APPENDIX 6

PUBLIC ASSISTANCE AND SOCIAL INSURANCE

A Study Prepared for the Royal Commission on Dominion-Provincial Relations

BY . . .
A. E. GRAUER

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Public Assistance and Social Insurance

A Study Prepared for the Royal Commission on Dominion-Provincial Relations

BY

A. E. GRAUER

OTTAWA
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CONTENTS

PART I—PUBLIC ASSISTANCE INCLUDING UNEMPLOYMENT RELIEF

CHAPTER	PAGE
I—Introduction	9
II—Unemployment Relief	11
1. The Nature of the Problem	11
2. Proportions of the Problem	11
3. Government Arrangements for Unemployment Relief	17
4. Problems of Relief	23
5. Jurisdiction for Unemployment Relief	28
6. Responsibility for Agricultural Aid	35
III—Conditional Grants for the Relief of Unemployment	37
IV—Public Assistance Other Than Unemployment Relief	40
1. Old Age Pensions	40
2. Pensions for the Blind	40
3. Mothers' Allowances	43
4. Child Care	44
5. Hospitalization	47
6. Poor Relief	49
7. Other Custodial Care	49
V—Conditional Grants for Old Age Pensions	50

PART II—SOCIAL INSURANCE

Introduction	52
VI—Income Statistics of Canadian Workers	53
VII—Factors Affecting Canada's Attitude to Social Insurance	55
VIII—Types of Social Insurance and the Appropriate Governmental Jurisdiction	59
1. General Considerations	59
2. Unemployment Insurance	67
3. Old Age	69
4. Widows and Orphans	72
5. Sickness	73
6. Invalidity	79
7. Industrial Accident and Disease	80
APPENDIX	
I—Governmental Organization for the Social Services and Especially for Unemployment Relief in Canada	81
II—Medical Provisions for the Unemployed	85
III—Training the Unemployed in Great Britain	89
IV—Statutory Payments to the General Hospitals by Provinces and Municipalities	91
V—The Social Security Act (1935) of the United States	93

LIST OF TABLES

No.		Page
1	Summary by Years of Numbers Reported by the Provinces and Federal Departments as on Unemployment and Drought Relief	12
2	Numbers Assisted in Relief Projects as Reported by the Provinces and Federal Departments from May, 1932, to December, 1937, Monthly Average for each Year	12
3	Relief Disbursements through Provincial and Municipal Agencies	14
4	Summary of all Relief Disbursements by Years ending March 31	16
5	Summary of all Relief Disbursements during the 7 Years ending March 31, 1937, classified according to Province	16
7	Food Allowance of the City of Toronto Relief Voucher compared with the Minimum Adequate Diet recommended by the Ontario Medical Association and the Minimum Balanced Diet of the Nutritional Committee of the League of Nations	23
8	A Comparison of Standard and Relief Budgets (as for family of five in 1936)	24
9	Illness, Nutrition, Housing and Clothing among 591 Unemployed Families carried by the Montreal Family Welfare Association, January, 1937	26
10	Financial Statistics Regarding Old Age Pensions in Canada, Province by Province, 1927-36	41
11	Financial and Statistical Summary of Pensions for Blind Persons in Canada as at March 31, 1938	42
12	Financial Statistics Regarding Mothers' Allowances in Canada, Province by Province	43
13	Provincial Expenditures for Child Welfare over a Period of Years	46
14	Children Under Care in Children's Aid Societies, Orphanages and other Institutions, Province by Province, 1931	47
15	Provincial Expenditures on General Hospitals	47
16	Municipal Payments in Ontario to General Hospitals, Tuberculosis Sanatoria and Homes for Incurables, 1927-37	48
17	Earnings of Wage Workers	53
18	Percentage of Male and Female Wage-Earners 10 years and Over, Earning Less than $1,500, $950, and $450, 1931	53
19	Percentage of Male Wage-Earners Earning Less Than $600, $800, and $1,000, and of Female Wage-Earners Earning Less Than $600 and $800 Classified According to Industry Groups, 1934	53
20	Average Yearly Earnings of Male and Female Wage-Earners in 25 Leading Industries, 1934	54
21	Unemployment Insurance	60
22	Old Age Assistance and Insurance	62
23	Widows' and Orphans' Pensions	63
24	Sickness Insurance	64
25	Financial and Statistical Summary of Old Age Pensions in Canada as at March 31, 1938	70

LIST OF TABLES—*Concluded*

No. PAGE

26—Estimate of Cost to Provinces and Dominion of Old Age Pensions in 1941, 1951, 1961, 1971 71

27—Number of Persons in Receipt of Material Aid to which the Dominion Contributed, by Age Groups and Provinces, March, 1938 72

28—Proportion of 2,308,588 Persons in 81 Cities Disabled on the Day of the Visit, by Ages, 1935-36 74

29—Frequency, Severity and Disability Rates of Illness by Age on the Basis of 2,308,588 Persons Canvassed in 81 Cities, 1935-36 74

30—Distribution of 863 Families Who Had Incomes of Less Than $1,200 and Resided in Small Towns or Rural Areas, According to Charges for Medical Care During a Twelve-Month Period 1928-31 74

31—Expenditures for Medical Care in the United States, 1936 77

32—The Relationship of Annual Family Income to the Total Prevalence of Orthopedic Impairments and to the Occurrence of Incapacity Associated with These Impairments, 1935-36 79

33—Proportion of Family Heads Reported as not Seeking Work Because of Illness Causing Chronic Disability, by Income of Family, 1935-36 80

Public Assistance and Social Insurance

EDITORIAL FOREWORD

Dr. A. E. Grauer, Director of the Department of Social Science at the University of Toronto, was retained by the Royal Commission on Dominion-Provincial Relations to make a study of social services in Canada. The method of presentation and any expressions of opinion are solely the responsibility of the author, and not of the Commission.

The study is presented in two major parts, the first dealing with the various forms of public assistance, such as unemployment relief and old age pensions, which are now given by Canadian governments without a direct contribution from the beneficiary in return, and the second discusses the principles and applicability of social insurance.

Particular attention is given to the problem of unemployment relief. In Canada, employables and unemployables (and drought or flood-stricken farmers) are all grouped together, and are theoretically the responsibility of the municipality. Criticism of this unique system is two-fold. First, Dr. Grauer argues that there is a significant difference between the problems of the able bodied unemployed and of the unemployable. Fluctuating seasonal and migratory labour conditions in Canada demand a national approach—national jurisdiction and national responsibility—to deal with unemployment adequately and in such a way as to preserve the essential mobility of labour in the Canadian economy. The second criticism is that the burden is very unequal between municipalities, and many are incapable of bearing it in a serious depression. From 1931-37 municipalities as a whole paid 18 per cent of the $813 million relief bill, and generally charged that even this proportion was a crushing burden. In addition to the abuses customary when one government spends another government's money, there has been a noteworthy tendency in Canada for governmental authorities to concentrate on disputes over the division of the costs of relief rather than on steps to reduce the costs.

Dr. Grauer also considers the counter arguments that local authorities are in the best position to check relief claims and prevent petty swindling, and that federal responsibility would present particular difficulties in a country with the wide regional variations in living costs and wage rates of Canada.

Chapter I of the study defines the problem of public assistance in Canada and sketches the British relief policy. In Chapter II Dr. Grauer considers unemployment relief, quotes the terms of the numerous Dominion-Provincial relief agreements, and in a series of tables sets out in detail the cost of relief in the seven years 1931-37, indicating the share borne by the federal, provincial and municipal authorities. The working of the system of conditional grants for relief is discussed in Chapter III. In succeeding chapters Dr. Grauer deals with other forms of public assistance—old age pensions, pensions for the blind, mothers' allowances, child care, hospitalization, poor relief and other custodial care. Administration of these forms of aid—except old age pensions—involves Dominion-Provincial relations in only a minor and incidental way. Appendices to the study describe in some detail the organization of relief in Canada, the medical provision now made for the unemployed, the British scheme of vocational training for young people and unemployed men and women, and the statutory hospital grants paid by all Canadian provinces and municipalities.

"Social Insurance" is insurance for low-income groups against the financial hazards of unemployment, sickness, accident, maternity, and old age. These are crises for which the individual cannot, or will not, budget, but for which provision can be made by building up a fund from a multitude of small, compulsory contributions.

Social insurance raises important questions of jurisdiction in Canada. It is also of particular concern to public finance because it offers an alternative and business-like method for dealing with the many problems now being met, in an admittedly unsatisfactory and costly manner, by government (and private) charity.

The arguments for a comprehensive system of social insurance stress the advantage to the individual, to industry, and to the state, from applying insurance principles to finance the important social costs which appear to have become permanent elements in modern industrial countries. These costs are now being met in part directly by governments through various forms of public assistance, and in part indirectly by the economy as a whole through deterioration and wastage of human resources and consequent economic maladjustment and loss. The chief controversy, of course, is over the degree to which these present costs (partly incalculable) would balance the specific costs of social insurance. Critics fear that social insurance would involve new, large, and rigid costs which cannot be borne by an export economy. Obviously much would depend on the type of system set up and the extent to which actuarial principles were strictly adhered to. In connection with this, Dr. Grauer gives a summary of the social insurance systems in operation in other countries.

Of great importance to Canada is the problem of the most desirable allocation of jurisdiction. Here, it should first be noted that "social insurance" is a general term, embracing systems with very different characteristics designed to meet different problems. Jurisdiction in the whole field is now in the hands of the provinces, but Dr. Grauer finds that some forms of social insurance, not foreseen at Confederation, could best be introduced and administered on a national basis and under Dominion jurisdiction. The chief example of this is unemployment insurance. On the other hand he believes that certain other forms such as health insurance and industrial accident insurance may be effectively administered under provincial jurisdiction. In the final chapter Dr. Grauer considers *seriatim* the several types of social insurance and discusses where, in Canada, authority should be vested to enact and administer them.

The first draft of this study was completed in August, 1938, and after having been circulated to the Dominion and provincial governments for comment, was revised where necessary and put in its present form in the spring of 1939.

PUBLIC ASSISTANCE AND SOCIAL INSURANCE

Part I—Public Assistance Including Unemployment Relief[1]

CHAPTER I

INTRODUCTION

The term "public assistance" covers outright financial and other help given by public authorities to those who cannot provide for themselves.[2] It differs from social insurance in that funds are provided solely by the government, and usually after some sort of a "means test." Historically, it has been known as "poor relief" and this all-inclusive term covered every kind of person in want. In modern times, there has been a marked trend towards differentiating between various kinds of need, and making statutory provision for each category. It has been considered good public policy to lift definable and worthy needy persons such as the aged, widows and orphans out of the class of "paupers." Thus in Canada, legislation provides for old age pensions, mothers' allowances and the care of neglected children in the majority of provinces. In most mature industrial countries the process went much further and comprehensive systems of social insurance were introduced. In this way many families were shifted from state philanthropy to state insurance; widows and orphans, for instance, received pensions under the contributory insurance scheme rather than non-contributory mothers' allowances.

The wide-spread and stubborn unemployment of post-war years introduced a new problem. How were the people to be treated who were normally self-supporting working folk but now forced to obtain state aid because of prolonged unemployment? This problem faced countries like Great Britain, with systems of unemployment insurance in operation, as well as countries like Canada, with no such provision.

In Great Britain, there was a transitional period during which the able-bodied unemployed were either looked after by the unemployment insurance system after they had exhausted their legal right to benefits, or put on poor relief. Neither alternative proved satisfactory. The former practice, covering the bulk of the unemployed rapidly threatened the bankruptcy of the Insurance Fund, which had to borrow heavily from the government. The latter was resented by the unemployed who objected to being treated as needy poor, and it also put a very uneven financial burden on local authorities who were traditionally responsible for poor relief. After considerable experimenting, Great Britain created a new category of persons receiving statutory public assistance. The Unemployment Act of 1934 set up a new department of state called the Unemployment Assistance Board, providing for the able-bodied unemployed (once they had exhausted their benefits) by a system other than poor relief. The importance of this step may be deduced from the fact that, except for the Employment Exchanges set up in 1910, this Board is the only new national service with local offices to be established in Great Britain for over two centuries. The British Parliament had

[1] The National Employment Commission recommends the use of the following terms (Final Report, p. 33):

(a) "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".

(b) "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 province 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.

(c) "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.

(d) "Voluntary Aid" to designate help accorded distressed individuals by services under voluntary operation and supported mainly by voluntary contributions.

In this memorandum "Public Assistance" is used as a general term covering (a), (b) and (c) above. The term "aid" is not always adhered to and "unemployment relief" is used where it would appear to be a clearer term in accordance with common usage. Where governmental payments to destitute individuals other than statutory cases or the able-bodied unemployed are being considered "poor relief" or its constituent terms "outdoor relief" and "indoor relief" are used.

[2] In Quebec, the Church plays an important role in the field of "public assistance". For a detailed study of Public Assistance and Unemployment Relief in Quebec see the study of Eudras Minville on *Social Legislation in the Province of Quebec*. It should be noted also that the term "public assistance" in Quebec has a special application much more restricted than that defined here, to services provided under the Public Charities Act.

concluded that unemployment was a permanent national problem, warranting a permanent national service for the treatment of its victims. The Act put all the unemployed in the hands of the national government; or, in other words, all employable but jobless persons became a national responsibility, either through unemployment insurance or unemployment assistance. Needy unemployable persons are still the responsibility of the local authorities. "Poor relief" is still the residual category; but the able-bodied unemployed have now been taken out of it.

Canada is still groping with the problem of the able-bodied unemployed, and it is by all odds the over-shadowing problem in the field of public assistance. Traditionally, "poor relief" was the only resort for the needy in Canada as in Great Britain; and it has also been the responsibility of the municipalities. Aside from the influence of British traditions, there was good reason why Canadian local authorities should look after the poor. In a new and rapidly developing country with a normal scarcity of labour the problem of poor relief was insignificant and could easily be handled by the municipalities. "Poor relief" in Canada has almost invariably meant relief for unemployables. In the pioneer days, the able-bodied person could always leave the cities and go west.

The short depression of 1921 was sharp enough to call forth Dominion financial assistance but it was commonly regarded as but a post-war adjustment and did not lead to widespread demands for reallocation of responsibilities for unemployment.

After the depression began in the fall of 1929 there was for the first time prolonged distress on a large scale in Canada. Canada was really confronted with a new situation. This was no short panic in a vital, new country, caused by land or railway speculation; it was a basic, economic recession affecting every part of the nation. It reflected the interdependence of our agricultural, industrial and financial life with the world economy. There was no longer a frontier to provide an escape. The picture was entirely different from that of pre-war days.

Sudden and wide-spread distress caught Canadian governments totally unprepared. They had had no direct reason to think in such terms. At first, it was assumed that local poor relief, supplemented by private welfare agencies, would take care of the situation. The sight of long queues receiving hand-outs of food and clothing from poor relief centres became common in the cities. The resources of private welfare agencies were strained to the breaking point. The inadequacy of this system was patent and soon the provincial and Dominion governments shared the burden. The local poor relief facilities were superseded by emergency unemployment relief organizations. "Unemployment relief" thus became a residual category embracing indigent unemployables as well as the able-bodied unemployed. Even drought victims received "unemployment relief."

What was essentially a new problem for the country, therefore, the mass need of normally employed persons, became indiscriminately mixed with the traditional problem of poor relief. The present method of dealing with it is not the result of a sober appraisal. It is purely a make-shift to meet what have been considered emergency conditions. There is no historic relationship between the current problem of widespread need through unemployment and traditional poor relief. Unemployment relief is part of the problem of providing economic security for wage-earners who are affected periodically by unemployment, and is a different problem from the provision of maintenance for the impotent poor. The relationship of unemployment relief to the other social services should of course be kept in mind but its organization must be analyzed on its own merits.

Chapter II

UNEMPLOYMENT RELIEF

1. Nature of The Problem

The nature of the problem of unemployment is dealt with elsewhere at some length.[3] It need only be said in summary here that the problem is very complex, and is in fact not one but several problems. First, there is seasonal unemployment caused chiefly by weather conditions but also by social customs like Christmas and by the organization of certain manufacturing industries with busy and slack seasons (e.g. automobiles). The harvesting and moving of the wheat crop and the seasonal nature of logging and fishing cause sharp swings of employment in Canada; and corresponding swings are caused in secondary industries supplying these primary industries. Second, there is structural unemployment caused by changes in the structure of industry. Technological unemployment is the most important type here. If the economic system is a healthy and expanding one, those thrown out of work by new and improved machine processes can readily be reabsorbed; otherwise, they form a distinct problem, even in relatively good times. Third, there is cyclical unemployment caused by the passing of the industrial system into alternate periods of prosperity and depression. This type of unemployment is responsible for "mass" unemployment and has been our chief trouble since 1929. It may have a different impact on capital goods industries and consumers' goods industries; and in the recovery phase, the problem of stimulating the capital goods industries often presents special difficulties.

It is apparent that there will always be some unemployment in Canada, even in good times. It is also apparent that treatment of the unemployed and cure of unemployment are both very complex problems that require intensive thought and planning and the utmost in the way of co-ordinated effort.

2. Proportions of the Problem

(a) Physical[4]

Table 1 gives the numbers reported by the Dominion Commissioner of Unemployment Relief as being on relief in the high and low months of each year since 1932. These numbers are classified under "direct relief" and "other relief" with a further classification of the numbers on "direct relief" under "non-drought areas" and "drought areas." The numbers include both those assisted because of unemployment and those in receipt of agricultural relief. The numbers under "direct relief" in the "non-drought areas" cover by far the most of those assisted, amounting to a high of 1,427,746 or 13·4 per cent of the total population in April, 1933, and exceeding 10 per cent of the total population in the high months of every year except 1937. While much the larger proportion of the numbers in this classification consists of those whose need arose from unemployment, there are also included a considerable number of farmers outside the drought areas in the Prairie Provinces and also in other provinces. "Other Relief Projects" covers chiefly the urban unemployed, although it also includes victims of agricultural distress and others. When the numbers here are added to the unemployed in receipt of direct relief, the percentage of the total population receiving unemployment relief exceeds 10 per cent in March, 1937, too.

It can be seen, then, that the problem of unemployment continues to be a very stubborn one. Reasons have already been advanced for concluding that some unemployment will exist permanently and this fact should be kept in mind when considering the best organization for dealing with the unemployed.

Only a small proportion of the unemployed were dealt with in ways other than direct relief. Table 2 breaks down "Other Relief Projects" into specific types of project and gives the monthly average number of unemployed engaged on each. The numbers shown under "other provincial works" and "municipal works" are confined to projects contributed to by the Dominion, and do not include those afforded employment on projects financed wholly by the provinces and/or municipalities. The number of unemployed taken care of by federal, provincial and municipal relief works is relatively small despite the substantial sums spent. This bears out the experience of other countries that relief works are in the short run a great deal more expensive than direct relief.

[3] See Part II of this study on Social Insurance, Chapter 7.

[4] This section covers only those who are on unemployment relief, and it must not be assumed, as is often done, that these figures represent the total number of unemployed. The Dominion Bureau of Statistics' estimates of the number of unemployed would indicate that only about half the unemployed are on relief.

TABLE 1

Summary by Years of Numbers Reported by the Provinces and Federal Departments as on Unemployment and Drought Relief (*)

—	Highest and Lowest Month	Direct Relief				Other Relief Projects (†)		Total Numbers	Percentage of Population
		Non-drought Areas		Drought Areas					
		Numbers	Percentage of Population	Numbers	Percentage of Population	Numbers	Percentage of Population		
1932	December	1,170,290	11·1	72,226	0·7	56,434	0·5	1,298,950	12·4
	May	456,713	4·3	140,233	1·3	65,517	0·6	662,463	6·3
1933	April	1,427,746	13·4	89,785	0·8	72,151	0·7	1,589,682	14·9
	September	920,310	8·6	48,813	0·5	83,408	0·8	1,052,531	9·9
1934	March	1,205,863	11·1	152,436	1·4	146,061	1·3	1,504,360	13·9
	September	824,553	7·6	105,617	1·0	92,413	0·9	1,022,583	9·4
1935	March	1,172,246	10·7	178,583	1·6	118,275	1·1	1,469,104	13·4
	September	886,463	8·1	18,554	0·2	60,269	0·6	965,286	8·8
1936	March	1,240,074	11·2	158,058	1·4	74,582	0·7	1,472,714	13·4
	September	873,735	7·9	99,931	0·9	57,138	0·5	1,030,804	9·3
1937	March	1,045,766	9·4	167,961	1·5	79,247	0·7	1,292,974	11·6
	August	573,199	5·2	144,311	1·3	41,846	0·4	759,356	6·8

(*) From the annual reports of the Dominion Commissioner of Unemployment Relief.
(†) Includes single homeless men, farm placement, Dominion, Provincial and Municipal works, etc.

