policies create victims. The Canadian Council on Social Development draws our attention to this particular tendency.

*The fact that welfare roles are increasing mainly because of high unemployment is very seldom mentioned by those castigating the welfare system . . . is it because the castigation of welfare assistance helps to divert attention from the real reason so many employable persons are on the welfare rolls—because our economic system itself cannot cope and needs overhauling, which those who control it, or have a voice in controlling it, do not wish to do in their own interests?* (27)

William Ryan, in his study of the tendency to blame the victim, suggests that at present we offer rehabilitation instead of money, job training instead of an economic policy that creates jobs. He suggests we should realize that these problems are structural malfunctions in our society and that we should be correcting these malfunctions with higher minimum wages, by reducing inequalities and eliminating substandard housing and schools rather than trying to blame the victim and change them. (28) The Honourable T. L. Wells, Minister of Social and Family Services for Ontario, further draws our attention to how the welfare system is used to avoid making needed changes in social and economic policies.

*Federal anti-inflationary policies have resulted in unemployment for hundreds of thousands of Canadians including many persons who had traditionally been unaffected by problems of unemployment and inadequate income. This, in turn, forced many people to recognize that the income security system was not merely a special program for a group of traditionally poor people but rather a major element of Canadian social policy.* (29)

Dr. Woodsworth also points out the questionable public value of other economic policies.

*With regard to corporation taxes, . . . through faith in "the private sector" as the essential basis of social policy, many hundreds of millions of dollars are given annually to corporations (which is to say persons affluent enough to own stock) without predictable success either in reducing unemployment or limiting price increases.* (30)

The discussion of tax and grant incentives to industries in order to stimulate employment, during the recent federal election campaign, revealed the dubious advantages and effectiveness of some of Canada's economic strategies and policies.

## HEALTH CARE

The story of inequality and disincentives is not complete however, without mentioning the area of health care. "It is only too clear that the poor survive in an environment that almost prohibits mental and social well-being and profoundly affects their health." (31) Dr. J. G. Clarkson, Deputy Minister of Health and Welfare in New Brunswick, noted in 1970 that,

*in the 1950-51 Canadian Sickness Survey it was shown that people in the lower income groups were less likely to consult a physician than those in higher income groups . . . for women, the upper classes were more likely to avail themselves of insured services. For children, it was observed that those from upper class families are most likely, and welfare children, least likely, to utilize physician's services. However, the average cost of medical care per child was higher in lower class groups even though fewer children in these groups received physician's services. (32)*

In spite of the passage of 20 years and the introduction of Medicare, it does not appear that we have made any significant progress in this respect. The Canadian Medical Association, in May of 1970, estimates that in Canada, the poorest 20 per cent of the population suffers about 75 to 80 per cent of the major illness. (33) The Department of National Health and Welfare has found that,

*there is universal recognition that nutrition is a critical factor in poverty. Dietary inadequacies and under-nutrition, combined with other deprivations, attendant on poverty, cause health deterioration. This sets up the cycle of decreased performance of all activities, mental apathy, and incapacity for initiative or self-help. . . . Undernourishment may reduce the ability to acquire the education necessary for escape from the poverty cycle . . . Estimates from that country [U.S.A.] are that about two-thirds of the poor are malnourished, especially older persons over sixty years and children under sixteen. Several Canadian studies suggest that a comparable situation may exist among the Canadian population. (34)*

Lederer's investigations indicate that, with regard to health, for example, statistics emanating from a wide variety of sources indicate that the poor get sick more often, take longer to recover, seek and receive less medical, dental and hospital treatment and suffer far more disabling consequences than do people with larger incomes. (35)

Michael Harrington, author of *The Other America: Poverty in the United States*, suggests an explanation for some of these same phenomena in the U.S.

*The poor get sick more than anyone else in the society. That is because they live in slums, jammed together under unhygienic conditions; they have inadequate diets and cannot get decent medical care. When they become sick, they are sick longer than any other group in society.*

*Because they are sick more often and longer than anyone else, they lose wages and work, and find it difficult to hold a steady job. And because of this, they cannot pay for good housing, for a nutritious diet, for doctors. At any given point in the cycle, particularly when there is a major illness, their prospect is to move to an even lower level and to begin the cycle, round and round, toward even more suffering. (36)*

The heavy burden of medical expenses used to be a principal cause of poverty. The introduction of Medicare in 1966 has certainly helped to offset this burden for most people. Many health requirements however, are not included in the Medicare plans, such requirements as drugs, glasses, wheel chairs, hearing aids, etc. For those in poverty (and even for those above the poverty line) such expenses are an extreme hardship and frequently they may have to do without because they cannot afford them or else the additional heavy premiums necessary to obtain additional Blue Cross or private insurance which pay for drugs, glasses, etc. The burden of paying for either health or the premiums for health care insurance force some people to rely on welfare. In a study of Calgary's welfare clients, Dr. Peitchinis found that some employed welfare recipients indicated that they could have earned in excess of their welfare budgets by accepting alternative employment opportunities and promotions, but chose not to do so and remained on welfare in order to retain their Health and Treatment Service Cards. (37)

The cards allow recipients of social assistance benefits free hospital, physician and ambulance services, chiropractor services and glasses. So in effect, our welfare rolls are larger because some people could not afford health payments if they left the welfare list. The cost of medical and related expenses prevents them from being independent and self-supporting and uses up more public funds. This disincentive to leave welfare is even greater where recipients have large families.

There is another group who are forced to go on welfare due to reasons of poor health. These are portions of the working poor who are so precariously close to the dire poverty stage, that one week's illness could push them from the independent category, into the group of people who require social assistance. (38)

In two provinces, Newfoundland and Nova Scotia, the entire costs of medicare are drawn from general revenues rather than individual family premiums. (39) Such a system decreases the administrative expenses of collecting premiums and ensures that everyone in the province is covered at all times, regardless of their ability to afford health care. As well, all the red tape and confusion which citizens must endure in paying premiums, is done away with. Such a system is not used in Alberta, where "premium costs are high, and participation mandatory, so that money has to be directed from other needs to pay premiums." (40) Alberta Health's premium rates are shown in Table 2.7.

**TABLE 2:7**  
Alberta Health Care Insurance Plan  
Premium Rates (on November 1, 1972)

	Basic Health and Insured Hospital Services		Basic Health and Insured Hospital Services Plus Optional Health Services (Alberta Blue Cross)		
	Quarterly	Annual	Quarterly	Annual	
<b>SUBSIDIZED PREMIUM RATES</b>					
A. Social Assistance Recipients	SINGLE	Nil	Nil	—Not Applicable	
	FAMILY	Nil	Nil	—Recipients of Social Assistance are Provided With Other Health Services By The Department of Social Development	
B. No Taxable Income	SINGLE	\$ 6.00	\$ 24.00	\$ 10.50	\$ 42.00
	*FAMILY	\$ 12.00	\$ 48.00	\$ 21.00	\$ 84.00
C. Taxable Income \$500.00 or Less	SINGLE	\$ 9.00	\$ 36.00	\$ 13.50	\$ 54.00
D. Taxable Income \$1,000.00 or less	*FAMILY	\$ 18.00	\$ 72.00	\$ 27.00	\$108.00
<b>STANDARD PREMIUM RATES</b>					
	SINGLE	\$ 17.25	\$ 69.00	\$ 23.25	\$ 93.00
	FAMILY	\$ 34.50	\$138.00	\$ 46.50	\$186.00

\* Persons 65 years and over, (or families where at least one of the couple is 65 or over) are exempt from premium payments for both the basic plan and Alberta Blue Cross.  
Source: Alberta Health Premium Schedule.



The heavy burden of these payments on a large proportion of Alberta's population is evident. Persons not on social assistance, with no taxable income are among the very poorest in our province. In spite of this, in order to get coverage for both plans, they are required to pay \$42.00 and \$84.00 for single persons and families respectively. This applies equally to a family with no, one, five, ten or any number of children. Any person or family with less than \$500. taxable income is living in poverty as well (assuming no non-taxable income such as capital gains etc.). Similarly, any family of three persons with less than \$1,000. taxable income is also living in poverty. In spite of their circumstances of poverty, they are required to pay up to \$108.00 annually for coverage under both plans. For all groups or persons who must pay premiums, the rate structure is regressive; that is, it takes a higher proportion of income from those who are poor than from those who are rich. In the extreme case, a family of 10 with \$1,001. of taxable income pays the same premium as a married couple without children, who have a taxable income of \$20,000., \$100,000. or even one million dollars. The single person earning the minimum wage would have to spend about 5 per cent of his income for coverage under both plans. This is a grossly unfair way of charging Albertans for basically essential health coverage.

Alberta should immediately abolish premium payments for both plans and pay for them through general revenues. This would cost less, reduce administration, red tape and confusion, and would give all the health care protection they require without reference to their income or ability to pay. Furthermore, it would allow some persons presently receiving welfare to get off it and would remove the incentive for some others to go on welfare. In addition, the coverage should be expanded to include all health care needs, including dental care, glasses, appliances, drugs etc. There is no justification for allowing any person in an affluent country to go without the medical and health treatment or services they require.

Our investigations also indicate the urgent need to abolish poverty in Alberta in order to help those who are presently poor to live healthier, more illness-free lives and so that poor health and malnutrition do not prevent poor children (and adults) from getting maximum benefits from education and opportunities to develop themselves.

In addition to this tremendous achievement we would find great savings in medical care in Alberta, as it is the poor who are ill more often, longer and whose treatment costs more money per patient. Information available tells us that these things can be done; it is now necessary to do them.

## TECHNOLOGY, CYBERNETICS AND THE WORK ETHIC

There is another phenomenon in our changing society which we seldom consider when discussing factors in the immediate future likely to have great impact on our welfare system. We have already mentioned the considerable difficulty which unemployed persons have in finding employment, especially when their skills and education are at low levels. Another factor to consider is the ever increasing role of technology and cybernetics (basically computers and electronic machinery) in our society. The recent federal white paper, **Unemployment Insurance in the 70's** indicates the difficulty in providing jobs for all Canadians even in the immediately foreseeable future.

*In the '70's it is fully expected that temporary unemployment will be a possibility for a broader spectrum of the Canadian work force than ever before. Unexpected layoffs and unemployment because of automation and other technological changes are beginning to disturb a wide range of workers from all occupations who fear that, one day, their jobs may be declared redundant or out of date. (41)*

A group of respected intellectuals in the United States suggest the implications of the "Cybernetic Revolution". (42) In pointing out that cybernation requires progressively less human participation they see the promise of jobs as a cruel and dangerous hoax on hundreds of thousands who are especially vulnerable to cybernation because of age or inadequate education. Thus as machines take over production from men, these machines will absorb an increasing portion of resources while the unemployed men who are displaced

will become dependent on minimal and unrelated government measures such as unemployment insurance, welfare etc. The increasing number in poverty will reduce demands for goods and services which will further reduce employment. They suggest that,

*an adequate distribution of the potential abundance of goods and services will be achieved only when it is understood that the major economic problem is not how to increase production but how to distribute the abundance that is the great potential of cybernation. (43)*

U.S. Secretary of Labour, Wirtz has recently suggested that machines produced today have on the average skills equivalent to a high school diploma. (44) Increasingly, education will be no guarantee of a job.

The group mentioned above conclude their statement addressed to President Nixon by saying,

*Wealth produced by machines rather than by men is still wealth. We urge, therefore, that society, through its appropriate legal and governmental institutions, undertake an unqualified commitment to provide every individual and every family with an adequate income as a matter of right. . . . The unqualified right to an income would take the place of the patchwork of welfare measures . . . designed to ensure that no citizen or resident . . . actually starves. (39)*

In speaking of the potential of cybernation to liberate mankind from unnecessary labour, the National Council of Welfare in 1971 came to similar conclusions.

*The legitimate fears of those whose jobs are threatened will continue to grow if we refuse to accept that the present inadequate supply of what we have come to think of when we talk of "jobs" is not a temporary aberration, but an emerging and inevitably expanding reality. Our response to this reality must be a major re-definition of the concept of work and the concept of a job. (45)*

The age of the fully automatic factory is technically possible right now. Its actual appearance will come in short course. Those most vulnerable to the impact of technological change are the older workers and the unskilled youth who drop out of school and cannot find jobs. (46) But these new developments are not just affecting manual and unskilled occupations. They are likely to go much further, replacing also the machine minder, the shop supervisor and even many facets of the present managers' responsibilities, by machines and groups of machines which control themselves and each other. (47)

It is the social consequences of such technological change to which we must focus our attention.

*Automation is not going to simply transform our system of economic production and distribution. It is going to challenge and shake the whole fabric of our society—our social institutions, our individual and group behaviour patterns and the traditional ways in which the individual relates himself to his fellows and to his society . . . automation threatens to make our traditional concepts of work and employment obsolete. . . . To be suddenly deprived of work in our society is equivalent to becoming a social outcast—unneeded and unheeded. (48)*

The challenge is to anticipate the effects of cybernation so that our social structures and processes may be designed to take advantage of cybernation, rather than be thrown into chaos by it. One step towards this goal is to recognize that our social attitude called the "Work Ethic" will no longer have any meaning within the content of the emerging cybernetic society. This attitude is becoming redundant.

In more concrete terms and with reference to social welfare programs, Michael Harrington demonstrates what this redundancy means.

*. . . in social security, the law says a man becomes old at 65. But the economy often says a man becomes old and obsolete at 55 or even 50 or 45. Why don't we build into social security, escalators, both in terms of the benefits paid and in terms of the age at which it operates? Why don't we say social security starts, not when the law says a man is aged but when the economy does. (49)*

Cybernation raises many questions about the future of our welfare system. We will be in default and our social system in chaos if we do not address ourselves to these questions.

It would appear that in the coming years, our society (and province) will have four basic alternatives regarding the expanded use of cybernetics with the consequent reduction in "jobs". These are:

- (a) increasing unemployment and increasing poverty — a much wider gap between the rich (who work or have investment income) and the poor (the unemployed with no other substantial sources of income);
- (b) increasing unemployment but more equal distribution of income through such techniques as a guaranteed annual income;
- (c) a technique of distributing "jobs" more equally (effectively everyone working "part-time" only) which would help to distribute income more evenly;
- (d) public works programs for socially useful ends.

Alternative (d) thus might involve the training of more doctors, the production of more and better recreational facilities, more housing etc. This, however, is likely to be a short-term solution for technology will soon be able to reduce the need for more medical treatment, produce housing more cheaply, automatically. Perhaps the only long-term public programs of this sort will be social services such as more counselling, more services for leisure activities etc.

We would suggest that the best choice would be to use all of the last three alternatives, the last two hopefully reducing the negative impact of widespread unemployment.

Which ever alternative we choose, it is paramount that we begin exploring these imminent problems and possible alternatives **now** so that we have time to prepare for them.

## IMPLICATIONS

We have attempted to show in this section that a discussion of a welfare system is definitely incomplete without consideration of economic and social policies. We have shown how these policies and questions bear directly on Alberta's welfare system.

Economic policies are to some extent outside the provincial jurisdiction. However, minimum wages, health care and the effect of cybernation on our province and its welfare system, are all matters upon which our provincial government can and should act. Even regarding economic policy at the national level, the provincial government can bring its influence to bear upon the federal government.

Our society's thinking about its problems usually turns out to be a decade or two out of date. We tend to think only about our current problems, or what we think are our current problems, with only vague thoughts of broad future policy direction and the social changes that will affect it. At present, by the time we come to a conclusion about a problem under discussion, the problem itself has often changed, leaving us with no understanding of the new problem and no effective solutions.

We have sensed that both Canadian and Alberta governments have focused their attention upon problems which have manifested themselves in the recent past. There seems to be no indication that they are looking very far into the future and to the questions and problems which will soon face us. We would suggest that these issues will be much more basic and will have far greater consequences than most of the questions the Government of Alberta has focused on. We should not confine ourselves to looking at the individual parts of the present system to see how well they work. We should also see if the system itself will be useful in facing the future or whether coming changes will make our present system inadequate or redundant.

