

BRITISH COLUMBIA'S PROPOSALS

ON

INCOME SECURITY AND SOCIAL SERVICES

PRESENTED TO THE

CONSTITUTIONAL CONFERENCE

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Presented by the Honourable W.A.C. Bennett, Premier and Minister  
of Finance of British Columbia.



## Income Security and Social Services

British Columbia has always recognized and continues to be concerned with the great disparity that exists between the average personal incomes of many Canadians. If we are to have a strong and united country from coast to coast, then we must reach down and bring those materially-less-fortunate Canadians up to at least minimum level of economic well-being.

Recognizing this need, in 1957 the Federal Government introduced a system of equalization payments whereby large sums of money were paid to the so-called "have not" provinces which were designed to place all provincial governments on a comparable footing with respect to per capita receipts. These payments for the 1968-69 fiscal year alone are estimated to have been \$588,719,000.

I suggest that after twelve years of equalization payments to certain provincial governments, it is now apparent that this system has failed to produce the desired results.

In my view, equalization of provincial government revenues is unfair. Although it is designed to equate provincial government revenues on a per capita basis, it fails to take into account the differences that exist between provincial government costs from province to province to provide a given amount of services. In those provinces where costs of providing government services are highest (because of wages and general cost structure) per capita government revenues should also be higher. The present system of provincial government equalization payments fails to take this factor into account.

Moreover, in my view, equalization of provincial government revenues has to a large extent been a failure

in accomplishing any significant comparable improvement in raising the level of incomes and the standards of living of those many Canadians whose income falls below the national average. It has been a complete failure in raising the level of personal incomes in Canada for the very basic reason that it provides payments to certain provincial governments whereas what is needed are payments to people.

What we need is to raise the level of incomes to persons of low income by direct payments to those persons. That is why I have been advocating for a number of years (at first like a voice crying in the wilderness) that we give serious consideration to establishing a guaranteed annual income through the use of the negative income tax. That, together with the establishment of a minimum wage by category throughout Canada would act as a catalyst to the initiative of low income Canadians wherever they might be in Canada to go on to develop their skills and to improve their lot and that of their families by their own efforts. If that were to be done, provincial government revenues in the so-called "have not" provinces would reflect directly and dramatically this fiscal transfusion at the individual's level.

Not only should equalization payments to certain provincial governments be abolished in favour of a guaranteed annual income plan but a guaranteed annual income plan would replace existing so-called "welfare programs". The vast amount of money that is being spent to administer a multiplicity of programs and the bureaucracy that has developed at all levels of government in this area is staggering to contemplate. The point is well stated in a recent article on the United States welfare system appearing in Fortune magazine:-

" Seldom has a nation governed by rational men created an institution so erratic in its operation, and so perverse in some of its social effects as the U.S. welfare system. In a period of prolonged prosperity and shrinking poverty, welfare payments have zoomed past the \$5-billion-a-year level. About nine million Americans are now on some form of the dole - the largest number since the great depression of the 1930's. Yet some of the most deserving poor have received no help at all; the rules work to exclude them. And for those it does cover, the system appears to be counterproductive. It has done almost nothing to rehabilitate people and put them to work, and far from promoting the cohesiveness of family life, it has tended to encourage the breakup of families, with particularly disastrous results in the Negro slums. Along with these effects, the welfare system - an amalgam of state and local programs operated with matching federal aids - is an unbelievably administrative mess, with standards differing widely from place to place. Complicated by mountains of paper work and millions of annual house-to-house calls, administrative overhead amounts to about 10 cents for every dollar that is paid to the poor."

We have the same situation in Canada. For the 1968-69 fiscal year a total of \$4,159,396,000 will have been spent on welfare in Canada in all its forms by municipal, provincial and federal governments. That figure amounts to over 6% of the Gross National Product, or almost 15% of total government expenditure in Canada.

Mr. Prime Minister and gentlemen, it is time for a full and complete study to be made jointly by both levels of government to consider the establishment of a comprehensive program to replace the present programs. I know the Federal Welfare Minister has initiated three task forces to consider certain aspects of this subject but what I am suggesting is a study far more basic and far-reaching in its scope - one which would not be bound by the strictures of any preconceived points of view - one which would study all alternatives to the present system and consider in depth my proposal of a guaranteed annual income with all its

implications. We need a whole new system to provide for rehabilitation and human betterment. A system void of duplicity of services with uniformity of standards from place to place, designed to rehabilitate people and bring low income Canadians into the main stream of economic life in Canada.

I suspect that such a study would show that the establishment of a guaranteed annual income plan would be less costly in terms of the relevant benefits to be achieved than the present cumbersome proliferation of payments of all kinds.

Mr. Prime Minister, I suggest that a Royal Commission should be initiated by the Federal Government. It should be in consultation with the provinces because the free movement of Canadians from province to province makes these matters of national importance. Such a Royal Commission would enquire into and consider to the full all aspects of these matters with a view to establishing a guaranteed annual income plan if the study finds it feasible to do so, in place of equalization payments to certain provinces and present welfare programs. Provincial participation in such an inquiry would be welcomed by British Columbia.

Until such an inquiry is made and its findings given careful study, it is premature to suggest what the distribution of powers in a revised Constitution should be on the subjects of Income Security and Social Services.

And so, it is in that light that British Columbia views the Federal proposals on this subject which were made known to the provinces such a short time ago and with insufficient time to study their significance. This much is sure that the Federal proposals would result in an increase in Federal jurisdiction at the expense of the provinces but the

significance and the extent of the increase cannot readily be determined until careful analysis by the provinces has taken place.

Quite apart from a careful analysis of the Federal proposals I would suggest that the findings of a Royal Commission along the lines that I have suggested would go a long way toward answering the question as to what level of government can best, from a functional point of view, deal with these tremendously involved subject matters.