TABLE 2

Numbers Assisted in Relief Projects as Reported by the Provinces and Federal Departments from May, 1932 to December, 1937, Monthly Average for Each Year (*)

Monthly Average	Trans Canada	Other Provincial Works	Municipal Works	Federal Works	Work for Transients	Farm Placement	Single Homeless	Movement and Assistance of Settlers	Relief Settlement	Youth Training
1932 (8 months)	462	1,486	15,504	181	.....	817	20,237	.....	2,469	.....
1933	4,445	10,118	7,422	188	.....	4,999	48,038	.....	9,667	.....
1934	7,773	29,098	20,832	425	.....	4,636	38,318	31	15,834	.....
1935	5,613	16,567	1,908	958	.....	4,010	35,724	22	18,383	.....
1936	5,330	13,188	1,170	218	307	7,612	15,175	461	18,350	.....
1937	1,084	10,656	693	.....	2,736	18,651	1,330	217	19,963	3,558
1938 (3 months)	30	2,154	84	.....	2,477	39,980	.....	.....	24,185	28,292

(*) Based on the annual reports of the Dominion Commissioner of Unemployment Relief, 1938.

The cost of dealing with all the unemployed in Canada by relief works would have reached huge figures. This does not mean that relief works should be ignored, because they are admittedly a more desirable type of relief than direct relief. It does show, however, the need of careful financial and technical planning in good times for a works program in bad times if a substantial number of unemployed are to be aided in that manner without threatening the financial stability of governments.

Another fact disclosed by Table 2 is how little has been done in Canada in training the unemployed. Almost the entire stress has been on their maintenance. Such a policy ignores the physical and moral results of enforced idleness and the question of future re-employment. It was not until the

reports of the National Employment Commission that attention was paid to the constructive side of unemployment policy. The most important departure was the inauguration in June, 1937, of a youth training program in which a substantial number of young persons across the country are now enrolled. This is a good beginning, but almost everyone who has been unemployed for some time needs training or rehabilitation or both. Skills become rusty with idleness and skilled workers need refresher courses if they are to stand a chance of gaining and holding a job. Unskilled workers form the hard core of unemployment; it is a class easy to drift into but hard to get out of. The more numerous the unskilled workers who become semi-skilled or skilled, the greater is the employability of a nation's working force as a whole. The same holds true when men and women are taught new vocations. All workers, both skilled and unskilled, run the risk of physical deterioration after prolonged unemployment. Any program of physical rehabilitation will, therefore, increase their efficiency and enhance their prospects of both getting a job and keeping it. Great Britain is the country that has done most along these lines, and the various schemes developed there are outlined in Appendix III.

The figures given in Table 1 include both employables and unemployables. The registration conducted by the National Employment Commission throws some light on the relative importance of each category. In March, 1937 (the highest month), there were slightly under 260,000 employable men and women receiving relief in the whole Dominion. This figure included heads of families and their employable dependents over 16 years of age, and individual persons. There were 58,261 unemployable persons and those of doubtful employability in receipt of relief. The rest of those on unemployment relief were non-worker type dependents. It is not known how many of these were dependents of employables and unemployables, but one would expect most of them to belong to employable families. In March, 1938, the figures of the National Registration show 174,549 fully employable men and women in receipt of material aid and 46,999 listed as unemployable or of doubtful employability. The latter categories are none too exact as they depend on provincial classification which varies from province to province. Two things strike one about these figures. First, even excluding drought relief, the bulk of those on "unemployment relief" are employables (counting non-worker type dependents with the employable head of the family). Thus any re-allocation of functions that left the municipalities with only the unemployables to look after would relieve most of them of the major part of their present financial burdens for relief. Second, the absolute number of persons available for employment is not as large as a first glance at unemployment relief figures would suggest. One hundred thousand jobs for heads of families would cause a transformation of the unemployment relief picture because of the number of dependents who would also be taken off relief.

The question of *agricultural relief* must be kept distinct from that of unemployment relief because the need for the former flows from different causes than the need for the latter. This fact has been officially recognized since the report of the National Employment Commission and agricultural relief in the drought area is now administered through the Department of Agriculture. The figures shown in Table I for those receiving aid in the drought areas are made more significant when it is realized that they are concentrated in the three Prairie Provinces and especially in Saskatchewan. These figures should be increased slightly for completeness because not all those in receipt of agricultural aid were in the regions specifically designated as "drought areas."

(b) Financial

Tables 3 to 5 show the proportions of the problem of unemployment relief from the financial point of view.[5]

Table 3 deals with those relief expenditures which were made through provincial and municipal agencies and gives the figures province by province and year by year. Dominion loans to provinces and provincial loans to municipalities are shown as memoranda only and do not affect the total amount disbursed.

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[5] It is impossible to allow for the extent to which relief figures in some provinces might conceal expenditures which would normally appear under "public works", etc., or conversely, for the extent to which colonization and development schemes, and road-building programs, etc., might conceal items which should be charged to relief. Any other qualifications of the figures are indicated in footnotes to the tables.

TABLE 3*

Relief Disbursements Through Provincial and Municipal Agencies

(Millions of Dollars)

Years ending March 31 (*)	1931	1932	1933	1934	1935	1936	1937	7 Year Total
All Provinces								
Dominion Share	3	33	34	78	43	41	32	234(b)
Dominion Loans to Provinces (c)	....	11(c)	15(c)	9(c)	21(c)	32	14	102(b)
Provincial Share(d)	9	39	39	49	75	70	53	333(b)
Provincial Loans to Municipalities (e)	....	1	2	2	3	2	....	10
Municipal Share (f)	9	21	21	24	24	24	23	146
Total (g)	21	95	94	101	162	135	127	715
British Columbia								
Dominion Share	·3	3·4	4·1	3·3	3·2	2·3	3·5	20·1
Dominion Loans to Provinces (c)	....	1·4	2·4	1·9	4·0	6·6	4·0	20·3
Provincial Share	1·0	3·5	3·6	3·6	5·5	7·6	5·6	30·4
Provincial Loans to Municipalities (e)	....	·6	—·2	·1	·3	·7	·1	1·6
Municipal Share (f)	·9	1·4	·2	1·1	1·3	3·5	·8	8·7
Total	2·2	8·3	8·9	8·0	10·0	11·4	9·9	58·7
Alberta								
Dominion Share	·2	2·6	2·6	1·5	1·6	1·8	3·6	13·9
Dominion Loans to Provinces (c)	....	1·0	1·9	2·1	3·9	7·6	·8	17·3
Provincial Share	1·4	2·6	2·2	2·3	3·4	4·4	3·3	19·6
Provincial Loans to Municipalities (e)	....	....	·2	·6	·5	·5	....	2·7
Municipal Share (f)	·6	1·3	1·0	1·2	1·1	1·4	1·4	8·0
Total	2·2	6·5	5·8	5·0	6·1	7·6	8·3	41·5
Saskatchewan								
Dominion Share	·5	7·9	7·1	2·4	8·1	7·2	11·3	44·5(h)
Dominion Loans to Provinces (c)	....	7·5(h)	7·2(h)	4·7(h)	6·6(h)	13·9	4·5	45·3(h)
Provincial Share (d)	1·8	11·5	6·1	7·2	11·9	10·1	5·9	54·5(h)
Provincial Loans to Municipalities (e)	....	....	·5	·2	....	·2	....	·9
Municipal Share(f)	2·7	3·8	1·8	1·9	1·2	1·8	1·6	14·8
Total(d)	5·0	23·2	15·0	11·5	21·2	19·1	18·8	113·8
Manitoba								
Dominion Share	·3	3·3	2·8	2·5	2·2	3·3	5·1	19·5(h)
Dominion Loans to Provinces (c)	....	1·6	3·2(h)	·8(h)	4·1(h)	4·7	4·6	19·0(h)
Provincial Share	·6	2·8	1·9	2·7	3·2	3·5	4·2	20·0(h)
Provincial Loans to Municipalities(e)	....	·4	·7	·1	1·3	1·1	·6	4·2
Municipal Share (f)	·6	2·3	1·6	1·9	1·9	2·9	2·6	13·8
Total	1·5	8·4	7·4	7·1	7·3	9·7	11·9	53·3

*Preliminary calculations. A revised and more accurate statement appears in Part III of the Report.

(a) Figures for provincial and municipal fiscal years have been adjusted, where necessary, to years ending March 31.

(b) Subsequent to March 31, 1937, the Dominion government took authority to write off the following amounts from the loans as shown in this table:—1·5, 4·3, 1·7 and 7·6 in 1931-32 to 1934-35 respectively, for Saskatchewan and ·2, ·3 and ·3 in 1932-33 to 1934-35 respectively, for Manitoba. These operations would effect a corresponding retroactive increase in the Dominion Share, and decrease in the Provincial Share, as given in this table.

(c) Loans under Relief Acts excluding loans made specifically to meet maturities and interest falling due in Canada and New York and, in the case of Saskatchewan, excluding loans made in capitalization of interest; this line is shown as a memorandum only and does not affect the total of disbursements made in the province.

(d) For purposes of comparability with other provinces items representing interest on relief debt have, in Saskatchewan, been excluded from Provincial Share (and from Dominion Loans to Provinces).

(e) Relief loans on which full contractual interest has been paid, including all relief loans to cities; other relief loans (the majority of which have been written off by the provinces) are here treated as provincial expenditure in the year in which they were made and corresponding amounts are excluded from the municipal share. Provincial loans to municipalities are shown as a memorandum only and do not affect the total of disbursements made in the province.

(f) The figures under this heading are less complete than in the rest of the table; little information is available on those municipal relief expenditures which were not shared with the province.

TABLE 3*

Relief Disbursements Through Provincial and Municipal Agencies

(Millions of Dollars)

Years ending March 31(*)	1931	1932	1933	1934	1935	1936	1937	7 Year Total
Ontario								
Dominion Share	1·2	9·4	9·5	11·9	15·5	15·6	15·1	78·2
Provincial Share	2·1	8·7	13·7	23·7	36·2	30·7	18·8	132·3
Municipal Share (f)	2·8	7·7	8·2	7·1	8·6	8·2	7·1	50·3
Total	6·1	25·8	31·4	42·7	62·3	54·5	38·0	260·8
Quebec								
Dominion Share	·3	5·1	5·8	4·7	11·3	7·9	10·4	45·5
Provincial Share	·9	7·1	7·9	8·4	10·8	11·0	14·1	60·3
Municipal Share (f)	·9	3·7	6·2	8·6	9·0	8·0	9·6	46·0
Total	2·1	15·9	19·9	21·7	31·1	26·9	34·1	151·7
New Brunswick								
Dominion Share	·3	·7	·4	·6	·4	1·1	1·0	4·5
Provincial Share	·6	·8	·4	·7	·8	1·2	1·2	5·7
Municipal Share (f)	·2	·3	·2	·4	·2	·2	·1	1·6
Total	1·1	1·8	1·0	1·7	1·4	2·5	2·3	11·8
Nova Scotia								
Dominion Share	·1	·9	1·4	1·1	·8	1·3	1·2	6·8
Provincial Share	·6	1·5	1·6	1·2	1·0	1·1	1·3	8·3
Provincial Loans to Municipalities (e)	....	·6	·3	·5	·2	—·1	—·3	·6
Municipal Share (f)	·2	·3	·2	·7	·5	·2	·2	3·2
Total	·9	3·0	3·7	3·0	2·3	2·7	2·7	18·3
Prince Edward Island								
Dominion Share	·03	·18	·05	·02	·22	·29	·32	1·10
Provincial Share	·03	·13	·12	·05	·26	·51	·28	1·39
Municipal Share (f)	....	·02	·03	·03	·06	·05	·03	·24
Total	·05	·33	·20	·11	·54	·85	·65	2·73

*Preliminary calculations. A revised and more accurate statement appears in Part III of the Report.

(a) Figures for provincial and municipal fiscal years have been adjusted, where necessary, to years ending March 31.

(b) Subsequent to March 31, 1937, the Dominion government took authority to write off the following amounts from the loans as shown in this table:—1·5, 4·3, 1·7 and 7·6 in 1931-32 to 1934-35 respectively, for Saskatchewan and ·2, ·3 and ·3 in 1932-33 to 1934-35 respectively, for Manitoba. These operations would effect a corresponding retroactive increase in the Dominion Share, and decrease in the Provincial Share, as given in this table.

(c) Loans under Relief Acts excluding loans made specifically to meet maturities and interest falling due in Canada and New York and, in the case of Saskatchewan, excluding loans made in capitalization of interest; this line is shown as a memorandum only and does not affect the total of disbursements made in the province.

(d) For purposes of comparability with other provinces items representing interest on relief debt have, in Saskatchewan, been excluded from Provincial Share (and from Dominion Loans to Provinces).

(e) Relief loans on which full contractual interest has been paid, including all relief loans to cities; other relief loans (the majority of which have been written off by the provinces) are here treated as provincial expenditure in the year in which they were made and corresponding amounts are excluded from the municipal share. Provincial loans to municipalities are shown as a memorandum only and do not affect the total of disbursements made in the province.

(f) The figures under this heading are less complete than in the rest of the table; little information is available on those municipal relief expenditures which were not shared with the province.

The figures in this table are over-all figures including direct relief, works relief, and agricultural relief in the three Prairie Provinces. Relief for unemployables, which would normally be known as "poor relief," is, generally speaking, included. This was the prevailing practice of governments during the period, and it would be impossible to separate the two items.

The Table shows that total relief disbursements through provincial and municipal agencies during the 7 years ending March 31, 1937, were approximately $713 million. Of this the Dominion assumed responsibility for $234 million (see also footnote (*b*) to the table), the provinces for $333 million, and the municipalities for $146 million. As for actual provision of the necessary funds the Dominion supplied the major part, $336 million, and the municipalities the smallest part, $136 million, the provinces contributing $241 million.

Table 4 summarizes, by years, the figures of Table 3 for (*a*) the division of responsibility regardless of who actually provided the funds and (*b*) the source of funds regardless of who assumed responsibility. Relief disbursements by the Dominion government through its own departments are added to give a grand total of all governmental relief disbursements by years.

Table 5 covers the same ground as Table 4 but classifies total disbursements, the sharing of responsibility, and the source of funds, according to the province in which the disbursement was made.

Total expenditures for relief in Canada in the 7 years ending March 31, 1937, including federal projects, were approximately $813 million. Of this sum, the municipalities assumed responsibility for $146 million. Although relief has been considered a responsibility of the municipalities, the burden has been so overwhelming that they have assumed liability for less than one-fifth of it. The figures for funds actually provided by the various governments—$136 million by the municipalities and $241 million by the provinces—show very clearly what a necessary role the Dominion has played in meeting the costs of unemployment relief, and to what extent the theory of local responsibility for relief has in fact been departed from.

TABLE 4

Summary of All Relief Disbursements by Years Ending March 31

—	1930-1	1931-2	1932-3	1933-4	1934-5	1935-6	1936-37	7-Year Total
I. Disbursements through Provincial and Municipal Agencies (a)—								
Responsibility was divided as follows:—								
Dominion Share	3	33	34	28	43	41	52	234
Provincial Share	9	39	39	49	75	70	52	333
Municipal Share	9	21	21	24	24	24	23	146
Funds were provided as follows:—								
By Dominion	3	44	49	37	64	73	66	336
By Province	9	29	26	42	57	40	38	241
By Municipalities	9	20	19	22	21	22	23	136
Total	21	93	94	101	142	135	127	713
II. Disbursements by Dominion through its own agencies (b)	1	7	4	7	17	38	26	100
III. Total Relief Disbursements (*i.e.* sum of I and II)	22	100	98	108	159	173	153	813

(a) See Table 3 together with footnotes.
(b) Including expenditure under the Public Works Construction Act and $2,447,000 of non-active loans to the C.P.R. under Relief Acts.

TABLE 5

Summary of All Relief Disbursements During the 7 Years Ending March 31, 1937 (Classified According to Province)

—	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	General	7-Year Total
I. Disbursements through Provincial and Municipal Agencies (a)—											
Responsibility was divided as follows:—											
Dominion Share	20·1	13·9	44·5	19·5	78·2	45·5	4·5	6·8	1·10	.....	234
Provincial Share	30·4	19·6	54·5	20·0	132·3	60·2	5·7	8·3	1·39	.....	333
Municipal Share	8·2	8·0	14·8	13·8	50·3	46·0	1·6	3·2	0·24	.....	146
Funds were provided as follows:—											
By Dominion	40·4	31·2	89·8	38·5	78·2	45·5	4·5	6·8	1·10	.....	336
By Province	11·7	5·0	10·1	5·2	132·3	60·2	5·7	8·9	1·39	.....	241
By Municipalities	6·6	5·3	13·9	9·6	50·3	46·0	1·6	2·6	0·24	.....	136
Total	58·7	41·5	113·8	53·3	260·8	151·7	11·8	18·3	2·73	.....	713
II. Disbursements by the Dominion through its own Agencies (b)	12·3	8·5	7·5	6·5	27·5	18·1	4·3	6·7	0·40	8·7	100
III. Total Relief Disbursements (*i.e.* sum of I and II)	71·0	50·0	121·3	59·8	288·3	169·8	16·1	25·0	3·13	8·7	813

(a) See Table 3 together with footnotes.
(b) Including expenditure under the Public Works Construction Act and $2,447,000 of non-active loans to the C.P.R. under Relief Acts

3. Governmental Arrangements for Unemployment Relief

In enacting unemployment relief legislation both in 1921 and 1930 the Dominion Parliament made it clear that it had no constitutional obligation to share the costs of relief but was doing so simply because of the severity of the problem. When the Conservative government authorized federal relief grants to the provinces in 1921, it was stated "that unemployment relief always has been, and must necessarily continue to be, primarily a municipal responsibility, and in the second instance the responsibility of the province" (P.C. 3831). The Liberal government which shortly later succeeded to office continued these grants, and was also careful to disavow responsibility. "The Minister concurs," it was stated in P.C. 191, January 25, 1922, "in the view that unemployment relief is fundamentally a municipal and provincial responsibility; that the abnormal economic and industrial conditions now existing and arising in a measure out of the late war alone afford justification for action on the part of the federal authorities." In the spring of 1930 this attitude was again affirmed by the Liberal government to justify the government's refusal to undertake an unemployment relief program. And when the Conservative government introduced its Unemployment Relief Act later in 1930, it was careful to state in the preamble that "unemployment, which is primarily a provincial and municipal responsibility, has become so general throughout Canada as to constitute a matter of national concern." Several times during debate, the Prime Minister stressed this attitude. "Under our constitution," he said, in moving the second reading of the bill, "the obligation or responsibility for caring for citizens within the area called a province, primarily rests upon the shoulders of that province. . . . In other words, by reason of the extraordinary conditions which prevail, the Dominion is by this grant assisting those charged with the primary responsibility."[6]

The provinces in turn, however, tended to disclaim responsibility for unemployment relief on the plea that it was a municipal responsibility. This view was stated succinctly by the Premier of Ontario in a letter to the council of York Township in January, 1928, refusing an appeal for a grant towards unemployment relief. "Unemployment is an entirely municipal affair," he stated, ". . . it would not be just to use the money contributed by the whole province for purely local relief. The municipality derived the benefits from the workingmen in times of prosperity and should be prepared to bear the burden when times were not so bright.[7] The thesis of municipal responsibility was repeatedly expressed by provincial officials during the first years of the current depression.

However, outside the Maritimes, municipal responsibility for relief does not seem to be a mandatory one. In England, since the days of the Poor Law system set up by Queen Elizabeth, the local authorities have been under a legal obligation to give relief to an indigent resident. Although the Maritimes closely followed the English Poor Law, the rest of Canada did not.[8] But whether or not there is a legal responsibility on municipalities to extend relief, there is no doubt that as a working principle the local authorities have always been assumed to have primary responsibility for relief, and, as pointed out earlier, there was no occasion before the post-war period to distinguish between poor relief and unemployment relief.

The doctrine of municipal responsibility for relief rapidly broke down under the pressure of mass unemployment and, as the financial statistics of unemployment relief show, the Dominion and provincial governments had to shoulder most of the burden. The following section gives a summary of the arrangements entered into by Canadian governments for meeting unemployment relief since 1930.

1930:

Twenty million dollars was appropriated under the Dominion Unemployment Relief Act of 1930. At this stage, it was hoped to meet unemployment chiefly by providing work for the unemployed. For *work projects* undertaken by municipalities, the Dominion assumed 25 per cent of the cost, the province 25 per cent and the municipality 50 per cent. Provincial works, including work on the trans-Canada highway, were generally shared equally by the Dominion and the province.

A part of the appropriation was set aside for *direct relief*[9] where suitable work could not be found. The direct relief expenditures of the municipalities were shared equally by the Dominion, the province and the municipality. Direct relief in unorganized territories was shared equally by the Dominion and the province.

[6] House of Commons Debates, September 12, 1930, p. 140.

[7] Cited by Hon. Peter Heenan in House of Commons Debates, April 1, 1930, p. 1224; and quoted in H. M. Cassidy, *Unemployment and Relief in Ontario, 1929-1932*, p. 75.

