

**Consequences of Debt Reduction: The Social Sector**

**for**

**The Canadian Association of Business Economics: CABA NEWS.**

**Winter 1994**

20 December 1993

Professor Gayle Gilchrist James, RSW (Alberta)  
The University of Calgary  
Faculty of Social Work (Edmonton Division)

"The challenge facing provincial governments will be to reconcile the preferences of Canadians in areas such as health care with the requirement to rein in deficits and debt."

Theresa M. Chandler,  
Toronto Dominion Bank

Historically, Canada's social programs were the product of the generations who, having suffered the ravages of The Great Depression and World War II, vowed to share the common risks of life, and to establish a minimum standard of living below which no citizen should fall. What evolved, usually incrementally, was what we and other industrialized democracies came to call "the welfare state". Contrary to the allegations of some, the welfare state "is not socialistic; rather, it involves governmental expenditures and the use of fiscal policy to adjust aggregate demand to the productive capacity of the private economy" (Greenwald, 1983:496).

Canada's social programs are verging on a state of crisis for four interrelated reasons:

- increasing costs (and myths about the magnitude of that increase) in a time when economies are being restructured globally;
- lack of a commonly-shared knowledge base about the programs themselves and that all Canadians are consumers of social programs, in larger or smaller measure;
- the relatively lower status ascribed to social development vis-à-vis economic development and;
- an almost total lack of public consultation on social programs, on the part of federal and provincial governments, coupled with the national government's recent propensity for devolving responsibility to provincial governments.

### **Increasing Costs**

It is important to know that Statistics Canada includes in its definition of "social programs" a wider list of services than many may realize: protection of persons and property; health; social services; education; recreation and culture. Using this definition, expenditures on social programs (in 1990 dollars) rose from \$175,640 billion in 1990 from \$155,990.6 billion in 1985; put another way, social programs as a percentage of total government expenditures rose to 56.7% in 1990 from 55.8% in 1985 (Statistics Canada, Autumn 1993:35). As a percentage of the Gross Domestic Product, social expenditures were at 26.3% in 1990 and 26.2% in 1985 (Ibid). While these figures are not as alarming as one might have predicted, they do not lend themselves to complacency, either. The persistence of unemployment (11.3% in 1992), part-time employment (16.8%), and underemployment are far from the "ideal" unemployment rate of 3% that social policy experts aimed for in the Fifties and Sixties (the fifteen-year unemployment low was 7.4% in 1979), when our social programs were being developed. Further, the "greying of Canada" is already upon us, and Old Age Security/Guaranteed Income Supplement (OAS/GIS) beneficiaries, who numbered approximately 2.3 million in 1979 had risen closer to 3.2 million by 1992 (Statistics Canada, Winter 1986 and Autumn 1993). This trend will continue.

### **Support for Social Programs**

Social programs and social development, in comparison to economic development, enjoy mixed reviews. Government ministers signing bilateral trade agreements typically receive more media coverage, for example, than Martin Connell's Calmeadow Foundation helping low-income people in Canada and abroad

become self-supporting through a myriad of small community development projects. The ascribed status within the social program network is often dichotomous: Family Allowance was "good" and came to be "bad"; Old Age Security is "good" except when it is viewed as cumulatively passing-on to the next generation a burden of debt; unemployment insurance was "good" but when it came to be considered a form of welfare was, like welfare, seen as "bad"; health care is consistently portrayed as "good" although unidentified persons are considered to be "abusing the system" and inflating its costs. The fact remains that our array of social programs have succeeded, in large measure, to cushion the hazards of living in a society that is committed to a (modified) free enterprise and competitive society while privately recognizing that those who begin ahead clearly stay ahead. The middle class have been the greatest beneficiaries of Canada's social programs, perhaps not because they have been more needy but merely because they have been more numerous. Their anxiety now, in unpredictable times, is that they can now conceive that when they may need to avail themselves of social programs, to which they have long contributed, that they won't be there. And, given the (generic) average Canadian's understanding of social policy and provisions, the response will not be rational but, rather, one that conveys a sense of betrayal related to the breaking of the social contract.

### **"Social Policy by Stealth"**

This term was coined by the Executive Director of the Caledon Institute of Social Policy, Ottawa (Battle, 1993). It, and its equivalent, "the politics of stealth" (personal communication), refers to "the skilful (sic) use of complex technical mechanisms to make major but typically hidden changes that generally escaped media scrutiny and public attention - the Conservatives altered the very foundations of Canada's social programs" (Battle 1993). Some recent examples of "social policy by stealth" may be illustrative:

- The funding of health care, extended health care, universities and community colleges, via the Established Programs Financing Act, originally a 50:50 cost-shared proposition between the federal and provincial governments, through a series of formulae became, in 1986, a funding arrangement confined to 1986 costs plus the growth in the Gross National Product minus 2%, followed (1989) by GNP growth minus 3%, and a freeze in 1990-91 to the end of 1994-95. The combination of a net decline in GDP in 1990 and 1991 and an inflation rate of 4.8% and 5.6%, respectively, has led us to a scenario of which the bulk of Canadians are unaware. As the National Council of Welfare (Spring 1991) put it, "our forecast shows the last federal cash for Medicare and post-secondary education in the fiscal year 2008-2009 - - a token payment of \$238,000 to (the) Yukon."
- In 1990-1991, without warning, the federal government decided to place a 5% cap on the Canada Assistance Plan (another 50:50 cost-shared program) for three "have" provinces (Ontario, Alberta, and BC). This program has, since 1966, covered such "welfare" costs as child welfare protective services, care for foster and adoptive children and the social service personnel who work with them, aids-to-independent-living, vocational rehabilitation, counselling, and public assistance. Half of Canada's poor live in the aforementioned provinces, however.
- Alberta, having collected the monthly deductions for pensions from the cheques of its civil servants (including academics and others in a variety of professions), parked the money in general revenues, and apparently lost it. In addition to pension deduction increases to make-up the large shortfall, the government apparently proposed (and had accepted by the leadership of the affected parties) an incredible shift in pension benefits. Effective January 1, 1994, future pensioners will discover that the old formula for pensions (average of best 5 years x 2% x years of service) has been modified to 1.2% on the first \$33,400; the 2% kicks-in only for higher income earners, who also stand to benefit additionally from the increased federal RRSP limits. This is a two-tiered pension system of which most of its future recipients are totally unaware...

