



HEALTH CARE: A COMMUNITY CONCERN?

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CHAPTER 3

The Welfare State in Canada

It was not until the Great Depression of the 1930s that Canada's evolving social organization broke down. Until then neighbours, municipal governments or charitable organizations had managed to help poor or dysfunctional people who lived in their communities (or to get them institutionalized). Or these people could be encouraged to move on to find other opportunities in a developing nation. However, with the breakdown of the world's economic system in the interwar years, Canada could no longer sell its products and thus keep its resource and manufacturing industries afloat. Some townspeople sought refuge back on family farms, young men rode the rails across the country looking for work, and camps were set up for displaced people. Much later than in other countries, Canada's federal government decided that it must act, and in 1935 it tried to bring in a new unemployment relief system. But this intervention was challenged on the grounds that the Canadian Constitution had made social affairs the responsibility of the provincial governments.

The federal government decided that the only alternative was to set up a royal commission to inquire into dominion-provincial relations (Canada 1940), to make known the situation in all the provinces and to seek recommendations for change. This commission did not manage to finish its work until the Second World War had begun, and so action on its proposals for reform had to be postponed. In the meantime, agreement was reached between the provinces to bring in a national unemployment insurance scheme in 1940 and a temporary tax rental (federal-provincial revenue redistribution) scheme was put into place until after the war.

Canada joined Great Britain in the Second World War, 1939–45, as soon as it was declared and began to recruit for the armed forces. This provided more information about the needs of the country for better health, education and social services.

Its close relationship with Great Britain in the war years led Canada to take an interest in the social reforms being proposed in that country. Sir William Beveridge had published a report on *Social Insurance and Allied Services* (Great Britain 1942) which set out plans for a British welfare state. One of Beveridge's research associates, Leonard Marsh, came to Ottawa to work on the development of plans for social reform in Canada.

The federal government initiated two inquiries by bureaucrats, the first into social security (Canada 1943b) and the second into health care (Canada 1943a). Following these inquiries and taking into consideration the Rowell-Sirois report (Canada 1940), preparations were made to put proposals before a postwar reconstruction conference of federal-provincial representatives.

Canada's wealth is unevenly distributed. A major factor in this diversity is geography. Canada's rich natural resources, upon which it has relied to bring in its national income, are mainly to be found in Ontario, the prairies and the West. Quebec and the Atlantic provinces lie on the Canadian shield, land which was scraped bare by glaciers in the ice age and which is now relatively poor farming country, compared with southern Ontario and the prairie provinces. Alberta found its riches in oil, British Columbia in its forests, and both coasts in fishing. And by the 1940s some manufacturing industries in Quebec and Ontario and mining in a few other provinces had been developed. Canada was still a very thinly populated country with only eleven million inhabitants registered in the 1941 census.

The Slow Development of the Welfare State

The agreement at the time of federation in 1867 had been for the federal government to collect taxes and to undertake some redistribution through equalization grants, but how these were to be spent was at the discretion of the provinces. Now the federal government decided to change its policies relating to grant aid, to offer conditional matching grants for particular kinds of services in order to get the provinces to develop social programs in areas where they were lacking. As mentioned earlier, there were protests by Quebec and Ontario against these conditional offers in 1945-46 at the Dominion-Provincial Conference on Social Reconstruction (Taylor 1978).

The other provinces wanted to have the promised redistribution of these matching grants as soon as possible and the federal government was anxious to move ahead with its plans. But no steps could be taken until the majority of the population supported the change, and this meant that at least one of the two central provinces must agree to cooperate.

So Canada's welfare state was established in two waves. The first federal efforts to bring about change in the 1940s and 1950s did not result in much significant legislation, as the problems of legitimizing the new federal

role had to be worked through. However, in time, the objections of Ontario and Quebec were sorted out. Ontario's rejection policy, based on a reluctance to share its wealth, was changed to acceptance of conditional grants in the 1950s when a new premier came to power (Taylor 1978), while a separate deal was negotiated with Quebec in 1963 (the Fulton-Favreau agreement), in which it was accepted that the province would establish its own programs similar to those developed in the other provinces but not subject to the federal matching grant conditions which the others had to meet (Granatstein et al. 1983).

In the early 1960s a second wave of reform arose out of a new Liberal election platform, worked through while the party was in opposition (Kent 1962). This resulted in major changes in income security legislation and the introduction of new redistributive programs in health and post-secondary education. In addition two other federal-provincial transfer programs were created with the special objective of improving provincial equalization: regional economic development grants, mainly directed toward the poorer Atlantic provinces, and the Canada Assistance Plan, which was designed to assist all provinces to improve social welfare programs for the needy. The decision to undertake regional economic development programs is discussed in several books on the welfare state evolutionary period (e.g., Harp and Hopley 1971; Mann, 1970). Newfoundland also embarked on a policy of the relocation of people living in remote communities which seemed to have no economic potential (Iverson and Ralph 1970).

By the end of the 1960s Ottawa had committed itself to six different programs of social redistribution in order to reduce inequalities between Canadian provinces and individual Canadians:

1. Equalization grants by which the richer provinces shared their financial resources with the poorer provinces through tax transfer agreements
2. Regional economic development schemes for disadvantaged areas
3. Matching grants offers which the provinces could pick up for designated programs in health care and post secondary education
4. Contributory social insurance programs for individuals as a protection against social risks: unemployment, widowhood, orphanhood, old age and disability
5. Family allowances which were a recognition of the extra costs of child rearing
6. The Canada Assistance Plan which provided, *inter alia*, financial support to provincial governments for their social assistance schemes for individuals who were in need and had no contributory insurance and for supportive housing for disabled persons

Cameron and Dupré (1983) have described how the amount of funding provided for the equalization grants schemes was quickly overtaken by the matching grants programs once the provinces had recognized that they could not afford to ignore them. They reported that, by 1977–78, conditional grants formed seventy percent of the funds redistributed to the provinces for health, education and welfare; equalization grants accounted for twenty-five percent; and other programs five percent.