[8] For a fuller discussion of the question of responsibility for relief, see M. K. Strong, *Public Welfare in Canada*, and H. M. Cassidy, *Unemployment and Relief in Ontario, 1929-1932*.

[9] The grants of the Dominion for "direct relief" (later called "material aid") are restricted to food, fuel, clothing and shelter.

The Dominion undertook to repay half, subject to a limit of $500,000, of the sum spent by Saskatchewan in providing necessary relief and services in the *drought areas.*

1931:

Under the Unemployment and Farm Relief Act of 1931, and the Continuance Act, 1932, the Dominion paid 25 per cent of the cost of municipal *public works* and *undertakings* in the five eastern provinces and 50 per cent in the western provinces, unless a municipality was unable to bear its share, then the Dominion might give more. Towards the cost of provincial undertakings the Dominion paid 50 per cent, including expenditures on the trans-Canada highway For work on provincial highways, the Dominion contribution was 50 per cent in the four western provinces and Prince Edward Island, and 40 per cent in Nova Scotia, New Brunswick, Quebec and Ontario.

The cost of *direct relief* was apportioned in the same manner as in 1930, but where municipalities were unable to bear their share, the Dominion government was empowered to pay 50 per cent of the cost. A different arrangement was made for the care of *transients.* Since their support was not deemed a fair charge on the municipalities, the Dominion and the provinces agreed to bear the cost equally.

Drought was now much more serious and, besides direct aid, expenditures were required for such things as food grain, fodder, movement of stock and personal effects. In Saskatchewan the Dominion paid sometimes 50 per cent and some times 100 per cent of these costs. In the drought areas of Alberta, the Dominion contributed 50 per cent of the cost.

Unemployed men were placed on farms by agreement with Manitoba and Saskatchewan. In Manitoba, the Dominion paid 50 per cent of the cost, and the province and municipality concerned, 25 per cent each. In Saskatchewan, the Dominion and the province divided the cost equally.

1932:

By this time it was apparent that unemployment was going to be more lasting than at first thought, and, at the request of the provinces, *public works* were greatly curtailed under the Relief Act of 1932.

Expenditures on *direct relief* were divided as in the preceding year, except that where a municipality was unable to bear one-third of the cost, a lower proportion could be approved on the recommendation of the province, with the Dominion and the province sharing the difference equally.

The Dominion continued to contribute to the cost of relief in the *drought areas* of Saskatchewan on the same basis as in 1931. In addition, the Dominion agreed to pay 100 per cent of further relief expenditures, including not more than $100,000 for medical relief. In Alberta drought areas, the Dominion assumed 100 per cent of certain direct relief costs and paid 50 per cent or 100 per cent of the cost of other relief measures.

A scheme for *settling families on the land* was inaugurated in 1932, agreements being concluded with all the provinces except Prince Edward Island. The Dominion agreed to pay one-third of an amount not to exceed $600 per family; the remaining two-thirds being shared by the municipality and the province in whatever proportion they decided upon. This scheme was to include only families that would otherwise be in receipt of direct relief. The agreements covered a two-year period ending March 31, 1934. The province of Saskatchewan also placed a number of men from the drought area on farms. The Dominion paid 50 per cent of the cost of these placements.

The *relief of single homeless men* was particularly dealt with by the 1932 agreements. The four western provinces agreed to establish camps for these men or to place them on farms. For men in camps, the Dominion agreed to pay 100 per cent of the cost, with a maximum of 40 cents per person per day. For persons placed on farms the Dominion undertook to pay $5 per month, the province paying the administrative costs. These agreements were in effect until July 31, 1933.

1933:

At a conference held at the beginning of 1933, the provinces asked the Dominion to return to the policy followed in 1930 and 1931 of making possible extensive *public works and undertakings.* For municipal public works, the Dominion agreed to contribute one-third of the direct labour costs; for work on the trans-Canada highway, 60 cents per man day of work performed; and for work on other roads, 50 cents per man day of work performed. By far the larger proportion of money, however, was still spent on direct relief.

The agreements regarding the distribution of *direct relief* costs were the same as under The Relief Act of 1932.

By 1933, drought had affected certain districts in Manitoba, and help was given by the Dominion to all three Prairie Provinces. The Dominion contribution towards direct relief in the *drought areas* was similar to its contribution for non-drought sec-

tions of the provinces. The Dominion share of other relief services was one-third or one-fourth of the total costs.

The provisions concluded in 1932 for settling *relief families on farms* continued unchanged through 1933.

The agreements with the four western provinces for the care of *single homeless men* continued until July 31, 1933. After this date, the agreements under the Relief Act of 1933 provided that the Dominion should assume some responsibility for the care of physically fit homeless men, and for this purpose camps were established under the administration of the Departments of Interior and National Defence. For men not eligible for admission to federal camps, the Dominion paid one-half of the actual cost of support in provincially-operated camps, such actual cost not to exceed 40 cents per person per day.

The Dominion's contribution for *single homeless men placed on farms* was continued by the new legislation.

1934:

The agreements under the Relief Act of 1934 did not authorize such extensive expenditures on *public works* as did those of 1930, 1931 and 1933, although the Dominion made contributions for public works under the Act to all the provinces except Saskatchewan and British Columbia. Work on the trans-Canada highway was again provided for, the Dominion paying 50 per cent of the cost.

The Dominion, however, did embark upon a works program of its own. Under the Public Works Construction Act, 1934, an amount not exceeding $40 million was appropriated to provide for the construction and improvement of certain (Dominion government) *public works* and undertakings. The act was designed "to accelerate recovery to more normal economic conditions" and "to increase employment and reduce expenditures for relief purposes."

The provisions of the 1933 Act regarding *direct relief* were extended to July 31, 1934, at which time an important change of policy was made. From August 1, 1934, to March 30, 1935, in place of contributing to direct relief expenditures on a percentage basis, the Dominion announced a policy of giving monthly grants-in-aid, the amount to be determined on the basis of need and the ability of the province to deal with the problem.

Agreements for *placing relief families on farms* were extended to March 31, 1936, for all provinces except Prince Edward Island and British Columbia.

Under the new Act, provision was made for an additional contribution by the Dominion to settlers needing support during the third year of settlement; this applied to families settled under the 1932 agreements as well as under those of 1934. Arrangements were made with the railway companies for reduced passenger and freight rates for settlers.

The Dominion continued its care of physically fit homeless men in federal camps. The Dominion's share of the cost of caring for physically unfit homeless persons was included in the monthly grants-in-aid to the provinces. Arrangements were made with Manitoba, Saskatchewan and Alberta for a Dominion contribution of $5 a month for each *person placed on a farm.*

Expenditure by the Dominion for direct relief in the *drought areas* of the Prairie Provinces was at the same rate as in other sections. The Dominion participated in other aid such as paying one-half of the cost of moving settlers or stock from dried-out areas, one-half the cost of freight on live cattle shipped from drought areas to abattoirs within the Prairie Provinces provided the cattle were slaughtered and converted into tankage or boneless beef, etc. The Dominion also paid the province of Saskatchewan, on expenditures of the Saskatchewan Relief Commission incurred under the legislation of 1931 and 1932, 100 per cent of direct relief costs in certain sections of the drought area. Similarly for certain areas in Alberta the Dominion paid 100 per cent of direct relief under the legislation of 1932.

1935:

Under the Relief Act, 1935, relief works were again relatively insignificant. Agreements were entered into with all the provinces except Quebec and British Columbia providing for a Dominion contribution of 50 per cent of expenditures on the trans-Canada highway. In Prince Edward Island, New Brunswick, Ontario and Manitoba the Dominion also contributed to certain provincial undertakings, mainly highways. In Ontario, federal contributions were made towards certain municipal undertakings, in Manitoba for a project in Winnipeg, and for work by the Parks Board of the city of Vancouver.

However, under the Supplementary Public Works Construction Act, 1935, authority was taken to complete *works* already begun under the Act of 1934, and to execute new projects, to an aggregate amount of not more than $18 million. The government was also authorized to purchase *railway equipment* for sale or lease to either or both of the

railways under an arrangement whereby the companies would reimburse the government the full cost together with interest except in the first and second years.

The grants-in-aid to the provinces for *direct relief* were continued, and in accordance with resolutions adopted by the Committee of the Dominion-Provincial Conference on unemployment and relief, the grants were increased for the months of December, 1935, and January, February, March, 1936, to allow the provinces to lighten the burden on the municipalities.

The arrangements of the Relief Act of 1934 for the *settlement of families on farms* were continued through 1935. During the year British Columbia concluded an agreement with the Dominion, leaving Prince Edward Island the only province outside the scheme.

The Dominion continued to contribute to the Prairie Provinces 100 per cent of the cost of *placing persons on farms*, exclusive of administration.

The Dominion also continued to operate camps for the care of *single unemployed men* under the Department of National Defence. In November, 1935, a committee was appointed to make a survey of the camps. The report recommended that the camps be closed but that authority be granted to continue to operate them if thought advisable until on or about July 1, 1936. It was also recommended that at March 1, 1936, the cash allowance of 20 cents per day be changed to a monthly allowance of $15 a month. Preliminary arrangements were made to find the men employment elsewhere. Camps run by the Department of the Interior were operated from time to time under the 1935 Act.

In the three Prairie Provinces during the months of April, May, June and July, the Dominion paid 50 per cent of the cost of certain relief services in the *dried-out areas*—such as the moving of settlers, cattle, feed and fodder. Under the Relief Act of 1934, $5 million had been loaned to Saskatchewan for relief in the drought areas, and further advances of $4 million were made in 1935. By an Order in Council passed under the provisions of the Relief Act of 1935, it was provided that the Dominion would write off these loans, totalling $9 million.

1936:

Under the Unemployment Relief and Assistance Act, 1936, the Dominion entered into an agreement with each of the provinces to provide 50 per cent of the cost of certain *relief works* proposed to be undertaken by the provinces, including work on the trans-Canada highway.

The monthly grants-in-aid to the provinces for *direct relief* were continued.

New agreements for the *settlement of relief families on farms* effective from April 1, 1936, to March 31, 1940, were entered into with the provinces of Quebec, Manitoba and Alberta. The Dominion assumed one-third of an amount not to exceed $1,000 per family for a period of four years, besides one-third of additional amounts given to families already settled.

In Saskatchewan and Alberta, the Dominion undertook to contribute 50 per cent towards the cost of moving agricultural settlers and placing them on suitable lands in the northern parts of the provinces, and of assisting settlers so placed. In New Brunswick, 50 per cent of the cost of assisting settlers by bonuses for clearing land, grants of seed, fencing materials, etc., was paid by the Dominion.

Relief camps operated by the Department of National Defence for the care of *single unemployed men* were finally closed. The men were offered employment on railroad maintenance work, and arrangements were made to transport those who so desired, to *farm employment*. During the winter of 1936-37, agreements were made with all the provinces except Ontario and Nova Scotia providing for placing this class of unemployed on farms under a Farm Improvement and Employment Plan. By this plan the farmer was paid $5 a month, and the man $5 a month plus a bonus of $2.50 per month for staying a specified period of time, and a clothing allowance of $3 a month. At the request of the Quebec government no payment was made to the farmer in that province and the farm worker was paid $7.50 per month. In British Columbia, Manitoba and New Brunswick special *forestry projects* were undertaken for single unemployed persons deemed unsuitable for farm work. The Dominion paid half the cost.

The Prairie Provinces made representation that they were unable to meet the cost of assistance necessary in the *drought areas*. Consequently the Dominion assumed 100 per cent of the cost of direct relief in these areas from September 1, 1936, to March 31, 1937, exclusive of the costs of provincial and municipal administration. A limit was placed on the amount which would be granted to each province. Supplementary to these sums, the Department of Agriculture entered into an agreement with each of the three provinces, under which the Dominion would pay 100 per cent of the cost of purchasing and distributing fodder, moving equipment, etc. Again, the Dominion's commitments were limited. These latter agreements were

not entered into under the Unemployment Relief and Assistance Act though they formed a part of the Dominion's program of assistance for the drought areas.

1937:

Under the provisions of the Unemployment and Agricultural Assistance Act, 1937, the Dominion agreed to contribute towards the cost of certain *works projects,* such as trans-Canada highway construction, provincial highway construction and other provincial and municipal works.

The Dominion continued its monthly grants-in-aid for *direct relief* to all the provinces except New Brunswick. This province undertook an enlarged works program in place of granting material aid, to which the Dominion contributed an amount equal to what would have been paid as monthly grants-in-aid.[10] Following recommendations made by the National Employment Commission, certain conditions were attached to the relief grants for the months of January, February and March. Agreements with each province provided for the payment of a definite percentage of the expenditure of the province, a maximum amount to be stated in each case. The percentage agreed upon was 30 per cent in Prince Edward Island, Nova Scotia, Quebec, Ontario and British Columbia, and 35 per cent in Manitoba, Saskatchewan and Alberta. These conditions replaced the system of making the amount of the grants-in-aid depend on the need of the province, and its ability to bear the burden. Subject to the approval of the Minister of Labour of Canada grants-in-aid made for material aid might also be used for works or training plans providing the equivalent of material aid. The agreements covering the grants-in-aid also required the provinces and municipalities to follow definite procedures in registering relief recipients, in order that employables and unemployables might be more easily segregated. However, no restrictions were placed on the Dominion grant with regard to unemployables.[11] It was also provided that relief given to an individual should be less than the earnings of an unskilled worker in the district.

The provisions for the *settlement of relief families* made with the provinces of Quebec, Manitoba, and Alberta, by the Unemployment Relief and Assistance Act, 1936, continued through 1937. By the 1937 Act, an agreement similar to those of 1936 was entered into with Saskatchewan, effective from June 1, 1937, to March 31, 1941.

Continuing the policy of the previous year, Parliament assisted in placing *agricultural settlers* on suitable land. Agreements were concluded with New Brunswick, Saskatchewan, Alberta and British Columbia, the Dominion paying 50 per cent of the cost. Expenditures were mainly for the breaking and clearing of land, purchase of building materials, farm implements and live stock, and the movement of settlers and their effects.

Under the *Farm Unemployment and Improvement Plan,* agreements had been entered into with all the provinces except Ontario and Nova Scotia in 1936. These agreements were extended for one month from April 1 to April 30, 1937, except that no payment was made to the farmer and the allowance to the worker increased to $7.50 a month. The agreements for supplementary works for those not suited to farm employment were also extended to the end of April, 1937. In the four western provinces the plan was again put into operation for the period from October 1, 1937, to March 31, 1938, with the expenses shared equally by the federal and provincial governments. In addition, the Dominion contributed 50 per cent of the cost of forestry and other works in British Columbia undertaken as a supplementary means of providing employment. The agreement was for the period from November 1, 1937, to March 31, 1938.

The agreements of the 1936 Acts giving assistance to the *drought areas* were extended for the period April 1 to August 31, 1937, some additional areas in Saskatchewan being covered. From September 1, 1937, the Department of Agriculture took over from the Department of Labour the administration of money for material relief for the drought areas of Saskatchewan and Alberta. This was done to follow up the suggestion of the National Employment Commission that unemployment aid and agricultural aid should be distinguished, as far as possible. The new agreements covered towns and villages affected by the drought as well as farm areas. The Dominion continued to pay 100 per cent of the cost of material aid. In addition, federal funds paid for purchasing and distributing a quantity of food throughout the drought areas. Agreements made in 1936 whereby the Dominion paid 100 per cent of the cost of feed and fodder assistance were renewed for the month of April, 1937. From May 1 to August 31, reduced assistance in feed and fodder was made in Saskatchewan under an agreement between the

[10] The agreement with New Brunswick provided for some small grants to some few towns and cities for material aid, but they were relatively insignificant.

[11] In New Brunswick, Alberta, Manitoba and Saskatchewan, the provincial government has always maintained that unemployables were the sole responsibility of the municipalities and has tried to distinguish between the two categories when making relief grants.

province and the Department of Agriculture. Continued drought conditions in both Saskatchewan and Alberta made feed and fodder assistance necessary throughout the winter and the general features of the 1936 arrangement were retained. Some transporting of stock was done with federal funds for farmers not eligible for feed and fodder assistance. The number of cattle to be retained by each applicant for feed relief had to be regulated and the Dominion organized and operated a cattle assembly and marketing plan to assist farmers to dispose of their live stock holdings in excess of the relief quota.

During the 1937 session, in accordance with recommendations of the National Employment Commission, Parliament granted $1 million to be used for *youth training schemes*. Agreements were entered into with all the provinces providing for a Dominion contribution of 50 per cent of the province's expenditures, subject to a limit set in each agreement. Hitherto, relief policy had been concerned almost solely with the granting of aid in one way or another. The youth training program marked a broadening of policy to include rehabilitation and prevention by making people better equipped to obtain and hold jobs.

Miscellaneous Governmental Arrangements Regarding Unemployment

TRANSPORTATION OF UNEMPLOYED

Since 1931, arrangements with the Canadian Passenger Association have made possible reduced rail fare for men going to relief camps, and for unemployed farm help going to work on farms. The cost was borne equally by the Dominion and the province, except where men were going to federal camps, when the Dominion bore the entire cost. Under certain conditions a reduced return fare, payable by the worker, was arranged. This form of assistance ceased with the closing of the relief camps.

LOANS

In the four western provinces the Dominion has given considerable assistance by means of loans and guarantees. The loans were authorized under relief legislation and were secured by provincial treasury bills. In general, they were for the purpose of assisting the provinces to pay their share of direct relief or relief work and for making loans to the municipalities for the same purpose; meeting maturities in Canada and New York; and assisting farmers in connection with seeding operations, including the purchase of seed grain.

A different kind of loan was made in 1931 when the Dominion loaned the Canadian Pacific Railway Company $1,447,222.71 for the purpose of paying shop wages to employees who would otherwise have been laid off. The loan was to be repaid to the government without interest on demand as soon as the company was able to pay dividends at 5 per cent per annum. Under the Relief Act, 1932, a $1 million loan was made to the same company to pay workmen for work done prior to December 31, 1932. This loan was to be repaid without interest before any further dividends were declared by the company. Under the Relief Acts the Dominion also authorized various guarantees, some of them to industrial companies.

SPECIAL SCHEMES

In addition to the Dominion government's contribution to the carrying out of the more or less regular relief policies of the provinces, it also participated in a number of special schemes, the more important of which were the following:—

(1) The *purchase of railway ties* for the Canadian National Railways, 1931 and 1932, at a cost of $1 million. The laying of *heavy steel rails* for the Canadian Pacific Railway, 1931; the Dominion paid labour costs.

(2) In 1932, the Dominion paid $7,957 as its share of the cost of *repatriating* 234 foreign people living in Waterford, N.S.

(3) In 1930 and 1931, the Dominion shared in the extra cost involved in using additional *Nova Scotia* coal in areas west of Montreal. In 1932, an agreement was reached between the Dominion Coal Company, the province of Ontario, the province of Nova Scotia and the Dominion government, whereby the excess cost of $2.39 per ton over the price at which American coal could be purchased, was shared between them, and the coal used to heat Ontario provincial public buildings.

(4) Provision was made under the Relief Act, 1933, for a fund from which certain exporters were paid the difference between the amount actually received for goods, and the amount which they would have received had the pound sterling been valued at $4.60. The Dominion paid $42,968 under this scheme.

(5) In 1933 and 1934, the Dominion agreed to share one-third of any loss not to exceed $7,000 sustained by the province of New Brunswick by supplying *seed grain, potatoes*, etc. to municipalities for distribution to farmers.

(6) In 1933, the Dominion agreed to contribute up to $8,000 to a scheme to assist *fishermen* in New Brunswick.

(7) In 1934, the Dominion agreed to pay not more than $5,000 for the emergency relief of *forest fire sufferers;* and not more than $24,000 for aiding colonization settlers in New Brunswick.

SUMMARY

The diversity and extent of these arrangements show that a thorough-going co-operation between governments was necessary to meet the cost of unemployment relief. The whole thing continues to be on an emergency basis, however, and the municipalities are still delegated with responsibility for relief. Consequently, the situation causes uncertainty for the budgeting of all governments and prevents the laying down of financial policy beyond a year. Uncertainty surrounding unemployment relief also delays policy for the other social services.

Outside of the youth training scheme introduced in 1937 and some settling of families on farms, little of a constructive nature marked unemployment policy. This was perhaps a natural result of the refusal of the Dominion and provincial governments to assume any but temporary responsibility for the problem.

It is obvious, however, that the whole question of responsibility for unemployment relief has taken on a new aspect since 1930. After being forced to shoulder the major part of relief costs for eight years, it is difficult for the Dominion Parliament and the provincial legislatures to say that unemployment relief is or should be a local responsibility, at any rate under the existing allocation of revenues. Furthermore, the Dominion government implicitly recognized that certain categories of relief recipients, namely the single homeless men and drought victims, were not a fair burden for the municipalities; although it did not explicitly assume responsibility for them. The Dominion set certain precedents by way of aiding private industry and special groups in the population which would seem to leave the way open for a possibly much broader attack on unemployment in the future.

