CHAPTER I

THE SOCIAL SERVICES

In 1937 the total expenditures of all governments in Canada on social welfare, exclusive of education and war pensions and after-care, exceeded $250 million. This was more than one-fourth of the total expenditures of all governments (Dominion, provincial and municipal) on current account. In 1867 the total welfare expenditures of all governments was about $1 million, and even as late as 1921 the total was little more than $36 million. Although the total reached $83 million in 1930, the greatest increase occurred in the next five years when the expenditure was tripled; it has remained around this level ever since. This enormous increase in expenditures for functions hitherto regarded as almost wholly the responsibility of the provinces (and their municipalities) has been primarily responsible for the breakdown in the fiscal independence of many municipalities and certain provinces during the past decade. Nor can the breakdown be considered merely a temporary phenomenon. Although "relief" costs may be cut with the return of "better times", the rise of other welfare expenditures and their probable increase in the near future, and the contingency of recurring crises in employment, has rendered precarious the fiscal position of many municipalities and all provinces. A redistribution of the burdens of social welfare has thus become of paramount importance.

We shall first examine the factors which have made the present division of social welfare functions and responsibilities untenable, and then set forth our recommendations.

1. THE DISPARITY BETWEEN JURISDICTION AND FINANCIAL RESOURCES

The Existing Division of Jurisdiction.—The British North America Act does not impose any obligations to provide welfare services either upon the provinces or upon the Dominion; it merely divides the field of legislative power. With an exception for the criminal law (which falls within the legislative jurisdiction of the Dominion but is administered by the provinces) the underlying assumption of the Act is that legislative jurisdiction carries with it complete discretion as to policy, complete financial responsibility, and complete control of administration. But the Act is far from clear in the matter of jurisdiction over social welfare, and judicial interpretation has failed to remove obscurities. In the main it has been assumed that social welfare functions fall to the province by implication from its express and exclusive jurisdiction over "Asylums, Charities, and Eleemosynary Institutions in and for the Province", "Property and Civil Rights in the Province", "Municipal Institutions in the Province", and "Generally all Matters of a merely local or private Nature in the Province". On the other hand, it has been assumed that the Dominion's exclusive jurisdiction over Indians, militia and defence, and over certain phases of public health (which will be discussed later), and its concurrent jurisdiction with the provinces over immigration, imply a limited jurisdiction for welfare purposes over the special groups involved. But in general, provincial jurisdiction over social welfare and hence responsibility for policy and finance, has been deemed a basic feature of the Act, and any Dominion jurisdiction merely an exception to the general rule of provincial responsibility.

Social Changes 1867-1930.—The discrepancy between this division of jurisdiction and the fiscal capacity of the provinces was not apparent at Confederation. The British North America Act was framed in an era when social welfare was a relatively minor function of government. In 1867 over 80 per cent of the population was rural, living in farm-village communities. In such a society mass unemployment and mass destitution were unknown; welfare problems consisted in caring for weak or unfortunate individuals rather than for large dependent groups. The care of the individual was a function of the family, which, because of its economic self-sufficiency, was ordinarily competent to carry the load, as well as to meet the
economic vicissitudes of the family group as a whole. When the immediate family group failed, relatives, neighbours, private charity, or religious organizations, could be relied on for assistance. The welfare activities of the state were limited to occasional assistance in the form of poor relief by municipal or local authorities, and to regulation of private charitable organizations.

The self-sufficiency of the family gradually declined with the progress of the industrial revolution, which had already begun in 1867, and with the development of an integrated, national economy. But the continent was undergoing an expansion unparalleled in history. The opening of the American West after the Civil War, the industrial expansion of the East, and later of the Great Lakes States, made the United States a magnet for young Canadians for sixty years after federation. The opening of the Canadian West, and the remarkable period of expansion which set in after the turn of the century, were no less important in draining off surplus population from older Canada, especially from its rural areas. The immigrants who poured into Canada during this period were predominantly young and able-bodied, accustomed for the most part to a low and precarious standard of living and expecting no assistance from the state. Thus, despite the widespread decline in family self-sufficiency, the need for state social services did not become apparent before the Great War. Public health services had been considerably expanded but the problem of indigency was still almost wholly a problem of caring for isolated individuals (the aged, the orphan, the dependent widow, the temporary unemployed). Private charitable organizations, often with religious affiliations, had developed extensively and were assuming much of the burden of caring unemployables hitherto borne by the family. This was especially the case in Quebec where the Church has long played an important role in welfare services. Municipal or county poor relief services had become general in the old provinces but they were still not costly. In an expanding economy with free land suitable for settlement and an open door for emigrants to the United States, mass unemployment was still unknown.

But by 1913 the economy had developed some serious weaknesses. The cessation of railway expansion about 1913 threatened a mass unemployment problem for the first time, especially in the over-expanded construction industry, the new steel industry, and other industries geared to railway expansion. The slack, however, was quickly taken up by the War both through enlistment and the industrial boom consequent on the War. Moreover, the agriculture which had developed in the Prairie West was of a quite different type from that of Eastern Canada; it was dependent almost wholly on external markets, and it was one-crop agriculture, subject to the whims of nature. It lacked the self-sufficiency of eastern agriculture resulting from diversification and the receipt of a large income in kind. Compared to the rural areas of the older provinces, the family and rural community of the Prairie West were far less self-reliant, far less able to care for the economically dependent in time of economic distress.

The Great War precipitated the assumption by the state of many new social functions. Widespread community efforts, both public and private, developed for the care of dependents of members of the armed forces. Mothers' allowances also began during the period. The problem of re-employment of over half a million former soldiers led to the development of provincial employment agencies, and Dominion efforts to co-ordinate these by a system of grants-in-aid. A sharp but short depression following the post-War boom created a problem of mass unemployment for the first time in Canada. The inability of local authorities to cope with it, and the fact that many of the unemployed were returned soldiers, led the Dominion to assist municipalities by small grants-in-aid. A brief interest in municipal housing, assisted by senior governments, developed. But mass unemployment was regarded as a temporary phenomenon, and no steps were taken to set up any permanent organization (other than co-ordination of provincial employment offices) for dealing with it. The Dominion also embarked on costly services for pensions, and for the rehabilitation, medical after-care of former members of the armed forces. Finally, for the first time the Dominion became interested in the provision of public health services hitherto regarded as exclusively a provincial (and municipal) matter. A Dominion Department of Health was established primarily to co-ordinate provincial health activities, and a system of grants-in-aid to the provinces for
the suppression of venereal diseases was established.4

The expansion of the 1920's increased the vulnerability of the social structure, but at the same time hid the social changes. Industrialization proceeded apace, with its attendant specialization, growth of one-industry towns, and increasing numbers of wage-earners. Urbanization was increasing rapidly, and especially the growth of large metropolitan areas with their "dormitory" suburbs. Wheat production in Western Canada expanded in response to renewed European demands for wheat and the absence of Russia from the export market. Meantime provincial and municipal budgets were expanding rapidly, especially to provide motor highways and streets and greater educational facilities.

Social welfare, however, was becoming a highly significant item of public expenditure, especially in municipal and provincial budgets. As is evident from the following table the cost doubled between 1921 and 1930, the largest increases being in provincial and municipal expenditures:

**EXpenditures on Social Welfare by All Governments**

(Excluding relief and military pensions and after-care)

(Thousands of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>1913</th>
<th>1921</th>
<th>1926</th>
<th>1930</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipalities</td>
<td>8,161</td>
<td>18,786</td>
<td>20,686</td>
<td>28,285</td>
</tr>
<tr>
<td>Provinces</td>
<td>4,343</td>
<td>12,133</td>
<td>18,520</td>
<td>27,256</td>
</tr>
<tr>
<td>Dominion</td>
<td>2,617</td>
<td>4,411</td>
<td>5,093</td>
<td>7,598</td>
</tr>
</tbody>
</table>

**Old Age Pensions**

<table>
<thead>
<tr>
<th></th>
<th>1921</th>
<th>1926</th>
<th>1930</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provinces</td>
<td>—</td>
<td>—</td>
<td>6,132</td>
</tr>
<tr>
<td>Dominion</td>
<td>—</td>
<td>—</td>
<td>5,668</td>
</tr>
<tr>
<td>Total (excluding refunds)</td>
<td>15,121</td>
<td>35,218</td>
<td>43,294</td>
</tr>
</tbody>
</table>

* See Book III, Table 10.

Apart from old age pensions the principal increases in provincial expenditures between 1921 and 1930 occurred in public health and hospitals, mothers' allowances, provincial institutions, and charity, the last of which more than doubled in cost between 1921 and 1930.

With one significant exception, old age pensions, the traditional division of responsibility for public welfare was not seriously challenged during this period. The proportion of old people in the nation had increased because of a falling birth rate, the slowing down of immigration, the continuous emigration of able-bodied workers to the United States, and increased life expectancy.5 Meantime self-sufficiency of the family group was declining. Combined with this was the indirect influence of the War. The death and permanent injury during the War of so many young able-bodied workers tended in the years following to leave to the state an increasing number of needy aged who would otherwise have been supported by their sons. The result was to increase steadily the burden of the municipalities and local governments for supporting the needy aged. Demands for old age pensions had been heard before the War, and they were renewed afterwards. The provinces with their limited tax resources hesitated, however, to embark on such a costly service. An urgent need had to be met and there had been no attempt to work out a contributory plan by which the younger people would provide for their own old age. Nor (owing to migration from province to province) could any one province have conveniently managed such a system. In 1927 the Dominion accordingly came to the aid of the provinces by offering to pay half the costs of pensions for needy aged up to a fixed maximum, the provinces to supply, and pay for, administration. The Western Provinces and Ontario quickly accepted the offer. In 1930 the Dominion's share was increased to 75 per cent to meet the case of the poorer provinces. The Maritime Provinces and Quebec shortly came under the scheme. Thus, without acquiring additional jurisdiction, the Dominion assumed heavy financial responsibilities for a costly function regarded by the Dominion and the provinces alike as a provincial responsibility. But indirectly old age pensions were a boon to municipalities since they lifted an important indigent group from municipal budgets.

**CHANGES IN UPPER AGE GROUPS 1871-1931**

<table>
<thead>
<tr>
<th></th>
<th>1871</th>
<th>1911</th>
<th>1931</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of persons 70 and over per 1,000 population</td>
<td>21.2</td>
<td>38.3</td>
<td>33.2</td>
</tr>
<tr>
<td>Number of persons 65 and over per 1,000 population</td>
<td>30.4</td>
<td>46.6</td>
<td>55.5</td>
</tr>
</tbody>
</table>

4 For growth of social services in greater detail see Appendix 5—Minville, op. cit.; Appendix 6—A. E. Grauer, Public Assistance and Social Insurance; J. A. Corry, Growth of Government Activities Since Confederation, (Mimeographed), Ch. VII.

5
The end of the boom of the 1920’s found a society profoundly altered from what it had been sixty years before. In 1871 over 80 per cent of the population was rural, but in 1931 scarcely more than 46 per cent; in 1871, 42 per cent lived on farms, but in 1931, only 26 per cent, and over one-third of those engaged in agriculture lived on the short grass plains of Western Canada where they were more vulnerable to climatic fluctuations and price changes than Eastern agriculture had ever been. In 1871 there had been only one city of 100,000 population or more and it included only 3.5 per cent of the population; in 1931, there were eight cities over 100,000 population and they included over 28 per cent of the population. While for 1871 the number of wage-earners is not known, by 1931 there were over 2,500,000, or almost two-thirds of all gainfully employed in Canada. But despite these and similar changes which indicated the development of a society highly sensitive to economic disturbances, Canada had not embarked upon an extensive program of social security similar to that of many European countries.

The economic collapse was followed immediately by mass unemployment and destitution on a scale unparalleled in Canadian history. The wage-earner thrown out of work had few reserves and no alternative source of income to cushion the shock of loss of cash income as had the village craftsman or farmer of 1867. Moreover, the United States was suddenly closed to immigration, while almost unnoticed the supply of free land suitable for agriculture had run out. The social problem was three-fold: mass unemployment of industrial workers; mass destitution in the wheat area of Western Canada due to crop failure combined with low prices; and a greatly increased number of unemployables becoming public charges because of the sudden inability of their relatives to care for them.

A detailed account of various relief measures is here unnecessary. It will be sufficient for our purposes to note the principal characteristics of the system, or lack of system, which developed for handling the relief problem. At the outset the problem was regarded as a municipal responsibility, and this assumption has coloured the whole system ever since. The burden was first undertaken by the ancient municipal machinery of poor relief, assisted by private charity. But unemployment relief and agricultural relief in Western Canada were quite different problems both in origin and in magnitude from municipal poor relief, and the machinery quickly broke down. Senior governments came to the aid of municipal and local governments by a system of short-term grants-in-aid, but the municipalities were left the responsibility of administration, including costs. All governments, however, regarded the situation as an emergency, and financial and administrative arrangements were hastily made on this assumption. Makeshift arrangements expected to be temporary have tended in the course of a decade to become permanent.

**Effect of Relief on Municipal Finances.**—The utter inability of the municipalities to carry the relief burden is evident from the fact that out of a grand total of expenditures of all governments on relief from 1930 to 1937 of some $965 million, the municipalities carried only some $154 million, or less than one-sixth, despite the persistent pressure upon them by senior governments. Moreover, the burden was very unevenly distributed. Unemployment was concentrated in metropolitan communities and one-industry towns, while agricultural relief was concentrated in the three Prairie Provinces, especially Saskatchewan. In 1935, for example, 53 per cent of the number on relief were concentrated in urban and metropolitan communities comprising some 32 per cent of the population, and the total direct relief costs in these communities were 75 per cent of the total for all Canada. In the same year 20.8 per cent of the total relief expenditures were incurred in the metropolitan area of Montreal which had only 9.6 per cent of the total population of Canada; 19.18 per cent were spent in the metropolitan area of Toronto which had 7.6 per cent of the total population; and 15.5 per cent in eight other Ontario urban areas with 7 per cent of the total population. The burden also often fell very unequally on different municipalities in the same region, and even within the same metropolitan community. Exclusive residential suburban municipalities escaped with virtually no additional relief burdens. Working-class municipalities, on the other hand, in many cases became completely bankrupt because of the huge load which suddenly fell upon them at the same time that real property values were shrinking and taxes on real estate were becoming increasingly difficult to collect. Many rural municipalities escaped any additional burdens.
On the other hand, many of the rural municipalities of Saskatchewan at times had close to 100 per cent of their total population on relief. Between 1931 and 1937 many municipalities, especially in Western Canada, were quite unable to carry their allotted shares of the load and senior governments were compelled to come to their aid by making the terms of grants easier, or by means of loans, or in both ways.