## PART 3 PRESENT INCOME SECURITY PROGRAMS FOR CANADIANS

The three levels of government in Canada operate four basic types of income security programs in addition to numerous social services. These programs include social insurance, universal payments (demogrants), guaranteed income plans for the aged and social assistance (usually referred to as welfare), involving federal, provincial and local governments.

The first three types of programs are operated primarily by the federal government. These will be discussed only briefly so as to show the basic differences between the aims and effects. (1) More detailed critiques may be found in such publications as *Poverty in Canada, The Real Poverty Report* and the Federal White Paper *Income Security for Canadians*.

Table 3:1 shows the various programs in Canada. (2)

**TABLE 3:1**  
INSTRUMENTS OF INCOME SECURITY POLICY

GUARANTEED INCOME	DEMOGRANTS	SOCIAL INSURANCE	SOCIAL ASSISTANCE
—Guaranteed Income Supplement	—Old Age Security —Family Allowances —Youth Allowances	—Canada Pension Plan —Quebec Pension Plan —Unemployment Insurance —Workmen's Compensation —Veterans' Pensions	—Provincial Assistance —Canada Assistance Plan —War Veterans' Allowances —Blind Persons' Allowances —Disabled Persons' Allowances —Unemployment Assistance —Assistance for Indians and Eskimos

Benefit schedules for some of these programs may be found in Appendix Three.

### SOCIAL INSURANCE

Social Insurance programs include the Canada Pension Plan (and the similar Quebec Pension Plan), Unemployment Insurance, Workmen's Compensation (provincial jurisdiction) and Veterans' Pensions which are included under income security programs.

Social insurance programs insure those working against future loss of income. Benefits are paid when earnings are suspended due to sickness, unemployment, accident, death, disability or retirement, under the different plans. In most cases, programs are financed from contributions from those working and funds are kept separate from other government accounts. Benefits are paid from these separate funds except for Veterans' Pensions which are paid from general government revenues, and Unemployment Insurance, where benefits are paid from government funds rather than the U.I.C. fund, when national unemployment passes 4 per cent. The amount of benefits paid is usually related to the contributor's contributions to the fund which are related to his earnings. Benefits are paid on a set formula basis without regard to personal financial need or to current income from other sources.

Social insurance programs produce a variety of social consequences. One advantage of social insurance is that the individual pays for it and obtains it by right rather than on the basis of a needs test as under social assistance or an income test as under a guaranteed income plan, both of which are to different degrees, stigmatized as "welfare" or "government hand-outs." However, the administration of such schemes is not simple. Extensive record-keeping and the application of benefit formulas are complex and costly. From

the individual's point of view, it is very difficult to know what benefit levels to expect and consequently, what additional protection he must provide himself with.

The main advantage of social insurance is that it keeps many (but by no means all) of the population out of poverty when income from employment ceases. However, many people are not covered under social insurance. Others for various reasons such as low or irregular earnings, receive benefits inadequate to maintain them. Thus, in order for social insurance to operate effectively as an anti-poverty tool, it must be combined with private savings, pensions or insurance. Social insurance only provides a floor upon which these private sources of income may be built.

For those able to protect themselves with these private arrangements, social insurance reduces reliance on social assistance with its consequent loss of dignity, invasion of privacy, loss of decision-making power over one's existence, and more costly and complicated administration. But for those unable to make additional private arrangements, there remains a need for further help from social assistance and/or guaranteed income plans. As a result, social insurance is a preventative for poverty for only part of the population, but does little for the remainder and nothing for those already existing in poverty. It gives more to those who have, and almost nothing to those that haven't. Contribution levels rather than need is the allocating criterion.

Tables to follow will outline the approximate costs of some social insurance programs and the benefits paid out.

Table 3:2 outlines these figures for the Canada Pension Plan (including Quebec Pension Plan).

**TABLE 3:2**  
C.P.P. and Q.P.P. Revenues, Expenditures and Surplus  
(Millions of \$)

	Contribution Revenues	Investment Income	Total Revenue	Transfer Payments to Persons	Total Current Expenditure	Surplus for the Year
1970						
C.P.P.	\$ 773	\$ 193	\$ 966	\$ 78	\$ 98	\$ 868
Q.P.P.	282	80	362	26	38	324
Total	1,055	273	1,328	104	136	1,192
1971						
C.P.P.	817	270	1,087	129	149	938
Q.P.P.	292	107	399	42	50	349
Total	1,109	377	1,486	171	199	1,287
1972 (first quarter seasonally adjusted to annual rates)						
C.P.P.	860	296	1,156	168	196	960
Q.P.P.	308	120	428	52	60	368
Total	1,168	416	1,584	220	256	1,328

Source: Canadian Statistical Review, August 1972, Pub. No. 11-113, Vol. 47, No. 8, Statistics Canada, Ottawa, Table 1:7 p. 23, 24, 25, 26.

The table reveals that Canadians paid about \$1.1 billion into the Plan in 1971 and this will likely reach \$1.17 billion in 1972. The total revenue for 1972 will probably be about \$1.58 billion. Excluding the capital in the investment fund, this is the amount of money that might have been available in 1972 for other types of programs, if Canadians had so decided.

Administrative expenses for 1971 represent 23.5 per cent of total expenditures (assuming administrative expenses equal total expenditure minus transfer payments to persons). This represents a very high percentage of total expenditures. Thus for every \$3 of benefits, almost \$1.00 was used to administer the program.

Table 3:3 Outlines some of the limited information available concerning the Unemployment Insurance Commission.

**TABLE 3:3**  
**U.I.C. Benefits paid 1971, 72 (Millions of \$)**

	1971	1972	Running Total 1971 (approx.)	Running Total 1972 (approx.)
January	85.71	140.37	85	140
February	100.93	193.67	186	334
March	114.30	200.97	300	535
April	100.01	175.13	400	710
May	77.54	186.64	478	896
June	49.20	138.26	527	1,035
July	43.87	127.15	571	1,162
August	46.01	143.81	617	1,306
September	50.94	128.00	668	1,434
October	52.24		720	
November	69.45		790	
December	102.38		890	
<b>TOTAL</b>	<b>890.59</b>		<b>890.59</b>	

Sources: Figures 1971 and up to May 1972: Statistical Report on the operation of the Unemployment Insurance Act., Catalogue 73-001 Monthly, Statistics Canada, Ottawa; July and August 1972, Statistics Canada Weekly, Catalogue No. 11-002 October 20, 1972 and September 19, 1972. Figure for September: Statistics Canada as quoted in Edmonton Journal, November 15, 1972, page 14.

Unofficial figures in recent months have appeared giving estimates of 1972 costs. A confidential government document has been quoted as showing that up to the end of August 1972, the U.I.C. had received \$462 million in premiums and predicted a total for the year of about \$1.16 billion. Revised figures (to those in Table 3:3) indicate that in the first eight months of 1972, benefits paid out amounted to \$1.296 billion. The estimated cost of all benefits for the year is \$2 billion. However, as the government (not the U.I.C. fund) pays benefits when national unemployment is above 4 per cent, the government will pay an estimated \$1.3 billion in benefits. Thus, the total estimate of premiums paid in to the U.I.C. fund, plus government payments (not counting administrative expenses) will indicate that Canadians will pay over \$2.46 billion for the U.I.C. in 1972.

A certain amount of expenditures under the U.I.C. are actually a transfer of costs from provincial social assistance benefits to unemployed persons, to the U.I.C., as the new U.I.C. plan now covers some persons previously receiving social assistance. Bryce Mackasey, the Minister in charge, suggests "the new unemployment insurance plan has meant a considerable saving in welfare costs — our estimates at least \$30 to \$100 million so far." (4) (End of September).

#### **WORKMEN'S COMPENSATION AND VETERANS' PENSIONS**

In the four years 1965-66 to 1968-69 Workmen's Compensation benefits have increased 24.86 per cent. If this trend continues till 1972-73, the benefit costs will be \$220 million in the current year. The increase for Veterans' Pensions in the same four years was 20.0 per cent. (7) If this trend also continues, the cost of benefits will be about \$267 million for 1972-73. Together the two programs would cost \$448 billion for the current year.

Table 3:4 shows social insurance expenditures for past years.

**TABLE 3:4**  
**TOTAL EXPENDITURES UNDER FEDERAL AND PROVINCIAL SOCIAL INSURANCE PROGRAMS IN SELECTED FISCAL YEARS, 1950 TO 1970**  
( \$ Millions)

Program	1949-50	1954-55	1959-60	1962-63	1963-64	1964-65
Canada Pension Plan	—	—	—	—	—	—
Quebec Pension Plan	—	—	—	—	—	—
Unemployment Insurance	86.1	257.6	415.2	403.2	365.7	335.0
Workmen's Compensation (c)	40.9	58.2	85.2	104.5	111.6	124.3
Veterans' Pensions (d)	96.0	128.7	149.6	175.9	173.2	180.3
<b>TOTAL</b>	<b>223.0</b>	<b>444.5</b>	<b>650.0</b>	<b>683.6</b>	<b>650.5</b>	<b>639.6</b>

Program	1965-66	1966-67	1967-68	1968-69	1969-70(a)
Canada Pension Plan	—	0.1(b)	1.3	15.6	48.0
Quebec Pension Plan	—	(b)	0.4	5.0	15.0
Unemployment Insurance	297.8	307.0	388.6	459.1	542.1
Workmen's Compensation (c)	141.6	155.9	162.2	176.8	185.0
Veterans' Pensions (d)	185.6	195.9	205.2	222.9	218.0
<b>TOTAL</b>	<b>625.0</b>	<b>658.9</b>	<b>757.7</b>	<b>879.4</b>	<b>1008.1</b>

(a) Estimated.

(b) Payments of benefits commenced January 1967; totals for 1966-67 (fourth quarter only) were CPP \$50.900. QPP \$4.100.

(c) Cash benefits only.

(d) Pensions for disabled veterans and widows.

Source: Income Security for Canadians. Department of National Health and Welfare, Ottawa, 1970, p. 96, Table 2.

## DEMOGRANTS

The universal payments are made to all persons in certain categories. Old Age Security benefits are paid to all persons aged 65 or over, who apply, while Family and Youth Allowances pay benefits to mothers for each dependent child. Payments vary according to the age of the child. Each recipient receives the same standard formula amount, regardless of income or assets, with the aim of providing assistance to those categories where significant numbers of people incur financial strain due to decreased income at retirement age or with an increasing number of dependent children. Benefits are paid from government funds raised through taxes.

The administration of such demogrant programs is relatively simple and inexpensive. All those meeting the simple requirements automatically receive benefits. There is no need for investigating individual cases. As they are given universally to all within the set categories, they are perceived as a right, with no loss of dignity in receiving them. There is no invasion of privacy to determine eligibility and no restriction on disbursement of the benefit funds.

Demogrants, however, tend to be very weak as an instrument of eliminating or alleviating poverty. Benefits are paid to all rather than just to those in need. Consequently, it is almost impossible to finance benefits high enough to meet the needs of poor people and still give the same amount of benefit to the greater majority who are not poor. A small increase in benefit levels involves an extremely large expenditure. As a result of their very limited effect in eliminating poverty, demogrants necessitate additional programs of social assistance and/or guaranteed income plans.

## DEMOGRANT PAYMENTS

TABLE 3:5  
Demogrant Payments 1969-70, 1970-71 (\$)

	1969-70	1970-71
Old Age Security	1,203,577,889	1,699,219,132
Family Allowances	560,049,928	557,877,821
Youth Allowances	55,101,899	58,020,099
Family Assistance*	2,856,845	2,716,514
TOTAL	1,821,586,561	2,317,833,566

Source: "Report on the Administration of the Family Allowance Act for the Fiscal Year ending March 31," 1970, and 1971; Department of National Health and Welfare, Ottawa.

\* paid on behalf of children of immigrants and returning Canadians not eligible for Family Allowances during the first year of residence in Canada. Eligibility requirements and rates of payment are same as for Family Allowances.

Thus demogrant programs cost about \$2.3 billion in the last fiscal year. Old Age Security Benefits have recently been increased from \$80.00 per month to \$82.88 per month.

TABLE 3:6  
Guaranteed Income Supplements 1969-70, 1970-71

Year	Benefits Paid	% of all Pensioners receiving supplement	% of all Pensioners receiving full supplement	% of all Pensioners receiving partial supplement	Average Supplement (March)
1969-70	263,478,628	48.65	23.43	25.22	\$28.45
1970-71	280,005,371	50.02	27.50	22.50	\$31.07

Source: Report on the Administration of the Family Allowance Act for Fiscal Year ending March 31, 1970, and March 31, 1971, Department of National Health and Welfare, Ottawa.

These costs are benefit costs and do not include administrative costs. As of June 1972 there were 990,754 pensioners (55.7 per cent) receiving supplements (5) as compared to 860,392 in March 1971. Using the June 1972 number and if they averaged \$32 per month for the year, the cost for 1972-73 would be about \$380 million.

## SOCIAL ASSISTANCE

Social assistance provides income support to those who are in need but who do not receive adequate income from earnings, social insurance, demogrants, etc. It seeks to alleviate the effects of poverty immediately by providing cash assistance and services, including emergency relief, general assistance and income supplementation programs. Social assistance and some related services are provided on the

The reports cited in Table 3:5 indicate that from March 31, 1970 to March 31, 1971, the number of pensioners increased by about 3 per cent. If this trend continues till March 31, 1973, then benefits for O.A.S. will be about \$1,812 million for the current year. This does not include administrative expenses. We have been unable to locate any such figures in the federal statistics.

If trends continue for the demogrant programs, there will be little change, for the current year, in the total expenditure for Family Allowances, Youth Allowances and Family Assistance.

## GUARANTEED INCOME PLANS

A detailed discussion of guaranteed income plans will be dealt with in Part 5. Here we will confine discussion primarily to the Guaranteed Income Supplement for the aged (65 years or over), which is the only guaranteed income plan in Canada. Some more comprehensive pilot projects are also being conducted on a temporary basis.

Under guaranteed income plans, the level of benefits is related to the income of the beneficiary. Assets are considered only to the extent that income derived from them is received. Eligibility through an income test is related to the income tax system rather than to the social welfare system. It ensures that all individuals or family units covered by the plan have at least a set minimum of income. Benefits are paid to bring each unit up to the minimum level.

In achieving the most efficient allocation of a given level of income to meet needs of persons who have little or no income, the guaranteed income technique is more effective than demogrants or social insurance. Benefits are paid entirely on the basis of deficiency of income below the set level.

Guaranteed income plans tend to be more acceptable to the recipient than social assistance because they avoid investigation into personal matters of budgetary need and prescriptions as to how benefits are to be spent. Efforts to make eligibility under guaranteed income simple and impersonal by relating it to the tax mechanism, divorce the administration of the cash payment from the administration of social services. However, guaranteed income plans tend to be less acceptable to recipients than demogrants or social insurance which are given automatically as a matter of right and not on the basis of need.

The Guaranteed Income Supplement (G.I.S.) is paid to old age pensioners with limited income, in addition to their Old Age Security benefits. The maximum benefits for O.A.S. and G.I.S. (i.e. the guaranteed income level), are \$150 monthly or \$1,800 per year for single pensioners (or married couples where only one is of pensionable age) and \$285 per month or \$3,420 per year for married pensioners where both are 65 years or over.

basis of a calculation of the needs of the individual or family, a process which requires a detailed investigation on the part of the dispensing authority, including an inventory of negotiable assets.

Under the Canada Assistance Plan 1966, the federal government contributes half the cost of assistance payments and of improving and extending preventive, rehabilitative and administrative services. The federal government is not involved in the administration of the programs except for War Veterans' Allowances and Indian and Eskimo welfare. The nature, quality and extent of the assistance programs are determined by each province in accordance with its perception of local and regional circumstances and the resources that it decides to make available. Consequently, types of assistance and benefit levels vary with each province. Such

programs include allowances for the aged, disabled and blind; unemployment assistance; insufficient income assistance; support to one-parent families; support to children's agencies; and mothers' allowances. In addition, numerous social services of a related nature are provided.