4. Problems of Relief

(a) Welfare

I. LACK OF STANDARDS

A basic problem of welfare in the present organization of relief is the fact that no standards have been set up. Municipalities differ in their rules regarding eligibility for relief. Great hardship is caused by a tendency in some places to cut groups of unemployed persons off relief on technical grounds without making any other provision for them. Many smaller municipalities either give no relief whatever or very inadequate relief. Municipalities generally show wide variations in the amount of food, clothing, fuel, shelter and medical care allowed. In some places no provision at all is made for clothing and medical care. Careful studies by the Canadian Welfare Council on the actual schedules of relief and assistance given in municipalities throughout Canada give ample statistical proof of this variation in standards. It is to be expected, of course, that there will be regional differences in the cash value of relief, but the variations referred to are between cities and communities in the same region, or in comparable regions.

Where standards have been set up their basis has usually been immediate economy rather than adequacy. The food allowances in the City of Toronto are among the more adequate provided by Canadian cities. Table 7, compares the food allowances of Toronto with those established as minimum diets by the Ontario Medical Association and the Nutritional Committee of the League of Nations.

TABLE 7

Food Allowance of the City of Toronto Relief Voucher compared with the Minimum Adequate Diet recommended by the Ontario Medical Association and the Minimum Balanced Diet of the Nutritional Committee of the League of Nations. (a)

—	Milk	Fruit and Vegetables	Meats and Foods rich in Proteins	Fats	Carbohydrates	Total
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
City of Toronto	1 82	0 79	0 75	0 73	2 22	6 32 (b)
Minimum adequate diet as recommended by the Ontario Medical Association	1 82	1 19	1 58	1 55	2 11	8 11
Minimum balanced diet of the Nutritional Committee, League of Nations.	2 99	2 55	1 76	1 86	1 41	10 58

(a) Quoted in the submission of the Welfare Council of Toronto and District.
(b) All of this money can not be spent on food. Part must be saved for cleaning materials, matches, toilet paper and so forth.

The adequacy of relief budgets is given considerable attention in a recent book published in the McGill Social Research Series.[12] A distinction is made between a food allowance that will support health for short or emergency periods and an adequate minimum diet for long periods. The former costs about five-sevenths of the latter. None of the Canadian food allowances for the unemployed are adequate for long periods. And of selected Canadian cities in 1936, Edmonton, Vancouver, Regina and Winnipeg were above the short period minimum, and Toronto, Montreal, Saint John and Halifax below it, in the order named.[13]

The deficiency of relief food allowances in body-building proteins and protective foods is bound to have bad effects on the families who must live on

[12] L. C. Marsh, *Health and Unemployment*, 1938, Chapter 20.
[13] The standards used were of course translated into local prices for purposes of comparison.

them for long periods of time. When prices rise, the situation becomes more pressing because local authorities are very slow to raise relief allowances. It is probable that a serious situation exists in many parts of the country. "Economy" under these conditions becomes a purely relative term. The final bill for short-sighted economy will not be presented until future years.

The method of giving relief also shows important variations. It may be given in kind, by voucher (more or less rigidly apportioned) or in cash. The last method imposes no stigma and assumes that the unemployed working class family is used to balancing a small budget. The first two are the methods usually used in Canada, with the voucher-system predominating. There is rarely a cash allowance for clothing, although some municipalities give from 25 cents to 90 cents per person per month. More generally, when clothing is provided, it is given from a central dispensary on proof of need. Naturally, quality and variety are both inferior.[14]

With rent, too, cheapness is the criterion. As a result, there have been frequent evictions in the cities, which aside from their demoralizing influence, involve not inconsiderable costs for cartage and temporary shelter. Rent allowances vary greatly as between provinces and municipalities, and in some cases receive scant attention. In Nova Scotia, for instance, "Rent is granted upon notice of eviction, when the applicant appeals to the relief office. He is then instructed to find new quarters at the lowest possible rental, and is allowed a maximum of $10 to pay the first month's rent, after which rental payments become the responsibility of the individual unless he is again evicted." Relief rental policy also has an effect upon the housing problem because utterly inadequate rents offer no inducement to the owner to do necessary repairs and result in undesirable housing conditions.[15]

A comparison of the relief budget as a whole with accepted minimum subsistence budgets for all items indicates the emergency basis of existing relief schedules. Table 8 compares the standard total budget of the Montreal Council of Social Agencies and that of the Council of Social Agencies of Washington, D.C. (where conditions are, of course, somewhat different), with the actual relief allowances of Montreal.[16] The standard budget is regarded as one that will maintain health at a minimum cost. In Montreal, it is almost twice the relief budget. Such a large difference indicates a serious condition not only for the unemployed but also for many regularly employed persons with low wages.

TABLE 8

A Comparison of Standard and Relief Budgets. (As for family of five in 1936). (Monthly average, winter and summer scales)

Item	Montreal Social Agencies	Washington Social Agencies	Unemployment Relief Commission
	$ cts.	$ cts.	$ cts.
Food	40 35	31 40	21 88
Housing	17 14	26 85	10 50 (*)
Fuel, light	6 93	11 60	3 35 (*)
Clothing	13 04	21 66	3 25
Other items	6 07	28 05	1 25 (*)
Total—			
(i) Necessities	76 66	87 01	40 98
(ii) All items	83 33	115 06	42 23

(*) Includes municipal addition ($2) to federal allowance.
(*) Does not include gas.
(*) Payment to medical fund.

The deficiencies and lack of standards in the administration of unemployment aid become more serious for the individual family on relief as the duration of the depression lengthens. The needs of the individual family increase for a variety of reasons,—the wearing out of clothing and household equipment of all sorts, the exhausting of available financial help from friends and relatives, the piling up of dental and medical requirements, etc. But the latter part of a depression is the very time when the unemployed family is likely to be faced with arbitrary reductions of relief grants and a rising price level. Undermining of physique and destruction of morale are then inevitable. The state must later pay the permanent costs of unemployability, illness, crime and immorality. It does so under such headings as poor relief, mothers' allowances, hospitalization, costs of tuberculosis and mental illness, penal costs and so forth.

The lack of standards in relief administration has injured the taxpayer and continues to do so. It makes possible wasteful and inefficient day-to-day administration. Over the long run, it will increase costs to the taxpayer in the ways just indicated.

It can be seen that Canadian methods of dealing with unemployment have been very much coloured by poor relief. There has not been enough attention to preserving the health and morale of the unemployed family, which in the long run are priceless assets. It is true as a generalization that although unemployment relief has become the residuary category and swallowed up poor relief, the method of treatment is still basically that of poor relief. This

[14] The Welfare Council of Toronto goes so far as to say, "The difficulty of getting proper clothes has been responsible for more breakdown of morale than any other part of relief".

[15] See A. E. Grauer, *Housing*, Chapter 4.

[16] From L. C. Marsh, *op. cit.* p. 163.

result was to be expected with the failure to recognize unemployment as a new problem with characteristics of its own.

II. PERSONNEL

Personnel has been a problem in two ways, first, lack of numbers to do an adequate job; second, lack of training. Delays and inefficiency have often resulted in cities because the bulk of work has been too large for relief staffs. As local governments are responsible for the whole cost of administration, they have tended to keep staffs at a minimum and have ignored the indirect costs of inadequate administration. Hastily assembled relief organizations got a very uneven type of employee and very few of them had any training or experience in dealing with welfare problems. Trained welfare administrators are needed to protect the morale of the employable person and to help solve his problems which may consist of a number of things besides the lack of a job. The preservation of employability is the aim here. Most of the unemployables require individual attention if morale is not to break altogether or if rehabilitation is to be attempted. This means they should be put in the hands of those trained in social work, because in welfare as in public health trained personnel is needed for a thorough-going program of prevention and reconstruction. The wide-spread failure to realize this in Canada again means greater costs in the long run for it means a large permanent group hopelessly sunk in dependency.

III. NEGLECT OF STATUTORY DUTIES

There has been a certain tendency among local authorities to deal with all types of dependency through unemployment relief wherever this would mean a saving for the municipality. Thus, pressure may be exerted to prevent children in bad family surroundings being declared wards under the Children's Protection Acts, and thus to continue the family on relief as a unit. To the extent that this is occurring it is again storing up costs for the future because experience shows that children so placed stand a good chance of later becoming public charges in one way or another. A similar situation exists where there is jockeying between jurisdictions to avoid costs. An example taken from Ontario is where the county is responsible for the cost of certain statutory obligations and the township for direct relief. The county tends to regard every case as unemployment relief and the township to insist that as many as possible are statutory cases. As the two jurisdictions tax the same taxpayers to a great extent their disagreement is really about jurisdictional bookkeeping, but in the meantime welfare problems as such tend to be overlooked.

IV. RELATIONS BETWEEN PUBLIC AND PRIVATE AGENCIES

The stress of some hard pressed local authorities on cutting costs (which does not necessarily mean efficient administration or long-time savings) has often resulted in reduction of appropriations without reference to need. As a result private agencies have been forced to use their funds for relief purposes (food, fuel, clothing and shelter) rather than rehabilitation, prevention, or other special purposes for which they are in existence. This has caused friction between private and public agencies as have some of the other considerations already mentioned. Private agencies are now, on the whole, refusing, on the grounds that their funds are needed elsewhere, to deal with cases that they believe should be a public responsibility. Unfortunately, this change of policy comes at a time when all governments are becoming more arbitrary in cutting down relief costs. As a result certain types of unemployed are placed in a desperate position.

An example of the condition of some of the relief families is given in a sample study made of a group of families carried by the Montreal Family Welfare Association, in January, 1937.[17] There were four main groups in these families. The first is made up of families that have been unable to establish residence; the second, of families of the permanently dependent type who are destitute but not eligible for municipal unemployment relief; the third, of families in receipt of unemployment relief whose relief allowances are inadequate; the fourth, of workers whose earnings are insufficient for the subsistence needs of their families. "Irregular work or under-employment of other kinds, low wages, dependence on the earnings of women or juveniles at unskilled jobs, large families, are the chief causes." The survey excluded most of the families of the second group. "These families," says the survey, "may be considered as a representative cross-section of the lowest income groups in the non-French-speaking community of Montreal." They are, on the whole, the type of family that the welfare agencies feel the state should look after. Table 9 shows the results of the survey of conditions among 591 families.

[17] Reported by L. C. Marsh, *op. cit.* Chapter 16.

TABLE 9

Illness, Nutrition, Housing and Clothing among 591 Unemployed Families carried by the Montreal Family Welfare Association, January, 1937

District	Total Unemployment Cases	Major Illness	Under Nutrition	Bad Housing	Lack of Clothing
		%	%	%	%
Uptown	67	31·5	4·1	20·8	10·3
West	71	18·3	23·8	11·5	7·0
North	72	29·2	22·8	18·1	1·4
Rosemount	83	47·0	10·8	13·3	3·6
East	55	3·5	43·6	20·0	23·6
South	42	19·0	4·7	23·8	4·3
Verdun	121	19·0	22·1	12·4	3·3
Total	591	26·8	19·5	17·9	6·8

Very strict standards were used in the survey. For instance, "under-nutrition" does not refer simply to cases where the investigator considered that insufficient food was available, but to cases that showed actual symptoms of general deficiency of nutrition. "Bad housing" refers to cases of definite overcrowding or where the structure of the house menaced health. The "lack of clothing" figure is small because "so many schools, clubs, churches and other agencies have organized clothes-distributing services, but also because only severe cases of clothing need were recorded." It is further explained that "the Uptown and South districts, in which the malnutrition rates are lowest, are parts of the city in which settlements and other welfare agencies are most numerous, in which also schools with many pupils from low-income families have provided milk, and sometimes meals, free." But the point of interest for this study is the indication of generally bad conditions among these types of family, and the fact that those conditions will get worse because both welfare agencies and civic relief departments are for a variety of reasons increasingly failing to meet the needs of such families. Basically, the trouble is that the local authorities are pulled one way and another by the multiple nature of their problem. With the final responsibility for poor relief and unemployment relief on their hands, their financial burden becomes so great that they are incapable of dealing with the problem effectively and adequately. It is an unsatisfactory situation, not due to obtuseness on the part of local authorities but to bad organization.

V. LOW WAGES AND PART-TIME EMPLOYMENT

The question of poverty caused either by low wages in full-time or part-time employment is a complicated one. In many lines of work, the bottom falls out of the wages structure in times of mass unemployment. If relief authorities give partial relief to low-wage workers they are in fact subsidizing private industry and encouraging other employers to lower wages or to take on part-time workers. If they don't give partial relief, families are in want and the unemployed will show great reluctance to take part-time work. Private agencies are then in a dilemma too, because although the low-wage family may be in need of special attention the private agencies feel that by assisting, they are using their funds to subsidize industry; and in any case, they would be going counter to the policy adopted by the local relief authorities. Strictly enforced minimum wage legislation can go a long way in providing a "bottom" for the wage-structure;[18] but the problem of part-time employment is more difficult. Private industry has shown little responsibility in this matter. The recent attempt of the Quebec Fair Wage Board to provide higher hourly rates for part-time employees met such opposition from organizations of business men that it had to be modified. There is a good deal of necessary part-time employment in industry and retail trades because of the nature of the work, but there is also a lot of unnecessary part-time employment, either through poor organization of the work or through a deliberate attempt to lower wage costs. If business does nothing to check the latter type of part-time work, it can hardly wonder if public authorities finally attempt to regulate all types of such employment.

(b) Residence and the Mobility of Labour[19]

This problem again demonstrates the unsatisfactory nature of lumping together employables and unemployables. The latter, the traditional recipients of poor relief, do not as a rule move about the country, and in any case they do not affect the mobility of labour. The problem is caused by employable persons who, moving about the country in search of work or following seasonal occupations from one region to another, run afoul of restrictions traditional to poor relief which tend to immobilize labour. Consequently a type of worker who normally performs a valuable function in the economy of the country becomes an object of suspicion and the recipient of the most short-sighted treatment. The bulk of these people are looking for work and are penalized for so doing.

Although there is some overlapping, it will perhaps be clearer to deal with the problem under the headings of "transients" and "non-residents."

[18] See the discussion of minimum wages in the study on *Labour Legislation*, Chapter 3, by A. E. Gruner.

[19] This subject has received considerable current attention notably *The Problem of Relief, Health and Welfare Services for Interprovincial Transients* by H. M. Cassidy, Director of Social Welfare for British Columbia, and *The Non-Resident Problem in Montreal*, a Report of the Non-Resident Committee of the Family Welfare Association, August, 1937.

TRANSIENTS

These are usually single, unemployed men who have no established residence anywhere. Normally, this class of worker is an important part of the working force of the country. They are necessary for the many highly seasonal industries of Canada: the lumber and pulpwood winter cut and spring drive; the extensive summer developmental work at the mines; the fruit, vegetable, berry, and grain harvests of the autumn; the big railway and highway construction jobs; the sudden spurts of shipping and factory activity when navigation opens; the many industries that only want a man for a month or a season, but must have him then. During the depression, however, openings have been few, and with practically no resources to fall back upon, large numbers of these migratory workers have been in want. As they have no established residence, most municipalities give them a few meals, a night's lodging often in jails, and tell them to move on.

NON-RESIDENTS

These are persons, often families, who have moved to a new municipality but have not yet been there long enough to establish residence and hence are not eligible for relief. In this group are those who have become unemployed and go elsewhere looking for work; prairie farmers discouraged with the drought who go to the cities to try a new life; younger members of families who do not want to be a burden on the home and try their luck elsewhere; and unemployed families from smaller municipalities where very little or no relief is given. But however worthy their motives, they are given rough treatment wherever they settle. The rules for residence vary with municipalities but it usually takes one, two or three years to establish residence, and in some places rules are so laid down that it is impossible to gain residence. In the meantime, relief is not given if at all possible, and if granted, it is only given on an emergency basis. An attempt is generally made to send them back to their original homes, but as no technique has been worked out between provinces for redomiciling such families and individuals, this is a prolonged and very uncertain matter. Within the provinces, the situation varies. Ontario and the four western provinces have gradually worked out inter-municipal arrangements within the provincial boundaries; otherwise, the situation is chaotic.

It is obvious that special problems of welfare are created for families in this group. "From the point of view of the family's welfare," says the Report of the Montreal Family Welfare Association on The Non-Resident Problem in Montreal,

> "the disturbing effect of a high rate of mobility and a prolonged period of uncertainty and insecurity are the outstanding considerations. While the effect on the children is almost impossible to estimate, it does seem presumptuous to expect good citizenship from children brought up in an environment where they are made to feel that they do not belong. Yet most of the families moved with the sincere hope of bettering themselves and, as far as could be determined from the study of cases accepted for care, they did not appear to differ greatly in other respects from resident families which come for assistance."

Another problem of welfare relates to health. There is generally a residence requirement for free hospitalization. Here again the non-resident is penalized.

As a result of residence restrictions, much of the burden for non-resident unemployed has fallen on the voluntarily supported private agencies. It has become increasingly difficult for them to justify continued spending of voluntary funds raised for necessary local purposes on a problem which is pretty clearly a governmental responsibility, and there is a tendency for these agencies to refuse to divert their funds any longer to this use. The plight of the non-resident is therefore becoming more acute.

Practically all the larger towns have problems of transiency and non-residence. The big cities attract people because of their diverse life and the presumably greater chance of getting a job. They are also transportation centres on the main line of travel and therefore easy for transients to get to. There is a certain movement of unemployed from small centres to big ones because of the inadequacy of relief in the former. The province of British Columbia has felt that its climate and the situation of Vancouver and Prince Rupert as railway terminuses have given it more than its share of transients and non-residents, and have unfairly increased its relief and health costs. Whatever may be said as between provinces, it is certainly true that the problem is pressing for certain communities.

The local authorities cannot be looked to for a solution of the problem of the transients and non-residents. The trouble lies basically in a faulty conception of the problem of unemployment relief. These two groups of unemployed will never fit into a pattern of unemployment relief organized on a basis of local responsibility. Their plight can only be remedied by inter-provincial action or Dominion action, and any solution must pay due attention to the necessity of keeping labour mobile in Canada.

(c) Medical Care for the Unemployed[20]

No attention was paid to medical care for the unemployed until quite late in the depression. Even now, Ontario is the only province that has a standard system of medical relief covering both urban and rural areas. This system was introduced in the spring of 1935, although, following the Campbell report, emergency medical services had been provided since 1932. British Columbia, which has the next best medical coverage for the unemployed, did not begin to extend its health services until 1934. This system covers only unemployment relief recipients in unorganized territory and in leading municipalities. The system is still spotty and it is not well co-ordinated with the other health services of the provincial government and the municipalities. Both these provinces make appropriations specifically for medical relief.

The Prairie Provinces, because of the drought, undertook medical relief as early as 1931 and 1932. However, medical provision there still varies considerably in the larger cities and towns where most of the unemployed are concentrated. In Saskatchewan, since 1932, medical relief has been included in agricultural aid which is borne jointly by the province and the Dominion. The "municipal doctor" system[21] has been of great help in meeting the medical needs of the unemployed and drought victims, and so have the provincial maternity grants of $25 a case. In Quebec and the Maritimes there are no standard provisions except in Montreal and a few other cities. The Montreal medical relief scheme did not get under way until the middle of 1936. The Maritime Provinces have paid least attention to the need of medical care for the unemployed. The Dominion government assumes no responsibility for medical relief. All the largest cities now make some appropriation for medical care in their unemployment budgets, but this is not true of many urban centres and still less of rural districts.

Where medical services are given the unemployed, the range and quality vary considerably. Limitations are often placed on the number of visits per patient per month, on operations, hospital charges, the cost of glasses, dental work other than extractions and prescriptions. Most medical relief schemes discriminate against single men. And rural medical relief, when given, is usually poorer than urban.

[20] For a full treatment of this subject see L. C. Marsh *op. cit.* Part V. For the details of medical relief in the various provinces see Appendix II.

[21] See the study on *Public Health*, p. 8, by A. E. Grauer.

Where no special relief organization exists, the extent to which the unemployed receive proper medical attention depends upon the ordinary medical and health facilities which may be open to the low-income groups in the community. These are chiefly hospitals, clinics and sanatoria supplemented by private social agencies (Family Welfare, Victorian Order of Nurses, Red Cross, etc.) whose services are considerable in some areas and non-existent in others. Some medical attention may also be given through established institutions for the destitute, such as municipal relief shelters, casual wards, overseers of the poor, charitable hostels, church organizations, etc. A large volume of gratuitous service has also been given by private physicians. This has been an unfair imposition by the state, especially in some areas where the amount of gratuitous service reaches heavy proportions.

