

Does Canada Need Ottawa?*

Yes. Perhaps more than ever. Unfortunately, Ottawa appears to have lost sight of its role - and purpose - as a national government.

There was a time when no one questioned the involvement of the federal government in protecting and promoting the well-being of Canadians. This role was not only desirable but also necessary in a country with such diverse economic regions, varying fiscal capacities and wide range of social needs.

In the postwar period, the federal government took active and deliberate steps to promote economic and social well-being by establishing a national framework for income programs and human services. Ottawa assumed direct responsibility for certain income programs - child benefits, Unemployment Insurance and old age pensions. Federal delivery meant adequacy, consistency and portability of benefits; entitlement is maintained regardless of residence.

These goals were also supported through another component of the national social framework which consisted of two key cost-sharing arrangements: Established Programs Financing for health care and postsecondary education and the Canada Assistance Plan for welfare and social services.

Over the past 10 years, Ottawa has backed away from all these areas. It has only partially indexed the value of the Child Tax Benefit - which means that it drops in real value every year. It shrunk Unemployment Insurance on several occasions and finally replaced the program with Employment Insurance - a stripped and refocussed version of the original. The federal government has shaved spending on elderly benefits - although poor and modest-income seniors will retain their incomes under the new Seniors Benefit. Ottawa is now seeking ways to reduce the retirement and disability pay-outs under the Canada Pension Plan.

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But these changes on the income side pale in comparison to the profound changes in the federal role in welfare and social services. The 1995 Budget dismantled Established Programs Financing and the Canada Assistance Plan and replaced them with the Canada Health and Social Transfer (CHST). The CHST is nothing short of a trio of disasters for the social sector in particular: substantial withdrawal of funds, retraction of the legislative base and loss of cost-sharing.

The removal of billions from federal cash transfers to the provinces will seriously impair their ability to deliver a wide range of human services including health care, postsecondary education and social services, such as child care and homemaker assistance for the elderly.

The retraction of the legislative base removes the guarantee of an income safety net in the country. Few voters will shed a tear over the loss of welfare. But they should be concerned that Canada has thrown out the law that ensured a last-resort income; many Canadians are only a McJob away from welfare.

The loss of the underlying cost-sharing arrangement means that Ottawa no longer provides fiscal incentives for provinces to invest in their social infrastructure of health, education and social services. Clearly, provinces will not shut down all their programs for people - too many votes are at stake. But they will reduce certain services, close others and impose or raise user fees on everything else.

The venerable federal government that used to play such a strong and proud role in building the national social framework has retreated from centre stage into the backdrop. The curtain may soon go down on the federal government if it continues to make itself irrelevant through its self-imposed leave-it-to-the-provinces approach to the well-being of Canadians.

It is time for Ottawa to rejoin the union. In fact, it has been actively invited to be the federal government once again - by an unlikely source. In March 1996, all provinces (except Quebec) released a *Report of the Ministerial Council on Social Policy Reform and Renewal* which called upon the federal government to take leadership in three key areas of income security.

The *Report* proposes the establishment of a national child benefit that would be managed by Ottawa and the provinces. Benefits would be paid to all low- and modest-income families with children. Provincial payments now made in respect of children on social assistance would be rolled into the new program - removing kids entirely from welfare.

The second proposal suggests the consolidation of income support for individuals with long-term and significant disabilities into a single national program. The proposal would go a long way towards rectifying the problems in the current set of arrangements - easily characterized as the 'disabling income system' in Canada.

Third, the *Report* suggests the possible integration of income support for working age adults. This assistance is currently delivered through federally-administered Employment Insurance and provincially-administered welfare.

It is no secret that provinces are 'inviting' a larger federal presence in income security in order to cut their own (primarily welfare) costs. Clearly, these proposals are intended to 'upload' costs by shifting the burden back up to the federal government.

While fiscal pressures may be driving these proposals, they actually make good sense from the perspective of program design. Federal delivery ensures *de facto* national standards. A federal benefit is the same across regions. It is portable throughout the country. There is

much less incentive to drive benefits down as exemplified by the current 'race to the bottom' in provincial welfare.

Finally, provinces are correct in their bid to reduce their welfare caseloads and create alternate forms of income support. Welfare was originally established as an income program of last resort - not the front-line defence into which it has evolved. Ottawa's assumption of greater responsibility for income security would compensate for its recent withdrawal from welfare and also would allow provinces to invest more in their human services.

The federal government has not yet responded to the provinces' invitation. But Saskatchewan Premier Romanow has indicated that he intends to raise certain proposals - notably, the national child benefit - at the First Ministers meeting. He has noted the importance of the *Report* as a key step in renewing Canada as a social union - and as a national union.

Ottawa should consider seriously these proposals for income security reform. They represent a far more effective way of meeting the income security needs of Canadians.

Moreover, the proposals would allow Ottawa to resume its traditional leadership role in protecting and promoting social well-being - a function it has abdicated in the name of restoring the fiscal health of the country. Unfortunately, there can be no fiscal health in the absence of personal income security and social well-being.

The provinces have sent the federal government an important message. Let's hope Ottawa hears it. More importantly, let's hope Ottawa listens.

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