The primary benefit of social assistance is that those suffering from emergency financial difficulty are given assistance on the basis of need. Detailed investigations of each case are intended to ensure consideration is given to individual circumstances and that recipients actually are in need. This very process, however, tends to increase the loss of dignity and invades the privacy of the individual. Benefits tend to be quite low, usually providing only the most basic necessities. Frequently there is considerable restriction on how benefits may be spent. Because individual needs must be determined and because social services may also be required, the administrative process for such assistance is much more difficult and costly than under other income security programs.

Low income workers (the working poor) are not helped by social assistance in the vast majority of cases. At present, social assistance is mainly a program for the non-employed. Incentive schemes for working while on social assistance are quite limited, discouraging recipients from increasing their own income and reducing their reliance on assistance. Due to these factors, social assistance is primarily a stop-gap measure with subsistence level benefits, which allow people to stay alive (in poverty) but which do not eliminate poverty or its causes.

**TABLE 3:7**  
TOTAL EXPENDITURES BY THE FEDERAL AND PROVINCIAL GOVERNMENTS ON SOCIAL ASSISTANCE PROGRAMS IN SELECTED FISCAL YEARS, 1959 TO 1970 (6)  
(\$ millions)

PROGRAM	1949-50	1954-55	1959-60	1962-63	1963-64	1964-65
Assistance for special groups: (means-tested)						
Aged	119.6	41.8	60.6	76.4	78.4	90.0
Blind	4.7	3.9	5.6	6.5	6.7	7.5
Disabled	—	0.8	32.2	39.2	40.4	46.8
Veterans	58.2	28.3	62.6	87.8	89.4	99.6
Indians & Eskimos	1.0	0.8	1.5	3.5	4.4	6.0
General Assistance: (needs-tested)						
Mothers' allowances (b)	16.1	23.0	39.8	36.5	36.9	36.4
Unemploy. assistance	12.6(c)	19.2(c)	76.4	193.0	214.8	215.2
Canada Assis. Plan (d)	—	—	—	—	—	—
<b>TOTAL</b>	<b>212.2</b>	<b>117.9</b>	<b>278.7</b>	<b>442.9</b>	<b>471.0</b>	<b>501.5</b>

**TABLE 3:7 (continued)**

PROGRAM	1965-66	1966-67	1967-68	1968-69	1969-70 (a)
Assistance for special groups: (means-tested)					
Aged	85.8	64.0	34.8	14.2	3.0
Blind	7.3	6.8	5.2	4.8	4.4
Disabled	47.6	47.2	30.8	28.6	23.8
Veterans	108.2	112.1	107.6	105.2	107.0
Indians & Eskimos	10.5	11.0	18.9	20.2	18.0
General Assistance: (needs-tested)					
Mothers' allowances (b)	40.0	46.4	29.3	28.6	28.0
Unemploy. assistance	203.4	286.6	87.4	30.4	29.2
Canada Assis. Plan (d)	—	43.0	440.0	588.2	677.8
<b>TOTAL</b>	<b>502.8</b>	<b>617.1</b>	<b>758.0</b>	<b>820.2</b>	<b>891.2</b>

- (a) Estimated.  
 (b) From 1965-66, program replaced in some provinces by Social Assistance and included under Unemployment Assistance.  
 (c) At the provincial level, includes expenditures on assistance for unemployed persons prior to the introduction of the Unemployment Assistance program.  
 (d) Assistance payments only; excludes expenditures on health and welfare services, child welfare, and care of children in institutions.

In the four years 1965-66 to 1968-69, the last four years for which we have definite figures, the expenditures have increased 63.1 percent or an average of 15.8 percent yearly. If this trend has continued, the cost of social assistance for Canadians will be about \$1.337 billion for 1972-73. As indicated above by Mr. Mackasey, there will probably be a saving of about \$130 million for 1972-73. This would indicate a final estimate of \$1.21 billion for the current year.

Alberta's expenditures for social assistance have increased about 19.9 percent from 1969-70 to 1970-71 (see Table 3:8). Thus our use of a 15.8 percent yearly increase is quite reasonable and perhaps conservative. The figure of \$1.21 billion does not include administrative costs, another factor suggesting our estimated cost is conservatively derived.

**TABLE 3:8**  
EXPENDITURES UNDER SOCIAL ASSISTANCE PROGRAMS PROVINCE OF ALBERTA 1969-70, 1970-71 (lowest \$)

	1969-70	1970-71
Public Assistance — Administration	319,803	426,154
Public Assistance — Improvement Districts and Special Areas	147,371	78,582
Public Assistance and Allowances — Provincial	48,513,676	57,905,078
Grants to Municipalities	3,694,554	5,954,056
Blind Persons' Allowances	261,224	223,730
Old Age Assistance	2,636	—
Disabled Persons' Allowances	1,535,435	1,393,236
Mothers' Allowances	96,530	62,520
Disabled Persons' Pensions	217,277	163,082
Supplementary Allowances	1,396,429	1,199,538
<b>Total Social Assistance</b>	<b>56,184,935</b>	<b>67,400,026</b>
Total Expenditures of Department of Social Development	74,035,794	88,795,176
Amount Recovered from the Federal Government and Other Sources	31,800,129	38,695,986
<b>Net Expenditure</b>	<b>42,235,665</b>	<b>50,099,190</b>

Source: Annual Reports of Alberta Department of Social Development, 1969-70 and 1970-71. Queen's Printer, Edmonton.

### ESTIMATED COSTS FOR 1972-73

Based on the most up-to-date information we have been able to obtain, and making some assumptions that trends for the most recent figures will continue, we have estimated that the income security programs for 1972-73 will be approximately \$8.57 billion. It is realized that this estimate cannot be put forward with total confidence. However, we feel our assumptions have been "reasonable" and that a rough estimate is better than no figure at all. The estimated figures, explained above under each section, are shown in Table 3:9.

**TABLE 3:9**  
ESTIMATES FOR INCOME SECURITY EXPENDITURES FOR 1972-73

PROGRAM	(\$ billions)	(\$ billions) Sub-Totals
<b>SOCIAL INSURANCE</b>		
(a) CPP (and QPP)	1.58	
(b) UIC	2.46	
(c) Workmen's Compensation	.22	
(d) Veterans' Pensions	.26	4.52
<b>DEMOGRANTS</b>		
(a) O.A.S.	1.81	
(b) Family Allowances		} .61
(c) Youth Allowances		
(d) Family Assistance		
G.I.S.	.38	.38
<b>SOCIAL ASSISTANCE</b>	<b>1.21</b>	<b>1.21</b>
<b>TOTAL</b>	<b>8.57</b>	<b>8.57</b>

It should be noted that for almost all programs this does not include administrative expenses which would probably add much more to the total. This factor probably makes our estimates under-, rather than over-estimated.

## PART 4

### THE PRESENT WELFARE SYSTEM

Having briefly discussed the general nature of different types of income security programs and their consequences, we now turn to consideration of Canadian income maintenance programs and more specifically Alberta's social assistance programs as they affect the poor, the welfare recipient and the totality of our Canadian society.

The Senate Poverty Committee concludes from its investigations that:

*the social-welfare structure so laboriously and painstakingly erected in Canada over the past forty years has clearly outlived its usefulness. The social scientists who have studied it, the bureaucrats who have administered it and the poor who have experienced it are of one mind that in today's swiftly-changing world the welfare system is a hopeless failure. The matter is not even controversial; everybody's against it. . . .*

*The system has failed because it has treated the symptoms of poverty and left the disease untouched. . . . it is a system that contributes to alienation and dehumanization. The welfare state has created an environment in which the individual loses his self-respect and becomes prey to agonizing frustration. . . . help has been secured by recipients only at the cost of humiliation, loss of self-respect, the break-up of families and the destruction of human dignity. The system has become an instrument of paternalism whereby recipients have been compelled to do what others thought was good for them and to conform to middle-class norms that the poor themselves often have neither comprehended nor appreciated. (1)*

The Department of National Health and Welfare would normally be expected to justify its involvement in these programs. Yet, in its recent white paper it notes deficiencies.

*Some have complained that the different programs remain unco-ordinated, and seem to lack clear-cut objectives. Others have pointed to the continued existence of poverty as an indictment of the whole income security system. . . . but poverty must be recognized as not simply a lack of income. It means also a lack of opportunities—for good health, for education, for meaningful employment and for recreation. It means a depressing environment, a sense of failure and a feeling of alienation from society. (2)*

The Senate Poverty Committee suggests that such alienation is derived in part from the fact that the poor know how the power and resources of our society are divided; that they know they are treated as objects of social policy rather than as victims of our society's inability to incorporate them. (3)

*But they are powerless; the welfare system in Canada and the social service systems and all the other systems which affect the lives of the poor, are shot through with a kind of suspicious paternalism, demeaning to its recipients, inadequate to their needs, bogged down in red tape and suspicion, punitive in spirit and insufficient to break the cycle of dependency. (4) It deprives its recipients of dignity and provides no incentive or rewards for those who wish to escape from poverty. It has become punitive and demeaning. It is a mess — a social wasteland and an economic morass. (5)*

Stein adds his condemnation of such welfare programs because they

*. . . include a large number of persons who are in great need, and who, if provided a decent level of support, might be able to become more productive and self-sufficient. . . . [and] . . . for those who are included [these programs] provide assistance well below the minimum necessary for a decent level of existence, and impose restrictions that encourage continued dependency on welfare and undermine self-respect. (6)*

### THE CANADA ASSISTANCE PLAN

The Canada Assistance Plan is the basic focus of criticism of the above comments. This plan is a cost sharing agreement between the federal and provincial governments. But

since the provinces have always had constitutional responsibility for welfare services, the effective control of the Plan has always resided with them. The provinces decide their own rates for assistance and decide who shall be eligible for benefits. Provinces have the option to participate in whichever C.A.P. programs they choose to. Alberta has taken advantage of more C.A.P. programs than the other provinces and Alberta's benefit levels have tended to cover more categories of people at higher benefit levels. In terms of dollars transferred from the federal government to the provinces the richer provinces receive more help than the poor ones. Poor provinces unable to raise sufficient funds to finance adequate welfare programs originally are not able to call for more money from the federal government. The welfare benefit levels are usually lower in those provinces which have trouble in raising revenues—the same provinces which usually have most widespread demand for welfare payments. (7)

Since the Canada Assistance Plan has so many options, since programs and benefit levels vary from province to province, and since poorer provinces are not as able to take advantage of the Plan, as a national policy tool the Canada Assistance Plan does not attack poverty in any consistent fashion; it does not solve the problem of unco-ordinated programs; and it does not act to decrease the disparities of assistance among provinces.

### ALBERTA WELFARE BENEFITS

In Alberta, the Social Development Act divides responsibility for assistance between municipalities and the province. Short-term assistance (less than 90 days) is provided by the municipalities to persons resident of that municipality for the preceding 12 months, if they meet a few other qualifications (Section 15). Most municipalities base their benefit levels on the same scale as the province and the end results are generally about the same. (8)

In Alberta "basic requirements" include food and clothing scales which are carefully calculated by the Home Economics Extension Service of the Provincial Department of Agriculture. These guidelines are part of the closely guarded document **Department of Social Development Manual of Regulations and Procedures** (i.e. social worker's manual). Examples of the allowances for food and clothing (see Appendices One and Two), reveal a need for frugal shopping habits and considerable skill in low-cost cooking.

*Conversation with some home economists who help derive these scales indicates that they are based on comparative shopping at excellent sale prices, and for clothing in off-season. This does not consider, however, that the average welfare recipient is not a trained shopper, and especially when using vouchers, cannot shop at one store one week and another the next; she must usually shop at a store easily accessible to her home and one which will accept her vouchers. . . . It becomes extremely difficult to understand how \$8.00 or \$9.00 at a time will buy the man who has nothing, sufficient clothing to survive a winter. . . . There would be room only for what some persons have seen fit to label "basic necessities" and as we examine the scales, we see that there would be scarcely enough of those, and things we would term "necessity" would quickly become "luxury". (9)*

### CLOTHING ALLOWANCES

An examination of the detailed scale for clothing allowances (Appendix Two) reveals that men are allowed two pair of \$6.50 work pants which are expected to last him a year, four new pair of \$1.00 socks per year, one pair of \$10.98 work boots (or shoes) every two years, two 30 cent handkerchiefs per year and one pair of \$4.69 winter gloves every four years. In total, men are allowed \$98.70 for all articles of clothing per year. If such a man is considered to be on "short-term" assistance, he is allowed an average of \$5.73 per month.

A housewife is allowed one \$8.98 sweater every three years, one \$8.98 skirt every four years, one \$4.00 blouse every year, 4 pair of \$.79 panties each year, one new \$4.00 bra every year and 2 pair of shoes, a casual pair (\$8.98) new each year and one pair of \$8.95 dress shoes every three years. In total she is allowed \$114.77 per year for all clothing items. If she is "short-term" she is allowed an average of \$5.78 per month.

In commenting on the fact that these allowance schedules and the manual of regulations is seldom seen outside of the Department, Gallagher suggests that

*the "Manual" of Regulations should not be confidential information, but easily accessible and understandable . . . also the public will be less critical of the "soft life" of the welfare recipient once it is made known how close to utter subsistence the allowances are geared to. (10)*

The Canadian Association of Social Workers also finds that the "current levels of public assistance do not provide an adequate standard of living." (11) Adams finds that

*life on welfare in most Canadian jurisdictions is so unpleasant that only the irrational would live on the dole if they could possibly avoid it. (12)*

It should also be kept in mind that these benefit levels are not geared to automatic raises based on the rise in the cost of living which is escalating quite rapidly at present. From August 1971 to August 1972, food costs rose by 6.6 percent, housing 3.7 percent, clothing 3.3 percent and transportation 3.0 percent. (13) In contrast, Alberta's clothing allowance for persons on assistance has not risen at all since the allowance was drawn up using prices from February and July, 1971.

## DIGNITY AND SELF-RESPECT

It is generally recognized that our present welfare system deprives the recipient of his dignity and self-respect.

*His lot once he comes to the welfare office is to be reminded constantly that he has "failed" and his fruitless visits to the Manpower Office become, despite desperate attempts not to continue a failure and to give his family what they need, even more desperate attempts to get away from his social workers—quickly. The single man, without dependents, and probably without friends, receives an even worse reception at the welfare offices; here is the typical "bum on welfare", the man who simply will not work, or look for work. (14)*

Such recipients are thus identified with the "mythical welfare bum", rather than as a man who desires assistance in a dignified way. The longer a person is forced to remain on welfare, the more dignity is taken away from him.

*Our current welfare system does more to perpetuate poverty than to alleviate it. It does so by creating and reinforcing the total dependency of the recipient upon the agencies which support him. The agencies make the rules and set the conditions. The recipient, in return for a guaranteed subsistence in poverty, gives up his independence, his responsibilities, his pride and his self-determination. With his life so totally divided up, parcelled out, programmed into regulations and rules from the mysterious labyrinth of the bureaucracies, is it any wonder that the poor man ceases to function as a man and is soon incapable of independent action. Our welfare system is not saving or even aiding lives—it is dividing them up and buying the pieces. (15)*

In referring to the "needs test" which all applicants must go through, T. C. Douglas has charged that it

*is an affront to human dignity to ask people because they are in bad financial circumstances, to degrade and humiliate themselves by submitting to a test. What the government really is saying . . . is: We are going to help the needy people of Canada provided they are on their knees. (16)*

Even the process of trying to stretch an unstretchable budget to pay for clothing, transportation and food from one welfare cheque or voucher to the next, is itself destructive of human dignity.

To demonstrate the impact of Alberta's welfare system on the dignity and self-respect of the client, we quote at length from Gallagher's recent investigation (17) in Alberta.