Even in cases where municipalities were able to carry their share of relief, it was often at the expense of upkeep of public works, education, and other services. Despite Dominion grants-in-aid for relief works, municipal capital expenditures fell far below normal, thereby increasing unemployment. Moreover, an undue load was frequently thrown on real property, the principal source of municipal revenues, at a time when income from real property had seriously declined and property values had been shattered. In an effort to collect back taxes many municipalities became loaded up with real property. In all municipalities where the tax burden on real estate had become unduly heavy, new construction and private enterprise were further handicapped, thereby tending to retard recovery.

Effect of Relief Expenditures on Provincial Finances.—The impact of relief upon provincial finances has been dealt with in Book I, and only the more obvious effects need be pointed out here. Without Dominion aid probably no province could have financed relief. Dominion aid, however, was apportioned largely on the basis of a percentage of costs, and substantial though Dominion contributions were, this system could not prevent great differences in the relief burden as between provinces and violent fluctuations of provincial costs from year to year.

PER CAPITA COST OF TOTAL RELIEF EXPENDITURES

<table>
<thead>
<tr>
<th>Province</th>
<th>1931</th>
<th>1932</th>
<th>1933</th>
<th>1934</th>
<th>1935</th>
<th>1936</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prince Edward Island</td>
<td>2.63</td>
<td>2.71</td>
<td>0.88</td>
<td>4.64</td>
<td>10.55</td>
<td>6.72</td>
<td>6.29</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>4.99</td>
<td>7.37</td>
<td>6.16</td>
<td>4.55</td>
<td>5.77</td>
<td>5.05</td>
<td>4.72</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>6.29</td>
<td>1.21</td>
<td>4.51</td>
<td>3.16</td>
<td>5.61</td>
<td>5.68</td>
<td>3.35</td>
</tr>
<tr>
<td>Quebec</td>
<td>2.20</td>
<td>6.47</td>
<td>7.49</td>
<td>10.55</td>
<td>8.67</td>
<td>11.44</td>
<td>9.83</td>
</tr>
<tr>
<td>Ontario</td>
<td>6.22</td>
<td>9.60</td>
<td>9.08</td>
<td>16.71</td>
<td>14.53</td>
<td>10.44</td>
<td>7.59</td>
</tr>
<tr>
<td>Manitoba</td>
<td>12.26</td>
<td>10.49</td>
<td>9.95</td>
<td>10.53</td>
<td>13.81</td>
<td>17.14</td>
<td>13.65</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>26.09</td>
<td>14.15</td>
<td>11.00</td>
<td>22.61</td>
<td>19.99</td>
<td>24.55</td>
<td>66.35</td>
</tr>
<tr>
<td>British Columbia</td>
<td>12.11</td>
<td>12.63</td>
<td>11.53</td>
<td>13.07</td>
<td>15.40</td>
<td>13.39</td>
<td>12.00</td>
</tr>
</tbody>
</table>

The staggering load, and the sharp variations as between provinces and from year to year are clearly illustrated by the following table which shows all relief expenditures made through provincial and municipal agencies as percentages of the joint provincial-municipal current revenues for the peak year 1930:

RELIEF EXPENDITURES BY PROVINCIAL AND MUNICIPAL GOVERNMENTS AS A PERCENTAGE OF CURRENT REVENUE FOR 1930

<table>
<thead>
<tr>
<th>Province</th>
<th>1930</th>
<th>1931</th>
<th>1932</th>
<th>1933</th>
<th>1934</th>
<th>1935</th>
<th>1936</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prince Edward Island</td>
<td>20.2</td>
<td>15.9</td>
<td>38.6</td>
<td>26.1</td>
<td>59.4</td>
<td>38.1</td>
<td>36.5</td>
<td></td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>16.3</td>
<td>23.1</td>
<td>21.2</td>
<td>15.7</td>
<td>20.0</td>
<td>17.8</td>
<td>16.8</td>
<td></td>
</tr>
<tr>
<td>New Brunswick</td>
<td>21.3</td>
<td>4.2</td>
<td>15.7</td>
<td>11.2</td>
<td>20.0</td>
<td>20.5</td>
<td>12.2</td>
<td></td>
</tr>
<tr>
<td>Quebec</td>
<td>15.0</td>
<td>16.4</td>
<td>19.3</td>
<td>27.7</td>
<td>23.1</td>
<td>30.8</td>
<td>26.8</td>
<td></td>
</tr>
<tr>
<td>Ontario</td>
<td>11.1</td>
<td>17.4</td>
<td>10.9</td>
<td>21.6</td>
<td>25.4</td>
<td>29.1</td>
<td>14.7</td>
<td></td>
</tr>
<tr>
<td>Manitoba</td>
<td>24.8</td>
<td>21.4</td>
<td>20.5</td>
<td>21.7</td>
<td>28.4</td>
<td>35.3</td>
<td>28.3</td>
<td></td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>57.9</td>
<td>31.9</td>
<td>24.7</td>
<td>50.8</td>
<td>44.9</td>
<td>54.7</td>
<td>50.2</td>
<td></td>
</tr>
<tr>
<td>Alberta</td>
<td>18.1</td>
<td>15.9</td>
<td>13.3</td>
<td>16.2</td>
<td>19.1</td>
<td>24.9</td>
<td>20.7</td>
<td></td>
</tr>
<tr>
<td>British Columbia</td>
<td>17.9</td>
<td>19.0</td>
<td>17.2</td>
<td>21.1</td>
<td>24.2</td>
<td>21.4</td>
<td>19.2</td>
<td></td>
</tr>
</tbody>
</table>

All relief expenditures through provincial and municipal agencies, including Dominion grants-in-aid (direct relief, relief works, and agricultural aid) are included, but relief expenditures made directly by the Dominion are not.

Efforts were made by all provinces to pare expenditures, and most noticeably in the case of the Western Provinces where other services such as education, road maintenance and conservation suffered seriously. All provinces made vigorous efforts to maintain and increase revenues by new or increased rates of taxation. Some provinces resorted to wage taxes, some to disguised forms of retail sales taxes, all increased gasoline taxes, and all increased taxes on corporations. But it was not until 1935 that total provincial tax revenues reached the level of those of 1929. Thus the provincial burden of relief during the worst years of the depression had to be met out of depleted revenues. The inevitable result was to compel the provinces to resort to deficit financing on a scale unparalleled in the history of the Dominion. During the years 1930-37 total provincial deficits on current account exceeded $300 million. The provincial share of relief during this period excluding charges to capital account of $200 million for provincial relief works, colonization and land settlement schemes, and relief advances to municipalities, amounted to more than $280 million or approximately 92 per cent of total provincial deficits on current account. The portion of provincial debt directly chargeable to relief mounted rapidly.

8 For discussion of taxation of real property see Section B, Ch. VIII.
The combined pressure of relief and depleted revenues destroyed, temporarily at least, the credit of the four Western Provinces and they were all unable for a time to meet their respective shares of the relief burden either out of current revenues or by borrowing. In consequence, loans had to be extended by the Dominion to the provinces concerned. In certain instances the provinces also were compelled to borrow from the Dominion the municipal share of relief and re-loan to the municipalities. This was particularly so in the case of Saskatchewan. Substantial loans and bank guarantees were also made from time to time to the Prairie Provinces to finance seed grain advances. The total of Dominion loans for relief purposes to the four Western Provinces from 1931 to 1937 was $125 million.† Large inter-governmental loans of this sort can scarcely be conducive to sound public finance either on the part of the Dominion or of the provinces concerned, however necessary they may have been under the circumstances. Repayment of inter-governmental loans in a federal system is always liable to give rise to political difficulties and serious friction, and especially so if prior collection from electors or subordinate bodies such as municipalities has to be made by the borrowing government.

The position of the Maritime Provinces and of Quebec in the later years of the depression should also be noted. These provinces, partly to provide work for unemployed, embarked upon extensive road construction programs during the later years of the period. Quebec also undertook an extensive land settlement scheme for the purpose of settling unemployed congregated in the cities. While these programs undoubtedly alleviated the problem of unemployment, the cost to the provinces concerned was very great and it tended to exhaust the credit resources of these provinces. It is impossible to assess the amount of these expenditures incurred for bona fide relief purposes as distinct from that for ordinary capital expenditures, but it is clear that the lessened credit reserves of all four Eastern Provinces have made it much more difficult for them to carry their present portions of the relief burden in the event of unemployment developing after their present capital programs on public works had been completed, or in the event of a recurrence of widespread unemployment from other causes.

It is thus clear that the burden of relief has seriously strained the credit reserves of at least eight of the nine provinces, and it would appear doubtful whether they can carry indefinitely even their present shares of relief burdens.

Increased Costs of Other Welfare Services.—Moreover, while relief was by far the largest item of welfare expenditures, the costs of other social services mounted rapidly, as is indicated by the following table:

<table>
<thead>
<tr>
<th>EXPENDITURES ON SOCIAL WELFARE BY ALL GOVERNMENTS†</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excluding relief and military pensions and after-care</td>
</tr>
<tr>
<td>(Thousands of Dollars)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
</tr>
<tr>
<td>Municipalities</td>
</tr>
<tr>
<td>Provinces</td>
</tr>
<tr>
<td>Dominion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OLD AGE PENSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provinces</td>
</tr>
<tr>
<td>Dominion</td>
</tr>
<tr>
<td>Total (excluding refunds)</td>
</tr>
</tbody>
</table>

†Note: This table in part overlaps with the table on p. 17, but is so framed for the convenience of the reader.

† Not including advances of some $29 million (net) during the same period to meet maturing obligations and interest.
spread and prolonged, the depletion of family reserves tending to throw the costs of medical attention, and support of widows, orphans, and the aged on the state. The result was to increase substantially the already over-burdened financial structures of the provinces and the municipalities.

Municipal Administration of Relief.11—Municipal administration of relief was far from satisfactory. Short-sighted economy, and lack of experience by the municipalities in many cases led to the entrusting of administration to an inadequate and untrained personnel with the result that inspection of relief rolls was skimped, and efficiency of administration suffered. It was, indeed, a common practice to choose part of the administrative staff from the municipality's own relief rolls. In cases where relief rolls became unduly large, political pressure on local authorities often tended to cause laxity in granting relief. Hard-pressed municipalities everywhere tended to lump together employables and unemployables and to charge senior governments with contributions for the relief of both classes. In urban areas unemployment relief thus became a "catch-all" of indigent which had formerly been the sole responsibility of the municipality, and the same scales of relief rates as those available for the bona fide unemployed came to be applied to unemployable groups.

One serious defect has been the complete lack of uniform relief standards. Municipalities generally have set their own standards in the amount of food, shelter, clothing, and medical care that should be allowed, and unless these appeared to be too high, the province has rarely intervened. Many smaller municipalities refused to pay relief at all, even when there was real need. Such standards as have gradually developed have emphasized immediate economy rather than adequacy, with complete disregard of long-range costs, such as the probable increase of deficiency diseases (e.g. tuberculosis), or the breakdown of the morale of the able-bodied unemployed. Standards have tended to be those of poor relief, rather than for the maintenance of the efficiency of employables.

Under municipal administration non-residents, transients, and migratory workers were neglected and their care inevitably created serious problems.

In order to keep down relief costs municipalities endeavoured to avoid all responsibility for these groups. Residence qualifications were stiffened and destitute families unable to qualify for residence in a municipality were virtually left to starve except as assisted by private charity, or were shipped back to their former place of residence. The transient and the migrant in search of employment were generally treated as vagrants in the first years of the depression, and despite a change in policy whereby the Dominion has assumed a larger proportion of costs of relief for these groups, the practice everywhere has been to force them to move on. The treatment of transients, non-residents, and migrant workers throughout the period has indeed been far from humane, and has tended to reduce many able-bodied workers to a condition of unemployability. Moreover, there has been a marked tendency toward municipal protectionism in the matter of labour, as well as in relief, and toward the immobilization of labour—tendencies likely to have serious effects on the national economy which has always depended on the free movement of labour to wherever work was available within the Dominion.

Grants-in-aid.—From the Dominion's point of view, the system of grants-in-aid has been far from satisfactory. Since the municipalities are creatures of the province, the Dominion has had to deal with the province rather than directly with the municipalities. Having no direct control over municipal administration, it has been compelled to rely on advance agreements with the provinces and a post-audit of provincial expenditures. Both have been recurring sources of friction, the latter between Dominion and provincial officials, the former between governments. On the assumption that the need for relief was temporary, the Dominion has generally followed a system of short-term (one or three months) agreements with the provinces. This system inevitably led to haggling over amounts and terms, and especially so when, as happened on occasion, the views of the Dominion and the provincial government differed as to policy. On the other hand, the practice of reimbursing the provinces (and through them the municipalities) for a fixed percentage of costs incurred without fixing maximum totals in advance, obviously opens the door to various abuses.12

11 For description and criticism of administration of relief see Final Report of The National Employment Commission, p. 27ff; Appendix 6—A. E. Grauer, Public Assistance and Social Insurance. See also description in Commission's evidence of relief services in various provinces: e.g., pp. 228ff. (Sask.); pp. 5480-82 (B.C.).

