

NOTES FOR A STATEMENT ON SOCIAL POLICY
BY THE PRIME MINISTER OF ONTARIO

1. We are anxious to proceed on agreements reached at this Conference as quickly as possible. Therefore we attach no pre-conditions to our agreement to other items on this agenda. We believe that income security, moreover, must be discussed in the light of other subjects - tax reform, tax sharing and the distribution of powers generally. We are a little concerned about separate aspects of an income security being compartmentalized in a constitution.
2. In the field of social policy, Ontario strongly supports the concept that a much more integrated approach should be taken to the planning and administration of income security programs than has been taken in the past. The core of our position has been that income security and income redistribution policy should be an integral part of taxation policy. Through a system of tax credits, it would be possible to guarantee minimum family incomes and make adjustments for size of family or age in the context of a total policy on income redistribution.
3. Obviously not all aspects of social security can be handled through a tax system. Some specific programs will undoubtedly have to be provided for separately.
4. Through a much greater integration of income security policy with the tax system, Ontario believes that much of the constitutional problem relative to income security can be avoided. Basic income guarantees can be built into the Canada-wide income tax system. Provinces could then supplement this or develop programs suited to their own needs and priorities through their own legislative action, or through their own tax system.
5. We have said that in discussion on the distribution of powers in Canada, we should be moving towards a more decentralized federation. Ontario has not in the past pressed for decentralization in the field of social policy but we recognize the

emphasis and concern of the Government of Quebec in this field. We have also become much more aware through our work on tax reform, of the close inter-relationship between income security programs and the total shape of a government's taxation structure. We believe that it should be made possible for provinces to devise their own integrated income security programs which will permit considerable variation in benefit levels and priorities of programs among the provinces, all to be built on a minimum country-wide base.

6. We believe that a safeguard is necessary to prevent the federal government from using its spending and fiscal power to set such high national benefit standards that provincial programs may be distorted and work incentives sharply reduced. This has happened, for example, in the field of manpower training allowances, and provincial paramountcy may be the best means of ensuring compatibility with other programs.
7. Two of the program areas within the income security field, unemployment and retirement insurance, have a relationship between contributions and benefits which makes interprovincial compatibility and portability of benefits essential. We would favour retaining federal jurisdiction in the unemployment insurance field, on the understanding that sickness, maternity and other supplementary benefits are not strictly unemployment insurance and should be integrated with provincially-designed programs, if a province so desires. With regard to retirement insurance, we would be prepared to see the provisions of 96A modified by a clause that legislation developed by either level of government, must be designed in such a way as to ensure transferability of benefits among provinces.

8. We believe that intergovernmental coordination is vitally important for the effective operation of programs in fields of concurrent jurisdiction such as income security. We would be quite prepared to have a clause in a revised S4A which would not only provide for advance consultation by the federal government in advance of the introduction of legislation, but also for federal-provincial consultation in advance of substantive new provincial legislation.
9. Ontario recognizes the fear that has been expressed by some governments that provincial paramountcy in income security programs will dangerously erode the fiscal power of the federal government. We do not fully share this concern. We believe that fiscal policy can be properly controlled by the federal government with a smaller share of the tax base than it now has. We do not believe that the major program of old age security should be taken over by the provinces. The major virtue to Ontario of the Quebec proposal insofar as it relates to concurrent jurisdiction with provincial paramountcy in family allowances is the opportunity created for integration with other provincial programs and not the transfer of large financial programs. We see a number of problems related to the fiscal equivalence section of the Quebec proposal which we do not think have been completely thought out.
10. Income security is just part of a much broader field. We must discuss it in conjunction with distribution of powers generally, tax reform (after Mr. Benson's budget) and tax sharing. We think the subject should be on the agenda of the next meeting at which time it could be discussed in a broader context.