*The beginning play in this game where a worker's ego can expand with every step is usually a long wait in a crowded room. Sometimes the applicant is called to an "office", usually formed with thin partitions far from sound-proofed, making excellent facility for personal life history and present situations to be aired for the benefit of all around. But sometimes the applicant is not given the benefit of even such limited "privacy". Some offices are equipped with post-office-wicket-like-cages where the applicant, or maybe by now he is a recipient, talks to his social worker or a clerk in everyone's full view as well as full hearing range. I recall one afternoon waiting in such a lobby to talk with a regional director when a man whom I assumed to be a social worker was interviewing a woman, poorly dressed even for a welfare recipient, who had brought with her some doctor's prescriptions and accounts, presumably for reimbursement. In a loudly callous voice the social worker observed, "Oh! you're taking Tetracyclin!" The almost inaudible "yes" brought "Do you know what that's for?" "No." "It's for gonorrhoea!!!" Those who had not already been listening had little choice now that the triumphant condemnation had been issued, and what little remained of this woman's dignity was further diminished, although few of those listening would wonder why this man was such an authority on the subject. Could this really be in keeping with the governmental purported policy that "the confidentiality of the circumstances of every individual receiving or applying for services must be respected"? (54) This action, the essence of which is probably not that unusual, reflects the disregard for feelings and for dignity prevalent throughout many offices. It is a tenor which pervades the entire system.*

*Even without the searing public eye and ready ear, the "private interview" destroys what self-respect is left by the time a person decides he must apply for public welfare. For most applicants this is a final and reluctant step in a period of his life which has already pushed him farther down than most of us know. He may have lost his job, or his spouse, or his health. He had heard of "welfare" and hopes it will help him. He is greeted with prying questions . . . he is asked to explain why he is applying for welfare (is there nobody who could help him?) . . . why did her husband leave her? (was she running around with other men?); why did he leave home? (he's probably "shacked up" with another woman and trying to "con" the welfare department!); why is she an unwed mother? (hasn't she heard of the pill? And does she even know the father's name?); does he have any money in the bank? (why so much? why not spend it?). After answering the questions, probably rattled off by the social worker who is tired of always asking the same questions and often angry with the applicant to giving extra work, the applicant is told "sign" and signs an unexplained-to-him declaration that he has told the "whole truth", that he will report any relevant changes in his circumstances, that he will lose his assistance if he leaves the province, and he also*

*authorize(s) . . . past or present employers, all banks and other financial institutions and all mercantile and credit corporations or individuals to furnish the Department of Social Development, Government of Alberta, or to such person as may be appointed, any and all information of (his) account with them, or of any transactions (he has) had with them during the time (he) was in receipt of Social Allowance and to disclose to other agencies or persons directly concerned with (his) Rehabilitation, any or all information concerning (his) physical, mental, social or financial circumstances deemed pertinent to the furtherance of (his) Rehabilitation. (55)*

Our discussions with welfare recipients and associations representing recipients suggests that Gallagher's description is not uncommon but rather the general tendency.

## THE ROLE OF DISCRETION

The extensive discretion available to administrators and social workers is regularly cited as a major problem with Alberta's welfare system. The needs test is subject to a great deal of subjective consideration. What the recipient "needs" is dependent upon what the social worker feels is justified. This, of course, is influenced by the worker's reaction to the personality and circumstances of the applicant. Consequently, there is no uniformity in standards. One worker



may deny what another grants. One area may allow what another denies. Even after determining needs, the social worker must weigh these against what monies or assets the individual has at his disposal. Great variation can occur in these judgements as well, especially since the manual of regulations instructs that "each case must be considered on its own merits". (18)

While the needs of an unemployed employable are no less than the needs of other persons, the Government of Alberta has issued a directive stating that

*Commencing on July 1, 1970 . . . unemployed employable persons will not be provided with clothing, or personal and household incidentals on a regular monthly basis. These items may be provided when it has been demonstrated that they are urgently required. Special needs to this group will be provided only on the approval of the administrator.* (19)

Thus, after going begging to the Department, such a person might receive these basic articles if he can present a convincing argument. If he is shy or poor at presenting himself, he will probably have to do without. This certainly does not make it easier for a person with only shabby clothes left, who wants to apply for a job, when any employer will be quite unimpressed with his shabbiness and "lack of self-respect".

In its study of unemployed employables on welfare, the Canadian Council on Social Development has found that such men

*who come to welfare usually have no desire to be there; yet many are impotent to change the circumstances which brought them to this condition. Many need counselling in order for them to become self-sufficient members of society; they need education, physician's care, dentistry work, a skill in a job—they need many things that are all implicit in self-respect. Busy — often naive — workers cajole or threaten a man to quit drinking, to get a job, to be an example to his family, TO BE A MAN. In most cases, there is nothing he wants more. Yet how is he to do these things?* (20)

There are indications that transient women are another group which receive especially unsympathetic responses.

*She may find a sympathetic social worker who will allow her to stay at the "Y" (but only for a night or two—she must find a job) while she seeks "reasonable employment" in a crowded work market where any employment is seen by social workers as "reasonable" and where the proposition "You have a nice body—why don't you use it?" becomes quite explicit.* (21)

Single pregnant girls often have a worse time. Many social workers regard them as sub-human and try to pass them on to another social worker. There is no regulation stating she must put her child up for adoption; it is a voluntary decision. "However, the 'pressure' often comes most strongly from the social worker, many of whom admit, sometimes gleefully, telling an unwed mother, incorrectly, that she will not be able to get welfare and therefore must surrender her child." (22)

The poor have enough problems without this added burden of discrimination and arbitrariness.

## SOCIAL ASSISTANCE—A RIGHT OR PRIVILEGE

A large number of people on assistance have little information or knowledge about their entitlement under the law. Information available to them is usually quite limited so they have difficulty knowing what aid they might receive. Many who could qualify for assistance do not receive it. And frequently, limited funds force administrators to use administrative techniques to ration funds or cut down on the amount of benefits given. In most cases, people genuinely in need do not receive enough help. (23)

In Calgary, Peitchinis found that

*. . . recipients were poorly informed on a number of other issues: some of them did not know that special budgetary provisions would be made for babysitter and transportation if they were to accept employment; some interpreted the \$25.00 rule to mean they could not accept employment if the earnings were to exceed \$25.00 per month; some did not know that they could take upgrading*

*courses; others did not know that they would be paid while being retrained; and some did not know that there were summer camps for their children.* (24)

Regarding the provision of benefits themselves, we find that

*with such great room for discretion and with such vagueness of definition, there exists in Alberta a policy different than that required, and outlined by Statute, and a practice often widely different from both . . . (Benefit) standards have indeed been set and are considered of very confidential nature, this confidentiality being another weapon for the social worker who will decide the fate of his applicant.*

*There is as well, apparently, (according to several social workers), a set of "unwritten rules", which govern or guide the worker in deciding who gets how much assistance, if any at all. The differences in who gets assistance, of what sort, and of what amount, are often startling.* (25)

The consequences of such practices for the rights of the recipient are clear.

*If its provision [assistance] is seen as an act of benevolence, even though it is the impersonal benevolence of the state, it will support the largely false assumption that poverty is the fault of the poor, and will reinforce the feeling of "recipients" that they have no rights of their own and no control over their own lives.* (26)

Discretion should be used to give additional benefits where there is need, not to take away or threaten to take away basic necessities.

The Senate Poverty Committee found that in many municipalities the welfare offices are made as unpleasant as possible; the administration of welfare payments are made as cumbersome as possible; and information about the rights of welfare recipients as incomplete as possible, in order to reduce the number of applicants for welfare payments. (27) We have yet to encounter the situation where the Department has actively sought out people not on welfare to enquire whether they would qualify for welfare or whether they have a right to such benefits and services, rights set out in "Public Assistance I" of the Department's policy and regulations manual. The actual payments made to those who apply may be conditioned upon the recipient "co-operating" in eligibility investigations or allowing inspectors into his home, "co-operation" which is not a requirement but a necessity in practice. To get his benefits he must give up his rights, when he should be able to obtain benefits by right. Further attempts are made to thwart what should be rights.

*What justification can there be in giving an applicant wrong information so that a worker need not be bothered filling out another form or adding another name to his case list because he feels that a young woman should have no trouble finding a job, or because he feels that unwed mothers are sub-human, or because he feels that a strong healthy man should be able to work to support his family? There can be no justification.* (28)

It is inadequate to state that assistance is a right in our laws or regulations and then deny these very rights, as we do, in practice. It is necessary to proclaim them as rights in practice, provide the information so everyone knows what their rights are, then actively enforce these rights. Otherwise, let us drop the pretense that they are rights. At present, they certainly are not, despite what the "official" statements say.

## POLICING THE SYSTEM

All of the Canadian welfare systems have elaborate arrangements to catch cheaters, everything from legal declarations of penury to surprise inspections by welfare officials. The 98 percent plus who do not cheat are subjected to dehumanizing procedures, all to catch less than 2 percent. Adams indicates that penalties for cheating are more than severe enough to discourage such practices for the vast majority. (29)

*The investigatory processes which are required by law and that must be carried out, are in themselves humiliating. The persistent inquiry into a person's circumstances, the inquiry over and over again into: How much do you earn? What have you done? When did you last work?*

*Why have you not worked? Why have you not done this?—all tend to humiliate people. This checking-up process does nothing, in our opinion, to enhance the inherent dignity of the individual. (30)*

Galagher's investigation of Alberta's welfare system draws our attention to the attacks on a recipient's rights of privacy, self-respect and social respect.

*In order to become satisfied that a woman is not indeed "living with a man", the social worker is authorized by the Department to conduct searches of mailboxes, question neighbours, and to investigate the woman thoroughly, as if she were a criminal. . . . There can be no authority to demand or force entry without a properly obtained police warrant, but most social workers are of the view that they have a right to such a visit, and the recipient generally thinks, or has been told, that he has a duty to admit him, so few visits are questioned. (31)*

The Canadian Association of Social Workers points out the high cost of maintaining the investigatory processes and that welfare department personnel spend the greater part of their time determining the initial and continuing eligibility of recipients.

*Since all known studies have reported only a small percentage of recipients falsify information, the emphasis on detailed investigations appears to be very costly—in terms of both time and money—as well as unnecessarily demeaning to the recipients. (32)*

The Association goes on to note that the reports of the New Jersey guaranteed annual income (g.a.i.) experiment indicate that the administration costs for the g.a.i. experiment are approximately one-third of the present type of welfare program. In view of this, the Association takes the stand that detailed investigations be discontinued in favour of self-declaration procedures and a system of random financial audits to discourage cheating. Continuing eligibility could be maintained in the same fashion with recipients mailing reports on a regular basis to report on their circumstances. (33) Such a system could probably save two-thirds of the cost, be much more efficient, without the humiliation and degradation of the present system. Then social workers could stop being policemen and could do the work they are best at doing.

## SOCIAL SERVICES

The above recommendation would necessitate the separation of the payment of assistance benefits from the provision of social services, as well as the substitution of the income declaration for the needs test.

At present, however, the Senate Poverty Committee found that access to most general social utilities and services is denied to the poor. Such amenities as housing, health services, legal aid and day-care services, etc., are provided in ways which serve the non-poor better than the poor. The Committee suggests that so-called "opportunity" programs such as education, manpower training, employment services, and other such programs which are said to be an escape from poverty, are actually largely inaccessible to the poor. (34)

*At the present time, we submit an applicant for public assistance to a long, degrading application and interview process before granting financial assistance. The purpose of this procedure, in addition to establishing need, is to determine what social services such as personal or family counselling, health services, employment assistance, vocational retraining or other rehabilitative services, are required by the applicant. The acceptance of these services is then established as a pre- or co-requisite to the receipt of financial assistance. (35)*

This type of approach, however, fails on two accounts, by failing to recognize that all persons who require financial assistance do not necessarily require social services, and that social services are of minimal benefit if entered into under compulsion. Voluntarily accepted social services are much more likely to benefit the individual. (36)

It should also be remembered that many persons not on welfare may require social services. Low income families not on welfare may have difficulty meeting the costs of services such as day-care, health services, counselling, etc., unless they are freely available to them or at least at rates geared to their ability to pay. At present, they might go into debt paying for them, which might lead them to require public assistance. (37)

Requiring that a recipient receive job training or family counselling or report regularly to Manpower, as a condition of receiving assistance, implies that a person is uninterested or incapable of sorting out his own problems or becoming self-sufficient again. This may result in the recipient, recognizing that he is viewed as irresponsible, accepting this judgement and behaving accordingly. (38)

As social assistance programs have had the dual responsibility of helping their clients and simultaneously being pressed by governments to keep costs down, the relationship between the social worker and recipient is often strained. The worker and the department exist in the midst of an unresolvable contradiction of being the dispenser of aid and services, and the policeman of this activity, at the same time. (39)

*As many of the recipients of these services see it, conversation and pressure to get off assistance are substituted for cash and real help. As a result, people often "play the welfare game" or rebel against this paternalism—both effects ultimately defeating whatever good intentions the [provision of services] approach may have had. (40)*

In Manitoba, where they recently introduced an experiment to separate services from assistance payments, they found that 23 percent of financial assistance cases required services as well. At present, between 15 and 20 percent of new financial assistance cases require services. (41) This leads us to think that there is probably a great waste of time and money in Alberta due to "over-servicing" the welfare recipient.

Implementing our recommendation, also recommended by a large number of other organizations and individuals, that financial assistance be separated from social services would help to establish the right of the individual to financial assistance solely on the basis of need. As well it would make

*financial assistance more readily available, and remove the necessity for submission to sometimes unnecessary and frequently ineffective "treatment and rehabilitative" services which too often invade the privacy and degrade the dignity of the consumer of financial assistance programs. As a result of separation, and of the consequent time saving, social services could be provided on a more intensive and personal basis to those who desired to use them, thereby improving the quality of assistance provided to the consumer of social services. (42)*

It would of course be necessary to ensure co-operation between the two branches (financial payments and services) to ensure all benefit recipients were fully aware of the services available to them. These services should be available at and administered at the municipal or local level, with citizens and service users participating in the formulation and direction of the service programs. The Provincial Government should assume full financial responsibility for all such services. These recommendations are also put forward by the Canadian Association of Social Workers, the people closest to the situation. (43)

The Manitoba experiment in separation of services from payments indicates that the separated system permits a much more effective use of staff, more effective development of counselling, investigation and audit skills. The recipients involved had little difficulty in adapting. At the same time, administrative simplicity was encouraged. (44)

## A LACK OF OPPORTUNITIES AND INCENTIVES

Our society and province has not given sufficient rewards for the initiative and potential demonstrated by welfare recipients. Yet ironically, these very characteristics are given high recognition and considerable monetary reward when displayed by persons in business and industry. (45)

In Alberta, a single individual on welfare may earn \$15.00 per month in addition to his benefits without having the benefits reduced. For a family unit the amount is \$25.00. When monthly income from other sources (excluding family allowances) goes above these limits, welfare benefits are reduced on a dollar-for-dollar basis. Peitchinis points out that, although the inequality is offset in part by family allowances, the rule discriminates against larger families. (46) The most important point, however, is that where income is the only material motivating factor, it would not be rational for a welfare recipient to work for more than

\$25.00 each month (assuming he did not make more than the welfare benefits, \$25.00, and the amount necessary to pay health coverage) because all that he made in excess of the \$25.00 would go to the Department and not to him.

Peitchinis also found that only a fraction of those interviewed were aware of the existence of the Employment Opportunities Program and that even those who had heard of it had only a vague idea of its purpose. (47) Rowlat, in his study: *Welfare and the Incentive to Work: the Alberta Case*, concludes that given the 100 percent recovery tax rate, it becomes difficult to explain why many welfare recipients choose to work; some hold part-time jobs and some elect to work full-time. (48) He suggests that

*if the marginal tax rate were reduced by 30 per cent, with no change in the benefit level, the average duration of assistance for this group of recipients would fall by between 2.42 and 4.84 months. If both a \$50.00 increase in the [benefit] level and a 30 percent decrease in the tax rate were legislated, the average duration of assistance for fully employed male recipients would fall between 0.11 and 1.61 months.* (49)

Thus proper incentives would allow us to raise benefit levels and reduce the length of assistance for the full-time working poor who require assistance.