12 For discussion of grants-in-aid as a device for financing unemployment relief see Appendix 6—A. E. Grauer, Public Assistance and Social Insurance, Ch. II; Appendix 7—J. A. Corry, Difficulties of Divided Jurisdiction, Ch. VI; Luella Gattys, The Administration of Canadian Conditional Grants, Ch. VIII.
The experience of the past decade seems to lead inevitably to the conclusion that Dominion grants-in-aid are a thoroughly unsuitable method of dealing with the problem of unemployment relief, and of agricultural relief on a wide scale. The variability of the load from time to time, and from municipality to municipality, makes exceedingly difficult, if not impossible, a system of grants which will be politically acceptable and at the same time fair to the municipalities and provinces concerned. Grants based on dollar costs are not an equitable measure of assistance because the load varies so profoundly as between municipalities and as between provinces. On the other hand, grants in accordance with need are exceedingly difficult to estimate because of the lack of objective standards of measuring need. Further, they leave the door open to various abuses, since the greater the proportion of costs borne by the Dominion the less the incentive for the province or the municipality to keep down costs. Despite the magnitude of the sums involved, the Dominion has been unable to obtain sufficient control over administration to assure the efficient expenditure of its own funds. The difficulty has been enhanced by the fact that municipal administration can only be controlled by the Dominion indirectly through the province. Moreover, so greatly do the needs vary from province to province, and year to year in the same province, and so wide is the discretion necessary in estimating grants, that political considerations may easily enter, either in awarding or requesting grants, and the temptation to make political capital out of a grant or out of the refusal or reduction of a grant is always present.

The Failure of Remedial Action.—Perhaps the most serious indictment of the whole system of handling relief is that it has prevented the concentration of responsibility for remedial policies. The underlying assumptions were that, in the first place, relief was essentially a municipal and, in the second place, a provincial responsibility, and that the Dominion was assisting other governments only as a matter of grace. Yet it was obvious that the municipalities were quite unable to take effective remedial action because of limited resources and lack of control of economic activities. When they did attempt remedial action it was frequently short-sighted and often economically unsound as, for example, in restricting the use of machinery on public works. The provinces were little more able to take effective action. Virtually the only methods available to them were those of public works and land settlement. Yet both types of policy were highly costly and neither policy, nor both together, could take care of large numbers of the unemployed. Those provinces which attempted either policy on an extensive scale soon found their credit resources badly strained. While in the latter years of the depression the Dominion did attempt to encourage remedial action along various lines such as re-training of unemployed, youth training, assistance to the provinces and municipalities for public works and housing, cheap credit for home improvement and private construction in housing, and reduction of taxation on capital improvements of industry, it cannot be said that these policies effectively alleviated the burden of relief. Much less can it be said that they cured unemployment. The principal difficulty has been that many Dominion schemes required co-operation from the provinces and municipalities, and usually proportionate contributions from them. On occasion the views of provincial governments as to the proper remedial policies differed from those of the Dominion, and co-operation was not forthcoming. In all cases where Dominion remedial policies required contributions from the provinces or municipalities the effect was to increase their immediate financial burden, a condition which frequently deterred them from co-operation. Thus co-operation between the Dominion and other governments was often absent and frequently the Dominion and the provinces worked at cross purposes.

Economic and Financial Consequences of Divided Responsibility.—We shall later discuss the problem of jurisdiction in the field of the social services generally, but it is desirable here to point to the main conclusion to be drawn from experience with relief during the past decade, and to discuss this conclusion in the light of broad economic considerations.

Nothing in the history of Canadian government has contributed more to the breakdown of our system of public finance or has been productive of greater waste in the economy than the attempt to hold local governments primarily responsible for unemployment, as well as other, relief. All the provinces and many municipalities have accumulated debts which in most cases their revenue systems cannot efficiently support, and the credit of many municipalities and of certain provinces was completely destroyed. The manner in which the Dominion assisted the local governments has given rise to large inter-governmental debts, arbitrary transfers and difficult problems of administration which have seriously disrupted the harmony of Dominion-provincial relations.
Mass unemployment in Canada, as in the past ten years, is largely the result of depression or economic changes abroad which are communicated to this country through the fall in export prices and demand. In the integrated and interdependent Canadian economy, the volume of capital investment largely depends on the anticipation of an export market, and the export income determines the size of the internal market for manufactured goods. A rapid decline in export incomes produces a sharp contraction in construction activity and in industrial output thus creating a nation-wide problem of unemployment.

As is more fully described in Book I of this Report, the various factors in the Canadian economy are today closely inter-related. The high degree of interdependence between country and town, between the primary and secondary occupations, between the exporting and domestic industries, is one of the most significant facts of our economic life. The economic opportunities and the real income of the wheat farmer, the miner, the fisherman and the lumberman who sell their products abroad, are in large measure determined by the tariff, transportation, developmental and monetary policies which are formulated on a national basis for the achievement of national purposes. Foremost among these national purposes is the maintenance and development of an industrial and a commercial community. Under the influence of these policies, the factory labourer in an Ontario city, the worker on a transcontinental railway, the clerk in a head office in an eastern metropolitan centre, and the investor in a national business enterprise, have come to be ultimately dependent upon the purchasing power of the exporters in every province of the Dominion. At the time of Confederation, local self-sufficiency and regional economic isolation and independence were the most noteworthy features of the new political union. Today the self-contained existence has disappeared and the income of Canadians is derived from an intricate and closely-knit economic organization which is transcontinental in scope. Now that the economic structure of the country is fundamentally national with respect to the attainment of economic welfare and opportunities for employment, it can no longer be compartmentalized for the purposes of meeting the costs of widespread destitution and unemployment—except at the price of financial chaos and enormous waste.

The extent of the unemployment in any industry or area has virtually no relation to purely local conditions. The local municipality or province can do practically nothing to ameliorate the problem nor to hasten its disappearance. Nor is the province or the municipality a convenient authority for spreading the risks of unemployment over a term of years, by insurance methods or otherwise. All it can do is to try to meet the costs of relief until its revenues are exhausted and its credit gone, in which event it loses its financial independence and becomes a ward of the senior government. A system of federal grants-in-aid or inter-governmental loans which merely prolongs this process is no solution.

Under the conditions of local responsibility the appearance of a serious problem of unemployment or destitution in any province means that large additional expenditures have to be met out of sharply falling revenues. The taxation powers of the provinces and municipalities are limited by the constitution, and in many cases they are unable to use effectively such powers as they have because of the tendency of the national surpluses or large net incomes to concentrate in certain areas. These governments are virtually forced to make all manner of imposts on consumption, on costs of production and on small incomes; imposts which are detrimental to business, discourage investment and render even worse the situation which they are trying to meet. If they fall back on continuous borrowing, their credit is soon destroyed. And they lack sufficient power over economic activities to enable them successfully to alleviate the burden or to promote recovery.

The Dominion is the only government which can meet, in an equitable and efficient manner, the large fluctuating expenditures due to unemployment. Its unlimited powers of taxation give it access to all the incomes which are produced on a national basis regardless of where they may happen to appear, and it can obtain the needed revenues therefrom in a manner which is the least harmful to welfare and productive enterprises. With its control over the monetary system the Dominion is able to finance the temporary deficits that may arise from sudden increases in expenditure without suffering such a drastic weakening of credit as occurs when the budgets of local governments get seriously out of balance. The monetary and taxation powers of the Dominion would enable it to follow a planned budgetary policy of deficits during depressions, and surpluses and debt repayment during prosperity,—a policy which is generally impracticable for provinces and municipalities.
Perhaps even more important than the heavy burden which arises from expenditures on unemployment relief and the difficulties connected with the division of the cost between the various levels of government, is the tremendous wastage which results from the enforced idleness of resources and men. The wastages which arise out of inefficient administration, the destruction of the credit of local governments, and forms of taxation needlessly harmful to business enterprise, are serious, but they are relatively small compared to the decline in national income and the permanent impairment of the efficiency and morale of labour which results from widespread and protracted unemployment. It is not suggested that it is within the powers of government to do away with depressions, particularly in a country like Canada which is so largely dependent upon foreign markets, but governments can do a great deal to minimize the huge losses in national income. The planning of public works and developmental expenditures, an intelligent and co-ordinated use of credit, foreign exchange, trade, transportation and taxation policies are powerful instruments with which to combat unemployment and to reduce fluctuations in income. The Dominion is the only government which can use these instruments effectively. So long as the responsibility for unemployment rests with the nine provinces (and their creatures, the municipalities) which may follow different and conflicting budgetary, taxation, development, and public works policies, Canada will be unable to eliminate the avoidable economic wastes and social consequences of mass unemployment.

2. THE REALLOCATION OF RESPONSIBILITY IN THE SOCIAL SERVICES

We have already discussed the historic developments which brought about the present administrative and financial chaos in the social services. The experience of the past decade has emphasized the supreme importance both of a clear division of responsibility between the Dominion and the provinces, and of adequate revenues for each to enable it to fulfil its responsibilities. We deal elsewhere with the transfer of debt burdens and the redistribution of revenues. It will be obvious that our proposals in this connection are intimately related to those which follow about the reallocation of responsibilities in the field of social welfare. We now proceed to lay down the principle of division which seems to us to allot to each authority its most appropriate functions. We shall later discuss the application of this principle to certain services and the ways and means of handling other services which for one reason or another cannot be allotted exclusively to either authority.

In proposing a clear division of responsibility we have been guided by the principles enumerated in the introduction to this section of the Report: “The presumption that existing constitutional arrangements should not be disturbed except for compelling reasons”; a recognition of the “differences in social philosophy between different regions in Canada”; the necessity for “economy and efficiency in government”; “the suitability of different jurisdictions for carrying the financial burdens involved,” and we have been careful in recommending transfer of jurisdiction to the Dominion to limit our proposals to what we consider absolutely necessary.

The experience of the past decade is conclusive evidence that unemployment relief should be a Dominion function. By unemployment relief we mean relief or aid for unemployed employables as distinct from unemployables. Provincial responsibility for other welfare services should continue, and the provinces should be enabled financially to perform these services adequately. Provincial responsibility for social welfare should be deemed basic and general; Dominion responsibility, on the other hand, should be deemed an exception to the general rule, and as such should be strictly defined. But the Dominion should be given adequate jurisdiction to perform efficiently whatever responsibilities are entrusted to it.

PREVENTION AND RELIEF OF UNEMPLOYMENT

The assumption of responsibility by the Dominion for relief or aid of unemployed employables would entail: (1) complete financial responsibility; (2) full control of administration. For efficient administration it would also be essential:

(a) That the Dominion define employability for purposes of administering unemployment aid.13

13 We adopt the terminology recommended by the National Employment Commission (p. 33):
   1. ‘Aid’ to designate moneys granted by the Dominion to alleviate conditions of persons in need, whether because of unemployment, loss of gainful occupation, or agricultural distress, classified respectively as ‘Unemployment Aid’, ‘Occupational Aid’, and ‘Agricultural Aid’.
   2. ‘Assistance’ to designate payments made under regularized statutory provisions on a definite basis to meet continuing social need, whether the same be paid wholly by the Provinces and/or Municipalities, as in the case of Mothers’ Allowances, or jointly on a Dominion-Provincial contributory basis, as in the case of Old Age Pensions.
   3. ‘Relief’ to designate payments made by the Municipalities for the relief of destitute or indigent individuals. Such relief is subdivided into ‘outdoor relief’ where accorded to the person living in his ordinary place of abode, and into ‘indoor relief’ where custodial or institutional care is in question.
   4. ‘Voluntary Aid’ to designate help accorded distressed individuals by services under voluntary operation and supported mainly by voluntary contributions.”
(b) That the Dominion have full control of administration of unemployment aid;
(c) That a national employment service be established and administered by the Dominion without prejudice to the right of the province to continue or develop an employment service of its own;14
(d) That the Dominion be empowered to establish a system of compulsory unemployment insurance.

The first three of these essentials might or might not require constitutional amendments, but unemployment insurance is quite another matter in view of the recent decision of the Judicial Committee of the Privy Council.15 While the desirability of unemployment insurance as a means of alleviating the burden of unemployment is debatable—and we discuss this later16—it is highly unlikely that any province would institute a scheme of insurance for a group for which the Dominion had assumed financial responsibility. Further, it is important that the Dominion should be able, if it deems desirable, to institute an insurance scheme as part of its general method for handling unemployment relief. We recommend, therefore:

1. that all doubts should be removed as to the power of the Dominion to pay and administer unemployment aid, and to establish a national employment service; and
2. that the Dominion Parliament be given jurisdiction to establish unemployment insurance.

Jurisdiction in these matters might be made concurrent (as in the case of immigration and agriculture) or the Dominion might be given exclusive jurisdiction over relief for unemployed employables, the establishment of employment offices for this class,* and unemployment insurance. If the latter course is adopted the extent of jurisdiction transferred to the Dominion should, however, be clearly and precisely defined.17

Definition of Employability and Eligibility for Unemployment Aid.—Our proposal is that a clear line should be drawn between employables and unemployeds and that the Dominion should assume responsibility for employables only. In order to secure uniformity in the definition of employability, and hence equality of benefit for all provinces and municipalities, it would be essential that the definitions of employability and of eligibility for Dominion aid be made by the Dominion.18 Any definition for legal or administrative purposes is bound to be somewhat arbitrary, but it is basic to our scheme that the province (and its municipalities) should be responsible for public assistance for all groups and individuals who do not come under the Dominion’s definition.