The tendency, in extending medical care to the unemployed, has been to make the governing criterion indigence rather than sickness. Here again, poor relief has set the standards for the treatment of the unemployed. Even so, the lot of the unemployed on relief has been better than that of the low-income families who are unable to buy even minimal medical services out of their budgets.[22]

5. Jurisdiction for Unemployment Relief

The phenomenon of mass unemployment was unknown to the Fathers of Confederation and received no specific attention in the British North America Act. Such public assistance as did occur at the time, however, seems to be covered by subsection 7 of Section 92 giving the provinces jurisdiction over "The Establishment, Maintenance, and Management of Hospitals, Asylums, Charities, and Eleemosynary Institutions in and for the province, other than Marine Hospitals." The care of the needy and indigent has also been taken to be within the jurisdiction of the provinces as being a "matter of a purely local or private nature within the province." Responsibility for the poor was passed on to the municipalities by the provinces. This was a reasonable solution of the problem for several reasons:—

(1) In the absence of modern facilities for transportation and communication, communities were much more self-contained than now. The local authorities had a better basis for knowing the circumstances of each individual family than provincial officials. In fact, most communities were so small that practically everyone, even in the towns, was known to each other.

[22] For a discussion of the position and needs of this group see Part II of this study.

(2) In a new country with a normal scarcity of labour, the number of poor was relatively insignificant and imposed no financial strain on any municipality.

(3) The poor were chiefly unemployables and consequently an immobile group. Hence problems of residence or of interference with the mobility of labour did not arise.

The modern problem of the widespread need of able-bodied, employable persons is, as has already been shown, an entirely different question. It cannot be assumed, therefore, that because the relief of the poor is best suited to local administration, the relief of the unemployed is too. The question of the most efficient, economical and equitable method of organizing relief for the able-bodied unemployed must be decided on its own merits.

The National Employment Commission reached the conclusion[23] that problems of employment and unemployment could be best handled by a "nationally administered system of Unemployment Insurance and Employment Service" supplemented by a system of "Unemployment Aid to meet those phases of unemployment need which experience abroad has shown cannot be covered by Unemployment Insurance." Such a structure would have "decisive advantages over the present system," namely:—

"(1) the Dominion, in the flexibility (though not necessarily in the amount) of its revenues and in the broader experience of its administrative officers, is in a better position to meet, than are the provinces, the highly fluctuating requirements. Further, averaged over the whole country, the fluctuations are less than for individual regions or localities;

(2) the qualifications for Unemployment Insurance (which involves a statutory right for the recipient), or for Unemployment Aid (which involves an exgratia allowance based on need carrying on statutory right for the recipient because no contribution has been made), can be made clear and precise, susceptible of proof and capable of being determined by a Dominion Employment Service; stated briefly, they would be—having been self-supporting; having been employed; and/or being now capable of employment though unemployed;[24]

(3) since the definition of eligibility can be made precise and susceptible of proof, the dangers of competition and bargaining between government units and the tendency to shift responsibilities should be reduced to a minimum;

(4) the disadvantage implicit in leaving the responsibility with the provinces is avoided, i.e., that that responsibility inevitably becomes joint, since experience has demonstrated that in periods of severe unemployment the provinces do not carry the full burden and a system of grants-in-aid and divided responsibility necessarily ensues.

The administrative functions would appear to be such as could be successfully dealt with if the Dominion controls the Employment Service and is willing to work out adequate co-ordination with Provincial and Municipal welfare services. Dominion administration is quite compatible with regional decentralization.

It should be made clear that under the system outlined, the responsibility for the relief of distress other than that arising from unemployment as defined by the Dominion Government Employment Service should lie with the Province and its creature, the Municipality."[25]

Commissioner Mary Sutherland dissented from the recommendation that responsibility for the relief of distress resulting from unemployment should be shifted from the municipalities and provinces.[26]

The arguments for and against transferring exclusive jurisdiction for the aid of able-bodied unemployed to the Dominion Parliament may be summarized as follows:—

1. *Economic*

(a) For: In attacking an economic problem it is a sound principle that the government given jurisdiction (and therefore responsibility) should be the one best able to deal constructively with it. Unemployment is, on the side of its causes and cures, economic in nature; on the side of its treatment, financial. Therefore, the governmental jurisdiction responsible for the treatment of the unemployed should be the one with the broadest taxing powers; and the one responsible for the task of attacking the causes of unemployment should be the one with most control over the economic factors affecting unemployment. Of the three levels of government in Canada the Dominion has the widest taxing powers and the municipality the narrowest. The Dominion Parliament also has the broadest economic powers, including exclusive control of money and credit, the tariff, and foreign and interprovincial trade and commerce. Although the treaty-making power is a complicated one in Canada, the Dominion is the government best situated in fact to enter into international action, which is necessary against some types of unemployment. The Dominion is the logical body to bring about co-ordination of policy internally for long range

[23] Final Report of the National Employment Commission, 1938, Section 11, Chapters C and D.

[24] The context of the National Employment Commission Report indicates that the "or" in the expression "and/or" should be deleted.

[25] *Ibid.*, p. 28.

[26] *Ibid.*, p. 45 *et seq.*

planning against unemployment along such lines as public works, housing, etc. The Dominion Parliament, in short, is the only governmental body equipped with the necessary powers to attack the chief causes of unemployment.

Under the present organization for unemployment aid, localities with the heaviest rate of unemployment have the heaviest financial burden regardless of their taxable capacity. This is an unfair economic burden for such localities because the causes of unemployment are not local.

When responsibility is divided between governments, there is a tendency for attention to become concentrated on the apportionment of the costs of unemployment relief to the detriment of other considerations. If responsibility were entirely with one government, attention would be concentrated where it should be, namely, on the terrific financial burden of unemployment to the country and the necessity of reducing that burden through the most efficient organization of relief possible and through combating the causes of unemployment. Canada has not been aggressive in meeting the causes of unemployment, and although it is true that unemployment cannot be eradicated, it can be lessened by thorough-going preparation along the lines already mentioned to cope with the causes of unemployment.

The important problem of the mobility of labour would be met by Dominion responsibility for unemployment. There would be no question of "residence" then, and present restrictions on the mobility of labour would disappear. At the same time, a comprehensive and efficient employment service, thoroughly publicized and with the advantage of administering unemployment insurance, would be much more in touch with all classes of labour than at present and able to give effective advice as to employment opportunities elsewhere.

(b) Against: ". . . within their jurisdiction, provinces legislate in respect to material resources, agriculture, mines, forests, factories, etc., and in respect to human resources in such matters as education, health, and labour, including hours of work, minimum wages, workmen's compensation, factory conditions, the health of workers, indigency, etc. Material resources and human resources are inextricably bound together in the economic structure. The material resources, and the human resources in the application of their minds and labour, whether to material resources, in trade, or in service, and all the ramifications of that relationship, constitute an indivisible oneness and consequently have been and should be governed in matters appertaining to that relationship within one jurisdiction. . . . That the allocation of that jurisdiction should be implicit in the sovereign rights of the provinces is fundamental and perfectly logical."[27]

The provinces can take steps to equalize the burden of unemployment as between localities, and the Dominion can equalize the burden between provinces, by grants. The problems of non-residents and transients can effectively be met by interprovincial agreements.

2. *Financial*

(a) For: It is an accepted principle of public finance that the authority spending money should also raise it, or at least such part of it as will induce it to be economical. This is the only real check to the political pressures for greater expenditures to which all governments are subject. As the experience of the depression has shown, the proportions of the problem of unemployment are such that the municipalities, if charged with unemployment aid, cannot hope to meet more than a fraction of the expenditures. It is impossible to give them additional sources of revenue with which to meet the costs of aid because no important tax besides the property tax can be effectively levied on a municipal basis. These inequities, moreover, are fatal from the point of view of unemployment because they would penalize the poorer municipalities with the heaviest burdens of aid and favour the well-to-do municipalities. With municipal responsibility for unemployment aid, therefore, there must always be a cumbersome system of grants and probably loans, a system that is a fruitful source of irritation and destructive of a smoothly functioning federalism. It is impossible for the Dominion Parliament to apply effective controls to these grants because it would immediately be accused of interfering with provincial rights.

The highly variable liability of unemployment aid, which may be practically non-existent one year and a major burden another, makes it a logical responsibility for the government with the widest and most resilient system of taxation. The municipalities, if they are to preserve their financial integrity, should have non-variable liabilities as far as possible because of their rigid tax-basis.

The size of the financial costs of unemployment aid requires a new approach to public finance if solvency is to be maintained, namely, the balancing of budgets over the period of the business cycle.

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[27] *Ibid.*, p. 47, Memorandum of Reservations Containing the Reasons for Dissent, Commissioner Mary Sutherland.

This approach seems preferable to the old principle of trying to balance budgets from year to year, which was highly inequitable because it imposed oppressive burdens on the taxpayer during times of depression when he was least able to carry them. At the same time it must be realized that strong political pressures will be exerted in favour of the old practice. There will be insistent demands for reduced taxation as soon as better times bring a budgetary surplus. But if budgets are not balanced over the period of the business cycle, clearly insolvency will result. It seems reasonable to expect that if one government has the responsibility for unemployment, it will stand a better chance of realizing the necessity of providing for the bad years in the good and of formulating its policy accordingly, than will nine provincial governments and a host of municipal governments. Especially as the latter might think that there is always the possibility of getting Dominion aid, while the Dominion knows that it must stand on its own financial feet.

With the whole problem of unemployment in the hands of one authority, the taxpayers of the country would know what were the immediate cash costs of the problem. This knowledge should exert a constant pressure on that government for efficiency and economy in the administration of unemployment aid and for dealing with the causes of unemployment.

(b) Against: The pressure of local opinion forces local governments to economize, and therefore aid for the unemployed should be left a municipal responsibility. As expressed in the dissenting memorandum[28] . . . "there is a fundamental basis, that transcends in importance all others, for leaving the primary responsibility for the relief of distress arising from the loss of income because of no work with the municipal authority and/or the province. It is that in a democratic government the individual has a more responsible attitude to and interest in government to which he pays his taxes directly and which he sees functioning for himself and his neighbours. The further removed and more centralized government becomes and the less direct its taxing powers, the less easily can the individual relate his own responsibilities to its functions. No matter which government is responsible for and administers relief of distress arising from loss of income because of absence of work, there will be constant pressure to increase the benefits and to enlarge the base of admittance to benefits. If responsibility and administration are centralized in the Dominion Government, the important counter-pressure from local taxpayers will be eased."

The Dominion is free to aid the provinces by grants-in-aid, and abuses can be guarded against by laying down proper conditions for such grants. "It is submitted that such abuses as have come to the attention of the National Employment Commission are not the result of a wrong principle but rather are the result of failure to apply proper controls at the initiation of the grants-in-aid. . . . While it has become increasingly difficult at this late day to impose the proper controls and supervision, the case is far from hopeless."[29]

3. *Welfare*

(a) For: There is an absence of standards in the present organization of aid for the unemployed and a lack of any apparent relation between the amount of aid and the minimum needs for well-being along such lines as food, clothing and medical care. Indeed, financial stringency in some municipalities may necessitate undesirably low standards. Dominion jurisdiction over the relief of the able-bodied would mean that the whole question of standards would have to be gone into, and it is probable that more attention would be given to long-run considerations of health and welfare than is given now by the multiplicity of local authorities.

The welfare problems attached to certain unemployed groups at the present time, such as transients and non-residents, would disappear under Dominion jurisdiction because it would not matter where the individual or family was given aid, provided he was willing and able to work if a job were available.

The unbalancing impact of unemployment aid upon municipal budgets tends to knock the whole structure of municipal functions askew. The welfare problems of special categories of needy people, such as unmarried mothers and children in undesirable home surroundings, are at present often overlooked because of the overshadowing pressure of unemployment aid. Further, basic welfare services like education and public health are often drastically curtailed because of the demands of relief for the unemployed. The regular welfare functions of local governments should therefore benefit greatly from Dominion assumption of unemployment aid. The situation could not be met by larger grants from the Dominion without reviewing all the functions of the municipalities to ascer-

[28] *Ibid.*, p. 49.

[29] *Ibid.*, p. 50, Dissenting Memorandum.

tain what their needs were. This would be an intolerable situation from the point of view of both governments.

(b) Against: Welfare needs can be adequately dealt with only by the local government. This statement applies to relief for the unemployed as well as for other needy groups. Especially in a country the size of Canada with its great diversities in conditions it is impossible for a central administration adequately to look after the welfare of individuals. What would probably result would be a bureaucratic organization working according to fixed rules. If there are inadequacies in the present administration of unemployment aid, the solution lies in making financial adjustments and in having closer provincial supervision.

4. Administrative

(a) For: The administration of unemployment aid by the Dominion government offers no insuperable difficulties because the qualifications "can be made clear and precise, susceptible of proof and capable of being determined by a Dominion Employment Service: stated briefly, they would be—having been self-supporting; having been employed; and/or being now capable of employment though unemployed."[30] In establishing the maximum amounts for unemployment aid, "it would be essential to observe the principle of maintenance of incentive to accept employment by relating the maximum aid to actual earnings in each centre and regional division."[31] There would therefore be regional decentralization in the Dominion administration of unemployment aid with staff chosen partly at least for their knowledge of local conditions, and the scales of unemployment aid would be somewhat less than the prevailing rates of pay for unskilled labour in each region or locality. "In this class it is important to note, however, could *not* be included such categories as farmers and fishermen who are still at work but by reason of drought, low prices, or other circumstances, are unable to earn enough by their occupations to provide for their needs. Provision for this latter class involves such careful consideration of local standards of living, supplementary earnings, property ownership, and other factors, that it should be left to Provincial and Municipal responsibility."[32]

Such a clear-cut allocation of functional responsibility would do away with the constant friction that is inevitable in the present system of divided authority. For a successful federalism, the functions of each jurisdiction should be definite and independent, and not depend in part on the other jurisdiction. With Dominion responsibility for unemployment aid, the Employment Service would cut across jurisdictions by declaring people employable or unemployable; but with a competent personnel capable of commanding general respect and the right of appeal to a review body, friction on this score should be kept at a minimum.

The bulk of the unemployed are in the large cities and the "local" element in the sense of personal knowledge of individuals by relief administrators has always been non-existent for them. It is only in the smaller communities, representing a small fraction of the unemployed, that personal knowledge of individuals on the part of municipal officials exists. But in several provinces, notably British Columbia, Alberta, Saskatchewan and Manitoba, unemployment relief in small communities, unorganized territory, local improvement districts, etc., is administered directly by provincial officers and not by local officials.[33] The Dominion would have the experience of these services as a guide and could gain further local knowledge, if necessary, by setting up local advisory committees composed of representatives of religious, welfare, business and labour interests. This device has been used very effectively in England and is widely used in rural Quebec. If adopted extensively by the Dominion it should give the Dominion service a more adequate knowledge of local conditions in many centres than the present indiscriminately constructed organization for unemployment aid.

The Dominion service would be a permanent one although it would be but a skeleton organization in good times. An analysis of the nature and causes of unemployment shows that there will always be some unemployment, and it can be taken that recurring depressions will characterize the future as they have the past. Hence it would be advisable to have a skeleton organization always in existence to provide relief for those unemployed for such reasons as technological advance in good times and to form the core of an efficient system whenever cyclical unemployment returned. In this way the wastes and suffering that characterized the early years of the last depression will not be repeated in the future.

[30] *Ibid.*, p. 28. See note referring to same quotation on p. 29.
[31] *Ibid.*, p. 30.
[32] *Ibid.*, p. 31. It might be argued that this would imply a contribution by the Dominion to some provinces to equalize conditions between provinces.

[33] Appendix I gives the main details of governmental organization for unemployment relief in Canada.

(b) Against: A Dominion service would have great difficulty coping administratively with such a widespread problem under greatly varying conditions in various parts of the country. Political considerations would interfere with the setting up of flexible scales of aid, and even if this were accomplished at the outset, the indignation of the regions with low scales and the expediencies of party politics would cause an irresistible pressure to pay a standard scale of aid across the country. Such a result would have disastrous effects on the economy of those parts of the country where the average income and the cost of living are low.

A Dominion service would be unable to check up on relief applicants as well as a local service and hence would be wasteful. A Dominion service would further tend to perpetuate itself. "When the Dominion accepts such responsibility and defines by statute the distress resulting from unemployment and loss of occupation which it will relieve, and sets up a machinery to administer such relief, permanency becomes inevitable and fixed. . . . Local authorities, responsible to local taxpayers, have found it possible to limit, reduce and finally to dispense with relief as conditions known at first hand permitted it."[34]

A group in urgent distress would have quicker access to provincial and municipal governments than to the Dominion.

The attempt to separate employables from unemployables, with the latter the responsibility of the local governments, would be a constant source of friction because there would be many border-line cases, and the local governments would be anxious to keep their costs as low as possible.

5. *Other Considerations*

There are other important points which do not fall under the headings mentioned above on which the proponents and opponents of Dominion assumption of unemployment aid disagree. Briefly they may be summarized as follows:—

(*a*) It is argued against Dominion responsibility for unemployment aid that the taking away of an important function from local governments would lessen their responsibilities and weaken their prestige, and as local governments are the basis of a democratic state, it is most desirable that they should be as strong as possible. It is also said that the provinces, the legal parents of the municipalities, would suffer in prestige from such a transference of function. On the other side, it is argued that unemployment aid has almost wrecked local government in Canada. It has saddled municipalities with debt, caused them to curtail essential services and brought them into general disrepute. The burden of unemployment aid, it is claimed, is one that has not and cannot fit into the pattern of local government; it inevitably causes disruption. Far from weakening local governments, therefore, Dominion assumption of unemployment relief would probably be the greatest single step that could be taken to strengthen them. As far as the provinces are concerned, it is said, until the post-war years, the problem of unemployment was practically unknown to governments in Canada. It was only in the last depression that the general public became aware of it. Governments can hardly suffer a loss of prestige by giving up something they have never, in the public mind, had. The problem of unemployment, it is further argued, will be a very thorny one for whichever government is responsible for it. The government having jurisdiction over it will probably gain much more criticism than praise in the future, no matter how it handles unemployment relief. Prestige, therefore, is an elusive consideration; for the benefit of the citizens of Canada and of all governments, attention should be concentrated on which jurisdiction can most economically and efficiently deal with the problem.

(*b*) Closely allied with the above is the argument that regional differences make provincial and local responsibility for unemployment aid essential. "Canada, with her immense area, with her varied resources and her peculiar distribution of them, with her racial and religious minorities, with her separation of maritime and inland territories producing problems individual and peculiar to each and her very geography, necessitates a federation of states each enjoying fairly wide sovereign powers. In the allocation of powers then it becomes fundamental that the well-being of citizens, the conditions under which they live and work, that relationship of human and material resources, in a word their domestic or civil functions, so different in each section of the country, should be within the jurisdiction closest to the individual. To divide the jurisdiction that has been exclusively the Provinces' is to reduce the rights and powers of the Province."[35] On the other side, it is argued that it is essential to distinguish between things that are peculiar and vital to provinces (e.g. race and religion), and things that are not. It is a fundamental principle that an essentially economic

[34] Final Report of the National Employment Commission, Memorandum of Reservations Containing the Reasons for Dissent, pp. 49, 50.

[35] *Ibid.*, p. 48, Dissenting Memorandum.

problem should be handled by the jurisdiction best able to deal with it. Unemployment is an economic problem. If, for non-economic reasons, governments not equipped to deal with it efficiently have jurisdiction over it, the result inevitably will be dissatisfaction, unnecessary debt and taxation, and unrest. It is in this soil that non-democratic movements sprout and flourish. Not only would such governments themselves lose greatly in prestige but the whole structure of a democratic federal state would be subjected to severe disintegrating influences.

(*c*) One aspect of this general argument warrants separate consideration. It is that a given province (or municipality) may wish to give relief to the unemployed in a particular way and that it should not be deprived of that right. Specifically, a province may wish to give aid by public works instead of direct relief. This is one point on which the past depression has thrown a great deal of light because of the large number of countries attempting programs of public works. Two illuminating reports of the International Labour Office, Public Works Policy (1935) and Planning of Public Works in Relation to Employment (1937), have gathered together and analysed this experience. Though every country would have preferred to meet the unemployment problem solely by works projects rather than relief, no country was able to do so because of the expense. The inevitable result of attempting to meet mass unemployment solely by works projects would be either bankruptcy or a dead weight of debt that would retard the development of the country or province for years to come. The only way that public works can be provided for a good proportion of the unemployed is by previous planning both of finances and public works. A sound financial policy of reducing public debts *markedly* during prosperous times plus a carefully planned program for public works, housing, etc., to be commenced during depression periods would allow for works projects under conditions that would not threaten the financial integrity of the country or any part of it, and accomplish worthwhile public aims under conditions of low cost.