A special project in Edmonton, giving special intensive assistance to unemployed employables to prepare themselves for and obtain employment, demonstrated that the clients obtained employment in a shorter average time, held jobs longer and required fewer placements per client to achieve stable results. In spite of higher benefit payments given (\$50.00 per month more for a family of 5) and higher administration costs of providing better service to clients, it was conservatively estimated that over 10 years there would be a saving of \$8,000 in public funds, for a family of five. Also, through employment, the client became a self-supporting tax-payer. Clients saw the project as a more caring, more human but more demanding experience from which "they gained self-respect, understanding, hope and real opportunity to become contributing members of their society. (50)" This experiment once again demonstrates that unemployed employables want to work, want to be self-respecting and want to be independent contributors to society. But it shows that they need special help to overcome the disadvantages which face them. It also demonstrates that our present system does not do enough for such people. If we spent a little more money at the beginning of the year we could save a lot more by the end of it, with a great increase in human happiness and usefulness, a decrease in welfare rolls and welfare costs.

### HOW MUCH DOES IT COST?

The detailed costs of specific programs have been mentioned in Part 3. Such an addition, however, only shows a small part of the total cost of how we deal with poverty and welfare. In Alberta in 1970-71, the Department of Social Development spent about \$88 million, \$50 million of it coming directly from provincial revenues. About \$67 million was spent on social assistance expenses. (52)

It is necessary to dig deeper in order to show the less visible costs. The Senate Poverty Committee suggests that the whole welfare system in Canada, at all levels, costs more than \$6 billion (to 1970-71), yet has done little to alleviate poverty, let alone eliminate it. (53) We have suggested that for 1972-73 it will probably cost more than \$8.57 billion. The Economic Council of Canada estimates that the total lost income or lost output which could be directly attributed to poverty in 1961 is between \$1 billion and \$2½ billion, depending on the assumptions made. (54) This, of course, would be much higher in 1972-73. In its *Sixth Annual Review* the E.C.C. indicates additional costs.

*To the degree that poverty places an economic burden on society, it acts as a brake on Canada's economic growth and detracts from the well-being of all Canadians.* (55) Senator Croll has indicated also that the total cost of supplying social services to all levels of government was somewhere between \$7½ and \$8 billion for 1968. (56) A large proportion of these services probably would not be needed if poverty was eliminated. For instance, the National Council of Welfare points out that inability to support the family is one of the prime causes of desertion. The elimination of poverty could be expected to result in a substantial reduction in family break-down and in the number of sole support

mothers. (57) Not only would direct welfare costs be reduced but the social services that often accompany welfare payments could be reduced also, with considerable public saving.

If poverty were eliminated, there would be additional savings from costs that arise directly from the social problems caused by poverty. Large expenditures for health care, welfare services, justice, correctional institutions, etc., will be reduced as poverty diminishes. (58) If we add to this, the cost of government make-work programs to pay people instead of having them collect social insurance or welfare, we increase the figures considerably more. Our governments also give huge grants to industry to stimulate employment.

We could go on and on listing costs attributable to poverty and under-utilized potential resulting from it. Suffice it to say, that poverty costs Canada billions of dollars each year. We are not aware of any studies to estimate this figure. But if income maintenance programs alone do come to \$8.57 billion this year, then the addition of the "poverty bill" would probably bring the total to at least \$20 billion. Even mentioning this figure is probably a considerable underestimation. Most damaging, however, is the continuation of misery, ill-health, stunted educational development, and the hindrance to human happiness and development, which poverty and our welfare system are instrumental in perpetuating.

### IMPLICATIONS

*It is impossible, however, to forget that there are poor people. We cannot forget. Nor can we forget that we have created something called "welfare", the game we play to help erase the scars of poverty, though more probably to help win on the side of conscience which would make us want to say we have done something. We give "welfare" different names—public assistance or social development—but it is the same. The stigma, the degradation, the continuance of poverty is the same. And the basic philosophies behind these schemes are also the same.* (59)

John Munro, as Minister of National Health and Welfare, has laid the issue bare:

*The crisis has been defined statistically. Too many people are poor. Too many people spend too much of their budget on the absolute raw necessities of food and shelter, with nothing left over to enable them to get out of their present situation. Too many people are earning less than \$3,000 and even \$2,000 a year. . . . We can continue with the present system, expensive as it is, and small as its results often are. . . . We can increase the system's rates to more liveable levels, while retaining the system in its present form. Or, we can restructure the whole system. . . . Within these broad options, we must choose. We cannot ride along forever making a patch here and a patch there, and all the time relegating the big decisions back to some committee for yet another study. . . . we must reduce the questions before us to some simple equations, or we shall be forever trapped in the commitment to the status quo, which we all admit has serious imperfections, and simply seeks to ameliorate it from time to time by slight bits of adhocery.* (60)

*No Canadian wants the ills of the current generation to be remorselessly visited on its children. . . . The lesson I therefore take is that certain traditional activities and services must be dropped to make room for new programs. . . . Once we know that the Canada Assistance Plan and other support programs can be changed accordingly. . . . We cannot waste any more time studying the peripheries of the problem. We need action, and soon.* (61)

As a result of our investigations and research, and of our experience in working with welfare recipients and associations that represent them, we find ourselves very much in agreement with Mr. Munro's remarks. There is no longer any purpose in making small changes in a bad welfare system. This will not eradicate poverty with all its tragedies. It is time to stop attempting to rehabilitate the victim and realize that we need to rehabilitate the welfare system.

We are disappointed that the Government of Alberta addresses itself only to the problems of the details of Alberta's welfare system. We would recommend a basic re-evaluation of the system itself and the over-riding problems which it presents. In our opinion, Alberta's present welfare package is inadequate and in need of major change.

## PART 5

### GUARANTEED ANNUAL INCOME

In the last few years, the idea of a guaranteed annual income (G.A.I.) has been increasingly proposed as an alternative to the present welfare system and as a major tool in eliminating poverty. Under such a plan the government guarantees, as a right, that each family or unattached person shall have a basic minimum of annual income, and pays to the family or individual the amount of money necessary to bring them up to the minimum. To our knowledge no such plan operates in any country nationally as yet, although experiments with smaller populations are being carried out in the United States and Canada at present. The idea has been advocated as early as the 1800's but it was not until the early 1960's that it has been seriously discussed in public debate.

One such plan takes the form of a negative-income tax where the government pays whatever amount is necessary to bring the family or individual up to the minimum level. Thus if a family's income was \$1,000 below the minimum they would receive \$1,000; if their income was \$10 below, they would receive \$10. The other basic plan would give a set standard amount to each family of the same size. This amount is the minimum level. These two schemes will be discussed in detail below.

#### WHY G.A.I.?

Milton Friedman, a "conservative" economist at the University of Chicago was among those who introduced the G.A.I. concept to the modern public. He felt that such a plan would strengthen the market economy and individual initiative by allowing poor people to decide for themselves how to spend and save, and would reduce the growing government social-welfare programs which he saw as excessive government intervention in the lives of citizens and in economic matters. (1) This point is generally agreed upon: that G.A.I. would allow reductions in the bureaucracy now operating our welfare system through the use of computers and the elimination of the costly and labour-intensive procedures for determining initial and continuing eligibility of each applicant through office interviews, home visits, investigation of each applicant's income and resources, and the computation of individual budgets and budget deficits on a case-by-case basis. (2) Robert Theobald, another major developer of the G.A.I. concept, also feels that G.A.I. would allow the individual the chance to make his own decisions as he sees fit and to develop himself as he chooses. (3)

One reason the National Council of Welfare supports G.A.I. implementation, is that it feels such a plan would be an essential first step towards ensuring that no Canadian "is obliged to suffer poverty". It feels that through an adequate G.A.I., (i.e., one with sufficient income guarantees) there will be the start of a right of every Canadian to a share of the national wealth sufficient to enable him to partake in Canadian society. (4) Colin Hindle, after his computer studies of a negative-income-tax type of G.A.I., concludes that it would correct the unfairness in the present system that discriminates against the working poor, and that it would permit more poverty to be eliminated for a given amount of money, due to its greater selectivity. He also concludes that at present the largest amount of welfare expenditures are made in programs which are ineffective in eliminating poverty. If these present programs are intended to eliminate poverty, then they should be replaced with some form of negative income tax system. He finds this especially the case with family and youth allowances which do the least to reduce poverty. (5) The Senate Poverty Committee also feels that Old Age Security and the present application of the Canada Assistance Act should be replaced by G.A.I. (6)

The Senate Poverty Committee feels that G.A.I. is the best alternative for a number of reasons: it is best for dealing with the basic poverty problems; it permits a rationalization of the present welfare structure's chaos; it reduces the problem of the stigma resulting from present welfare rules; it provides a basic level of security for all Canadians, both rich and poor, against uncertainties of our times; with an appropriate incentive scheme it would provide the basic necessities to the poor, yet at the same time would allow them to enter the mainstream of economic life rather than constantly struggling for necessities; and it is less costly

than many critics have asserted. (7) Kershaw, involved in evaluating a G.A.I. experiment in New Jersey, suggests that a further reason for implementing the G.A.I. is the failure of costly government techniques to eradicate various social ills such as inadequate housing, medical care and diets for the poor. (8) The Canadian Welfare Council suggests that present programs only deal with "official" poverty cases—those who are forced to apply for assistance. They do not help the poor who are not on welfare and they do nothing to prevent people from falling into poverty. (9) As well, Adams and his associates feel that G.A.I. will be a very positive benefit to depressed regions in Canada, in which the present economic approaches are helping very little. (10)

Another group advocates that G.A.I. is economically necessary because as more and more goods and services are being produced, present demand is not sufficient to maintain economic growth. One major reason for this is that automation and cybernation are predicted to increase unemployment and leave increasing numbers without work and without purchasing power. (11) Theobald, one of the leading proponents of this view suggests that

*In the short-run, it [G.A.I.] is required because an ever-growing number of people — blue-collar, white-collar, middle-management and professional cannot compete with machines; in the absence of the guaranteed income the number of people in hopeless, extreme poverty will increase. In the long-run, we will require a justification for the distribution of resources that is not based on job-holding, because this is the only way we can break the present necessity to ensure that supply and demand remain in balance: a necessity that we have just seen is incompatible with continued development of the individual and continued survival of the world . . . the coming of the relative abundance in the rich countries gives men the power to achieve the goal of providing a minimum standard of living for all. . . . The certainty of abundance removes a hitherto impassable obstacle in our age-long drive towards social justice and individual freedom. (12)*

Increasing numbers of businessmen and industrialists are declaring for G.A.I. since they see it as the best way of getting money into the hands of the poor who are their best potential customers. Labour leaders see it as a means of providing for those for whom they cannot find jobs, and many politicians see it as a way to eliminate welfare costs at provincial and local levels. (13)

Theobald also sees G.A.I. as a tremendous boon for society and citizens in non-economic ways.

*This is no naive idealism; it is simply a recognition that a society can be organized so that most men will desire responsibility and accept it willingly. Those supporting a guaranteed income believe that men can benefit from the freedom it allows. They believe that individuals can come to see a guaranteed income as a right, and that, in exchange they will accept the obligation of developing themselves and their society. . . .*

*Those who are pessimistic about the nature of man and who therefore oppose a guaranteed income will be joined by those who prefer to maintain present organizational patterns in the face of changing technology, for this will allow them to control their subordinates or employees and indeed, the population as a whole through the job mechanism. Opposition from this second group will inevitably be powerful, since the introduction of a guaranteed income would eliminate many institutional relationships that facilitate control and direction of the individual. (14)*

John Maynard Keynes, whose economic principles comprise the mainstream of present day economic thought, was able to see farther ahead than his present disciples and realize that his own principles would have to be discarded.

*When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals. We shall be able to rid ourselves of many of the pseudo-moral principles which have hag-ridden us for two hundred years, by which we have exalted some of the most distasteful of human qualities into the position*

of the highest values. We shall be able to afford to dare to assess the money-motive at its true value. . . . All kinds of social customs and economic practices affecting the distribution of wealth and its reward and penalties which we now maintain at all costs, however, distasteful and unjust they may be in themselves . . . we shall then be free, at last, to discard. (15)

Erich Fromm, the noted psychologist, feels that the most important reason for the acceptance of the guaranteed income is that "it might drastically enhance the freedom of the individual." He feels that it would establish freedom as a reality rather than a slogan. (16)

*The shift from a psychology of scarcity to that of abundance is one of the most important steps in human development. A psychology of scarcity produces anxiety, envy, egotism. . . . A psychology of abundance produces initiative, faith in life, solidarity. The fact is that most men are still geared psychologically to the economic facts of scarcity, when the industrial world is in the process of entering a new era of economic abundance. But because of this psychological "lag" many people cannot even understand new ideas as presented in the concept of a guaranteed income, because traditional ideas are usually determined by feelings that originated in previous forms of social existence. (17)*

Such are the types of arguments made in favour of G.A.I. Obviously, however, everyone does not favour the principle. One of the most wide-spread reservations is the fear that G.A.I. will remove the incentive to work, that many people will quit work to "live off the state."

#### INCENTIVE OR DISINCENTIVE?

The above mentioned reservation is a very legitimate question. If large numbers of people quit work and collected G.A.I. benefits, the cost could be staggering. If no incentive schemes were included under a guaranteed income, it is at least possible that this might occur. Several recent experiments indicate positive results for the use of an incentive scheme. Hindle found that provided the negative income tax plan offered comparatively modest incentive payments, then little or no reduction in work effort would occur. (18)

The New Jersey experiment with a negative income tax G.A.I. was designed to discover to what extent it would reduce the incentive of recipients to work.

*The preliminary results give no evidence indicating a significant decline in weekly earnings as a result of the introduction of the payments . . . [It] suggests that the introduction of a national negative-income-tax program will not give rise to a tidal wave of voluntary idleness. . . . There would appear to be little reason for low-income workers to adhere to the "Protestant ethic." . . . [and] in the labour market they have met discrimination, low wages, poor working conditions and arbitrary layoffs. For some reason, however, the people we interviewed generally supported the idea of work. This attitude could prove significant if the nation undertakes to develop an income-maintenance system that provides a smooth transition from poverty to reasonable affluence. (19)*

J. S. White, reporting on the same experiment indicates further, that low income families receiving supplementary benefits tend to reduce borrowing, buy fewer items on credit and purchase more of such consumer goods as furniture and appliances. (20)

In 1970, in this experiment, 60 per cent of recipients indicated they would work at two jobs to improve their status. (21)

In another U.S. experiment, Watts found that guaranteed income programs do not discourage people from working, but may actually encourage many, perhaps by providing them with enough emotional security to hold a job. (22)

More generally speaking, Theobald claims that the historical and anthropological record clearly demonstrates that economic reward is not the only way to get people to work—indeed there is considerable evidence that it is not necessarily the most effective way. (23) In a similar vein, Fromm found that

*aside from the fact that there is already no work for an ever increasing sector of the population, and hence that the question of incentive for these people is irrelevant, the objection is nevertheless a serious one. I believe, however, that it can be demonstrated that material incentive is by no means the only incentive for work and effect. First of all there are other incentives:*

*pride, social recognition, pleasure in work itself, etc. . . . it is a fact that man, by nature, is not lazy, but on the contrary, suffers from the results of inactivity. People might prefer not to work for one or two months, but the vast majority would beg to work, even if they were not paid for it. (24)*

It would appear that in the future we will not have a problem with people not wanting to work under a guaranteed income plan, but that there won't be enough jobs for them to do.

#### DEMOGRANT OR NEGATIVE-INCOME-TAX?

Under the universal flat rate allowance (demogrant) scheme, standard payments are made to all families and individuals, the amount varying for different family size but with all families of the same size receiving the same amount. Under one alternative, the demogrants would be subject only to the regular tax system. In order to use this approach, if payments were to be more than "token", it would require vast expenditures of public funds as the rich as well as the poor would receive benefits. Under another alternative, the demogrant would be taxed back by a special tax in addition to the regular tax structure. The higher one's income, the more would be taxed back. The special tax might be as high as 100 per cent for upper income groups. This would not necessarily cost more than a negative-income-tax scheme, if monies were taxed back through payrolls check-offs, weekly or monthly. In effect however, this latter type of scheme is basically no different than a negative income tax scheme. Some argue that this latter demogrant approach would reduce the stigma of benefits. (25) We suggest, however, that the effect would be the same, no matter how you describe the system. Some would be receiving benefits and some would not.