But a clear definition will not alone solve all difficulties. A wide discretion in applying the definition will have to be left to officials on the spot. While theoretically an individual declared unemployed by the Dominion service would ipso facto be a provincial (and municipal) responsibility, hardship might easily result from the reluctance of local authorities to accept the ruling of a local representative of a Dominion service. Moreover, the charge of unfairness by Dominion officials might well give rise to friction between the Dominion and a province. We think it is essential, therefore, that local appeal boards, on which both the Dominion and the province (or the municipality) would be represented, should be established to hear appeals of individuals or the municipality against the ruling of the local office of the Dominion service as to the employability (and, hence, the eligibility for unemployment aid) of any particular individual. Presumably a local judge or magistrate might sit as chairman of such a board. Such a board could not, of course, alter the definition of employability as laid down by the Dominion Parliament; its

14 Prima facie such a provincial service would be essential to deal with those unemployed not in receipt of aid from the Dominion (e.g., partially employables) but as suggested elsewhere the Dominion might undertake such services for any province by arrangement, presumably for reimbursement for costs of services rendered.
15 Reference re Unemployment and Social Insurance Act, [1937] A.C. 355; [1937] 1 D.L.R., 494. This decision did not deal expressly with the establishment of employment offices by the Dominion which was also provided for by the Act in question. The Board held that the Act was "in pith and substance . . . an insurance Act," and that the other features were "so inextricably mixed up with the insurance provisions," that it was impossible to sever them.
16 For extended discussion of social insurance in general as well as of unemployment insurance, see p. 35 ff.
* i.e., a province should still be entitled to establish or authorize employment offices for other groups as envisaged by para. (c) and footnote 14 above.
17 Attention of the Commission has been drawn to the legitimate apprehension of Quebec that the allocation of new powers to the Dominion might carry with them ancillary power likely to trench upon rights defined by the Quebec Civil Code. In so far as our recommendations are implemented by legislation it will be the duty of the draftsman to guard against this possibility.
18 Both the definition of employability and that of eligibility for unemployment aid would no doubt change from time to time. They would include such matters as: minimum and maximum ages both of male and female workers eligible for aid; mental and physical capacity to earn an adequate wage not less than the provincial minimum; willingness to work; provision for a means test; eligibility for aid for unemployment due to illness; responsibility of family or relatives; eligibility of dependents of unemployed employable for aid; etc.
duty would simply be to interpret and apply the rule in particular cases brought to it by way of appeal. But it would be inherent in the scheme that should an appeal by a municipality against the ruling of a Dominion relief official result in confirming the employability of the worker concerned, the municipality would be entitled to a refund from the Dominion for sums spent on his relief for the period during which the board deemed him employable. A board with such powers would be of value in assuring both applicants for Dominion aid, as well as municipal authorities, of the fairness of Dominion administration, and should greatly reduce the reluctance of municipalities to provide interim care in cases which it believed to be properly a Dominion responsibility.

The Employment Service.—A national employment service under Dominion control is a vital link in our proposals. We thoroughly agree with the findings and recommendations of the National Employment Commission on this point:—

"Early in the Commission's investigations it became evident that the first and most vital step necessary to the successful handling of employment, re-employment and Aid administration problems is the development of more efficient Employment Services throughout Canada. The present Provincial Employment Services are in practice unfitted to meet the exigencies of the situation. Divided responsibilities and diversity of aims between different Provinces; unequal development as regards numbers, types and functions of local offices; unsuitable locations of premises; defects in Provincial boundaries when used as economic administrative units, etc., have all tended to result in the Provincial Employment Services not being utilized fully either by employer or by employee.

The provision of a proper link between employer and employee; of local advisory councils supplementary to local Employment Service offices in order to provide focal points for attacks on local problems; of means for gauging the relative degree of employability of those in receipt of Aid, are of pre-eminent importance if any real progress is to be achieved in handling unemployment problems. Indeed this is the experience of other countries also.

Bearing in mind the desirability of uniformity of practice where financial Aid for the Dominion is in question; of freedom from local pressure in administration; of a Dominion source of local information independent of Province or Municipality in respect to unemployment assistance, etc., the Commission recommended in August, 1936, that the Employment Service be administered nationally. In any case the situation requires increased and improved service which will cost more, but it is recognized that national administration in itself would not add anything to the total cost to the country as a whole. The Commission, however, believes the extra cost to the Dominion government of the transfer from the Provinces would be more than offset by efficiencies and, therefore, economies which would result."19

Opinions expressed in our hearings in general agree with the views of the Employment Commission that the employment service is more appropriately a Dominion service.20

Administration of Unemployment Aid.—The functions of a national employment service would not only be those of redistributing labour in accordance with the opportunities for work; we think that at the outset at least it could conveniently form the core of the administrative service for administration of unemployment aid, and of unemployment insurance if this were established. It is thus essential that an efficient and adequately staffed service be instituted. The assumption of administration of unemployment aid should not involve the establishing of a great many more offices than now exist under the provincial employment services. Unemployment during the past decade has been concentrated in industrial areas, in most of which provincial employment offices now exist. The division of the staff dealing with relief could be expanded or contracted in these centres as employment fell or rose, as in the case at present in municipal administration of relief. As for aid for employables in rural or village communities remote from industrial centres, this, we think is relatively a minor problem, and might be dealt with by using local or municipal institutions dealing with employables as agencies for relief for employables. We think that an inspection and audit system could be devised to afford adequate protection for the Dominion's interests in communities where the problem of relief for employables was not sufficiently large to warrant a local office of the Dominion service.

To assure adequate coverage of the field on the one hand, and to prevent duplication of relief services on the other, close co-operation would be essential between Dominion officials concerned with employment and local officials or private associations engaged in welfare activities. But we do not think this should be difficult to attain, especially as social service administration develops a professional tradition. Close co-operation in provincial welfare policies and federal policies for alleviating unemployment will also be necessary. For example,
employment offices should be in close touch with municipal and provincial public works activities. Federal employment offices could also be made available for placing in employment wherever possible those who might not be recognized as employables by Dominion regulations, as for example, physically handicapped persons, or part-time workers. Additional expenses might be incurred by the Dominion for this service but reimbursement or purchase of the service by the province should be possible. Federal regulations on many points would also have to be integrated with provincial regulations. While unemployment aid would aim primarily to maintain the employability of the worker, minimum going wages in the community should be maintained above this rate.

In conclusion, the Commission recognizes that its proposals leave unsolved many important problems of definition and administration, among them: To what extent should aid for unemployed employables include relief for their dependents? Should unemployment aid be entirely cash relief or partially in kind? Should aid vary in accordance with local costs and standards of living? To what extent should unemployment aid scales differ from insurance benefits, assuming an unemployment insurance system is adopted? Under what conditions would an employable become an unemployed and thus the responsibility of the province (or the municipality)? Under what conditions should an unemployed become an employable? But these are details of policy and administration which the Commission feels are beyond its duty to advise upon; in any case, many of them can only be decided wisely in the light of experience. The Commission's function is to recommend the appropriate division of responsibility in principle, rather than to elaborate a complete scheme of definition and administration.

The Prevention of Unemployment.—If the Dominion assumes full responsibility for relief of employables, it should have much stronger incentive than under the present system of divided financial responsibilities to adopt vigorous remedial policies and policies to prevent unemployment from arising. As has been pointed out above, the Dominion has control of various economic weapons—monetary, credit and trade policies, etc.—with which it can combat unemployment. It is not our function to map out a program for controlling employment, but such a policy to be at all effective would demand close co-operation at many points between Dominion, provincial and municipal governments, and it is with these inter-governmental relations that we are here concerned. Two methods for influencing the volume of employment call for special consideration in this connection, viz., the timing of public works, and the use of relief works in periods of unemployment.

By the “timing of public works” is meant the postponement of works which are necessary, but not urgently needed, until private enterprise has ceased to provide reasonably high employment in the construction industry. Public expenditures are thus held in reserve and are used to offset inactivity which the construction industries experience in the early stages of depression. It is essential for the success of such a plan that the governments concerned should build up surpluses (or retire debt) in prosperous years, and it is highly desirable that their construction programs at the onset of a depression should be co-ordinated. Timing of public works, in this sense, is a cautious and conservative policy.

The extent to which a policy of timing public works can be used without undue waste must depend on the circumstances of the day, on acquired experience, and on systematic planning. The experience can best be acquired and planning is most likely to be wise if the whole problem of unemployment is brought under the single control of the Federal Government, which will have every inducement to work out a long-time policy rather than the hand-to-mouth policy which all governments in Canada have hitherto pursued, and to enlist the help of provinces and municipalities in implementing it.

The National Employment Commission thus describes the types of works which might with advantage be included in such a policy:

“A program looking toward the expansion of public expenditure might include public works, the needs for which have been surveyed in advance and the engineering details of which have been fixed during the initial period of the depression. A preference may well be given to those works employing proportionately large amounts of direct and unskilled labour, and to those which can be curtailed readily as the volume of private expenditure rises during the recovery period. A relatively small place should be given to public buildings, which require in the main highly skilled trades, that is unless a supply of skilled labour is available. In the selection, timing, and location of public works, the greatest care should be exercised that public works do not compete with private employers for workers, this in view of the relatively high proportion which private expenditures must always bear to governmental expenditures.

21 Both these policies are discussed in the Report of the National Employment Commission, pp. 31-32; 34-37.
Works undertaken in such programs should be those which have a definite value in promoting the competitive strength of Canadian industry, and in improving the conditions of life in the Dominion. They may properly include:

Building of highways to permit the development of mining, tourist and other resources;
Development and preservation of tourist regions;
Projects for the improvement and protection of public health and safety (such as provision of Municipal pure water supply and sewage disposal projects, elimination of railway and highway grade crossings, etc.);
Slum clearance and low rental housing schemes in urban areas;
Forestry plans for extending and preserving forests;
Reclamation and conservation projects;
Land clearance and settlement projects where the conditions are clearly favourable to successful settlement.

It is important that the projects should be such as can be planned thoroughly in advance, as are capable of postponement, and as do not increase public expenditures permanently through heavy maintenance charges.22

While the Dominion can plan its own public works (railways, canals, harbour improvements, etc.) in accordance with the business cycle, the largest expenditures on public works now normally fall within the provincial-municipal field (highways, power development, street improvements, sanitation, etc.). Direct control of the public works policies of municipalities is, of course, a provincial and not a Dominion matter. Likewise, the Dominion has no direct control over provincial public works expenditures, so long as they are financed out of revenues or on the sole credit of the province. There appears, however, to be scope for close co-operation between the provinces and the Dominion in stabilizing employment, if the former are willing to postpone the less urgent provincial and municipal public works in times of prosperity. The Dominion, which would have to bear the burden of unemployment would have an interest in helping to finance these public works in times of adversity. A policy of timing public works presumably would include Dominion works and capital expenditures on railways, both public and private, as well as provincial and municipal works. Such a policy, co-ordinated with credit, monetary and taxation policies, would largely determine the volume of public works expenditures and would have considerable influence on the volume of employment.

In view of the great desirability of timing public works generally and of the role which Dominion credit and monetary and taxation policies may play in such a program, especially if our financial recommendations are implemented, it is of great importance that there be constant consultation and co-operation between the provinces and the Dominion in this field. It is probable that a permanent committee or council on which the Dominion and the provinces were represented would be useful for this purpose. Such a council or committee might be formed as an adjunct of regular Dominion-Provincial Conferences, or as an independent body with its own technical staff.

While we have condemned grants-in-aid as a means of financing unemployment relief we do not think the same considerations apply with respect to grants-in-aid for "timed" public works. In the case of public works it would appear that the Dominion's interest can be adequately protected by restricting aid to works approved in advance, and by objective engineering standards, as well as proper accounting practices, which can be applied both during construction and after completion of the work.

In contrast with these policies which aim at giving employment to special categories of labour in their normal occupations, special or "relief works" may be provided on which those who would otherwise receive unemployment aid may be employed. It is usually a local or provincial authority which is in a position to formulate such projects. Hitherto these authorities have been in a position to employ people to whom they would otherwise have had to pay relief. The National Employment Commission proposed that the Dominion, if it pays unemployment aid, should encourage the local authorities to undertake projects of this kind on which persons in receipt of unemployment aid from the Dominion would be required to work for the time necessary to earn their relief.23 The local authority would thus be able to get useful work done at small cost.

An alternative course of action would be for the Dominion to encourage relief projects by local authorities by means of grants-in-aid, provided work were given only to those on the Dominion's employment rolls and in receipt of unemployment aid.

Yet certain limitations and dangers to a policy of relief works should be noted. The cost of relief works frequently is out of all proportion to

22 P. 35.

the savings in expenditures for direct relief, and in any case it is extremely difficult to employ a large proportion of the unemployed in the event of widespread depression. Despite obvious advantages in morale of providing work instead of relief, relief works may in fact be highly uneconomic if, for example, they are unneeded by the community, or if manual labour is unduly favoured over machines. Relief works may also compete with private industry, and wage scales on relief works may compete with the wage scales in private industry. It may be difficult to employ workers of highly specialized skills without detriment to their efficiency, and it may also be difficult to secure bona fide work from labour. Finally, political factors may enter unduly in the selection of projects, and even in the selection of labour—a possible danger for “timed” public works as well. But we call attention to these difficulties and dangers of a works relief policy merely to indicate its limitations.

RELIEF TO PRIMARY INDUSTRIES

Assistance for the victim of natural forces—the farmer whose crop has been hauled out, the fisherman whose nets have been swept away—has traditionally been a local responsibility. Generally speaking, the circumstances and the appropriate forms of assistance vary so greatly between individual cases that only local administration can meet the needs promptly and efficiently. It also appears appropriate that the financial liability should be local; it is in effect a flexible form of group insurance against the natural risks characteristic of the community industry, and a proper expense of that industry.

It is not easy to distinguish clearly between distress due to some natural disaster, and distress due to unfavourable marketing conditions, inflated costs, and other economic factors. Where the former is the case, and only the occasional individual is affected, the community can easily bear the financial responsibility of his relief; where the latter is the case, the whole community is likely to become impoverished. In the diversified and largely self-sufficient agricultural areas the economic factors are not so important, and minimum subsistence standards at least can be maintained from local resources, but in the more specialized cash-crop areas the whole basis is much more vulnerable.