but it does ensure that the inequities generated are systemic (the average civil servant, who makes \$27,000 p.a., certainly won't have to be concerned about making RRSP contributions).

Just as in law, the practice of democracy requires informed consent. The above examples (and there are many more), do not meet the test of "informed consent" and more than warrant Battle's diagnosis of "social policy by stealth".

## **Conclusion**

Social spending has grown out of proportion to federal revenues. That our debt crisis may be, in fact, a revenue crisis related to the increasing non-progressivity of our tax system is a worthy debate, in a country which encourages high levels of RRSP contributions and permits a \$100,000 lifetime capital gains provision, while expecting welfare recipients in Alberta to live, individually, on \$394 per month. Tax reforms "over the past nine years have increased the tax burden to the working poor by 44 percent, but only by 6 per cent for upper-income people" (Kapica, 1993), and Canada "ranks in the middle of industrial countries in terms of the tax burden it imposes" (Beauchesne, 1993).

Meanwhile, seniors who paid an ear-marked tax, 1952-1972, to build the Old Age Security fund, fear a clawback of their modest incomes (40%, mostly women, qualify for the GIS, and only about 5% have incomes over \$50 K per year). And child poverty, which we failed to eradicate during "the good times", has reached the level of 1.2 million children under the age of 18 years, a legacy with which we shall have to live all the rest of their lives. It is little wonder that the Economic and Social Council of the United Nations (10 June 1993) expressed, in its incredibly tactful language, its dismay that welfare incomes are below the poverty line in Canada, that some families relinquish children they can no longer afford, that homelessness and the presence of food banks are features of Canadian life, that there "is evidence of hunger in Canada...." and that they are concerned "about the persistence of poverty in Canada".

In a society where vehicles of challenge are even fewer, with the cancellation of the Canadian Law Reform Commission, and of the Court Challenges Program, one feels that, often, disagreement with public policy is viewed as a peculiar disloyalty... and even silence is viewed as dissent.

Six years ago, this writer wrote a note to herself, about the full catastrophe of what it meant to be poor in North America; I wish I didn't believe it today:

Poverty is an end product. It results from a complex set of interactions and transactions including, but not limited to, our economic system (including our system of taxation), our philosophical ideas about the nature of work and the nature of employment our inconsistent support for the notions of equality and equity between men and women, the importance/non importance of children in our culture, and our conceptions of who does and who does not "deserve" assistance.

Professor Gilchrist James, Associate Professor, The University of Calgary, Faculty of Social Work (Edmonton Division), is a Past President of the Alberta and Canadian Associations of Social Workers, and of the International Federation of Social Workers. A former Chair of the National Council of Welfare (1986-1989) who was appointed by The Honourable Jake Epp, she is currently a Board Member of the Canadian Research Institute for Law and The Family.

## Notes

Battle Ken. The Coming Crisis in Social Spending, First Reading. Alberta's social issues magazine, Edmonton Social Planning Council, Volume 11, No. 5, December 1993, pp. 6-7. It should be noted that prior to Mr. Battle's employment with the Caledon Institute (circa February 1992), a private non-profit organization funded by the Maytree Foundation (Toronto) and specializing in social policy research and analysis, he was for some fifteen years The Director of The National Council of Welfare, where he established an outstanding national reputation in the same field.

Beauchesne Eric. Provinces ahead of Ottawa in raising taxes, study finds, Edmonton Journal. 6 October 1993, A-1. Drew Fagan, Tax promises hard to keep, Globe and Mail, 31 August 1993, A6, makes essentially the same point. So, likewise, does (even) Jeffrey Simpson, It wasn't a socialist shopping binge that gave the country a hangover, Globe and Mail, 9 February 1993, A 16.

Chandler Theresa M. Restructuring: The New "R" Word, CABE News, Fall 1993, p. 1.

Dobbin Murray. Is Canada's debt crisis really a revenue crisis? Globe and Mail, 6 April 1993, A 15.

Greenwald Douglas. (1983). The McGraw-Hill Dictionary of Modern Economics. (3rd ed). New York: McGraw-Hill.

Kapica Jack. Churches assail Tories, Globe and Mail, 13 October 1993, A6.

National Council of Welfare (Spring 1991). Funding Health and Higher Education: Danger Looming. Ottawa: Supply and Services, Government of Canada.

Statistics Canada. Social Indicators, Canadian Social Trends, Autumn 1993, Catalogue 11-008E.

Ibid. Winter 1986, Catalogue 11-0087, p. 35.

United Nations (Economic and Social Council, Committee on Economic, Social, and Cultural Rights). Consideration of reports submitted by states parties under Article 16 and 17 of the Covenant... concluding observations of the Committee... Canada. Vienna: United Nations, 10 June 1993 (meeting held 27 May 1993), p. 3.