Under a negative-income tax (N.I.T.) the government would make cash payments to families and individuals whose income fell below the minimum level. This method is equivalent to using the tax system in reverse and would guarantee a minimum level to all poor persons and families. Such plans usually include a work incentive allowing a portion of earned income above the minimum level to be kept.

Such a N.I.T. scheme would have four basic factors operating: (a) the guaranteed minimum level of income which is decided; (b) the tax rate (or recovery rate) applied against income earned beyond the minimum guaranteed allowance; (c) a break-even level of earned income where there is no allowance payment and no income tax levied; (d) positive taxation beyond the break-even point. (26) Thus, the family or individual with no income of its own would receive the full guaranteed income. As their income rose, they would receive less than the guaranteed income in "allowances". The reduction of the "allowance", however, would always be less than the amount of the rise in other income. For instance, they might be allowed to keep \$50 of every \$1.00 of income above the guaranteed level, if the recovery tax rate was 50 per cent. The important point is that the family or individual would be better-off financially for every dollar of income they had beyond the guaranteed level. This constitutes the incentive to work. (27) Various combinations of guaranteed levels and recovery tax rates could be used. The combination chosen would largely determine the costs of the program. The New Jersey experiment used combinations involving 30, 50 and 70 per cent recovery rates and several different guarantee levels, for a total of 8 combinations. (28)

Hindle along with many others, points out the importance of integrating the negative tax system with the present positive tax system. This means that people at or below the break-even point should pay no income tax. Otherwise, if they were subject to both the recovery tax rate on allowances and the standard tax system, the final tax on income earned above the guaranteed level would be so high (perhaps 80 or 90 per cent) that there would be a large disincentive to work, thus defeating one of the aims of the scheme. (29)

Under either the demogrant or N.I.T. schemes, payments could be made either through application by the family or individual or automatically through the income-tax system, without the need to apply. The latter alternative is preferable in our opinion as it ensures that all poor persons receive assistance automatically, regardless of whether they apply or even are aware of the plan. It would also reduce the red tape and administrative problems.

We would concur with the Senate Poverty Committee that the negative-income tax scheme is much preferable to

the demogrant alternative in that it is better able to provide an adequate income level, it incorporates an incentive to work, it is fiscally more feasible (30) and involves less administration than the demogrant with recovery tax.

### PROPOSED DEMOGRANT SCHEMES

Crowley and Dodge have estimated the costs of a demogrant scheme for Canada without a recovery tax. Their plan would pay each adult \$750 per year and each child \$300 (i.e. \$2100 for a family of four). Administrative costs are estimated at \$20 million and an additional \$15 million added administrative costs to the Department of National Revenue, for a total of \$35 million (which is 10 percent of the administrative costs of welfare programs for 1964—these administrative costs being \$350 million). Benefit costs would be \$11,740 million for a total estimated cost of \$11.8 billion. These authors note that while such a plan would help some poor it would leave unaltered or even lower the real income of some of Canada's poorest citizens. Nor would it allow other welfare programs to be eliminated. (31)

Using population figures from the 1971 census (32) we have estimated that demogrant schemes without a recovery tax would cost the following for benefits only in 1971 (annual cost).

PLAN A		
Children 0-19	at \$500 each	\$4.25 billion
Adults 20 and over	at \$1000 each	\$13.07 billion
<b>TOTAL</b>		<b>\$17.32 billion</b>

PLAN B		
(using proposed 1969 Senate Poverty Committee benefit levels)		
Children 0-19	at \$500 each	\$4.25 billion
Adults 20 and over	at \$1500 each	\$18.61 billion
<b>TOTAL</b>		<b>\$22.86 billion</b>

PLAN C		
(approximate Senate Poverty Committee poverty lines for children and single adults)		
Children 0-19	at \$710 each	\$6.0 billion
Adults 20 and over	at \$2100 each	\$27.4 billion
<b>TOTAL</b>		<b>\$33.4 billion</b>

PLAN D		
Children 0-14	at \$500 each	\$3.2 billion
15-19	at \$750 each	\$1.6 billion
Adults 20 and over	at \$1800 each	\$23.5 billion
<b>TOTAL</b>		<b>\$28.3 billion</b>

The magnitude of such figures leads us to reject the demogrant without recovery tax, as an alternative for a G.A.I. plan.

Demogrants with recovery tax would cost about the same as an N.I.T. plan if guarantee levels and recovery tax rates were the same.

### PROPOSED NEGATIVE - INCOME - TAX SCHEMES

The federal white paper on income security outlines the estimated costs for two N.I.T. proposals, using a 50 per cent recovery tax. (33)

#### PLAN A (1971 levels)

FAMILY SIZE	GUARANTEED LEVELS(\$)
single persons	1,600
2 person family	3,000
3 person family	3,300
4 person family	3,600
5 or more	3,900

Benefits under this plan would cost about \$3.8 billion. Other present programs could be eliminated to save \$2.4 billion to \$3 billion. Final cost of benefits would be between \$800 million and \$1.4 billion (for 1971).

#### PLAN B

(levels used by E.C.C. in its brief to Senate Poverty Committee)

FAMILY SIZE	GUARANTEED LEVEL
single persons	1,800
2 person family	3,000
3 person family	3,600
4 person family	4,200
5 or more	4,800

Benefits costs would be about \$5 billion for 1971. With elimination of other programs the net cost of benefits would be between \$2 billion and \$2.6 billion.

The Senate Poverty Committee recommends a N.I.T. plan with a 70 per cent recovery rate. Its proposals for 1969 levels are as follows:

FAMILY UNIT SIZE	BASIC ALLOWANCE(\$)
1	1,500
2	2,500
3	3,000
4	3,500
5	4,000
6	4,500
7	5,000
10	6,500

Table 5:1 shows the benefits payable for each level of income.

TABLE 5:1

### SENATE POVERTY COMMITTEE G.A.I. PROPOSAL (BASED ON 1969)

1969 Income	Single Person		2 per. family		3 per. family		4 per. family		5 per. family		6 per. family		7 per. family	
	G.A.I. Bene.	Net Inc.	G.A.I. Bene.	Net Inc.	G.A.I. Bene.	Net Inc.	G.A.I. Bene.	Net Inc.	G.A.I. Bene.	Net Inc.	G.A.I. Bene.	Net Inc.	G.A.I. Bene.	Net Inc.
\$0	1500	1500	2500	2500	3000	3000	3500	3500	4000	4000	4500	4500	5000	5000
250	1325	1575	2325	2575	2825	3075	3325	3575	3825	4075	4325	3575	4825	5075
500	1150	1650	2150	2650	2650	3150	3150	3650	3650	4150	4150	4650	4650	5150
1000	800	1800	1800	2800	2300	3300	2800	3800	3300	4300	3800	4800	4300	5300
1500	450	1950	1450	2950	1950	3450	2450	3950	2950	4450	3450	4950	3950	5450
2000	100	2100	1000	3100	1600	3600	2100	4100	2600	4600	3100	5100	3600	5600
2500	0	2500	750	3250	1250	3750	1750	4250	2250	4750	2750	5250	3250	5750
3000	0		400	3400	900	3900	1400	4400	1900	4900	2400	5400	2900	5900
3500	0		150	3650	550	4050	1050	4550	1550	5050	2050	5550	2550	6050
4000	0		0	4000	200	4200	700	4700	1200	5200	1700	5700	2200	6200
4500	0		0		0	4500	350	4850	850	5350	1350	5850	1850	6350
5000	0		0		0		0	5000	500	5500	1000	6000	1500	6500
5500					0		0		150	5650	650	6150	1150	6650
6000							0		0	6000	300	6300	800	6800
6500		Positive Income Tax							0		0	6500	4450	6950
7000									0		0		100	7100
7500											0		0	7500
8000													0	

Break-even point starts when G.A.I. benefits reach zero. Positive taxation begins after this break-even point.  
Bene. = Benefit  
Inc. = Income

The Committee recommends that no income tax be payable until the unit's income passes the break-even point (i.e. \$5,000 for a family of four in 1969). The allowance levels in the Committee's proposal represent 70 percent of the Poverty Line they have established. Basically, this represents the poverty line for 1961 (34) or subsistence levels for 1969. The Committee estimates the allowance level for 1970 for a family of four would be \$3,780 (up \$280 from 1969) and \$4,060 for 1971 (up \$560 from 1969), based on its escalator formula. (35)

Single unattached individuals under the age of 40 (except for the disabled) and those residents of Canada who are not Canadian citizens would not be included. The benefit payments for the Committee's proposal for 1967 would be \$1.185 billion. Net cost after all expenditures and savings would probably have been \$645 million. Additional savings would be expected from the reduction of administrative costs (40 to 60 per cent estimated saving for a similar U.S. proposal). (36)

### OUR PROPOSAL

We feel that the Senate Committee's proposal, while moving in the right direction, is definitely inadequate to meet our present problems. This proposal does not allow the elimination of the Canada Assistance Plan and provincial social assistance. We have indicated in Part 4, why we feel the C.A.P. must be replaced. As well, the benefit levels are much too low. They are subsistence payments equivalent to existing average provincial welfare benefit levels (1969). (37) We have indicated above that we feel these levels are grossly inadequate. Furthermore, there is no justification for eliminating unattached persons under 40 years of age or such people as landed immigrants. We would recommend an initial level of 85 per cent of the poverty line for all persons and families, rising by 5 per cent every 2 years for six years until the guaranteed level was equal to the poverty line. The Senate Committee's proposal does not give any more help to the poor than they already receive. The poor need more help now. They need more than a change in how welfare funds are distributed.

It is necessary to update the poverty lines of the Senate Poverty Committee, which were established for 1969. From 1969 to 1971 the average income (or standard of living) rose 12.43 per cent or just over 6 per cent per year. (38) Taking this trend into 1972, the poverty line will probably be as follows:

**TABLE 5:2**  
SENATE COMMITTEE POVERTY LINE EXTENDED TO 1972  
(nearest \$10)

FAMILY UNIT SIZE	POVERTY LINE
1	2,540
2	4,240
3	5,090
4	5,930
5	6,770
6	7,630
7	8,470
10	11,020

Based on our recommendation of guarantee levels of 85 per cent of the poverty line for the first year, guarantee levels in 1972, under our plan, would have been as follows.

**TABLE 5:3**  
RECOMMENDED GUARANTEE LEVELS 1972  
(nearest \$10)

FAMILY UNIT SIZE	GUARANTEE LEVEL
1	2,160
2	3,600
3	4,330
4	5,040
5	5,750
6	6,490
7	7,200
10	9,370

Individuals and families receiving benefits at the full guarantee level would still be living in poverty. It would take a few more years to eliminate the bulk of poverty at 1972 levels. Consequently, we feel our recommended levels should be considered the minimum benefits that should be given.

### ESTIMATED COSTS

There can be no doubt that such a plan would cost a considerable amount of money. Our guarantee levels for 1972 are approximately 20 per cent above those of the E.C.C. for 1969. If we include an additional amount of 1.5 per cent for population growth per year, we would estimate the gross 1972 cost of our recommended benefits to be:

E.C.C. cost 1971 (gross)	\$5 billion
add 20 per cent	1 billion
	<hr/>
	6 billion
add 1.5 per cent (population growth)	.09 billion
	<hr/>
TOTAL gross estimate	\$6.09 billion

Our plan would allow the elimination of all demogrants, G.I.S., Social Assistance, and Veterans' Pensions, although not the other social insurance programs, with an estimated saving of \$4.27 billion.

This would leave a cost of about \$1.82 billion. If unemployment insurance was also eliminated (saving about \$2.46 billion), our proposed plan would result in a net saving of about \$.64 billion.

If we also raised the recovery tax from 50 per cent (proposed by the E.C.C.) to 60 per cent, there would be a considerable saving. Additional savings would be obtained from eliminating administrative costs of the programs eliminated. We are unable to estimate these savings but they would likely be considerable. The E.C.C. estimates the loss of G.N.P. due to poverty be about 6 per cent of the potential G.N.P. that is going unproduced. (39) Our G.N.P. is approaching \$100 billion. If we take a very conservative estimate of \$4 billion that our proposal could add to G.N.P., then there would be a considerable net overall financial gain in the first year of our plan, and a decrease in actual money spent on social security payments. If we include a multiplier effect and the indirect saving through reduced costs in medical care, police forces, services, penitentiaries, etc., the benefit of our proposal would be even greater. Thus we have a great deal to gain in implementing our proposals, not only in human terms but also in economic well-being.

Under our proposal, it would be necessary to make provision for those who encountered emergency financial difficulty between submissions of yearly income-tax statement, where their income the previous year had been sufficient to disqualify them from all or part of the G.A.I. benefits for the current year. This would be relatively simple. Through self-declaration forms, they would apply for short-term G.A.I. assistance. They would receive benefits according to the basic G.A.I. plan and would receive benefits until their situation improved or until submission of that year's income tax statement when they would be incorporated under the basic plan. Every dollar spent on the short-term scheme would save a dollar on the annual plan. The only additional expense would be for the administration of the short-term plan. A self-declaration method would be the cheapest and best form of such administration.

Some people have claimed that such a G.A.I. plan and the redistribution of income which it implies, will lower our national standard of living. Barbara Ward points out that such will not be the case, even for the wealthy. It might mean that the standard of living for the wealthy will not rise as fast as it has in past, but it will not remain static or decline. (40) Others have suggested that such plans would be inflationary. As long as the program is paid for by taxes and not through budget deficits, the scheme would not be inflationary. (41) It would be a process of redistribution of monies and the stimulation of economic growth, rather than the creation of a greater monetary supply. It would in fact cost less money than our present income security programs in its first year of operation.

## THE LIMITATIONS OF G.A.I.

To consider a guaranteed income as a cure-all would be a grave mistake. Guaranteed income is an extremely important and essential step towards eliminating poverty, but it is only a partial solution.

*We must recognize that the G.A.I. is not an adequate instrument of redistribution policy. It does not significantly redistribute power; nor is there any assurance that it will even effectively redistribute financial resources. (42)*

We have mentioned above the importance of changes in the tax system to redistribute income more fairly. A substantial increase in minimum wages is also necessary to ensure that as few as possible will have to rely on a guaranteed income and to prevent employers from using the G.A.I. to subsidize low wages. Policies to stimulate employment are also needed to allow more unemployed to support themselves. This should be in sectors such as housing, recreation, rapid transit, etc. Another important concern is the actual level of benefits.

*The introduction of a guaranteed annual income of the wrong kind (or any guaranteed annual income taken in*

*isolation from other policies) would amount to a cop-out, an excuse for government to declare the problem of inequality irrelevant . . . In other words, a guaranteed annual income at a low level is a glorified welfare program. And a dangerous one—for its introduction would allow the Canadian government to make political hay out of a minor adjustment in bookkeeping . . . In other words, the guaranteed income level must be set at or above the relative poverty line, it must rise as that line rises, in relation to the overall well-being of the country. (43)*

Policies in areas of health care, housing, education, etc., are needed to aid the poor and to accompany the G.A.I. The more such structural policies are carried out, the greater will be the elimination of poverty and the smaller the need for Canadians to rely on a guaranteed income. Such policies, combined with continued social insurance, (an improved C.P.P. and Workmen's Compensation) must be part of the attack on poverty. Combined with a guaranteed annual income set at the required level, they will ensure that all Canadians live a life in at least a minimum standard of opportunity, health, comfort and decency.



## PART 6

### FUTURE POLICY FOR ALBERTA: THE PREFERRED ALTERNATIVE

The federal white paper, *Income Security for Canadians*, indicates that federal priorities in the income security areas will put much greater stress on programs of social insurance and guaranteed annual income and decreasing reliance on demogrants and social assistance. (1) We feel that such a policy direction is desirable. The Government of Alberta should encourage such policy goals at the federal level and should adopt the same goals for its own policies. The Government of Alberta should press the federal government to adopt a guaranteed annual income, such as we have proposed; needed improvements in the benefits of the Canada Pension Plan; and the economic policies concerning employment, inflation, minimum wages, work distribution, income distribution and a more equitable tax system, as mentioned in Part 2. In its own jurisdiction, the Government of Alberta should raise the minimum wage substantially, pay for all health care needs through general taxation, and adopt policies of its own to stimulate more employment in the province and to distribute employment more evenly. Until such time as the federal government implements a universal, federally-funded G.A.I., the Government of Alberta should establish and operate a guaranteed income program of its own, as soon as possible, and do away with the present system of social assistance.