Either failure of the cash crop, or low prices and restricted markets will likely make necessary substantial cash assistance—which in an impoverished industrial area might have its counterpart in increased tariff protection. In serious cases the local community’s financial resources and credit will quickly be exhausted.

The Canadian wheat industry is the outstanding case of the dependence of a large area, and a large sector of the whole national economy, on the profitable production of one product. When an unprecedented series of crop failures coincided with record low prices, provincial and then Dominion governmental assistance was necessary to prevent complete collapse of the industry. In such circumstances there could be no question of adhering to the traditional allocation of responsibility, and the Commission does not suggest that an attempt should have been made to have done so in the past, or should be made if similar conditions should again develop.

But it does seem clear that very serious abuses and wastes occurred as a result of the breakdown of local responsibility and the confusion which ensued. Farmers who were completely destitute needed, in addition to subsistence for themselves and their families, seed grain, feed for their stock, tractor fuel and repairs, binder twine; in short, all the operating expenses of the industry. Particularly in the case of Saskatchewan, which was both the hardest hit, and the most lacking in alternative resources, supplying the operating costs proved greatly beyond the financial capacity of joint provincial and municipal governments. Very large sums were then advanced by the Dominion, and they ultimately, through provincial and municipal agencies, reached the farmer. Provincial and municipal governments, however, could not be expected to undertake the unpopular task of collecting these debts to reimburse the Dominion as actively and aggressively as if it had been their own funds which were involved. An even more serious abuse than the financial losses due to lax collection, was the premium put on appeals to the government for assistance even when the individual could have met some or all of his own needs. A man would very naturally hesitate to risk his own money when his neighbours were being financed by the government, and it was natural also that a man who had saved his money would feel very bitter if forced to carry himself while less provident neighbours borrowed from the government and were

\[24\text{Thus in March, 1934, despite a large number of relief works under way, only 120,000 relief recipients were thus employed out of a total relief roll of over 1,500,000. See Appendix 6—A. E. Grauer, Public Assistance and Social Insurance, Ch. II.}\]
then permitted to evade repayment. The practices which were encouraged under this system did incalculable damage to the general morale.

The Commission consequently recommends that, in the event of repetition of the need for the Dominion advancing the operating costs of a primary industry, the Dominion should make the advances and collections directly. This need will only arise if the Commission's financial recommendations are not implemented. If these recommendations are implemented, a province of course would not have to borrow from the Dominion, but would be able, on establishing its need, to obtain an emergency grant, or to borrow from other sources, since the increased service on its debt would be met by an increased National Adjustment Grant.

But whether or not its financial proposals are adopted, the Commission recommends that the Dominion should furnish directly operating cost advances, if these have to be made, whenever it undertakes the regulation of a primary industry, including control of the marketing of the product and setting its price. The Commission believes that the result would be greater efficiency in collections, substantial savings of public funds, and equity and fairness as between individuals in the industry, since the Dominion, through its monopoly control of the product, could reimburse itself directly. In such cases, and in accordance with the general principle underlying the Commission's financial recommendations that the provinces and municipalities should be provided with as stable revenues as possible, local and provincial tax levies should be given priority over recovery of these advances. This recommendation would appear to require no constitutional change, and would apply only to those cases in which the Dominion already had, as a matter of fact, recognized the need for national aid to and responsibility for an industry. Nor would the general principle of the Commission's recommendations that the province (and its municipalities) should be responsible for relief of destitution arising from causes other than unemployment be affected. Relief of destitution among farmers or other primary producers would still remain the responsibility of the province, even if the Dominion had come forward to relieve the industry by advancing operating costs, unless the Dominion had expressly extended its definition of eligibility for unemployment aid to include such groups. But we do not recommend that it should do so.

PROVINCIAL WELFARE FUNCTIONS

It is fundamental to our recommendations that the residual responsibility for social welfare functions should remain with the provinces, and that Dominion functions should be deemed exceptions to the general rule of provincial responsibility. We have recommended that the Dominion should assume responsibility for the prevention and relief of unemployment. We shall later discuss the special problems of non-contributory old age pensions, public health and social insurance. But it is basic that the provinces should be deemed responsible for providing for cases of need not actually covered by Dominion services. We shall now examine very briefly the main services which will remain with the provinces.

Indigency or "Poor Relief".—This is the residual category of the social services and under our recommendations it covers those in need who are not qualified for inclusion on the unemployment aid rolls of the Federal Government or provided for by other specific social services. "Poor relief" has been the traditional responsibility of the provinces and municipalities, and in our opinion it should so remain. Those to be provided for by this service will include many who are totally and even permanently unemployable, many who are partially employable but who cannot become fully self-supporting and, at any given time, men and women who are not without some claim to be employable but who, for one reason or another, may be refused a place on the employment rolls of the Dominion. It is an essential part of our proposal that there should be no possible doubt as to the exclusive responsibility of the provinces for these groups. The Dominion may extend the scope of its services from time to time but, for all needy persons who at any one time are not given necessary care by the Dominion through any of its several specific schemes, provision of such care should automatically be a responsibility of the province, and no one should be exposed to refusal or delay of necessary assistance on the ground that the Dominion ought to have provided for him.

There will inevitably be many points at which Dominion and provincial services interlock, and to avoid serious hardship to some individuals the principle of residual responsibility of the provinces should be rigidly observed. Thus if the Dominion in providing unemployment aid makes no provision for medical services to recipients, and their dependents, the responsibility for providing such services should rest without question on the provinces.

__26__ For details of financial recommendations see Section B.
Medical aid to unemployed employables could be classified either with unemployment aid (which we have recommended should be provided by the Dominion) or with public health services (which we have recommended should be provincial). In the former case it may result that two services—one provincial and one Dominion—are providing the same type of service to different groups in the community and even to the same man on different days; in the latter, the same individual may look to different authorities for different services. We believe that the dangers of waste and overlapping in a situation where both Dominion and provincial health services are established would be so great that this service should be left exclusively to the provinces.

Although poor relief and medical aid are properly provincial functions, and although they may ordinarily be best administered by local or municipal authorities, the complete fiscal burdens of medical aid and poor relief within the area cannot be fairly imposed on every municipal authority. Fiscal justice demands that the burden imposed on the inhabitants of an area should not be out of proportion to the wealth and taxing powers of the area. Yet this would be the case if, in a large metropolitan area, two suburban municipalities were separately incorporated, one containing low, the other high, income groups. Our financial recommendations, if adopted, should make it possible for the province to bear a greater proportion of the load of poor relief and medical services than in the past. But in any event there is a strong case for the equalization of the costs of these services as between municipalities in the same province.

The assumption by the Dominion of responsibility for unemployment aid would, as has been pointed out, solve many of the present problems of transiency and non-residence, both as between provinces and as between municipalities in the same province. These problems would, however, remain in respect of the provincial services of poor relief and medical care. It is our hope that the provinces will be in a position to deal with these evils within the province, as some have already done, either by uniform residence rules or by assuming the cost themselves. By improving the provision for the destitute in the poorer municipalities within the province, the drift of dependent classes to the centres of population might be arrested. As between provinces the remaining problem of transiency and non-residence are matters which could appropriately be dealt with by inter-

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Widows' Pensions, Mothers' Allowances, Child Welfare.—These services are, we think, of peculiar interest to the province since they involve questions of social policy with respect to the preservation of the family unit, and the care and upbringing of children. Moreover, their administration involves detailed supervision which in many cases must be highly personal and discretionary in character. On both grounds, therefore, we think that they are primarily provincial services.

It is possible that all these services might be financed in part by social insurance. If such a scheme were developed under Dominion jurisdiction—a subject we discuss later—the effect would be to lessen the costs of these services to the province since widows in receipt of annuities from the Dominion would stand less in need of provincial assistance. Nevertheless there would undoubtedly still remain a residue of widows, deserted mothers, and orphans to be provided for. These would remain a provincial responsibility.

Old Age Pensions.—On the division of responsibility which we have recommended, viz., that the Dominion should assume financial and administrative responsibility for unemployed employables, and the province continue to be responsible for other groups of dependents,—old age pensions would logically fall to the responsibility of the province. The needy aged have long been a special group assisted by the municipalities under the general head of "poor relief". Moreover, generally speaking, the needy aged are a stationary rather than a migratory group of dependents and, unlike able-bodied labour, there is no economic reason why they should be enabled to move about from one municipality to another, or one province to another. But the problem of the needy aged has now become so large that in general the municipalities would be quite unable to support them in decency without substantial assistance, and the same holds true for some of the provinces. The financial inability of provinces and municipalities together to provide adequately for this group was a reason given for the Dominion assuming part of the burden by a system of grants-in-aid for approved provincial schemes beginning in 1927.

At present old age pensions are paid under an arrangement between the Federal Government and each province, terminable on ten years' notice. The Federal Government bears 75 per cent of the cost (not including the cost of administration)

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27 See p. 35 ff.
provided that the province enacts, as each has now done, legislation which conforms to certain conditions. The general effect of this legislation is to pay pensions to persons over the age of 70 without requiring any prior contributions from the recipients. But payments are confined to those who have no incomes or very small incomes and the maximum pension is fixed in terms of dollars.

The Old Age Pensions Act was amended in 1937 to provide for the payment of pensions to blind persons who had reached the age of forty and who satisfied the conditions of the Act and its regulations. The Dominion pays 75 per cent of the cost of these pensions.

The present cost of old age pensions is heavy and is likely to rise through an increase in the proportion of the Canadian population over seventy years of age. In the year ending March 31, 1938, the total cost of old age pensions in Canada was over $38 million and it has been estimated that the cost will be $46 million in 1941, $62 million in 1951, $82 million in 1961 and over $92 million in 1971 on the assumption that the present basis for pensions remains, and on the assumption that the proportion of people who provide for their old age is not increased. This estimate takes no account of the likelihood of a successful demand for reducing the age at which old age pensions are payable or for increasing the rate. Such changes would obviously increase their cost substantially, but the cost to the state of other social services, such as relief, might be somewhat reduced.

There are admitted defects in the present arrangements. The Dominion, although it pays 75 per cent of the pensions, has not been able to exercise effective control over provincial administration. Its principal method is that of a post-audit, which cannot very well go behind vouchers and examine the accuracy of the means test which the province is required to apply before granting a pension and from time to time while continuing it. It is doubtful whether the proportion paid by the province (25 per cent of pensions plus administrative costs) is sufficiently heavy to induce careful scrutiny of all applications. Nor can the Dominion inquire into the general efficiency of provincial administration of the scheme. On the other hand, it is generally admitted that some abuses have been removed as provincial schemes have got under way and as a result of conferences between administrative officials of the provinces and the Dominion.

At any rate, the system seems to be working with considerably less friction between Dominion and provincial administrators than formerly.

Were the Dominion to withdraw from the scheme, the fiscal needs of every province would be substantially increased, and (assuming the adoption of our financial plan) adjustment grants to most of the provinces would have to be proportionately increased. The cost to the Dominion treasury would not likely be greatly decreased. Moreover, there is less theoretical objection to grants-in-aid for a service such as old age pensions where the amount fluctuates little from year to year, and where at least certain objective tests, such as age and lack of property of applicants, are possible, than for a service such as unemployment relief where the numbers on relief rolls may fluctuate greatly from year to year, and even from month to month. While certain provinces now find their share of old age pensions a heavy burden, our financial proposals for adjustment grants will take care of this, as they do of the costs of other provincial social services. We, therefore, see no good reason for recommending any change in responsibility for non-contributory old age pensions.

If our recommendation elsewhere for a general clause in the British North America Act permitting of delegation of jurisdiction by a province to the Dominion, or vice versa, is adopted, there would, of course, be nothing to prevent any province from delegating exclusive jurisdiction for old age pensions to the Dominion with the latter's consent.

3. STATE MEDICINE AND PUBLIC HEALTH

In 1867 the administration of public health was still in a very primitive stage, the assumption being that health was a private matter and state assist...
ance to protect or improve the health of the citizen was highly exceptional and tolerable only in emergencies such as epidemics, or for purposes of ensuring elementary sanitation in urban communities. Such public health activities as the state did undertake were almost wholly a function of local and municipal governments. It is not strange, therefore, that the British North America Act does not expressly allocate jurisdiction in public health, except that marine hospitals and quarantine (presumably ship quarantine) were assigned to the Dominion, while the province was given jurisdiction over other hospitals, asylums, charities and eleemosynary institutions. But the province was assigned jurisdiction over “generally all matters of a merely local or private nature in the Province”; and it is probable that this power was deemed to cover health matters, while the power over “municipal institutions” provided a convenient means for dealing with such matters.

But the economic and social changes of the past seventy years, which have been briefly outlined at the beginning of this section of the Report, have made necessary state activities and state expenditures on health matters to an extent undreamed of by the Fathers. The mobility of modern society due to the speed and ease of travel; the growth of urban and metropolitan communities; the interdependence for food and water supplies between widely separated geographical areas; the occupational diseases and physical hazards of high-speed, industrialized production; the loss in self-sufficiency of the family incident to the trend toward a wage-earning society; these and many other social changes have compelled governments at all levels to be concerned with the health of their citizens. It may be confidently predicted that the health activities of governments are indeed only beginning, and that expenditures in this field are likely to increase rapidly in Canada, especially in the field of preventive medicine, and medical aid for the lower income groups (either in the form of state medicine and hospitalization, or health insurance, or both).