An essential aspect of works projects is the effect they might have in reviving a depressed business system. If they are successful in doing this, it is obvious that their real cost is tremendously reduced. But from this point of view, experience shows that planning and timing are all-important. It must be a program designed to stimulate industry on a broad front. The time for beginning the program and for tapering it off as private business picks up must be carefully chosen. It would be hopeless to have the various parts of Canada, for instance, going ahead with works projects, each at its own inclination. Such a procedure might easily do more harm than good from the point of view of reviving business and curtailing unemployment. So important is timing and a broad, co-ordinated program, that the International Labour Office concluded that the ideal procedure would be to have international co-ordination of works projects in view of the international causes of much unemployment and the economic repercussions that unemployment in one country has on another.

It is clear from the experience of the last depression, then, that if a works program is to have effect and not be just an expensive way of giving relief, it must be planned on the broadest possible basis and as far as possible budgeted for in advance. In a federal country, all jurisdictions must co-operate in this program and the co-ordinating body would logically be the central government. On this point the experience of the last depression seems definite, regardless of what conclusions are reached about whether or not the Dominion Parliament should have exclusive responsibility for unemployment aid.[36]

NOTE ON THE BRITISH SYSTEM OF ADMINISTRATION FOR THE UNEMPLOYED[37]

The unemployment *insurance* scheme covers all those between the legal school-leaving age (usually 14) and 65 employed under a contract of service whose remuneration is not more than £250 a year. All manual labourers, irrespective of income, are included. Agricultural workers, seamen, apprentices receiving money payment and alien workers are all included. This system works automatically; on the payment of a stipulated number of weekly contributions, the insured worker receives prescribed benefits for a specified period of time on becoming unemployed.

Allowances under the unemployment *assistance* scheme are granted to anyone on application who fulfils the following qualifications:—

(1) they must be between the ages of 16 and 65;
(2) their normal employment must be in such occupations as are covered by the Widows', Orphans' and Old Age Contributory Pensions Acts. These statutes have the widest coverage of any of the British social insurance legislation. Persons who have not been regularly employed since the age of 16, qualify for assistance payments if their normal occupation would have brought them

[36] See Section 2, Chapter F of the Final Report of the National Employment Commission for a general consideration of the effect of public expenditures in stimulating employment.

[37] For a detailed treatment of this subject see Percy Cohen, *Unemployment Insurance and Assistance in Britain*, 1938.

under the above-mentioned acts "but for the industrial circumstances of the district in which they reside";

(3) they must be able and willing to work.

Workers are not disqualified by reason of having lost their employment owing to a stoppage of work due to a trade dispute.

Under this system, all persons within the scope of unemployment insurance are covered by the unemployment assistance scheme besides practically all able-bodied unemployed who were formerly under the Poor Law. Able-bodied unemployed normally working on their own account, like shopkeepers and street-traders, would not have the "normal occupation" required.

The administrative structure set up under the Act is headed by the Unemployment Assistance Board, a central body of six, whose functions are laid down in the Act as:—

(*a*) The assistance of the able-bodied unemployed coming within the scope of the Act, and

(*b*) The promotion of their welfare, and, in particular, to provide facilities to help them to become fit for entry into or return to regular employment.

Outside of the central staff, the administration is thoroughly decentralized. There are 239 (1938) *Area Offices* which do the important day-by-day administration, such as decisions regarding eligibility, the assessing of need, and periodic visits to applicants in their homes. Throughout some of the larger areas, forty-three "*Out-stations*," which are subsidiary to the area offices, have been established. The area offices are grouped into twenty-eight *District Offices*, which, among other things, keep administrative contact with local authorities and local organizations. A good proportion of this staff comprises officers previously employed by local authorities.

There are 139 *Appeal Tribunals* composed of three members each, a Chairman appointed by the Minister of Labour, a representative of the workers and a representative of the Board.

One hundred and twenty-six *Local Advisory Committees* have been set up under the statutory powers of the Board "for the purpose of securing the advice and assistance of persons having local knowledge and experience in matters affecting the Board's functions." The types of person usually appointed to such committees are those with experience in the local administration of public health and public assistance, representatives of employers and employees, social service workers, etc. The local advisory committees are particularly helpful in adjusting allowances for local conditions and rural areas, and on the question of rent.

The unemployment assistance scheme, therefore, operates as follows. The unemployed person makes application normally through his local Employment Exchange where he files an application form. His case is then investigated by the area officers who decide (*a*) is the applicant eligible? (*b*) is he in need? (*c*) if so,what is the extent of his need? When the amount of the allowance is determined, it is given to the applicant at the local Employment Exchange. While the allowance continues, the recipient must meet the following conditions:—

(1) to register at the Exchange for work and to attend there at stated times;

(2) to prove that he has no work or only such part-time or intermittent work as not to enable him to earn sufficient for his needs;

(3) to state on the occasion of each attendance whether he has done any work since his last attendance and the amount earned by such work;

(4) to inform the Board's officers of any important change in his own circumstances or the circumstances of any member of the household.

The amount at which the needs of an applicant are assessed is calculated according to "scale rates," which are adjusted, if necessary for rent, and for resources and earnings. The scale rates are "weekly rates differentiated according to the age, sex, and other circumstances of the person concerned." They are drawn up in two schedules, the first relating to cases in which "the applicant is living as a member of a household consisting of two or more persons, and the second to a lodger or boarder who is not living as a member of a household consisting of two or more persons."

In the event of a favourable decision, the Board must repay to the local Poor Law authorities the cost of outdoor or other relief given to an applicant pending a decision as to his eligibility for unemployment assistance. As already indicated, an appeal from the decision of the unemployment assistance officers may be carried to an Appeal Tribunal, whose ruling is final.

6. Responsibility for Agricultural Aid

The relief of drought victims is an entirely different matter from the relief of the unemployed, as the National Employment Commission has pointed out. Drought and other natural calamities such as earthquakes, floods and so forth have been recognized in every country as being national emergencies. The only reason why drought relief became confused with unemployment relief in Canada is that they both occurred at the same time, and, as already pointed out, "unemployment relief" became a catch-all for all types of relief and assistance. But there is no relationship between the two at all; one is the result of factors

that are primarily economic and susceptible to control, while the other is the consequence of uncontrollable natural catastrophes. Drought and other natural calamities are unpredictable and might strike any part of the country at any time. When they hit, they have a paralysing impact on the area affected. These problems are in no way related to the traditional one of indigence and there is no reason at all why they should be regarded as primarily a local responsibility. Clearly, they may become national emergencies; in fact major natural disasters are frequently recognized as international responsibilities.

A distinction must be made, however, between the totally unexpected natural accident and the fairly regular recurrence of unfavourable climatic or other natural conditions in certain areas. To the extent to which an area, such as the prairies, is subject to cycles of such unfavourable periods it is obvious that the fiscal policy of the area should attempt to prepare for them by taxing heavily and reducing debts during such favourable income periods as the late twenties. This policy of course will only meet the situation to the extent to which the cycles are fairly uniform and predictable, and it is not suggested that the Prairie Provinces should, or could, have prepared for the drought and depression of the thirties. The unparalleled extent, duration, and severity of the drought then did in fact make it a natural catastrophe of the first order rather than one of the normal production costs of the area.

The fact that agricultural aid is entirely different from unemployment aid involves special public finance problems of its own. In agricultural aid, not only is a subsistence living paid the farmer and his family until more normal times return, but the whole cost of his operation is paid. The state, in fact, goes into the farming business, that is, from the point of view of costs but not of profits. It bears the cost of seed and putting in the crop for those farmers who cannot do so themselves. If a crop is harvested, it gets its bare costs back; if, as has happened for the last several years, a crop is not harvested, it must put in the crop for even more farmers, the succeeding year. As the cropless years stretch out the possibility of the state getting back its "loans" for earlier years becomes remote. The situation has obvious dangers beyond the heavy strain it is on government finance. The farmer who has worked hard and saved his money in good years is penalized in comparison with the one who has spent his income as he made it. There is a good deal of bitterness among prairie farmers on this score. It is possible that a psychology of "living for the present" is being built up because of the feeling that if you save money you will have to pay your own costs in the event of crop failures, while if you don't, the government will put in your crop. If such a psychology is being built up, it will hold grave dangers for public credit in the event of subsequent periods of crop failure.

It should be noted that although the problem occasioned by the failure of agricultural crops is completely different from that caused by unemployment, the two are not unconnected. Crop failure directly affects eastern industrial firms manufacturing goods for the agricultural market, and indirectly affects the whole economy by lowering the farmers' purchasing power. Thus unemployment in other parts of the country follows from crop failure in the prairies.

There does not appear to be a problem of jurisdiction in drought relief. It is not a permanent problem, not an inherent aspect of our economic society like unemployment, and therefore it should logically be treated on an emergency basis according to the conditions of the time. Where the problem is acute and widespread it becomes a national emergency, and there is already good precedent for the Dominion to share the financial costs.

In the meantime, there is abundant room for co-operation in making soil surveys and in the intelligent direction of families that wish to leave the dried out areas. In the past, there has been an unwillingness on the part of most governments to make relatively small immediate expenditures for these purposes to save them large future ones. To the extent that provincial governments are unable financially to do such work, it would pay the Dominion, from a dollars and cents point of view, to aid.

Poverty stricken agricultural areas and colonization schemes, especially in New Brunswick, Quebec and Ontario, are a different type of agricultural problem from that of the prairies. The record of many of the colonization schemes has been a dismal one both for the colonists and for public treasuries. The lack of planning and efficiency connected with many of these projects and the settling of colonists on land that cannot possibly support them has had serious implications for public finance. At great cost to the taxpayer, families have been settled in areas where it was inevitable that they would permanently remain at least partial public charges. It would seem essential to have competent surveys of soil, climate, and market possibilities made before state-aided colonization schemes are launched.

Chapter III

CONDITIONAL GRANTS FOR THE RELIEF OF UNEMPLOYMENT[38]

One of the most striking features of the administration of unemployment relief is the continuing temporary nature of the system, despite the large sums of money involved. To begin with all governments believed that the recession was going to be a short one, but as this idea vanished, the real reason for the makeshift nature of the arrangements became clear,—the constitutional situation. As we have seen, the Dominion has no constitutional jurisdiction to deal with the relief of the unemployed, and both the Dominion and provincial governments have reiterated the fact that unemployment aid was primarily a municipal function. The Dominion, therefore, has theoretically been ready to step out of the arrangements each year and hence has been unwilling to enter into agreements on other than an annual basis. Partly for this reason and partly for the general political considerations that apply to Dominion-provincial relations in all conditional grants, the Dominion Parliament has not attempted to lay down standards for administrative practices and procedures, such as personnel, eligibility for relief, scope and scales of relief, inspection, and so forth. Despite the large sums of money involved, the Dominion depended almost entirely on the adequacy of provincial and municipal relief administration and on the integrity and efficiency of provincial and local officials.

This system has had severe limitations, especially during the early years. Provincial administration was slow in getting organized. It was customarily established as a branch of an existing department and often shifted from one department to another sometimes at the behest of political expediency. The municipalities, too, were slow in establishing separate administrative agencies for unemployment relief.[39] And in most cases, the provinces made little attempt to establish personnel standards or relief scales for the municipalities. The results of this situation have already been described.[40] The situation was complicated by the policy of the Dominion Parliament of not regarding administrative expenses as shareable items. The provinces adopted the same attitude towards municipal administrative expenses. The result has been that municipalities have tried to economize by cutting down costs of administration. In many cases, this has simply meant that no adequate check has been kept on the relief rolls. Consequently there has been a considerable waste of Dominion and provincial funds. Perhaps a more important source of waste arising from poor and understaffed municipal relief organizations has been the lack of constructive effort to rehabilitate relief recipients and thus clear them from the relief rolls. It was doubtless the fear of such wastes that caused the federal government of the United States of America to give grants to the states for the administration of unemployment insurance.

The chief Dominion control over the administration of unemployment aid has been fiscal. The extent to which lax administration occurred in the earlier years of the depression will never be known but audits of the Auditor-General from 1931 to 1935 revealed that provincial audits were inadequate and that the Dominion had been sharing expenditures not called for in the agreements. The post-audit of the Auditor-General did not meet the situation because of the long delays in adjusting accounts and because of the difficulty of obtaining refunds from municipalities in many cases where there had been a difference in the interpretation of relief agreements. In the words of the Dominion Commissioner of Unemployment Relief:—[41]

> "Various factors have tended to make these settlements and adjustments difficult and protracted. Among these may be cited (1) the delays between the dates of expenditures and of the audits and investigations of the Auditor-General, resulting in many instances in the department having to seek refunds, adjustments and computations from provincial governments other than those which made the expenditure in question; (2) the necessity of having to reconcile divergences of opinion existing between provincial governments on the one hand and the Auditor-General on the other, the former treating relief problems from a humanitarian standpoint, as requiring emergent action, and the latter passing judgment upon federal contributions, technically according to his interpretation of the authorizing agreements and orders; (3)

[38] See J. A. Corry, *Difficulties of Divided Jurisdiction.*

[39] For a short account of provincial and municipal administrative structure in unemployment relief see Appendix I.

[40] See Chapter 2 above, *Problems of Relief.*

[41] The Relief Act, 1935. Report of Dominion Commissioner of Unemployment Relief, p. 8. Quoted by Luella Gettys, *op. cit.* p. 165.

the differences existing between the various provincial and municipal accounting and auditing systems; (4) the fact that in many instances the Auditor-General is forced, by reason of the incomplete state of the accounts and supporting records presented to him by the provinces, to leave to provincial officials the computing of the amount of irregular payments, itself an obvious cause for delay in effecting settlements."

The situation has been improved somewhat by the inauguration of pre-audits under the Comptroller of the Treasury by auditors stationed in the various provinces who thus have a better chance of seeing that Dominion grants are used for the agreed relief purposes. It is still true, however, that audit control is a paper control; there is no opportunity to go behind the documents to the specific cases. For a proper check on the use of grants-in-aid, the Dominion should have its own avenues of information. But this would mean duplication in large part of provincial and municipal services.

Projects for public works were theoretically under stricter control as the project and its estimated cost had to be approved by the Dominion. But weakness also developed here. Because of delays in arriving at agreements, the Dominion, especially under the earlier relief acts, often gave approval, retroactive in scope, to works already under way. More important were the political aspects of works projects. Theoretically, they were supposed to be based on local unemployment needs and the amount of employment they would give. Actually, there was a temptation for both governments to base them on local political needs. Furthermore, "in some instances approval has been given to municipal projects which have been recommended by the provinces merely to avoid their being placed in the position of refusing local requests."[42] The provision of work relief "was further complicated and stultified by the fact that it became a matter for bargaining between three units of government, so that the works selected were valued locally chiefly in proportion to the amount of the cost borne by provincial and Dominion governments."[43] Under the 1938 unemployment relief legislation, no appropriation was made by the Dominion specifically for relief works under the Department of Labour as heretofore. Appropriations were made for public works in other federal departments, however, to stimulate employment. These funds are being spent under agreements with the provinces by which the Dominion shares in the cost of provincial projects.

[42] Luella Gettys, *op. cit.*, p. 157.

[43] Final Report of the National Employment Commission, p. 20.

One of the greatest weaknesses of grants-in-aid for the relief of the unemployed has been the seeming impossibility of finding satisfactory basis for the grants. At first, the Dominion undertook to meet a percentage of relief expenditures. Under this system, the Dominion never knew what its liability might be; and no restraint was placed on the expenditures of other governments. In 1934, the monthly grant-in-aid based on the size of the problem and the financial ability of the province to meet it, was introduced. On paper this looked like a most equitable principle but it was not workable. It is difficult politically to discriminate between provinces, and in any case, how could one tell what the financial ability of a province to meet its relief problem was without examining its whole structure of taxation, revenue and expenditures? Province A, for instance, might show a surplus, but it could argue that Province B, which showed a deficit, could also show a surplus if it only taxed as extensively and as heavily as A. Under the present system, the Dominion again pays a percentage, but a maximum amount is stipulated beyond which the Dominion will not contribute.

This system does not overcome the haggling between governments which has been the bane of grants-in-aid for relief from the beginning. Considering the large liabilities involved, it means a great deal to the other governments if they can persuade the Dominion to assume more of the burden. The meetings between Dominion and provincial representatives are therefore inherently productive of discord and, as frequent meetings are necessary, a source of chronic friction is created. Further ill-will is caused by a natural tendency of municipal politicians to blame relief inadequacies and high taxation on the niggardly policy of the province and Dominion, and of the province to blame the Dominion.

It is apparent from the foregoing that a tremendous amount of time and energy is taken up under the present system in simply apportioning the costs of relief. There is a tendency for attention to become concentrated on this point to the detriment of other important matters such as attacking the causes of unemployment and facing the great job of rehabilitation left by eight years of depression.

The system of divided authority and Dominion grants also leaves the way open for outright political manipulation as between a province and the Dominion and thus imposes an additional strain on the fabric of federalism. A given provincial government, for instance, may win

favour with its electorate by approaching the Dominion government with an ambitious scheme of work relief knowing full well that the Dominion cannot agree because every province would demand the same sort of program and the cost would be too great. For such reasons there would be grave dangers in the Dominion assuming responsibility for the relief of the able-bodied unemployed unless it also had jurisdiction over unemployment insurance and the employment service. The possibilities of unfairly manipulating people on to Dominion unemployment aid would be too great.

It is apparent that the present system of grants-in-aid for the relief of the unemployed has placed great strains on the Canadian federal system. The conclusion of the National Employment Commission regarding unemployment aid, "that money will be wasted unless accompanied by administrative control"[44] sounds simple, but it is so difficult to work out that the National Employment Commission recommended Dominion assumption of exclusive responsibility for the relief of the able-bodied unemployed. The alternative, recommended in the dissenting memorandum, is the imposition of "proper controls and supervision"[45] on Dominion grants-in-aid. The questions to be decided are (*a*) to what extent is the imposition of proper controls and supervision politically possible? (*b*) if proper controls and supervision are imposed on the province and municipalities is there not in fact a fundamental infringement on provincial autonomy?

[44] *Ibid.*, p. 27. In so far as unemployment relief may be regarded as a big business, it is obvious that no business enterprise could be run on the basis of divided authority, lack of effective controls over operating parts and lack of unified direction.

[45] Final report of the National Employment Commission, p. 50.

Chapter IV

PUBLIC ASSISTANCE OTHER THAN UNEMPLOYMENT RELIEF

The chief forms of public assistance in Canada other than unemployment relief are old age pensions, pensions for the blind, mothers' allowances, child protection, hospitalization, institutional care, and outdoor relief or poor relief. Like the other social services, these are within the jurisdiction of the provinces, and they in turn have in some cases passed responsibility on to the municipalities. The Dominion participates only in pensions for the aged and the blind.

1. Old Age Pensions

The Canadian non-contributory system of old age pensions has been dealt with in Part II of this study; therefore a few points only need be considered here. When the Old Age Pensions Act was passed in 1927, it was regarded as a possible precedent for Dominion participation in the social services. The device of offering grants to any province that established old age pensions appeared to get around the constitutional bar to Dominion action and at the same time overcame provincial objections that they did not have sufficient revenue for additional social services. It seemed a technique that could be used for other social legislation, especially, as it was effective in getting all the provinces to act. Intervening experience has revealed flaws in this system, however, and it is probably fair to state that both Dominion and provincial governments feel that it would be better for one or the other to have complete jurisdiction and, if necessary, added financial resources to carry out its responsibilities.[46]

An interesting feature of Canadian experience in this field has been the tendency for central governments by common consent to assume greater financial responsibilities. The Dominion Parliament commenced by undertaking 50 per cent of the cost, but increased this to 75 per cent in 1931 under the pressure of the other jurisdictions. Similarly, there has been a marked tendency towards the provincial governments assuming the remainder of the costs where previously the municipal governments had to bear part at least of the burden. Municipalities now contribute to old age pensions only in Alberta.

Table 10 gives the financial statistics for old age pensions, province by province, since the inception of the scheme. The most striking aspect of these figures, their consistent growth year by year, has been commented on in the section on Social Insurance (Part II of this study) as indicating a need for contributory pensions.

2. Pensions for the Blind

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 will pay 75 per cent of the cost of these pensions. The maximum pension allowed by the Act is $240 except where two blind people are married, in which case it is $120 each. This maximum pension is the same as for the aged, but there is a difference between the two systems in the amount of outside income allowed. In the case of blind persons, an unmarried person or a widower without a child or a widow without a child are allowed $200 private income a year; while a married person or a widower with a child or a widow with a child is allowed $400 a year. An old age pensioner is allowed a private income of only $125 per year before reductions are made in his pension. In allowing these differences, the Act recognizes that blind persons as a rule require special assistance and therefore need greater income than the aged. It should be noted, however, that the Act assumes that all blind persons have outside income because the actual maximum pension allowed is the same for the blind as for the aged.

[46] See Chapter 5, Conditional Grants for Old Age Pensions.