The federal government laid considerable emphasis on supporting health and education programs, for it was clear from the evidence collected that if Canada were to take its place as a western developed country, it would need to improve its basic social organization so that its citizens could compete in world markets. The development of health care programs was outlined in the previous chapter. So far as education was concerned, primary and secondary schooling was left to the provincial authorities' discretion but the federal government offered grants for the development of post secondary education.¹ Again there was initial resistance by Quebec to this intervention into social affairs, but in due course matching grants, providing "equality of opportunity," became available and were taken up all across the country (Granatstein et al. 1983). By 1967 agreement had been reached whereby universities could expand and community colleges could be set up in more remote areas as well as the metropolitan centres.

There was, of course, a second form of redistribution through social insurance programs, family allowances and the Canada Assistance Plan. The postwar social reconstruction reformers were concerned about ensuring that all Canadians would be protected against social risk (Guest 1980), and that a social minimum would be established. Unemployment insurance was introduced in 1940, some other income support programs in the 1940s and 1950s, and the contributory Canada and Quebec pension plans in 1965. And to encourage the provinces to improve their social assistance programs for the needy, the Canada Assistance Plan, another matching grants' program, was enacted in 1966. Banting (1982) has shown how the introduction of these welfare state social security policies raised the incomes of many marginal communities (and thus their standards of living) towards the Canadian average.

Servicemen returning from the war were anxious to establish families, and so mortgage support policies were developed to help them to buy homes. Then in 1954 the new director of the Canada Mortgage and Housing Corporation turned his attention to public housing policies, having recognized the

1 The western countries were all spurred on to question their education programs further by the launching of Sputnik by the USSR in 1957.

need to provide for those who could not buy their own homes (Hallendy 1986). Goldberg (1983) has argued that housing policy has always been closely related to economic development, and in the mid 1970s, the main emphasis on providing public housing was replaced by new programs to encourage private investors.

Coordination of Social Programs

Even in the more experienced and sophisticated countries, while it was recognized that there were links between what the British reformer Beveridge called "want, disease, ignorance, squalor and idleness," how to bring the range of programs necessary to solve social problems together was too complex to understand clearly. Canada had additional difficulties because it was a federation of ten provinces and two territories — a nation which had a constitution that gave power over social affairs to the provincial governments.

We have seen how difficult it was to link different health programs which were brought in at separate times. Hospital construction funding was separated from hospital operations funding, and clinical medical care was not linked to public and mental health activities because of separate legislation and separate administrations. There was a lack of clarity about the real goals of bringing in a publicly financed system until questions began to be asked about health outcomes. And even after the Established Program Financing Act (EPF) was brought in in 1977, it seemed to be difficult to bring the programs together as they had become established in their separate spheres.

Similarly, it took a long time before questions began to be asked about welfare state goals and how they were linked. Why had Canada decided to have a welfare state? What kind of a welfare state had it chosen? There was a basic understanding that there were important connections, but these were not adequately spelled out for citizens to discuss.

By 1980 a number of other countries, which had decided to set up welfare states, were questioning whether they were functioning well enough as organizations and whether this was the best form of social organization for a nation state. An international conference of the Organization for Economic Cooperation and Development (OECD 1981) recommended that the politicians and bureaucrats responsible for policy development and management of welfare states should widen their consultation processes and develop closer partnerships with businesses and researchers. Later this concept of partnerships was broadened to include community members generally. Canada followed through on increasing formal consultations with business managers and researchers in the 1980s and is now exploring community involvement in policy making.

But what should the goals of a welfare state be? Was redistribution of resources all that mattered? Canada's welfare state underwent a number of changes in the 1980s. Prime Minister Pierre Elliot Trudeau had made it his mission to develop a Charter of Rights and Freedoms which was appended to the constitution that had been patriated in 1982, and enacted into human rights legislation in 1977 and 1983. This new emphasis on rights broadened the concept of the goals of the Canadian welfare state. In 1983 the revised Human Rights Act designated four groups as disadvantaged people (women, native peoples, visible minorities and persons with disabilities). The purpose of that act was to enhance the citizenship rights of these minority groups, a change which could not be accomplished by transferring money alone. It required a change of attitudes across society.

At the same time as these rights changes were being introduced, financial redistribution policies were coming under further scrutiny. The global marketing system had begun to alter old ways of earning a high level national income. In Canada primary resource extraction as the main way of earning income was challenged. In the postindustrial society the future lay in competing in technological developments. It began to seem more important to many politicians that, as a leading capitalist country, Canada should encourage entrepreneurs to maintain and increase their earnings in order to finance social programs rather than continue to put the highest emphasis on sharing diminishing resources. Was there a changing commitment to collectivism in this new world order? Was the new emphasis on business success undermining the concept of sharing resources which had come out of wartime experiences?

The federal government had let the national deficit climb steadily since the mid 1970s and EPF grants (block grants substituted for conditional matching grants introduced in 1977), which had been hoped to make provincial governments more responsible for organizing social programs, had not been successful in controlling overspending of national revenues. Then under the Mulroney government of 1984–93, major cut-backs of federal transfers to the provinces were brought in and policy makers were asked to rethink how to streamline social programs.

It was thought that if rationing were to occur, it might be best to increase involvement of the public in making cut-backs. And it was also known that there could be greater streamlining of services — the development of a more rational welfare state redistribution. So how could reform and restructuring best be brought in?

In the next chapter we shall examine the development of community involvement in social policy making in this changing welfare state.