The municipality has always been, and still is, the basic unit in public health administration. But municipal health activities vary profoundly, urban municipalities, as is to be expected, having wider powers and normally undertaking more activities than rural municipalities. Urban municipalities are ordinarily concerned with such matters as local sanitation, local control of infectious diseases, local inspection of food offered for sale and of hotels and restaurants, local provision of hospitals (many hospitals are, of course, provided by private associations such as religious bodies), and health inspection of school children. The functions of rural municipalities vary from all those of urban municipalities to virtually none at all. Free medical services and hospitalization have long been provided on a very limited scale for those unable to pay by private and municipal hospitals and by the medical profession. But rising costs, especially since 1930, have compelled direct municipal, and even provincial, assistance. The municipality is, however, far from satisfactory as a unit of public health administration, largely because of the great variation in size, population, and wealth between municipalities. Certain provinces, and notably Quebec, have taken steps to establish public health units distinct from municipal areas, especially in rural districts.

For many years all the provinces have provided institutional care for incurable insane and dangerously insane, and all now take a considerable responsibility for providing hospitalization for tuberculosis, and assisting the municipalities in a limited way for general hospitalization of the destitute. All assume some responsibility for controlling epidemic diseases. But even today, the province’s functions are largely those of controlling and directing the municipalities. The health expenditures, and hence the health activities, of provincial governments, moreover, vary considerably, the highest per capita expenditure being that of British Columbia (which stood at $3.25 in 1936), and the lowest being that of New Brunswick (which stood at 76 cents in the same year). The primary

### Provincial Expenditures on Public Health, 1936

<table>
<thead>
<tr>
<th>Province</th>
<th>Total</th>
<th>Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Columbia</td>
<td>2,461</td>
<td>3.25</td>
</tr>
<tr>
<td>Alberta</td>
<td>1,719</td>
<td>2.22</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>1,870</td>
<td>2.01</td>
</tr>
<tr>
<td>Manitoba</td>
<td>1,571</td>
<td>2.09</td>
</tr>
<tr>
<td>Ontario</td>
<td>6,012</td>
<td>1.63</td>
</tr>
<tr>
<td>Quebec (9)</td>
<td>3,890</td>
<td>1.26</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>320</td>
<td>0.76</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>458</td>
<td>0.85</td>
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<tr>
<td>Prince Edward Island</td>
<td>154</td>
<td>1.67</td>
</tr>
<tr>
<td>All Provinces</td>
<td>18,464</td>
<td>1.68</td>
</tr>
</tbody>
</table>

See A. E. Grauer, Public Health, (Mimeographed) p. 75.

*It should be noted that the proportion of Public Health expenditures by municipalities varies from province to province and that in Quebec a large share of the cost is borne by hospitals under control of religious orders.*
reason for these variations is the difference in the fiscal positions of the provinces. The result is, however, that there are grave differences in health conditions, and notably in the death rate from such diseases as tuberculosis and from infant and maternal mortality.

Dominion jurisdiction over health matters is largely, if not wholly, ancillary to the public health, and various subjects, such as immigration; navigation and shipping; the regulation of trade and commerce; Indians; railways, steamships and public works under Dominion jurisdiction; militia and defence. In 1919 a Dominion Department of Health was established for the purpose of consolidating the administration of various statutes relating to public health (e.g. the Food and Drugs Act, the Opium and Narcotic Drugs Act, the Quarantine Act, the Leprosy Act, the Proprietary or Patent Medicine Act, the Public Works Act). It was intended also that it should facilitate the co-ordination of provincial activities in public health, and with this in view provision was made for a Dominion Council of Health which should include among its members the Dominion Deputy Minister of Health as Chairman, and the chief executive officer of every Provincial Department of Health. It was also intended that the Department should supply services to assist the provinces and supplement their activities. Subsequently, branches were established providing for such matters as venereal disease control, child welfare, publicity and statistics, public health engineering, etc. In 1919 the Dominion also provided for grants-in-aid to the provinces for the control of venereal diseases, the grant continuing yearly until 1932 when it was discontinued as part of a drastic economy program.

This brief survey of the health activities of the municipalities, the provinces and the Dominion indicates that despite the chaotic situation as regards jurisdiction, each level of government is performing functions consistent with its proper role in the government of the nation. Jurisdiction may overlap, but there is in fact little overlapping of functional activities. Indeed, we were impressed by the inadequacy of health services, considering the need, rather than by the existence of duplication.

We cannot see that it would be practicable to assign public health exclusively either to the Dominion or to the province. Much of the actual administration must be left to local or municipal authorities, and so long as the province has general jurisdiction over the municipalities the Dominion could not satisfactorily direct or control local health authorities. Moreover, the educational phase of public health must be closely linked with public education. It is no less important that local public health administration be closely linked to public welfare services, which like education are mainly local and provincial functions. While certain specialized services, such as hospitalization for tuberculosis, might be provided by the Dominion as efficiently as by the provinces, this is not of itself a reason for any shift in jurisdiction. Finally, there are pronounced regional differences in Canada in social philosophy which are bound to affect public health legislation. Centralization of jurisdiction might not, therefore, conduce to progressive action in public health, or to national unity in general. On the other hand, certain health services, such as health inspection of prospective immigrants, or prevention of import or interprovincial trade in dangerous drugs or impure foods, or medical care of the armed forces, could scarcely be provided efficiently by the provinces individually.

We think, therefore, that the present jurisdictional situation should not be disturbed, and that the public must rely on the good sense of public health officials and of political authorities concerned to effect co-operation and to work out an efficient and economical division of functions between the Dominion and the provinces. This division of function should no doubt be changed from time to time in accordance with social needs, but we think it our duty to suggest certain principles which should govern this division.

Division of Functions in Public Health.33—Provincial responsibilities in health matters should be considered basic and residual. Dominion activities on the other hand, should be considered exceptions to the general rule of provincial responsibility, and should be justified in each case on the merit of their performance by the Dominion rather than by the province. Mere importance of a service does not justify its assumption by the Dominion.

The province should accept responsibility for,—
(a) "Field" activities of public health, generally, which will be mainly carried out by municipal or local authorities under provincial direction.

33 For proposals made to the Commission on this point see: Ex. 223, Memo. on Distribution of Health Functions between the Dominion and the Provinces, (B.C.); Ex. 105, Canadian Medical Ass'n; Ex. 339, Canadian Dental Ass'n.
(b) Institutional care (except for special groups, such as the armed forces, which are the responsibility of the Dominion).

d) Policy as to the method (e.g. whether by health insurance, or by state medicine and state hospitalization) of providing state medical services (including dental and nursing services, hospitalization) for indigents or low income groups.

d) Health education.

e) Preventive medicine.

(f) Research into local conditions affecting public health, or on diseases of peculiar importance to the province, or as a function of medical education in the universities.

(g) Professional qualifications for the practice of medicine and quasi-medical vocations.

The Dominion's activities should be confined to—

(a) Enforcement of health measures which are ancillary to its defined, legislative powers, and measures which cannot be satisfactorily administered by the provinces (e.g. the Food and Drugs Act).

(b) Services for groups who are in the position of wards of the Dominion (e.g. Indians, and members or former members of the armed forces). It is, however, suggested that the Dominion should consider carefully the possibility even in these cases of buying provincial services rather than establishing its own medical services.

(c) Leadership in establishing uniform standards where these are desirable (e.g. standards for trained personnel, definition of medical terms, compilation of statistics, standardization of drugs).

(d) Leadership in effecting co-operation between the provinces and co-ordination between services of the various provinces in order to avoid overlapping and deficiencies in health services. The Dominion Health Council on which all Provincial Departments of Health and the Dominion Department are represented, seems to be an entirely suitable means to these ends.

(e) The provision of auxiliary services for aiding the provinces (e.g. publication of suitable

public health literature; provision of expert advisory services for such matters as sanitary engineering, epidemic diseases).

(f) Scientific research in medicine and public health generally. In this connection the establishment of a special medical research division of the National Research Council is to be commended. But it should be emphasized that centralization is no more necessary or desirable in medical research than in scientific research, and that the Dominion's function in promoting medical research may in some cases be best performed by assisting medical research in the universities.

4. Social Insurance and Contributory Social Services

The cost of modern social services is very high, and a substantial charge on the general taxpayer. There seems to be every reason to suppose that the cost of Canadian social services will increase fairly rapidly and it, therefore, seems probable that in Canada, as in other countries, an attempt will be made to relieve the taxpayers by assessing part at least of the cost of social services against those most likely to benefit from them and against those from whom a direct contribution can conveniently and equitably be exacted.

But, although relief to the general taxpayer may be one of the reasons for resorting to social insurance, this relief may be illusory rather than real. If contributions are exacted from individuals by way of premiums, the capacity of these individuals to pay taxes is reduced accordingly and it is likely that they will have to be relieved of some of the taxes which at present fall most heavily on low income groups (e.g. wage taxes, some forms of sales tax and some excise taxes). The resulting deficiency in the general revenue will then have to be made good by increasing those taxes which fall on higher income groups. If contributions are exacted from employers of labour, these contributions are distinguishable from a tax on the employer's wages bill only if it can be shown that the payment which he is called on to make is one which ought to be (though it is not now) part of his costs. It is on this ground that employers have been required to contribute to the cost of work-

84 Certain aspects of medical practice come within Dominion jurisdiction over the criminal law.

85 It is suggested that this method should be followed so far as possible in providing services for the health of Indians. Submissions were made to us indicating that in certain provinces Indian reservations were serious focal points of infection for tuberculosis and other communicable diseases, and that the provinces could do little to protect themselves against this menace so long as medical services for Indians were under the control of the Dominion. A single public health control over the whole area of the province would appear to be highly desirable. (See Ex. 117, Brief of The Canadian Tuberculosis Association. Ev. pp. 722; 546; 6040.)
men's compensation. Before they were required to do so part of the cost of providing for the victims of industrial accidents fell on the general taxpayer, part was borne by the victims, part only was paid for by the employer either because of his actual negligence or in accordance with statutory provisions. It may be contended that the employer should be compelled to treat the cost—and part of the cost—of the unemployment incidental to his industry as one of its costs, just as he must treat the cost of keeping his plant idle. It may be argued that the minimum wage in industry should be one which will maintain the worker, on the average, in sickness and in health, for the duration of his life, out of the earnings of his working years and that an employer's contribution to health insurance or to old age pensions may constitute the most practical means of insuring that his employee's wages are adequate for this purpose and that (by this means and by his individual contribution) they are actually made to accomplish it.

It follows from what has been said that both the contributions of individuals and those of their employers are liable to be—in greater or lesser part—pure taxation, equivalent in the former case to an income tax on low incomes, in the latter to a tax on wage costs. This is true of the individual's contribution in so far as it exceeds the actuarial value of the risk of which he is relieved (e.g. compulsory insurance against unemployment is frequently instituted at substantial premiums in occupations in which the risk of unemployment is low, and more frequently still in the case of highly efficient employees whose individual risk of unemployment is very low). It is also true that the employer's contribution, if it makes his wage costs excessive, is to that extent a tax.33

Even if contributions can be equitably imposed the effect may be serious in the case of a marginal industry which is fighting for its life in an export market against competitors whose costs would not be increased by Canadian legislation, or in competition with Canadian competitors whose wages bill forms a lower proportion of their costs because of their extensive use of machinery. These effects may, it is true, be in the long run beneficial to society, though detrimental to a marginal industry, by guiding productive effort into more effective channels. But in elaborating plans for contributory social services, account must be taken of them. It is not unusual to find these consequences of social insurance mitigated to some extent by making some contribution from general taxation to the cost of the service. And they can also be mitigated by reducing taxes which are particularly burdensome to the industries affected.

But social insurance presents other aspects which are not primarily fiscal. It may be thought desirable that the beneficiaries of social services should feel that they are paying their own way and that they are not the recipients of public charity. It may be considered that some such feeling will act as a deterrent to demands for exorbitant social services. And it may be felt (as has been intimated above) that employers' contributions are a convenient supplement to minimum wage laws.

What has been said so far has been designed to show that the choice between contributory and non-contributory systems is neither simple nor easy. This consideration must be kept in mind in considering whether it is the Dominion Government or the provincial governments which should enjoy the power to make this choice. What has been said will also serve to show that if the choice is made in favour of contributory services the balance of advantage lies in some degree of uniformity throughout Canada and, therefore, in the collection of contributions by the Dominion, though these advantages differ as between different services. The principal reason for this uniformity lies in the readiness of industry in one province to complain if it is taxed for social services which are provided out of general taxation in other provinces or are not provided at all in other provinces. Even if there are offsetting advantages by way of the better health of employees, or their freedom from anxiety, and even if in the long run the employer's contribution may in the course of wage bargaining come to fall on the employees, the employer is quick to complain, and with all sincerity, that he is being placed in a position of competitive disadvantage in comparison with employers in provinces where there are not contributory social services. If competitive disadvantages in any province became sufficiently serious, its industries might migrate to sheltered provinces. A second reason why uniformity is desirable lies in the probability of some migration from one province to another. If one province had compulsory insurance and another did not, a migrant might be exposed to losing the benefit of
payments made prior to migration. Finally, if one authority, the Dominion, is making some deductions from wages and imposing some levies on wage bills it is administratively simpler and cheaper that it should make all such deductions and impose all such levies. Before proceeding to apply these general considerations to the individual services, it will be convenient to examine briefly American experience.

Social Insurance Aspects of the American Social Security Program.—The problem of developing effective social insurance measures under a federal system is not peculiar to Canada. The United States faces a similar problem. American experience, limited though it is in point of time since the national social insurance scheme is just getting properly under way, is enlightening for Canada.

The American Social Security Act provides for a comprehensive and detailed attack upon the problems of dependency and social welfare by a combination of insurance and non-insurance methods. With the exception of contributory old age pensions the financial method adopted is that of federal assistance to the states by means of grants-in-aid measured in certain respects by fiscal need. Federal grants-in-aid are provided for various specific state assistance schemes, such as mothers' allowances, infant and maternal care, assistance for needy aged and partially dependent blind, public health services, etc. Insurance methods are provided for in two instances,—unemployment, and contributory old age pensions. It is with these last two services that we are primarily concerned here.