TABLE 10

Financial Statistics Regarding Old Age Pensions in Canada, Province by Province, 1927-1936. (*) Fiscal year ending nearest March 31

(Thousands of Dollars)

Year	Total Pensions	Administration	Total	Per Capita (Dollars)	Paid by Dominion	Paid by Provinces	Paid by Municipalities	Paid by Other Provinces
Prince Edward Island								
1932	.....	1	1	.....	.....	1	.....	.....
1933	60	5	65	0·73	45	20	.....	.....
1934	167	7	174	2·01	124	50	.....	.....
1935	192	6	198	2·22	143	55	.....	.....
1936	214	7	221	2·40	160	61	.....	.....
Nova Scotia								
1934	1,021	87	1,108	2·11	765	343	.....	.....
1935	2,509	85	2,594	4·92	1,878	716	.....	.....
1936	2,323	62	2,385	4·44	1,739	646	.....	.....
New Brunswick								
1936	470	93	563	1·29	352	211	.....	.....
Quebec								
1936	4,248	178	4,426	1·41	2,598	1,828	.....	.....
Ontario								
1929	.....	14	14	.....	.....	14	.....	.....
1930	6,572	43	6,615	1·95	3,271	2,122	1,207	15
1931	8,736	56	8,792	2·56	4,925	2,231	1,593	23
1932	9,090	70	9,160	2·64	6,229	2,081	825	25
1933	9,339	76	9,415	2·64	6,993	1,551	850	21
1934	9,968	77	10,045	2·77	7,456	1,650	909	30
1935	11,249	46	11,295	3·08	8,419	1,819	1,027	30
1936	11,929	51	11,980	3·25	8,926	1,935	1,089	30
Manitoba								
1928	609	.....	609	0·92	290	.....	315	4
1929	1,204	18	1,222	1·81	590	.....	616	16
1930	1,394	15	1,409	2·16	674	365	345	25
1931	1,637	17	1,654	2·36	999	362	263	30
1932	1,861	18	1,879	2·65	1,375	178	308	18
1933	2,076	19	2,095	2·95	1,533	146	395	21
1934	2,259	22	2,281	3·21	1,669	209	380	23
1935	2,450	23	2,473	3·48	1,808	365	274	26
1936	2,620	24	2,644	3·72	1,932	340	344	28
Saskatchewan								
1928	462	26	488	0·57	191	294	.....	3
1929	986	31	1,017	1·15	469	532	.....	16
1930	1,340	49	1,389	1·54	451	896	.....	42
1931	1,736	41	1,777	1·93	1,185	556	.....	36
1932	1,796	46	1,842	1·97	1,318	499	.....	25
1933	1,837	45	1,882	2·02	1,330	531	.....	21
1934	2,012	44	2,056	2·21	1,457	575	.....	24
1935	2,203	51	2,254	2·42	1,584	643	.....	27
1936	2,367	55	2,422	2·60	1,713	683	.....	26

TABLE 10—*Concluded*

Year	Total Pensions	Administration	Total	Per Capita (Dollars)	Paid by Dominion	Paid by Provinces	Paid by Municipalities	Paid by Other Provinces
				ALBERTA				
1929	298	9	307	0·44	63	232	11	1
1930	705	10	715	1·01	320	322	47	26
1931	944	11	955	1·30	421	460	43	31
1932	1,131	11	1,142	1·54	835	205	79	23
1933	1,275	11	1,286	1·72	905	280	79	22
1934	1,462	11	1,473	1·95	1,038	296	113	26
1935	1,677	12	1,689	2·21	1,186	364	110	29
1936	1,931	17	1,948	2·52	1,357	432	127	32
				BRITISH COLUMBIA				
1927	263	9	272	0·44	131	141	.....	.....
1928	799	11	810	1·26	399	399	.....	12
1929	992	12	1,004	1·52	494	474	.....	36
1930	1,224	14	1,238	1·83	607	562	.....	69
1931	1,442	15	1,457	2·10	870	513	.....	74
1932	1,583	19	1,602	2·28	1,177	375	.....	50
1933	1,749	20	1,769	2·48	1,304	409	.....	56
1934	1,979	22	2,001	2·76	1,478	454	.....	69
1935	2,241	22	2,263	3·08	1,673	510	.....	80
1936	2,241	30	2,471	3·29	1,823	555	.....	93

(*) Based on the Public Accounts Inquiry of the Royal Commission on Dominion-Provincial Relations.

Table 11 shows the number of blind pensioners and the average monthly pension in the provinces during the fiscal year 1937-38; also the amount of the Dominion's contributions to the provinces for the quarterly period January 1 to March 31, 1938, and for the fiscal year 1937-38. The Dominion's contribution for the last fiscal year is not, of course, indicative of its future liabilities because agreements were not concluded with the provinces until well on into the year. On the basis of the last quarter, we get an annual Dominion contribution of $448,397.44, but even this is probably lower than the amount the Dominion will be liable for when the scheme has been in operation longer. The Canadian National Institute for the Blind estimates that the total cost of pensions throughout Canada will be $600,000 per annum, of which the Dominion share will be $450,000. It should be realized, however, that these sums do not represent a net increase in governmental expenditures since a not insignificant proportion will take the place of mothers' allowances, municipal relief and institutional care. Private philanthropy will also be superseded, which will be freed in part for an enlarged program of training along vocational and occupational lines. To the extent that blind persons gain their own living, their need for pensions will diminish.

TABLE 11

Financial and Statistical Summary of Pensions for Blind Persons in Canada as at March 31, 1938. (*)

—	Date Act Effective	Total Number Pensioners	Average Monthly Pension	Dominion Government Contribution Jan.-March, 1938	Dominion Government Contribution Fiscal Year ending March 31, 1938
			$	$	$
Prince Edward Island	Dec. 1, 1937	41	14·07	660	660
Nova Scotia	Oct. 1, 1937	171	19·08	11,359	11,985
New Brunswick	Sept. 1, 1937	114	19·34	8,276	8,994
Quebec	Oct. 1, 1937	710	19·57	48,707	57,028
Ontario	Sept. 1, 1937	683	19·48	32,242	38,535
Manitoba	Sept. 1, 1937	98	18·68	6,052	6,412
Saskatchewan	Nov. 15, 1937	53	19·79	1,778	1,778
British Columbia	Dec. 1, 1937	76	17·52	3,025	3,025
Totals		1,946	.....	112,099	128,418

(*) From the Dominion Department of Finance's Report on the Administration of Old Age Pensions in Canada, 1938.

3. Mothers' Allowances

Starting with Manitoba in 1916 and Saskatchewan in 1917, six provinces have provided for mothers' allowances. Quebec has a Mothers' Allowance Act on the statute books, and the Minister of Labour has announced that a system will be in operation before the end of 1938.[47] New Brunswick and Prince Edward Island do not provide allowances. The purpose of mothers' allowances is really to look after dependent children where the male wage-earner has died or (in some provinces) been incapacitated. It is considered good social policy for the state to take care of its future citizens in this way. This being the case some of the differences between provinces regarding qualification for allowances are beside the point as they hinge upon the condition of a parent when obviously the need of the child is the same regardless of technicalities relating to the parent. For instance, British Columbia gives a mother's allowance to a wife whose husband is totally incapacitated, or has tuberculosis, or is in a hospital for the insane, or is an inmate of a penitentiary in Canada; Ontario gives an allowance under most of these conditions; while Nova Scotia recognizes none of them. Similar differences prevail regarding desertion, divorced wives and unmarried mothers.[48]

All the provinces except Alberta require naturalization. Substantial differences exist in the amount of the allowance. There is usually a prescribed maximum allowance for the widow and each child, but in Manitoba a budget system is used which has a better chance of meeting the real needs of the family. The provinces are in the following order on the basis of the generosity of their allowances—Manitoba, Alberta, British Columbia, Ontario, Nova Scotia and Saskatchewan. This order appears to have no particular relationship to regional differences in the cost of living.

Alberta requires the municipality to pay 50 per cent of the cost of the allowance and is the only province not paying the whole cost out of the provincial treasury. British Columbia and Ontario, however, just recently relieved municipalities of a share of the cost.

To sum up, needy widows and wives with dependent children fare very differently in Canada according to which province they live in. Two provinces give no allowances at all and in the others there are marked variations in the qualifications for and the amounts of allowances. Inter-provincial reciprocal agreements for the payment of allowances are practically non-existent, Ontario and Saskatchewan being the only provinces to have such an arrangement.

Table 12 gives the total and per capita amount of money spent by each province annually on mothers' allowances.

TABLE 12

Financial Statistics Regarding Mothers' Allowances in Canada, Province by Province, (a) Fiscal Year ending nearest March 31

(Thousands of Dollars)

Year	Allowances Paid	Administration	Total	Per Capita (Dollars)	Paid by Provinces	Paid by Municipalities
Nova Scotia						
1931	311	22	333	·65	333	.....
1932	331	17	348	·67	348	.....
1933	343	15	358	·69	358	.....
1934	356	15	371	·71	371	.....
1935	414	13	427	·81	427	.....
1936	364	13	377	·70	377	.....
Ontario						
1926	1,877	73	1,950	·62	1,111	839
1928	2,191	77	2,268	·69	1,289	979
1929	2,307	78	2,385	·72	1,287	1,098
1930	2,331	84	2,415	·71	1,368	1,047
1931	2,382	88	2,468	·78	1,487	1,181
1932	2,689	83	2,772	·80	1,538	1,234
1933	2,806	82	2,888	·81	1,603	1,285
1934	3,030	81	3,111	·86	1,726	1,385
1935	3,950	86	4,020	1·10	2,217	1,813
1936	4,586	85	4,671	1·27	2,565	2,105
Manitoba						
1926	424	38 (b)	462	·71	232	230
1928	563	50 (b)	613	·92	331	282
1929	511	63 (b)	574	·85	190	384
1930	491	66 (b)	557	·81	232	325
1931	494	62 (b)	556	·79	555	.....
1932	453	50 (b)	503	·71	503	.....
1933	458	52 (b)	510	·72	510	.....
1934	464	48 (b)	512	·72	512	.....
1935	466	45 (b)	511	·72	511	.....
1936	466	50 (b)	516	·73	516	.....
Saskatchewan						
1926	322	.....	.....	·39	.....	.....
1928	368	.....	.....	·45	.....	.....
1929	499	.....	.....	·57	.....	.....
1930	523	.....	.....	·58	.....	.....
1931	502	.....	.....	·54	.....	.....
1932	403	.....	.....	·43	.....	.....
1933	417	.....	.....	·45	.....	.....
1934	436	.....	.....	·49	.....	.....
1935	475	.....	.....	·51	.....	.....
1936	483	.....	.....	·52	.....	.....

(a) Based on the Public Accounts Inquiry of the Royal Commission on Dominion-Provincial Relations.

(b) Cost of Administration in Manitoba includes Child Welfare.

[47] The Montreal Star, August 15, 1938.

[48] For the details of the various provincial systems in summary form see Mothers' Allowances, The Canadian Welfare Council.

TABLE 12—(Concluded)

Financial Statistics Regarding Mothers' Allowances in Canada, Province by Province, (a) Fiscal Year ending nearest March 31

(Thousands of Dollars)

Year	Allowances Paid	Administration	Total	Per Capita (Dollars)	Paid by Provinces	Paid by Municipalities
			ALBERTA			
1926	314	.....	.....	-52	167	147
1928	364	.....	.....	-55	184	180
1929	397	.....	.....	-58	205	192
1930	467	.....	.....	-66	253	214
1931	479	.....	.....	-65	268	211
1932	439	.....	.....	-59	241	198
1933	439	.....	.....	-57	273	164
1934	462	.....	.....	-61	318	144
1935	507	.....	.....	-69	319	188
1936	575	.....	.....	-77	385	189
			BRITISH COLUMBIA		(c)	
1926	555	16	571	-94	.....	.....
1928	676	18	695	1-09	.....	.....
1929	760	18	778	1-14	.....	.....
1930	816	19	835	1-24	.....	.....
1931	843	21	864	1-24	.....	.....
1932	780	(c)	780	1-11	.....	.....
1933	622	(c)	622	-87	.....	.....
1934	500	(c)	500	-81	.....	.....
1935	617	(c)	617	-84	.....	.....
1936	683	(c)	683	-91	.....	.....

(a) Based on the Public Accounts Inquiry of the Royal Commission on Dominion Provincial Relations.

(b) Cost of Administration in Manitoba includes Child Welfare.

(c) During the years 1931-1935 inclusive, the municipalities shared in the cost of mothers' allowances but the province assumed the whole cost again in 1937. For the years 1932 to 1934 inclusive, it is impossible to separate administration for mothers' allowances from administration under the Infants' Act; the Destitute, Poor and Sick Vote and the Burial of Indigents' Vote. Since 1935, it is impossible to separate the substantial part of the cost of administering mothers' allowances that has been carried by the Welfare Field Service, a generalized service of the Provincial Secretary's Department.

In some of the provinces payments decreased during the middle depression years when they would normally be expected to rise. This was largely the result of decreasing the scale of allowances. In some cases, persons technically qualified for mothers' allowances were probably granted unemployment relief instead, it being the less expensive form of assistance for the provinces and municipalities.

It can be seen that the cost of mothers' allowances is considerable, amounting to slightly more than $7 million (exclusive of administration) in 1936 for the six provinces. Nova Scotia and Prince Edward Island have proposed that the Dominion assume full financial and administrative responsibility for this service, and New Brunswick, which states that it has been financially unable to provide mothers' allowances, suggests that the Dominion participate in the cost, as in old age pensions. Mothers' allowances, involving as they do personal investigation and contact with each family, have often been regarded as a type of service best suited to local administration. It is to be noted, however, that provincial administration prevails in most of the provinces and seems to be functioning smoothly. This raises the implication that the important factor is competent personnel and not the unit of administration. In other countries, relief has been given to public exchequers by the introduction of national widows' and orphans' insurance in connection with a system of contributory social insurance.[49] As an example of the inter-relation of the social services, it may be stated more broadly that in so far as other social services are introduced (social insurance) or become more efficient (public health) the cost of mothers' allowances will be reduced.

4. Child Care

The protection and placement of neglected and dependent children are the subject of provincial legislation. The Children's Protection Act, 1930, of New Brunswick, has not been proclaimed in force. In all these provinces but Alberta, responsibility is given to a peculiarly Canadian institution, the Children's Aid Society, although the provincial organization administers the legislation in areas where no Children's Aid Society exists. "The Children's Aid Society is essentially a voluntary association of philanthropically minded citizens, which must, however, have permission to operate through a charter granted by the provincial government, and which is subject to inspection and supervision by the public authority. Upon the Children's Aid Society, once established within any local area, the responsibility for child protection within that area is placed, the provincial official or public authority exercising supervision, and acting directly only within any area not served by a recognized Children's Aid Society, or in respect to children with no established residence or settlement within any such area."[50] In Alberta, a branch of the provincial government directly administers child protection services for the whole Province.

Recent developments in Quebec indicate that a system similar to the Children's Aid Societies will be established there. The "Commission des Assurances Sociales," appointed in 1931, recommended that child welfare associations be created in Quebec in cities of 25,000 or more, after the pattern of the Children's Aid Societies. Although no legislation similar to the Children's Protection Acts has been passed, in 1937 the "Société d'Adoption et de Protection de l'Enfance" was organized in Montreal. Legally incorporated and subsidized by the Bureau of Public Charities, this or-

[49] See Part II of this study, p. 73, *et seq.*

[50] Memorandum prepared by The Canadian Welfare Council in response to a questionnaire issued by the Child Welfare Committee of the League of Nations, 1935.

ganization provides for the placing of children without kin, and in a general way looks after destitute children. It is expected that similar societies will soon be formed outside Montreal. The Protestant population of Montreal has for some time had children's aid societies but they are not strictly comparable with those of the other provinces because they do not operate under provincial legislation.

The chief expense under Children's Aid Societies arises through children being declared "wards," whereby through regular judicial procedure, the child is removed from parental guardianship (if it is proven deficient within statutory definition) and transferred temporarily (for twelve months) or permanently (until 21 years of age) to the legal custody of the Children's Aid Society. The child is then usually placed in a private foster home where he receives the benefits of normal family life. In all the provinces but New Brunswick and Prince Edward Island (where payments by the municipalities are permissive and not mandatory) the municipality of the child's residence is liable for his maintenance as a ward at a stipulated rate. In Nova Scotia this rate is shared between province and municipality.

There are about 90 Children's Aid Societies in Canada, 53 of which are in Ontario. They range from poor to excellent; Ontario, Manitoba and British Columbia are doing most to improve standards. Table 14, showing the number of children in the care of Children's Aid Societies in the various provinces in 1931, reflects the unevenness among the provinces. The service is an expanding one and will probably entail increased expenditures in the future.

Statistics on municipal expenditures are not generally available, but in Ontario for the fiscal year ending March 31, 1937, they were $900,000.

Table 13 gives the history of provincial expenditures under legislation for the protection of children. The Child Family Placement Service of Quebec is different from the legislation just described; it is concerned with placing urban children of tubercular parents in rural families.

As far as intergovernmental relations are concerned there has been no suggestion that the Dominion assume the cost of children's protection, but the municipalities have agitated continually for provincial assumption of their share of the cost.

Private welfare agencies have pressed for an extension of children's aid facilities especially in some provinces where the Service is undoubtedly poor. They point out that the work of the Children's Aid Societies is not only desirable socially in that it produces good citizens, but that it saves the state expenditures in other directions, particularly for crime and unemployability. Statistics show for instance that a large percentage of criminals are bred in undesirable homes. A well-developed system of children's aid societies, by seeing that these neglected children are made wards and put in normal family surroundings, does a valuable job in bringing up potential criminals and drifters as useful members of society. Against the costs of children's protection work, therefore, must be set state savings in expenditures on crime and various forms of public assistance. Some provinces and municipalities feel, however, that despite these important long-run considerations, they cannot expand children's protection work to the desirable degree because of the immediate financial outlays involved. From this point of view, the problem does intrude upon the intergovernmental field.

The other state-aided service for the care and protection of children is children's homes or orphanages. Here the child is admitted to the institution on the request of a parent or guardian. In the English-speaking provinces, this type of care is giving way to the procedure of the Children's Aid Society because of the feeling that the child benefits by being brought up in healthy family surroundings. Quebec has the greatest development of homes and orphanages chiefly in connection with the Roman Catholic Church. Table 14 gives the number of children in Children's Aid Societies, orphanages and other institutions, province by province, for the census year of 1931. There were more children in orphanages in Quebec (6,185) than in the rest of Canada (4,994).

TABLE 13

Provincial Expenditures for Child Welfare Over a Period of Years (*)

(Thousands of Dollars)

—	1913	1921	1926	1929	1931	1933	1935	1936
PRINCE EDWARD ISLAND—								
Children's Aid Societies	·6	·5	1·2	1·5	1·5	1·5	1·5	1·5
Grants to Orphanages	·2	1·0	1·0	2·5	3·2	3·2	3·2	3·2
	·8	1·5	2·2	4·0	4·7	4·7	4·7	4·7
NOVA SCOTIA—								
Children's Aid Societies and Orphanages	.....	.....	36	63	63	67	89	83
Administration	.....	.....	14	13	17	17	18	16
	.....	.....	50	76	80	84	107	99
NEW BRUNSWICK—								
Children's Protection Act	.....	5	5	3	6	5	5	6
QUEBEC—								
Orphanages and Industrial Schools (Public Charities Act)	.....	.....	.....	74	99	151	183	198
Child Family Placement Service	.....	.....	.....	.....	75	50	53	48
				74	174	201	236	246
ONTARIO—								
Orphanages and Children's Homes	19	.....	46	50	56	58	43	52
Children's Aid Societies	67	66	1	1	137	27	63	78
Boarded out children	.....	.....	.....	.....	.....	.....	4	4
	86	66	47	51	193	85	110	134
MANITOBA—								
Grants to Orphanages	13	26	25	30	25	14	16	17
Children's Aid Societies	.....	34	15	21	20	17	18	18
Neglected children	20	.....	.....	.....	.....	.....	.....	.....
	33	60	40	51	45	31	34	35
SASKATCHEWAN—								
Homes for neglected children	.....	.....	29	.....	.....	.....	.....	.....
Child Welfare Act	8	26	25	38	48	28	32	37
Grants to Orphanages	.....	5	4	4	4	.....	.....	.....
Administration	8	38	53	64	56	37	44	45
	16	69	111	106	108	65	76	82
ALBERTA—								
Children's Aid Societies	24	73	72	103	81	47	49	54
Grants to Orphanages	.....	2	3	4	4	4	4	4
Administration (including administration of mothers' allowances)	14	30	22	26	28	25	21	19
	38	105	97	133	113	76	74	77
Paid by Province	38	96	90	115	104	72	67	59
Paid by Municipalities (Child Welfare Act)	.....	9	7	18	9	4	7	18
BRITISH COLUMBIA—								
Orphanages and Children's Homes	99	164	118	129	106	63	56	53
Children's Aid Societies	.....	26	36	88	72	59	60	68
Administration	.....	4	7	6	6	.....	.....	.....
	99	194	161	223	184	122	116	121

(*) Figures from the Public Accounts Inquiry of the Royal Commission on Dominion-Provincial Relations.