A provincial G.A.I. should take the same form as our proposal for a federal program. As the provinces have authority to set benefit levels and determine eligibility requirements under the present Canada Assistance Plan, it should be possible to operate the provincial G.A.I. under the C.A.P. as well, so that the federal government continues to pay 50 percent of the cost. A short residency requirement should be sufficient to avoid an influx of persons into the province to take advantage of the new plan. It is doubtful, in any case, that such an influx would occur. Alberta's present benefit levels of social assistance are higher than those of the other provinces, yet we have had no indication that welfare recipients from other areas are moving to Alberta to get higher benefits. As with the federal proposal, it should incorporate a short-term G.A.I. provision for emergency relief. It should use income tax declarations or self-declaration forms similar to income tax statements, with random sample financial audit checks. Social services should operate as a separate program with information about services widely distributed.

The implementation of a provincial G.A.I. would cost more in benefits but would be considerably less costly to administer. As we have indicated above, the economic and financial gains can be expected to more than outweigh the costs involved.

In our opinion, these proposals which we make are essential for the well-being of Albertans and Canadians. To do less would be to continue to perpetuate poverty as well as retarding economic and human development.

In the past, needed social change has almost always come long past the time when the need arose. Marshall McLuhan reminds us that this is still usually the case.

*Even today we are inclined to look at new situations through the preceding one. No age until ours has imagined that there was any alternative to this habit of seeing one's own time through the preceding age.* (2)

But increasingly, our age is imagining another way of seeing our present situation. We are better able to see, at least some of the time, that we will have to reorganize our institutions and invent new ones in order to take advantage of the potential benefits, human and economic, of new technologies and new possibilities. We have a greater opportunity to choose and design our own future. Social change will occur. It is essential that we understand the changes taking place and that we decide how we want our society to change. We have the option of choosing the directions we take; otherwise these directions will be determined by technology or other anonymous forces in our society.

The Senate Poverty Committee is convinced that poverty, at least in economic terms, can be eliminated if Canadians so desire. "The means are at hand; what is needed is the will." (3) In the words of Reuban Baetz, Director of the Canadian Social Welfare Council:

*Our computers may graphically depict for us the extent to which some Canadians are existing below an adequate level of income while the majority live in relative and growing affluence. But until we find this situation morally offensive and unacceptable, we will merely continue to view it with cold detachment.* (4)

The first step is to make the facts known and to demonstrate that the elimination of poverty will produce more benefits than it will absorb. We are encouraged by the fact that "a March 1972 Gallup Poll has found a clear majority of Canadians at all income levels are in favour of such a G.A.I. program". (5) The first step is almost complete. John Munro, the Minister of National Health and Welfare, points to what is needed now:

*Society now has the resources to mount the final assault on this perennial bane of mankind—but only if it wants to. Therefore we must take up the agenda, not in the spirit of handymen patching things up here and there but in the sense of draftsmen, getting down to the preliminary plans for new construction . . . architects of the new systems which are so urgently needed right now.* (6)

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**APPENDIX ONE**

**Department of Health and Social Development  
Public Assistance Branch**

Appendix "a" January 1, 1972.  
Page 4.

**NOTES:**

1.

	FOOD	CLOTHING
Male Adult	31.00	8.00
Female Adult	27.00	10.00
Child 0-6 years	17.00	8.00
Child 7-11 years	23.00	10.00
Child 12-15 years	30.00	10.00
Child 16-20 years	34.00	10.00

Increases of 20%, 10% and 5% have been included for family units of one, two and three persons respectively.

These rates may be used to explain how the totals were derived although it should be noted that the totals have

been rounded to the nearest dollar. They may also be used to assist a recipient in budgeting.

2. To calculate the maximum rates for families with six or more children,

- (a) find the proper rate for 5 of the children and
- (b) add the appropriate amounts for each additional child, as listed above.

3. Extra monthly allowances for special diets may be provided on the recommendation of a physician, as follows:

Diabetes	\$7.00	Gluten Free diet	\$8.00
Ulcer	6.00	Tuberculosis	8.00
Low Calorie	3.00	Pregnancy (last three months only)	7.00
High Protein	8.00	Restricted sodium	4.00

4. Where a social allowance is paid to a family consisting of one male adult with dependent children \$3.00 should be added to the maximum food allowance.

**APPENDIX TWO**

(Partial List Only)

**Home Economics Extension Service  
Alberta Department of Agriculture**

**SUGGESTED SCALE OF CLOTHING ALLOWANCES  
FOR PUBLIC ASSISTANCE — 1971**

	Total Cost	Yearly Cost	Short Term Low Cost	
			Total Cost	Yearly Cost
Baby 0-1 Year minimum	\$ 63.46	(see list)	\$ 35.73	(see list)
Children 1 and 2 Years	106.66	85.46 (7.12)	58.86	47.46 (13.96)
Girls 3-6 Years	125.87	107.70 (8.98)	73.05	60.62 (5.05)
Boys 3-6 Years	112.40	102.43 (8.54)	64.24	49.81 (4.15)
Girls 7-14 Years	190.02	118.31 (9.86)	128.45	81.28 (6.77)
Boys 7-14 Years	152.34	115.52 (9.63)	86.78	69.12 (5.76)
Girls 15-16 Years	305.09	152.02 (12.67)	185.99	100.48 (8.37)
Boys 15-16 Years	178.10	138.83 (11.57)	127.01	97.36 (8.11)
Girls 17-20 Years	282.10	120.58 (10.05)	175.79	86.17 (see list) (7.18)
Boys 17-20 Years	197.65	114.48 (9.54)	139.39	88.35 (7.36)
Housewife	265.06	114.77 (9.56)	145.09	73.45 (see list) (6.12)
Man	217.83	98.70 (8.23)	157.95	68.81 (5.73)

\*Monthly — ( )

**COMMENTS**

1. Attached are lists indicating two possible scales for clothing allowances. The more extensive list was developed keeping in mind the needs of persons likely to be requiring assistance for periods of more than six months. The second scale has to do with Short Term periods. Regarding these, please refer to (12) below.

2. A few changes in the lists of garments have been made this year in order to keep it up to date according to availability of garments on the market and style trends.

Pricing was done in February 1971 and July 1971 (using Fall and Winter catalogues) for 1971-72. Prices were taken in major centres in the province including Grande Prairie and Peace River areas.

3. For "long term", allowance has been made for medium quality garments. In most cases this will assure a longer period of wear, and a lower yearly cost. In some cases (girls), allowance has been made for quite good quality so that dresses will last two years by letting the hem down, etc. Refer to (12) below regarding Short Term.

4. (a) Articles requiring annual replacement are more numerous in the case of the younger age group due to the fact that children grow out of their clothes, and merchandise of lasting quality was not always considered the best buy for these age groups.  
 (b) Shopping through Eaton's and Simpsons' catalogues is recommended where garments cannot be purchased locally at the price indicated.

5. The attached lists of items of clothing for each age group do not allow for savings which might be made by:

- 1) Passing on of "hand-me-downs".
- 2) Purchase of second-hand clothing.
- 3) Savings at sales.
- 4) Ability of mother to make, re-make, and repair garments, as well as knit new garments, e.g. sweater, baby garments, etc.
- 5) Gifts in the form of clothing.

6. The task of listing and pricing clothing according to age is a difficult one since there may be considerable variation in sizes of children within the age group and therefore an increase in cost of clothing. Also "wear and tear" of clothing, particularly shoes, will vary with the child. Many 15 and 16 year old boys would require men's sizes and therefore may be required to pay more for major items such as shoes, suit, carcoat, etc. They should not, however, be transferred to the men's clothing cost list because of the difference in type and size of garments for that age group and also because of the difference in activity (school).

7. Older boys and girls, particularly in the 16 to 20 year group, may earn extra for additional items, for example: hose, sport togs, etc., so that the lists for this group are kept to a minimum.

8. It is strongly recommended that some garments should be purchased out of season, for example: next year's winter coat should be bought in the late winter or spring. A saving of 1/3 to 1/2 can be made on major articles, e.g. coats, hats, shoes, dresses, etc.

9. The cost of children's clothing may be reduced if they are members of a family rather than wards of the government who are boarding out. As family members, they may receive hand-me-downs, clothing from relatives, clothing exchanged with neighbors, garments made at home, etc.

10. An allowance for Dry Cleaning and shoe repair has not been included. Allowance for grooming aids for girls has been listed but not included in the scale of clothing.

11. Lists and resultant total and yearly costs could have been further divided according to activity: Sedentary, moderately active — with same saving, since our lists are designed for moderately active adults.

12. **Re: Short Term Low Cost:**

(a) These lists and costs were developed because of the possibility of clothing assistance being given to persons who may only require assistance for a short time, and therefore could do with a lower quality for a shorter wear period. Also, the number of items required may be reduced. These prices are mainly of the "lower catalogue" price range.

(b) Low-cost allowances could be further reduced depending upon the time of year, e.g. — winter or summer coat, but not both, winter overshoes etc. could be left out if not applicable.

(c) Short-term lists were developed as a guide for welfare workers to be applied in part, according to need.

13. **Re: Baby:** If no basic beginning layette items available, social workers may, in addition to listed allowance, provide the following:

- |                             |                     |
|-----------------------------|---------------------|
| 2 blankets                  | 2 sweaters          |
| 24 diapers, 3 plastic pants | 1 dress — girl,     |
| 3 nighties                  | 1 romper — boy      |
| 3 undershirts (vests)       | 6 bottles           |
| 2 pair socks                | 1 soap and 1 powder |

14. Shoe allowances may not be sufficient if special fittings or sizes are required, e.g. very narrow or long foot, etc.

15. Recipients may find it helpful if applicable cost lists were provided as a guide to spending.

**HOUSEWIFE**

Article	Number Needed	Years of Wear	Average Cost	Total Cost	Yearly Cost
Winter head covering	1	2	\$ 5.95	\$ 5.95	\$ 2.98
Headscarf — serve also as neck scarf	1	4	1.59	1.59	.40
Winter coat	1	4	39.95	39.95	10.00
Summer coat — all weather	1	5	20.00	20.00	4.00
Sweater	1	3	8.98	8.98	2.99
Dresses — summer or Pant — house	2	1	7.00	14.00	14.00
Suits — afternoon — tailored or 2-piece knit	1	3	13.98	13.98	4.66
Slacks	1	4	21.98	21.98	5.49
Skirt	2	2	7.95	15.90	7.95
Blouses	1	4	8.98	8.98	2.25
Apron	2	2	4.00	8.00	4.00
Panties	1	1	1.00	1.00	1.00
Slips	4	1	.79	3.16	3.16
Nightgown or pyjamas	2	2	3.99	7.98	3.99
Housecoat	1	4	5.95	5.95	1.49
Bras	2	1	4.00	8.00	4.00
Girdle	2	1	6.00	12.00	6.00
Anklets	2	1	.69	1.38	1.38
Stockings or pantyhose	7	1	1.00	7.00	7.00
Leotards	1	2	2.98	2.98	1.50
Shoes — casual — dress	1	1	8.98	8.98	8.98
Snow boots	1	3	8.95	8.95	2.99
Rubber boots	1	3	8.99	8.99	3.00
Slippers	1	3	1.98	1.98	.66
Gloves (winter)	1	2	2.98	2.98	1.00
Purse	1	2	2.49	2.49	1.25
	1	3	5.00	5.00	1.67
		new/yr.			
		new/yr.			
				<u>\$265.06</u>	<u>\$114.77</u>

**MEN**

Article	Number of Needed	Years of Wear	Average Cost	Total Cost	Yearly Cost
Hat	1	3	\$ 6.95	\$ 6.95	\$ 2.32
Coat — zip in lining	1	4	29.95	29.95	7.49
Jacket — summer	1	3	13.95	13.95	4.65
Dress jacket	1	4	29.95	29.95	7.49
Trousers — casual — work	1	3	8.95	8.95	2.99
— dress (to go with jacket)	2	1	6.50	13.00	13.00
Shirts — dress	1	3	12.98	12.98	4.33
— sport	1	1	4.98	4.98	4.98
	3	2	3.98	11.94	7.96
		new/yr.			
— T-shirt	2	1	1.98	3.96	3.96
Sweater — cardigan	1	3	10.95	10.95	3.65
Underwear — briefs	3	1	1.25	3.75	3.75
— drawers	2	1	2.98	5.96	5.96
Pyjamas	2	2	3.95	7.90	3.95
Socks — dress and work	6	4	1.00	6.00	4.00
		new/yr.			
Shoes — dress	1	2	10.98	10.98	5.49
— work	1	2	10.98	10.98	5.49
Overshoes	1	5	5.98	5.98	1.20
Rubbers — (toe)	1	3	3.49	3.49	1.17
Slippers	1	4	2.98	2.98	.75
Gloves — winter	1	4	4.69	4.69	1.20
Scarf	1	3	1.98	1.98	.66
Handkerchief	2	1	.30	.60	.60
Ties	2	3	1.50	3.00	1.00
Belt	1	3	1.98	1.98	.66
				<u>\$217.83</u>	<u>\$98.70</u>

**APPENDIX THREE**

**BENEFIT RATES UNDER U.I.C.**

Without a Dependant: 2/3 of insured earnings during the qualifying period.

With a Dependant: if earnings are \$50/week or less — benefit rate of 75% of average insured earnings during qualifying period. For those who earn more than \$50 weekly, the rate is 2/3 in early stages. Starting with the first week of extended benefit, the rate rises to 75%.

There is a minimum benefit rate of \$20 and a maximum benefit rate of \$100 weekly (revised annually).

**To Qualify**

An insured week is one in which a contribution has been paid. Eligibility depends on the number of insured weeks worked within the last 52 weeks, or since the start of the last benefit period, whichever is the shorter: this time-span is known as the "qualifying period."

A person who has less than eight weeks of insured employment cannot qualify.

A "minor attachment" to the work force is defined as from 8 to 19 weeks of insured employment within the qualifying period.

A "major attachment" to the work force is defined as 20 weeks or more of insured employment within the qualifying period.

See "Benefit Structure" for an explanation of the entitlement differences between major and minor attachments.

**Maintaining Your Eligibility**

To establish your claim in the first place — and to maintain it — the following facts must apply:

1. You are unemployed and are experiencing an interruption of earnings.
2. You are willing to accept any suitable work that is offered to you and are physically capable\* of handling it.
3. You are making every possible effort to find work — not just waiting for work to be found for you.

\* Under certain conditions the "physically capable" requirement can be waived, if the interruption of earnings is due to sickness (see page 8) or maternity (see page 9).

The waiting period is 2 weeks and for this period the claimant does not get paid.

**Benefit Structure**

**1. Initial Benefit — "Major Attachment" Claimants**

These claimants are entitled to a total of 15 weeks' benefit, which can be used up over a period of 29 weeks, if their earnings have been interrupted by:

- (a) Shortage of Work;      (b) Sickness;      (c) Maternity  
(a) Shortage of work

(i) The first benefit available to a "major attachment" claimant is an advance payment.

Normally, when the Claimant's Report for the waiting period has been received, an "advance payment" representing three weeks' benefit is calculated. The net amount (less deductions for earnings during the waiting period, or for any other reason that might apply), is split in two. The first half is mailed at once and the second 10 days later. If deductions are considerable and the net amount is one week's benefit or less, only a single payment is made — immediately.

The "advance payment" is to cover the third, fourth and fifth weeks of the claim and for that period no "Claimant's Reports" are required.

If the individual finds a job at any time between the third and fifth weeks, he is entitled to keep the entire advance payment. Past experience shows that it takes from three to five weeks to find re-employment, under normal conditions.

A Claimant's Report for the sixth week will be mailed with the advance payment. Those "major attachment" claimants who are not eligible to receive the payment in advance will receive it in arrears. They will be required to fill out Claimant's Reports for the three-week period.