The United States in the establishment of unemployment insurance faced the same difficulty as Canada in that the matter appeared to fall under the jurisdiction of the states rather than of the United States. Had the states been left to themselves, progress in adopting insurance would probably have been slow because of the reluctance of a state to handicap its own industries in competition with those of other states. Further, uniformity of state systems would have been extremely difficult to secure. Hence Congress, by an ingenious use of the taxing power, attempted to bring about comparative uniformity of state systems, and to assure the initiation of unemployment insurance over the whole nation at about the same time.

Unlike the British unemployment insurance scheme which provides for contributions from both employers and employees on a flat rate irrespective of wages, the American Social Security Act of 1935 provided for a tax on payrolls (1 per cent for 1936, 2 per cent for 1937 and 3 per cent thereafter) of all industries with more than eight employees, with certain specified exceptions. But it provided for a rebate to the employer up to 90 per cent of the tax due to the national government for sums paid into approved state insurance schemes. In addition to prescribing conditions (in some respects alternative) which state schemes had to meet before deductions in federal payroll taxes were allowed, Congress also provided for grants-in-aid to the states for purposes of administration of their schemes. All states and certain territories took advantage of the situation, with the result that today there are 51 different schemes in operation, each separately administered.

Certain grave difficulties quickly appeared. Several state schemes became bankrupt, or virtually so, before they got into effective operation, because of lack of diversification of industry in the state which made it impossible to spread the risk sufficiently, or because the state's industries were peculiarly vulnerable to depression factors, or because the state scheme took in too many workers in very low income groups or provided for too short periods of employment before benefits were available, or for other reasons. Other serious difficulties have also appeared, among them: the problem of the transient or migratory worker who moves across state boundaries; the multiple tax returns required from firms operating in more than one state; inequalities in the burdens on industry, and on labour, as between different states; the multiplicity of administrative personnel, and hence relatively high administrative costs, owing to the large number of systems and partial duplication of federal with state officials.

Unlike unemployment insurance the contributory old age pension scheme (or old age insurance) is national, contributions being paid directly to the national government which also administers the scheme and pays benefits directly. The reasons for making contributory old age pensions a national rather than a state-subsidized system appear to have been primarily two-fold: first, the greater difficulty than in the case of unemployment insurance of using federal powers to bring all states into line at virtually the same time and, second, the administrative difficulties likely to arise under a collection of state schemes, especially in a labour
market where labour is free to move across state boundaries. For example, the administrative difficulties of adjusting accounts between states on behalf of an individual who, during his working life might have lived in many states, appeared to be insuperable. Consequently, despite constitutional doubts, a federal scheme was put into operation. It has since been upheld by the courts.

Unlike the British scheme which is based on flat rate contributions by employer, employee and the state irrespective of the wages received by the employee, the American scheme provides for contributions based on a percentage of wages. The scheme provided for contributions assessed against payrolls and wages equally, beginning at 1 per cent on each in 1937 and rising by stages to 3 per cent on each in 1949 (or 6 per cent of wages in all). The employer acts as collector for the employee's share. No provision was made at the outset for contributions by the government, but it is expected that ultimately, as the number of beneficiaries receiving annuities increases, contributions by government will be required. Annuities begin at the age of 65 and are paid out of the individual reserve credited to the annuitant.

The scheme will not, however, provide for all the aged or even all the needy aged. For many years to come annuitants will not have built up sufficient reserves to cover their needs after the age of 65; many low wage groups of workers and part-time workers will probably never accumulate sufficient reserves to carry themselves in old age even when the scheme is operating in full, and in general owner-workers are exempted from the contributory scheme. Thus, although the scheme covers about one-third of the nation and, therefore, spreads widely the promise of some measure of security in old age, it has not removed the necessity for non-contributory pensions, or for contributions by the federal government to the annuities of those with small reserves and in need. At present non-contributory pensions are provided, after a means test, by the states assisted by grants-in-aid from the federal government. Steps are, however, being taken to "liberalize" the federal contributory system in order to give larger annuities to needy aged directly, rather than indirectly through state non-contributory systems.

With the merits or the demerits of the scheme, or with its economic or financial consequences, we are not here concerned. For our purposes the sole point is that Congress decided that separate state schemes for contributory old age pensions were quite unworkable. The Supreme Court has upheld the Act largely on this ground. Said the Court: "The problem is plainly national in area and dimensions. Moreover, laws of the separate states cannot deal with it effectively. . . . A system of old age pensions has special dangers of its own, if put in force in one state and rejected in another. The existence of such a system is a bait to the needy and dependent elsewhere, encouraging them to migrate and seek a haven of repose. Only a power that is national can serve the interests of all."40

American experience with social insurance is not conclusive evidence for Canada, but it cannot be safely ignored by Canada. Unemployment insurance on a state basis, even when in operation in all states has proven far from satisfactory. One competent authority after an exhaustive survey of the subject concludes: "It may be predicted that complete reconstruction on a national basis will come, either by the evolutionary process or by drastic revision in time of stress."41 The federal contributory old age pension scheme, on the other hand, has not been seriously challenged on the ground that it is in the wrong jurisdiction from the point of view of public finance or administration. Nor has it shown any tendency to drift towards state control.

**UNEMPLOYMENT INSURANCE**

We have recommended that provision for the employable unemployed should become the responsibility of the Dominion. It is almost ancillary to this recommendation that the Dominion should have power to enact a measure of unemployment insurance in order to reduce the burden to its general taxpayers. It would be out of place for us to go into the multitudinous details which have to be settled in any comprehensive scheme of unemployment insurance. But there are some general observations which can be made. In the first place no system of unemployment insurance will take care of all the unemployed at all times. There will always be some occupations which cannot conveniently be brought under an insurance plan, always some unemployed who have never been employed before (e.g. the very young), and always some unemployed who have exhausted the benefits to which they are entitled. So long as an unemployment insurance plan is kept on an actuarially sound basis (as contrasted with a plan which

40 Helvering, Commissioner of Internal Revenue et al v. Davis, 301 U. S. 610 (1937) at p. 644.
41 Bryce Stewart, op. cit., p. 550.
although called "insurance" is really a device for transmitting money raised by general taxation or by borrowing) there are bound to be many categories of labour which will remain outside its scope. In the second place, there will always be unemployment insurance premiums which in essence tax those in safe employment for the benefit of those in exposed positions, and yet exempt other and richer groups from contribution to this purpose. The problem of seasonal labour raises peculiar difficulty in this respect for unemployment insurance premiums which in essence tax those in safe employment for the benefit of those in exposed positions, and yet otherwise "safe industries" are taxed to help exposed industries. Here, if anywhere, in the field of social insurance we find security financed by taxes on production disguised as premiums. But, in spite of all these considerations, there is probably a balance of advantage in favour of unemployment insurance and we may expect the Dominion to make some experiments in this field. Even if our main recommendation, that the care of employables who are unemployed should be a Dominion function, should not be implemented we recommend that the Dominion alone should have jurisdiction over unemployment insurance, for there are few provinces with sufficient diversification of industry to embark on such an enterprise with any confidence and it would be a great hindrance to the mobility of labour if men out of work were deterred from leaving a province in search of work because in so doing they would lose their insurance benefits.

It is not surprising, therefore, that it has been generally recognized that if unemployment insurance is to be successful in Canada it must be on a national basis. The National Employment Commission emphasized that "there are great, indeed decisive, advantages in a national, in contrast to a Provincial, system" of unemployment insurance. The Commission des Assurances Sociales de Québec, as early as 1933, pointed out that, although it is possible for member states in a federation to have schemes of their own, "nevertheless elementary prudence urges us to give a federal character to insurance against unemployment". In a memorandum submitted to the Executive Council of the Province of Quebec in February, 1939, by the Confédération des Travailleurs Catholiques du Canada, the following paragraph appears "La C.T.C.C. tient à redire au gouvernement fédéral qu'elle est en faveur d'un système d'assurance-chômage à base contributoire... notamment, en faveur d'une assurance-chômage contributoire, établie sur le plan national, suivant les recommandations de la Commission des Assurances sociales." After careful examination we are convinced that a system of unemployment insurance can be established which will in no way interfere with the provisions of the Quebec Civil Code concerning labour contracts and contracts of hiring. In our public hearings representations from most provinces and from many public bodies supported the view that unemployment insurance should be within the jurisdiction of the Dominion Parliament. We have no hesitation in so recommending. We think, however, that the nature and extent of the federal power over unemployment insurance should be

42 At the request of the Commission a study was made by the National Registration Branch of the Dominion Department of Labour to estimate, on the basis of the returns of the national register of persons on aid, the probable effects of unemployment insurance in dealing with the problems of relief. On the basis of an operating insurance scheme similar to that provided in the Employment and Social Insurance Act of 1935, and by an examination of the register of persons on aid in ten selected Canadian cities—Halifax, Montreal, Quebec, Hamilton, Toronto, Windsor, Winnipeg, Vancouver, Regina and Calgary—which covered between 60 and 65 per cent of the total in receipt of aid in the months under review, it was estimated that in September, 1937, 14 per cent of all persons in receipt of aid in these cities would have been cared for by insurance benefits, and in September, 1938, 18.1 per cent would have been so cared for.

43 Final Report, p. 29.

44 "Est-il possible de concevoir l'organisation de l'assurance-chômage sur une base provinciale dans un Etat fédératif comme le nôtre? Oui, et l'exemple du Queensland (Australie) et des Ca tous suisses est là pour nous dire que cette possibilité existe. Toutefois, la prudence élémentaire conseille de donner un caractère fédéral à l'assurance-chômage. Il est urgent d'étendre les charges sociales sur l'ensemble d'un pays. Autrement, les provinces participantes se trouvent dans un état d'infiniter de injuste par rapport aux non-participantes. Il ne faut pas oublier que les charges sociales doivent être incorporées dans le prix de revient de la production. Les provinces jouissant pas du privilège de la protection fédérale, les industries de même que celles-ci ou de celles-ci doivent nécessairement viser à la préoccupation des charges sociales, s'ils veulent pas se faire les uns aux autres une concurrence insensible et, dans l'incertitude, déloyale.

D'ailleurs, on comprend facilement que l'établissement exclusif de l'assurance-chômage dans une province constituerait, pour les chômeurs des autres provinces, un puissant faveur d'appel et que bien vite cette mesure sociale deviendrait une faille complète. Il faut tenir compte de l'absence de frontières entre les provinces et des facilités naturelles de migration à l'intérieur d'un même pays." cinquième Rapport, Commission des Assurances Sociales de Québec, p. 203.

45 Mémoire de la Confédération des Travailleurs Catholiques du Canada, Inc., 1er février, 1939. A similar recommendation was made by the same association to the Federal Cabinet in a memorandum dated 15th December, 1938.

Ex. 7. Brief of March, 1937, p. 64-65; Ex. 140, Brief of N.S.B., p. 43, Ex. 385, Brief of P.E.I., p. 46; Ex. 44, Brief of S.B., p. 277; Ex. 172, Brief of B.C., p. 353; Ex. 236, Brief of Edmonton Chamber of Commerce, Ex. 293, Brief of Canadian Manufacturers' Ass'n; Ex. 106, Brief of Trades and Labor Congress; Ex. 380B, Brief of Canadian Welfare Council; Ex. 401, Brief of Central Committee, Communist Party of Canada; Ex. 206, Brief of B.C. Council of Women; Ex. 205, Brief of Greater Vancouver and New Westminster Youth Council; Ex. 200, Brief of Vancouver, Yong Instructor Ass'n; Ex. 214, Brief of Canadian Ass'n of Social Workers, B.C. Branch; Ex. 25, Brief of Greater Winnipeg Youth Council; Ex. 356, Montreal Branch of Canadian Ass'n of Social Workers; Ex. 69, Brief of Regina Board of Trade.
defined with care and accuracy to prevent its extension under the theory of ancillary powers.

So long as cash payments only are provided there is no reason why insurance against unemployment resulting from illness should not be dealt with along with other unemployment, and we recommend that the Dominion should have the necessary power to do this.

**CONTRIBUTORY OLD AGE PENSIONS**

The increasing cost of the present non-contributory old age pensions system, both to the Dominion and to the provinces has already been pointed out. Costs are likely to double within the next thirty years, apart from the possible lowering of the age limit or of other restrictions, or any increase in pension rates. Most countries which have adopted non-contributory old age pension schemes have sooner or later endeavoured to lower the cost to the general taxpayer by establishing pensions on a compulsory contributory or insurance basis. The probability of a demand for such action in Canada at an early date must, therefore, be taken into account.

There can be little doubt that a compulsory contributory scheme of old age pensions would at present fall under provincial jurisdiction. In order to visualize the jurisdictional problem it will be of advantage to discuss some general features of contributory systems.

A compulsory contributory scheme may be devised to provide either flat-rate annuities, as does the British scheme, or annuities on different scales based on graded contributions as does the American system. The former has the advantage of greater simplicity of administration, but if it is to be self-supporting, or nearly so, it must be based on premiums low enough to be paid by the lowest wage groups and in this case the annuities are likely to be small. The British scheme is based largely on this principle and the annuities paid are at a bare subsistence level. The American scheme, which is a modification of that followed by most continental European countries, provides for premiums based on a percentage of wages and salaries. This type of scheme involves more bookkeeping, but it has the great social advantage of keeping some relationship between earnings before retirement and annuities afterwards so that the annuitant who has worked at good wages is not reduced to a bare subsistence level immediately he retires from employment.

Either type of annuity is costly, though obviously the graduated type much more so. Hence no country assesses the employees for the full contribution necessary. The most usual method is that of a three-way contribution—from the employee, the employer and the state—in various proportions. In any case the contributions assessed on employer and employee are likely to be considerable. The French system appears to exact about 4 per cent of wages, half paid by employer and half paid by employee; the German about 5 per cent similarly distributed between employer and employee; the American system when in full operation will levy about 6 per cent on wages, half likewise paid by employer and half by employee.