(ii) If unemployment continues, the "major attachment" claimant is entitled to a further 12 weeks of benefit.

**(b) Sickness**

A "major attachment" claimant whose earnings have been interrupted by sickness, quarantine or injury (unless covered by Workmen's Compensation) is now eligible to draw unemployment insurance for up to 15 weeks.

The two-week waiting period must first be served, but will be waived if the interruption of earnings occurs due to exhaustion of sick leave or of sickness-insurance payments and if the claimant has been sick for more than two weeks. However, while sick leave or sickness insurance payments greater than his benefit rate are being received, the interruption of earnings is not considered to have occurred until these payments end. Any earnings received during the sickness will be deducted from benefit payments. If he is still ill at the end of the 15th week, benefits will cease until he is capable of working. At that point, he may be eligible to return to the benefit stream.

**(c) Maternity**

This applies to a "major attachment" claimant whose earnings have been interrupted by pregnancy. She must also have had at least 10 weeks of insured employment, or have been on claim, between the 30th and 50th week before the expected date of confinement.

Benefits are normally payable for nine weeks before and six weeks after confinement. At the end of the six-week period the claimant may re-enter the benefit stream, as long as she continues to be unemployed, is physically capable of returning to work and is willing to accept any suitable job that is offered to her.

At this point it should be noted that whether the "major attachment" claimant's interruption of earnings has been caused by shortage of work, sickness or maternity — or a combination of these factors — the maximum allowable in the Initial Benefit stage is 15 weeks.

**2. Initial Benefit — "Minor Attachment" Claimants**

After serving the two-week waiting period, the "minor attachment" claimant's entitlement will depend on the number of insured weeks during his qualifying period, as follows:

Weeks of insured employment	Weeks of benefit	*Can be spread over
8 to 15 weeks	8 weeks	18 weeks
16	9	20
17	10	22
18	11	24
19	12	26

\* If a claimant goes back to work before using up all his entitlement, he can hold the unused balance for this period of time, in case he should once again become unemployed.

Claimants who become sick while drawing Initial Benefit can continue to draw it until their Initial Benefit is exhausted.

**3. Initial Benefit Re-established — "Major" and "Minor Attachment" Claimants**

If a claimant is still unemployed after exhausting his Initial Benefit period, his claim can be re-established for a further period of 10 weeks, providing of course that he remains capable of and available for work.

**Extended Benefit**

**1. Major and Minor Attachments**

(a) Major attachment claimants who have passed through the Initial and Re-established stages, are still unemployed but are capable of and available for work, may qualify for this stage, which is also related to the number of insured weeks worked during the qualifying period, as follows:

Weeks of insured employment	*Extended Benefit period
20 weeks	2 weeks
21-22	3
23-24	4
25-26	5
27-28	6
29-30	7
31-32	8
33-34	9
35-36	10
37-38	11
39-40	12
41-42	13
43-44	14
45-46	15

47-48	16
49-50	17
51-52	18

\* This table shows the number of consecutive weeks during which these benefits can be paid.

(b) Minor Attachment claimants—with less than 20 weeks of insured employment during the qualifying period—will miss this stage, but may be eligible under "National Unemployment Rate" below.

## 2. National Unemployment Rate

This system recognized that a high unemployment rate usually means a longer search for re-employment.

When "major attachment" claimants have used up their benefits according to the scale in para. 1(a) above, or when "minor attachment" claimants have used up their benefits in the Initial Benefit Re-established stage, further benefits may be payable based on the national unemployment rate. This determination is made only once and cannot be revised, even if the national unemployment rate later changes.

If the national rate is over five per cent, add eight weeks of benefit.

If the rate exceeds four per cent but is not over five per cent, add four weeks of benefit.

If the rate is four per cent or less, claimants will skip this stage and may move into the next.

## 3. National and Regional Unemployment Rates

For claimants who have used up their entitlement (or did not qualify) under para. 2, this stage applies when the regional unemployment rate is above four per cent and when—in addition—the regional rate exceeds the nation by:

	Benefit period
More than one per cent	6 weeks
More than two per cent	12 weeks
Over three per cent	18 weeks

For example, if the national unemployment rate stood at 4.2 per cent and the regional rate where the claimant resides stood at 6.5 per cent, the claimant would be entitled to 12 weeks of benefit—providing those rates did not change during the 12-week period.

The regional and national rates are compared monthly. The monthly comparison may increase or decrease the duration of benefits. If the two rates come closer together so that the entitlement is reduced, he would not be phased out immediately. Instead, he would be eligible for one week's benefit beyond the week in which the rate changed.

**THE MAXIMUM ANY CLAIMANT CAN GET IS 51 WEEKS OF BENEFIT THROUGH BOTH THE INITIAL AND EXTENDED BENEFIT STAGES.**

### Retirement

This is payable to persons aged 65-70 who have had 20 weeks or more of insured employment during the qualifying period and who—on separation—retire from the work force. They will receive a lump sum equivalent to three weeks' benefit. There is no waiting period, nor will there be any deductions from the lump sum.

The purpose of this benefit is to bridge the gap between regular earnings from employment and the receipt of Canada or Quebec pension plan payments.

After this, their monetary participation in the unemployment insurance program ceases.

### Premiums (Contributions)

The new premium rate will go into effect January 2, 1972, and at that time the salary ceiling will be scrapped. Employee premiums (contributions) will be geared to insured earnings according to tables issued by the Department of National Revenue.

There are interim rates that apply only from June 27, 1971 to January 1, 1972. These may be obtained from employer.

### Income Tax

Effective January 2, 1972, premiums (contributions) will be an allowable deduction—like union or professional dues—for income tax purposes. Benefits will count as taxable income and will be subject to deductions at source.

### Financing

**Employer and Employee Premiums:** As long as the national unemployment rate is four percent or less, the combined premiums (contributions) of employers and employees finance the Initial and Re-established stages of the new plan. These premiums also cover the administrative costs of the plan in all circumstances.

**Federal Government:** When the national unemployment rate exceeds four per cent, the Federal Government absorbs the extra costs of the Initial and Re-established stages. The Federal Government also bears the full cost of the Extended Benefit period, regardless of the unemployment picture.

### CANADA PENSION PLAN

Coverage is on a compulsory basis, but to have coverage for a particular year, you must be between the ages of 18 and 70 and earn more than \$600 in that year if you are an employee or at least \$800 in that year if you are self-employed. As of 1972, contributions are made on your earnings between \$600 and \$5500 ("contributory earnings"). The rate of contribution for an employee is 1.8% of his contributory earnings. The maximum employee contribution in 1972 is \$88.20 for the year. The employer contributes an amount equal to that of his employee. A self-employed person contributes 3.6% of his contributory earnings to a maximum of \$176.40 for 1972.

A disability pension may be payable to a contributor who has contributed to the Plan for not less than the present minimum qualifying period of at least 5 whole or part calendar years, provided he is under 65 and is determined to be disabled. A disabled contributor may also receive \$27.60 for each of his dependent children up to four such children and \$13.53 a month for the fifth and each additional dependent child.

### Retirement Pension

A retirement pension is payable at the minimum pensionable age of 65 years, provided you are retired from regular employment. It is equal to 25 per cent of what your annual earnings up to the Year's Maximum Pensionable Earnings have averaged during your contributory period—that is, from January 1, 1966, the starting date of the Plan, or from age 18, if that age came later, to the month before your pension begins. In calculating your average pensionable earnings, however, a contributory period of not less than 120 months (10 years) must be used, except in the case of a person who has received a Canada Pension Plan disability pension. Table 1 shows the various monthly retirement pensions payable under the Plan, depending on your adjusted pensionable earnings.

### Widows Pension

Following the death of a contributor who has contributed to the Plan for not less than the present minimum qualifying period of three whole or part calendar years, a pension is payable to his widow

- at the full rate for a widow under age 65, regardless of her age at the time of the death of the contributor, if the widow has a dependent or disabled child or children of the deceased contributor in her care;
- at the same rate, if she is disabled within the meaning of the legislation at the time of the death of the contributor or subsequently becomes disabled after his death, but before she reaches age 65;
- at the same rate, if she is between 45 and 65 years of age when the contributor dies;
- at a reduced rate, if she is between 35 and 45 years of age when the contributor dies, if she has no dependent or disabled children of the deceased contributor in her care and is not disabled herself—the reduction being equal to 1/120 of the full rate pension for a widow under age 65 for each month by which the widow is under age 45 at the date of her husband's death; or
- at the full rate for a widow of 65 years of age or more, regardless of the date of the death of the contributor.

Table 111 shows these monthly rates depending on the deceased contributor's adjusted pensionable earnings.

### Orphans' Benefits

Following the death of a qualified contributor, orphans' benefits are payable on behalf of his dependent children, normally up to age 18. Where the dependent child is attending a school or university full-time, payment may be continued or the benefit made payable for the first time to that dependent child, up to age 25. As of 1971, the rates are equal to \$27.60 a month for each of the first four dependent children, and \$13.53 a month for the fifth and each additional dependent child. The total is divided equally among them, so each dependent child receives the same amount.

### Disabled Widowers' Pension

A disabled widowers' pension may be made payable to the disabled widower of a deceased female contributor who has contributed to the Plan for at least the minimum qualifying period, provided the widower is disabled, was disabled at the time of death of his wife, and was wholly or substantially maintained by her immediately before her death. The rates for disabled widowers' pensions are the same as the full rates shown in Table III.

### Death Benefit

Following the death of a qualified contributor, a lump-sum death benefit equal to six times his actual or imputed

monthly retirement pension is payable to his estate. This benefit, however, is subject to a maximum of 10 per cent of the Year's Maximum Pensionable Earnings, so the maximum death benefit payable for a death which occurs in 1971 is equal to \$540.

### Cost-of-Living Adjustments

All benefits in pay under the Canada Pension Plan are adjusted upwards, annually, if there is an increase of between one per cent and two per cent in the Pension Index, which is created for this purpose and is based on the cost of living.

### Portability

The rights to benefits acquired under the Plan are portable. If you change jobs, the rights go with you. Also, if you move to the province of Quebec, your record of earnings and contributions under the Canada Pension Plan will be merged with that compiled under the Quebec Pension Plan and you or your family will receive the same benefits as if you had been covered under one Plan all the time. The reverse is also true.

### Appeals

The Canada Pension Plan gives all contributors, applicants and beneficiaries the right to appeal dissatisfactions with the various decisions made under the legislation.

## CANADA PENSION PLAN

### C.P.P. MONTHLY RETIREMENT PENSIONS (a)

TABLE I

Yearly Adjusted Pensionable Earnings (b)	\$1200.00	\$2400.00	\$3600.00	\$4800.00	\$5300.00	\$5400.00
Monthly Adjusted Pensionable Earnings (b)	100.00	200.00	300.00	400.00	441.67	450.00
Your Monthly Retirement Pension if you retire and it commences in January.						
1971	12.50	25.00	37.50	50.00	55.21	(c)
1972	15.00	30.00	45.00	60.00	66.25	(c)
1973	17.50	35.00	52.20	70.00	77.29	78.75
1974	20.00	40.00	60.00	80.00	88.33	90.00
1975	22.50	45.00	67.50	90.00	99.38	101.25
1976 and thereafter	25.00	50.00	75.00	100.00	110.42	112.50

#### Notes for Table I

- (a) The Old Age Security pension of \$82.88 monthly has not been added to the retirement pensions shown in Table I.
- (b) Before calculating your average pensionable earnings, your actual pensionable earnings are adjusted in relation to the average of the Year's Maximum Pensionable Earnings for the year in which the pension becomes pay-

able and the Maximums for the two preceding years.

- (c) The last column in Table I shows maximum retirement pensions payable under the Plan. In 1971 and 1972, however, the average maximum adjusted earnings, on the basis of 1971 figures, would be less than \$5,400 a year, or \$450 a month. Therefore, a pension calculation in the last column of Table I is not applicable for the years 1971 and 1972.

### C.P.P. MONTHLY DISABILITY PENSIONS

TABLE II

Yearly Adjusted Pensionable Earnings (a)	\$1200.00	\$2400.00	\$3600.00	\$4800.00	\$5300.00
Monthly Adjusted Pensionable Earnings (a)	100.00	200.00	300.00	400.00	441.67
Projected Full Monthly Retirement Pension	25.00	50.00	75.00	100.00	110.42
Monthly Disability Pension (\$27.60 plus 75% of Full Retirement Pension)	45.81	64.56	83.31	102.06	109.88

#### Notes for Tables II and III

- (a) See note (b) in the Notes on Table I.
- (b) Although the Year's Maximum Pensionable Earnings for 1971 equals \$5,400 a year, or \$450 a month, the maximum adjusted pensionable earnings on which a disability pension would be based in 1971 could not exceed \$5,300 a year, or \$441.67 a month. See note (b) in the Notes on Table I. The average mentioned would thus be equal to \$5,300, calculated by averaging the Year's Maximum Pensionable Earnings for 1971, 1970 and 1969 (i.e. \$5,400, \$5,300 and \$5,200, respectively).

- (a) See section entitled "Orphans' Benefits" for the amounts of orphans' benefits payable in addition to the widows pension.
- (b) See note (b) in the Notes on Table I.
- (c) See note (b) in the Notes on Table II.
- (d) If a widow is 65 or older and qualified for Old Age Security, that pension would also be payable in addition at the rate of \$82.88 a month.

## C.P.P. MONTHLY WIDOWS' PENSIONS (a)

TABLE III

Yearly Adjusted Pensionable Earnings of Deceased Contributor (b)	\$1200.00	\$2400.00	\$3600.00	\$4800.00	(c) \$5300.00
Monthly Adjusted Pensionable Earnings of Deceased Contributor (b)	100.00	200.00	300.00	400.00	(c) 441.67
Full Monthly Pension for a Widow under age 65	35.91	45.28	54.66	64.03	68.47
Full Monthly Pension for a Widow 65 years of age or more (d)	15.00	30.00	45.00	60.00	66.25

## WORKMEN'S COMPENSATION BENEFITS BY PROVINCE 1971

Province	Maximum yearly earnings	Maximum weekly compensation*	Monthly pension** to widow	Monthly pension per child	Monthly pension to orphan child
	\$	\$	\$		
Newfoundland	6,000	86.54	100	\$35 to age 16- to 21 if in school.	\$45
Prince Edward Island	6,000	86.54	100	\$25 to age 16- to 21 if in school.	\$35
New Brunswick	6,000	86.54	100	\$25 to age 18- to 21 if in school.	\$50 to 21 if in school
Nova Scotia	7,000	100.97	115	\$38 to age 18- to 21 years if in school.	\$45 to 18 or to 21 years if in school
Quebec	6,000	86.54	104.04	\$36.41 to age 18 or in school.	\$57.22
Ontario	9,000	129.81	175	\$60 to age 16 or in school.	\$70
Manitoba	6,600	95.19	120	\$45 to age 10—\$50 to 16 years.	\$55 to 10 years—\$60 to 16 years
Saskatchewan	6,600	95.19	127.50	\$60 after if in school.	\$70 after if in school
Alberta	6,600	95.19	110	\$50 to age 16, to 21 if in school	\$65
British Columbia	600	109.62	140.19	\$50 to age 16 and \$55 up to 21 years while in school.	\$50
				\$48.77 under 16—\$54.86 16 to 18 if in school; \$60.96—18 to 21 if in school.	\$54.86 under 16 \$67.05 if in school

\* Waiting periods vary from one day in most provinces, to 4 days in New Brunswick.

\*\* In addition to monthly pensions, provincial boards provide widows with:

(a) lump sum payments ranging from \$200 in Nfld. and N.B., \$250 in B. C. and N.S.; \$300 in Sask. and Alta.; \$400 in P.E.I.; to \$500 in Que, Ont. and Man.

(b) funeral expenses ranging from \$300 to \$600.

SOURCE: Information supplied by Canada, Department of Labour, Accident Prevention and Compensation Branch.

SOURCE: Poverty in Canada, Special Senate Committee on Poverty, Information Canada, Ottawa, 1971; p. 29.