The possibility of a Canadian province embarking on a contributory system is indeed remote. A province is scarcely likely to introduce a system which would tend, by increasing labour costs, to impair the competitive position of its industries vis-à-vis those of other provinces, and which at the same time is not likely to be popular with wage-earners or merchants. It is less likely to do so while non-contributory pensions, of which the Dominion pays three-quarters, are available for the needy aged. Theoretically, of course, the present system of non-contributory pensions might come to an end by ten years' notice of repudiation of present agreements by the Dominion. But it is patent to all that there is little, if any, possibility of the Dominion repudiating these agreements unless it can offer a more acceptable alternative.

But assuming that one or more or all provinces were prepared to establish contributory schemes, the administrative difficulties involved would be very great. At the outset there would be the difficulty of getting a common system adopted, or systems sufficiently close to one another to provide...
for equality of burdens on industry and on employees in different provinces. It would also be difficult to keep provincial systems on common standards after their introduction. Assuming the Dominion had jurisdiction over unemployment insurance, there is the further difficulty that the Dominion and the provinces might very well be levying similar contributions on payrolls and wages for different social insurance schemes. Coordination of provincial levies for social insurance with that of the Dominion, and with the Dominion tax system in order to prevent inequities to certain groups of taxpayers would be extremely difficult to attain and to preserve. There would be great difficulty in adjusting accounts for employees who moved across provincial boundaries during their working life, and without such adjustments provincial schemes would almost inevitably tend to immobilize labour.

It thus appears that if compulsory contributory old age annuities are to be established in Canada, the matter cannot be left to the provinces. They are scarcely likely to have very strong incentives to establish their own systems; it would be undesirable if they did establish them. It is clear that only the Dominion could institute a compulsory system which would be administratively simple, which would not interfere with the free movement of labour, which could impose burdens on industry equally irrespective of provincial boundaries (and likewise on labour), and which could be integrated with the tax system as a whole so as to prevent imposing unfair taxation on either industry or labour.

We recommend, therefore, that the Dominion be given jurisdiction to institute a compulsory system of old age annuities. It is possible that a compulsory old age pension (or annuity) system might be grafted on to the present system of Dominion Government annuities under which an annuity may be purchased on very favourable terms.

We further recommend that the Dominion should be empowered to include in a compulsory contributory system provision for pensions for widows and orphans of annuitants and provision for pension on retirement from industry due to invalidity or permanent disability. Whether or not such provisions should be included are, of course, matters of policy, but we think it highly desirable that the Dominion should be enabled to do so. Such additional features to a contributory old age pensions system are important for promoting social security for dependents of workers, and have been widely adopted in other countries. We do not think they would in any way impair provincial autonomy in other social welfare matters, since they would simply provide cash benefits to dependants (or the annuitant in case of permanent disability). Indeed, such provisions in a contributory old age pensions system would tend to relieve provincial budgets from their present burdens for mothers' allowances and the maintenance of orphan children.

But it is clear that a contributory system would not entirely supersede the need for non-contributory pensions. For many years to come no one would have accumulated enough to his credit to pay for the minimum pension, and this would have to be supplemented. There will always be some who, owing to irregularity of employment, will not accumulate enough to buy the minimum pension at the retiring age; and some who are never wage-earners at all and from whom it is impracticable to exact contributions (at double rates since they have no employer) by other means.

While it might be simpler from an administrative point of view to have all old age pensions—contributory and non-contributory—administered by a single authority, we see no strong objection to the continuance of provincial administration of non-contributory pensions, even if a contributory system were established by the Dominion. The dual system should not involve much duplication of staff, since non-contributory pensions are paid on the basis of a means test, and contributory on the basis of quasi-contractual rights. The number of pensioners on provincial rolls would, of course, decrease with the increase of those receiving annuities under the Dominion system, and it might well be that a province would find it desirable and
economical to withdraw from the administration of non-contributory pensions. Our recommendations later for a general constitutional provision permitting delegation of power by a province to the Dominion, or vice versa, would facilitate this change in the event of any province desiring to withdraw from the field and the Dominion being willing to accept the responsibility.

In this treatment of contributory pensions we have deliberately omitted discussion of many practical questions, as for example, whether reserves should be established, or premiums paid into general revenues, the state accepting the obligation to pay annuities when due; whether annuities should be available at ages lower than non-contributory pensions at the option of the annuitant; whether annuitants who had contributed less than the amount required to pay annuities equal to pensions under the non-contributory scheme should be paid something more than the amount of non-contributory pensions; and so on. But these are questions of policy. Our purpose has been simply to examine the problem of jurisdiction. Assuming the adoption of our recommendation as to jurisdiction, policy is entirely within the discretion of Parliament.

**HEALTH INSURANCE**

We have indicated elsewhere that since social and economic conditions and social outlook differ so greatly from province to province, we consider it essential that with certain exceptions responsibility for providing medical and hospital services and the choice of means should be left to the provinces.⁵⁴ Among possible means is that of health insurance.⁵⁵ The desirability of co-ordinating all medical services within the province under provincial control is a strong argument against the establishment of any scheme which would remove any large group within the province from provincial responsibility, as a Dominion health insurance scheme would do. Any health insurance scheme should be closely co-ordinated with other medical services, especially with those services providing medical assistance for low income groups.

Health insurance differs profoundly from unemployment insurance and contributory old age pensions (sometimes called old age insurance). Unlike unemployment insurance, health insurance is not subject to wide variations in demand; the risks are more easily estimated, and more constant. It is not subject to cyclical fluctuations, or sudden emergencies making widespread and prolonged drains on reserve funds, except that, in the event of widespread unemployment, premiums may be difficult or impossible to collect. Unlike contributory old age pensions, health insurance is not a compulsory savings scheme requiring individual accounts covering many working years. It is more nearly insurance properly so called—in the sense that it covers a contingent risk for a short term, and is terminable on a fixed date or on fixed conditions. No serious problems of reserves or of bookkeeping for a migratory labour force are thus likely to arise. We see, therefore, no insuperable obstacle to the establishment of health insurance by a province.

Ordinarily health insurance contributions are assessed against employers and employees though the state may contribute part of the cost. If income groups whose incomes are too low to enable them to pay part or all of their contributions are included in the scheme, the state may contribute the necessary additional amounts for these groups, or heavier contributions may be exacted from higher income groups. One method is that of exacting contributions from workers in proportion to earnings rather than on a per capita basis. Such a system has the merit of simplicity of collection and administration, but in so far as the contribution exacted from higher wage groups exceeds their benefits it is in effect an income tax on low incomes rather than an insurance premium.⁵⁶

In the event of a province instituting a scheme for health insurance providing for taxes on wages and wage bills it might be found convenient to entrust the Dominion with the collection. If the Dominion were also levying taxes on wages and wage bills for other social insurance schemes (unemployment insurance and/or contributory old age pensions) it would appear to be highly desirable in the interests of economies in tax collections and tax compliance that collection be made by a single authority, and the Dominion is obviously the appropriate authority.

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⁵⁴ See p. 32.
⁵⁵ For discussion see Appendix 8—A. E. Grauer, Public Assistance and Social Insurance, pp. 73ff. Cf Ex. 103, Canadian Medical Ass'n, Ev, pp. 3006-31; Ex. 296, Provincial Council of Women, British Columbia; Ex. 223, Memo. on Distribution of Health Functions between the Dominion and the Provinces (B.C.); Ex. 246, College of Physicians and Surgeons of Alta.; Ev. (Sask.), pp. 1119-14.
⁵⁶ We later recommend that the provinces should withdraw from the income tax field. But for the purposes of social insurance within the competence of the provinces (including health insurance) we have made it clear that our recommendation for the renunciation by the provinces of the right to levy income taxes does not include premiums for social insurance even if levied as a proportionate tax on wages.
In recommending provincial jurisdiction over health insurance we are aware of the possibility incidental to any social insurance scheme put into effect province by province that it may result in inequalities of taxes on industry as between provinces. We think, however, that regional differences in Canada militate against an acceptable national scheme. But experience with provincial social welfare legislation in the past has been that once an important reform is instituted in one province it has been adopted relatively quickly by others. This was the case with workmen's compensation; it might well be the case with health insurance and, if so, any inequalities of tax burdens as between provinces resulting therefrom would soon be evened out. There is also the possibility that if certain provinces should desire a uniform scheme, administered by the Dominion, they could delegate to the Dominion the authority to institute such a scheme provided that our recommendation for general power of delegation, which we deal with elsewhere, is implemented.

It must not, of course, be assumed that the Commission is in any way recommending the adoption of health insurance by the provinces. This is clearly a matter of provincial policy in which the province should have full discretion. The Commission is simply concerned with pointing out that, if a province should desire to adopt health insurance, the financial proposals made elsewhere in this Report are not a hindrance. Indeed, the Commission's Financial Plan, by improving the position of all provinces on current account, should make more possible than heretofore provincial expenditures on health insurance or other welfare measures.

Workmen's Compensation.—Workmen's compensation is already covered by insurance under provincial legislation, and there seems to be no valid reason for disturbing this arrangement unless it is found that reasons of expediency (e.g. ease of collecting all insurance premiums en bloc) make it convenient to do so. We recommend, therefore, that the Dominion should have power to take over this service in respect of any province if requested by that province to do so, but that in the absence of such request, the present provincial jurisdiction should be continued. It was suggested to us by the Chairman of the Workmen's Compensation Board for Manitoba that provincial legislation establishing boards under provincial compensation acts might be invalid as infringing the exclusive Dominion power to appoint judicial officers. In view of the large sums under administration by these boards, and in view of the established value of the system of workmen's compensation which has been developed by the Canadian provinces, we think that provincial jurisdiction to create such boards should be clearly confirmed.

**Jurisdiction in Social Insurance**

**Conclusions**

We have concluded that two types of social insurance—unemployment insurance and contributory old age pensions—are inherently of a national character, but health insurance and workmen's compensation are not, and that in view of Canadian conditions, these can be financed and efficiently administered by the provinces. It is not improbable that in the course of time it may be desirable to finance other social services by social insurance methods, or that conditions would warrant national health insurance, or a national system of workmen's compensation. It would, therefore, seem desirable that rigidity in the matter of jurisdiction should be avoided. The simplest method would appear to be to provide for concurrent jurisdiction in social insurance. This would enable the Dominion and the provinces to adjust their respective responsibilities over social insurance from time to time in accordance with changing conditions. In view of the cost of social insurance programs, duplication of provincial and Dominion services would not likely result even if there were concurrent jurisdiction.

But it may well be that the simplest solution theoretically is not politically possible, though this is not for us to judge. In the event of concurrent jurisdiction over social insurance proving impossible of attainment, we recommend that the Dominion be given exclusive jurisdiction over the two services, unemployment insurance and contributory old age pensions. The general provision for a power of delegation by the Dominion to the provinces, or vice versa, which we recommend later, should provide some measure of elasticity in jurisdiction over social insurance, should conditions warrant changes later.

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68 For an interesting proposal that the division of jurisdiction between the Dominion and the provinces should be social insurance or contributory services for the Dominion, leaving the rest to the provinces, see Ex. 380A, 380B, Brief of Canadian Welfare Council, Ev. pp. 9172-9257.
69 See p. 72.
5. The Financing of Provincial and Municipal Social Services

In the services which will remain exclusively to the province and its municipalities such as mothers' allowances, child welfare, and poor relief, we foresee expansion and hence rising expenditures. Further, under the division of function in the public health field which we have recommended, expansion in provincial and municipal expenditures is likely to be proportionately much greater than in those of the Dominion. Hitherto there have been wide differences in the financial ability of the provinces to supply welfare services. Moreover, in some provinces, and notably Quebec, religious organizations and private charitable associations have provided services which, in other provinces, were wholly or almost wholly state functions. For these and other reasons there have been wide differences in provincial expenditures, in the proportion of expenditures which the provinces compelled the municipalities to carry, and in the quality of state services. In the interests of national unity it is highly desirable that every province should be able to provide these services in accordance with average Canadian standards. Fiscal justice also demands that the municipalities should not be required to carry an undue proportion of the load. These desirable conditions might be attained in either of two ways: the provinces might be assisted by Dominion grants-in-aid (apportioned in accordance with provincial needs) for particular provincial services, or every province might be put in a fiscal position to determine its own policies and to finance its own services in accordance with its own peculiar needs. It is assumed that in either case the provinces would pass on some of the benefits to the municipalities. In view of the wide differences in social philosophy and economic and social conditions among the provinces, and in view of the fact that local, detailed, and highly personal administration is often required in the services which we have recommended should be left to the provinces, we think that the second method is highly preferable.

Our financial recommendations aim to place every province in a position to finance its own social welfare program in accordance with average Canadian standards, and to make such adjustments with its municipalities in the financing of this program as seems to it reasonable. Moreover, provision for periodical revision of adjustment grants and for emergency grants should enable each province not only to protect its standards in social services, but also to improve them at the average pace maintained by the provinces as a whole. This method we believe will insure to the provinces not only the capacity to provide reasonable welfare services for their people, but complete autonomy in the formulation of their social welfare policies, in the choice between alternative services and between alternative methods, and in the administration of their services.

This does not rule out the possibility of Dominion assistance by grants-in-aid for particular services (e.g. mothers' allowances or special health measures) should the Dominion so decide. It is indeed possible that Dominion assistance of this sort might be a means of improving, or coordinating, or equalizing particular provincial services, and it is possible that the national interest might on occasion justify such a step. Provided provinces are not thereby tempted to forgo or starve other needed services, we can see no serious objection to small grants-in-aid for particular provincial services, and especially for specialized health services where scientific standards for measuring efficiency are relatively easy to apply. But it should be noted that such grants-in-aid would to some extent be an alternative to the adjustment grants recommended in the Commission's financial plan, and to increases in them.