TABLE 14

Children Under Care in Children's Aid Societies, Orphanages and other Institutions, Province by Province, 1931 (*)

—	Homes for Adults and Children	Orphanages	Children's Aid Societies	Juvenile Immigration Societies	Institutions for deaf, dumb and blind	Day Nurseries	Total
P.E.I.	.....	125	102	.....	.....	.....	227
N.S.	102	562	1,423	224	284	30	2,545
N.B.	261	510	308	293	.....	.....	1,372
Que.	3,866	6,185	228	2,293	798	1,981	15,347
Ont.	832	1,819	9,644	2,986	441	382	16,104
Man.	95	871	1,744	187	175	81	3,153
Sask.	.....	223	261	282	.....	.....	765
Alta.	122	348	151	125	.....	.....	746
B.C.	52	537	736	63	79	59	1,526
Total	5,330	11,179	14,607	6,466	1,687	2,513	41,782

(a) Census of 1931, Vol. IX, p. 271.

Provincial grants to orphanages or children's homes are shown in Table 13.

5. Hospitalization

All the provinces have legislation providing for grants to hospitals and for the hospitalization of indigent patients. The statutory allowances run into considerable sums of money for both provincial and municipal governments. Table 15 gives provincial expenditures on general hospitals over a period of years. The most interesting aspects of the table, outside of the size of the sums, are the lowness of the grant in New Brunswick in comparison with Nova Scotia and the height of the grant in British Columbia in comparison with the other western provinces. The provincial grant in New Brunswick differs from that of most of the other provinces in being on a lump sum rather than a per diem basis. The hospitals have been pressing for a change to a per diem basis for some time. The lump sum does not take into account the sharp increase of indigent patients because of unemployment. The basis of hospital grants differs markedly as between the provinces. The statutory requirements for both provincial and municipal governments are set out in Appendix IV. The net provincial expenditures for tuberculosis and mental illness are given in the study on Public Health. Expenditures on tuberculosis are there summarized in Table 4, p. 24, and expenditures on mental illness in Table 14, p. 46.

TABLE 15

Provincial Expenditures on General Hospitals (*) (As at fiscal year ending nearest to December 31st)
(Thousands of Dollars)

—	1927	1929	1931	1932	1933	1935	1936
PRINCE EDWARD ISLAND—							
Grants and Assistance	6	6	6	6	6	9	9
Per Capita	6¼c.	6¼c.	6¼c.	6¼c.	6¼c.	9¼c.	9¼c.
NOVA SCOTIA—							
Victoria General Hospital	88	84	73	48	50	65	51
Grants to Local Hospitals	56	60	68	71	83	120	114
Total	144	144	141	119	133	185	165
Per Capita	28c.	28c.	27c.	23c.	25½c.	35c.	31c.
NEW BRUNSWICK—							
Grants	11	28	28	20	20	21	20
Per Capita	2¼c.	7c.	7c.	5c.	5c.	5c.	4¼c.
QUEBEC—							
Public Charities Fund— General Hospitals	218	352	617	845	1,103	1,769	1,359
Per Capita	8c.	13c.	21c.	29c.	37c.	58c.	44c.
ONTARIO—							
General Hospitals	701	949	1,054	1,112	1,059	1,333	1,353
Per Capita	22c.	28c.	31c.	32c.	30c.	36c.	37c.

(*) In some cases small items may be included which are not attributable to general hospitals.

TABLE 15—(Concluded)

Provincial Expenditures on General Hospitals (a) (As at fiscal year ending nearest to 31st December)
(Thousands of Dollars)

—	1927	1929	1931	1932	1933	1935	1936
MANITOBA—							
Hospital Aid in Unorganized Territory	.....	67	95	95	95	94	94
Statutory and Special Grants (b)	308	412	391	381	373	396	424
Total	308	479	486	476	468	490	518
Per Capita	47c.	71c.	69c.	67c.	66c.	69c.	73c.
SASKATCHEWAN—							
Grants	301	376	326	311	320	383	415
Per Capita	36c.	42c.	35c.	33c.	34c.	41c.	44c.
ALBERTA—							
Grants	513	431	438	421	403	475	468
University Hospital Deficit	.....	.....	18	41	34	15	4
Miscellaneous	9	14	.....	.....	.....	.....	.....
Total	522	445	456	462	437	490	472
Per Capita	82c.	65c.	62c.	62c.	58c.	64c.	61c.
BRITISH COLUMBIA—							
Statutory and Special Grants	802	991	886	806	574	949	1,073
Per Capita	$1 28	$1 50	$1 28	$1 14	80c.	$1 29	$1 43

(b) Grants to the Sanatorium Board for tuberculosis are included because not segregable.

The cost of hospitalization to the municipalities is a heavy one. Complete statistics are not available, but the figures for British Columbia and Ontario will be given by way of example. In British Columbia, municipal grants to general hospitals for the period 1930 to 1936 were as follows:—[51]

1930	$ 555,000
1931	575,000
1932	593,000
1933	579,000
1934	598,000
1935	634,000
1936	733,000

Table 16 gives municipal payments in Ontario to general hospitals, tuberculosis sanatoria and homes for incurables, respectively, for the period 1927-37.

[51] These figures are exclusive of certain extraordinary payments by municipalities to meet hospital deficits, which, in the year 1936, amounted to at least $100,000.

TABLE 16

Municipal Payments in Ontario to General Hospitals, Tuberculosis Sanatoria and Homes for Incurables, 1927-37 (a)

($ 000)

Year	General Hospitals (b)	Homes for Incurables	Tuberculosis Sanatoria
1927	1,311	199	681
1928	1,455	205	842
1929	1,535	255	678
1930	1,858	289	825
1931	1,989	311	919
1932	2,413	338	1,031
1933	2,945	352	1,215
1934	3,092	364	1,312
1935	3,182	418	1,348
1936	3,042	394	1,356
1937	3,061	405	1,318 (c)

(a) From the Submission of the province of Ontario.
(b) Includes Red Cross and Convalescent Hospitals.
(c) Full cost of tubercular patients to be borne by Province in 1938-39.

The heavy cost of the various types of hospitalization has caused a persistent agitation on the part of municipalities to be relieved of these obligations. The provinces have, in fact, gone a good way in the direction of relieving the municipalities of all charges except those for general hospitals, the action of Ontario regarding tuberculosis being the most notable recent example of this trend. Apart from financial considerations such a policy is desirable from the point of view of public health,

especially in fields like tuberculosis and mental health where so much preventive work can be done. As we have already seen,[52] in Nova Scotia and New Brunswick, both provinces with a high rate of tuberculosis, probably the major cause is the fact that the municipalities with the highest rates are also the poorest and can neither afford the cost of proper treatment, nor the cost of prevention. The provincial governments, on the other hand, feel that their financial situation does not justify relieving the municipalities of these costs. In the field of mental illness, where the provinces have generally assumed total responsibility, far from embarking on an admittedly desirable program of prevention most of the provinces cannot meet the costs of adequate institutional space.[53] Short-run financial factors are therefore standing in the way both of the social problem and of long-run financial considerations.

It is not usually suggested that the situation be resolved by the Dominion assuming functional responsibilities in these matters. The suggestions most often advanced are, first, that the Dominion give grants (conditional or otherwise) which the provinces can use in part to give relief to the municipalities; second, that the Dominion relieve the provinces and municipalities of other burdens which will free provincial funds for these fields.

6. Poor Relief

Poor relief, or outdoor aid to needy unemployables, has traditionally been the responsibility of the local governments and this is true of practically all countries. These cases often require individual attention for proper treatment and hence responsibility for them is not susceptible to centralization. However, it is probable that the burden of unemployability is much greater now than in previous times. The active age groups of the population are relatively less numerous now, as the old age pensions statistics show, and the effect of eight years of depression must inevitably have caused a considerable deterioration of the working force of the country. It seems certain that an important percentage of those long unemployed will be unemployable, at least without the help of rehabilitation measures. Unfortunately, it is impossible to be precise about the number of unemployables in Canada because they have become swallowed up by "unemployment relief." The National Registration is dependent upon the reports of the provinces and they differ widely in their interpretation of "unemployable."[54] It is probable that the number of unemployables is now so large as to be a heavy burden for some municipalities, even if they were relieved of relief for the able-bodied unemployed. There would appear to be a case, therefore, either for a liberal interpretation by the employment service of what constitutes unemployability, or, for some sort of equalization of the burden of relief for unemployables, which would presumably be a provincial matter. The National Employment Commission suggested that the Dominion could help the situation by contributing towards the cost of particular rehabilitation or training projects "when need exists as at present, or as it may in similar future periods of economic stress."[55]

7. Other Custodial Care

Institutional care for the deaf, dumb, blind, incurables and infirm need be mentioned only for the sake of completeness. It does not involve large sums of money and there is no question of it being a function that might be shifted to the Dominion Parliament. Although it is impossible to get complete financial statistics, expenditures run roughly as follows per year, including grants to charitable organizations:—

Below $ 50,000	Prince Edward Island, New Brunswick, Nova Scotia, Alberta.
Below $100,000	Saskatchewan.
Below $150,000	Manitoba, British Columbia,
Below $500,000	Quebec, Ontario.

[52] See A. E. Grauer, Public Health, p. 21.
[53] See A. E. Grauer, Public Health, p. 43 *et seq.*

[54] See Chapter 2, p. 13.
[55] Final Report of the National Employment Commission, p. 39.

Chapter V

CONDITIONAL GRANTS FOR OLD AGE PENSIONS

The Old Age Pensions Act lays down the qualifications for pensioners and the conditions governing the amount of the pension, and authorizes the Governor in Council to make regulations. The relationships between governments that were established in setting up the administrative system under this Act are described by Professor Corry.[56] In brief, the provincial plan of administration must be approved by the Dominion; the provincial pension authority then administers the grant within the meaning of the Act and its regulations and subject to Dominion audit.

Despite the permanent nature of the grant, the Dominion did not attempt to set up any control other than audit control. There was no attempt to insist on uniform or specific types of organization, procedures were not laid down and no standards for personnel were set. This was in keeping with general Dominion policy regarding the administration of conditional grants and is attributable largely to a fear of being accused of encroaching upon provincial constitutional territory. As a result provincial practices became anything but uniform and embraced instances of fraud and gross incompetence.[57] In most cases, however, disparities between the provinces were based upon honest differences of opinion as to the interpretation of highly elusive terms like "residence" and "income," which have to date defied conclusive definition.

When the grants were first made, little attention was paid to the appointment of qualified personnel or to the training of staff after appointment. There are considerable differences between provinces in the extent to which political considerations have entered into the appointment of personnel and the administration of the Act, and in so far as appointments are political it is obviously impossible to build up a trained permanent staff. In some provinces members of the legislature do not attempt to influence the decision of the pensions authority either before or after it has been made but this attitude cannot be said to prevail throughout Canada. Provinces also differ considerably in the adequacy of their administrative staff. As the provinces have to pay the cost of administration there is a tendency to try to "save" by cutting down on the staff. Until recently some provinces left investigation to the municipal authorities. Manitoba is the only province that has no inspectorate of its own now; it uses the Retail Credit Company. The type of economy that saves on administration (which is often encountered in municipal relief administration too) is a false one because it means both an inadequate investigation of claims and an inability to keep in touch with pensioners to see if they remain qualified. Hence larger disbursements are made for pensions than are legally allowable. Quebec seems to be following a wise and economical course in setting aside sufficient funds for administration (see Table 8) to allow for a thoroughgoing check upon applications and pensioners from the beginning.

There are distinct possibilities for interprovincial friction in the present organization of administration, especially with regard to interprovincial payments as a result of changes in residence; and this problem continues to be one on which provinces hold opposing viewpoints.

There have been powerful financial pressures exerted on the Dominion towards obtaining more efficient and stricter administration of the grant. In the first place, this grant, unlike most others, was a continuing one. There was no intention to terminate it after a relatively short period of years. In the second place, it involved large sums of money, much larger in fact than the governments had bargained for at the time the Act was passed. Irregularities which might be regarded with some complacency when dealing with tens of thousands of dollars became serious when tens of millions were involved. Finally, consistent pressure (which still goes on) was brought to bear on the Dominion to take over all or a larger part of the liability for pensions. This was successful to the extent that in 1931 the Dominion undertook 75 per cent instead of 50 per cent of the total cost. This change made the need for efficient administration all the more important from the Dominion's point of view, although perhaps less so for the provinces.

As a result of these pressures, the Dominion administration of old age pensions was reorganized under the Department of Finance (1932-33) and a considerable improvement of the auditing and accounting system effected. With this reorganization of the Dominion administration went a more extensive and stricter auditing. Quarterly audits of all vouchers and documents relating to each case are made by travelling auditors of the Department

[56] J. A. Corry, *Difficulties of Divided Jurisdiction.*

[57] Luella Gettys, *op. cit.*, p. 133.

of Finance, and an independent post-audit is made by the Auditor-General. These audits do not go beyond the documents to an investigation of the circumstances of individuals to see whether they should have been admitted or not. The provincial administrators, therefore, make the decisions regarding expenditures, although the Dominion puts up most of the money. There is no doubt though, that the stricter audit of recent years has brought about more careful administration in the provinces.

In an attempt to get more uniformity between the provinces in their interpretation of the regulations under the Old Age Pensions Act and to overcome abuses that existed in the administration of the Act, the Interprovincial Board, which last met at Ottawa in 1930, was revived and met at Ottawa in November, 1937. The Board consists of the Minister and permanent officials supervising old age pensions from each province and the Dominion. It is obvious that the effectiveness of this Board depends upon the good-will of its members and the skill of the Dominion Minister of Finance, who is its Chairman. These are certain to be changing qualities. It was unanimously felt that the recent meeting of the Board was a most successful one in straightening out differences.

To conclude, the experience of administering conditional grants for old age pensions may be summed up as follows. First, there is no ground for believing that the Dominion can exercise effective control over the administration of such a grant, extending to procedures and personnel, without causing grave inter-governmental friction. Certainly no attempt has been made to do so. Second, the Dominion is in the last analysis, therefore, dependent upon the adequacy of the provincial administrative set-up and on the integrity and good-will of provincial administrators and their political superiors. It is in the position of putting up funds and having the decisions as to its expenditure made by another authority, and then having its information for a check-up come from the same authority. This system did not lead to the efficient and economical administration of old age pensions, although conditions have improved. Third, with a service involving large sums, like old age pensions, there is a persistent pressure on the Dominion Parliament to take over all or a greater part of the liability.[58] For political reasons, this pressure is almost irresistible, as experience has shown. But the larger the proportion of the expenditures put up by the Dominion the more dangerous the situation becomes, as long as the administration of the funds rests with the provinces. The door is left wide open for political manipulation because a province, with little or no liability for meeting costs, can either laxly administer the Act for political reasons if there is not strict central control, or if there is strict central control, can reap political advantage by blaming the central government for its illiberal policy and for infringing on provincial rights. It also gives an effective means for a provincial government to embarrass the Dominion government if the two happen to be at "outs" for other reasons. Finally, it is questionable whether there is compensating gain to set against these difficulties. If one were going to choose an efficient and economical way of administering the large sums of money involved in old age pensions it would not be a system of divided authority with its duplication of administration and costs, its possibilities for misunderstanding and friction, and its lack of unified control. On the other hand, if the Dominion had sole authority over old age pensions it might find it impossible for political reasons to maintain the differences between the average pensions in provinces that exist at the present time because of differences in regional costs of living. Table 25 in Part II shows that the average monthly pension in the provinces ranges from $19.18 in British Columbia to $14.64 in Nova Scotia, $13.68 in New Brunswick and $10.63 in Prince Edward Island. (On the other hand the percentage of pensioners to population over 70 years of age tends to be higher in the Maritimes, especially in New Brunswick where the percentage is now over 60.)[59] As long as the provinces have to contribute fairly substantially to old age pensions, they are interested in keeping pensions reasonably low and hence there will be differences in average pensions to reflect the regional differences in costs and standards of living. Whether or not the Dominion could accomplish the same result through regional boards is a matter of opinion. It would perhaps depend on how independent an administrative authority were set up.

[58] A further pressure on the Dominion from certain parts of the public is to lower the age limit for pensions. The experience of other countries would show that over a period of time this is a pressure that can hardly be resisted. As the state would have the greatest difficulty carrying such an added burden of costs, other countries have found it wise policy to meet this demand by introducing contributory old age pensions.

[59] This is another indication of the fact that there are poverty-stricken areas in Canada which inevitably increase the costs of any social service. Northern New Brunswick is such an area. The social services can have no remedial effect on these conditions; what is needed is some sort of national re-settlement or regional economic planning. Many of the recent colonization schemes, however, have been done with such lack of intelligent direction that new depressed areas are being created. The taxpayer, of course, has to bear the hidden costs of such backward and economically hopeless communities.

Part II—Social Insurance

INTRODUCTION

Social insurance is the commonly accepted way among modern industrial countries of dealing with problems of social insecurity.[1] The term "social insurance" is used to cover legislation introduced to protect the workers and sometimes other lower income groups from certain major insecurities resulting from and not protected by the operation of the industrial system. As ordinarily used, it is a descriptive rather than a definitive term. This is probably the result of the varying weight given to the adjective "social" in modifying the strict implication of the noun "insurance." Certainly the social objective is the main point and the insurance element is deemed to be observed so long as the principle of spreading the risk is followed and a statutory fund is established under conditions laid down by the state to protect those covered by the statute against future risks by present contributions. The contributors are the employer and employee or either one of them. The state usually contributes too but this is not necessary to satisfy the "social" element as long as the state lays down the conditions for the regulation and administration of the scheme. As commonly conceived and as used in this study, social insurance covers insurance for unemployment, old age, sickness, invalidity, premature death of the wage-earner, and industrial accident and disease.

Although Canada has little in the way of legislation for social insurance, the field is one that directly affects Dominion-provincial relations for two reasons. Large expenditures are now being made by all Canadian governments, in one form or another, to meet problems of social insecurity.[2] Secondly, both the experience of other countries and current developments in Canada seem to indicate the likelihood of an extension of social insurance in this country, a trend that will affect governmental expenditures in the future. The questions that will chiefly concern this study are, therefore, (*a*) Is social insurance likely to become a function of Canadian governments? (*b*) If so, which governmental jurisdiction is best able to handle the various types of insurance? Questions of the type of system to be set up involve matters of policy which do not fall within the scope of this study.

The basic considerations leading to state action of one sort or another to aid and protect citizens from economic distress are: First, the existence of daily and weekly wage rates which provide only a bare subsistence level for many workers and make saving impossible. Second, a considerable degree of unemployment even in "normal" times caused by the seasonal character of a large part of industry and by technological change. Such unemployment reduces to a greater or less degree the annual income of workers, a reduction that is both more intensive and extensive during periods of business depression. Third, potential threats to security, such as cyclical unemployment, serious illness and the premature death of the wage-earner, which strike unevenly and against which even the better-paid worker is unable to protect himself and his family. As the other points are dealt with later, it is only necessary to deal with the first consideration here.

[1] A short historical sketch of the rise of social insurance and of labour legislation in general is given in the Introduction to the study on Labour Legislation.

[2] For documentation of these expenditures see the studies on *Public Assistance, Public Health* and *Housing* by A. E. Grauer.

Chapter VI

INCOME STATISTICS OF CANADIAN WORKERS

The Dominion Bureau of Statistics has quite complete information on the weekly earnings of Canadian workers. Table 17, based on this information and quoted in the submission of the Canadian Welfare Council, gives the average weekly earnings of male workers in all industries for Canada and the provinces. These figures are based on a 52-week year and no attempt is made to discount them for periods of unemployment.

TABLE 17.—EARNINGS OF WAGE WORKERS

Average weekly earnings of male workers
(based on 52-week year)

—	Year	All Industries	Agriculture	Industries other than Agriculture
		$ cts.	$ cts.	$ cts.
Canada	1931	17 83	6 13	19 05
Prince Edward Island	1931	13 00	6 79	15 13
Nova Scotia	1931	14 65	7 06	15 17
New Brunswick	1931	14 52	6 50	15 31
Quebec	1931	17 79	6 73	18 27
Ontario	1931	19 31	6 62	20 42
Manitoba	1931	17 87	4 88	20 08
	1926	14 83	2 81	17 25
Saskatchewan	1931	14 63	5 02	19 25
	1926	11 10	2 87	16 21
Alberta	1931	17 12	8 90	20 31
	1926	13 56	3 88	17 17
British Columbia	1931	17 25	7 90	17 85

Tabulation by courtesy of the Dominion Bureau of Statistics, based on Dominion Census, 1931, and Prairie Province Census, 1926.

Table 18 gives the percentage of male and female wage-earners in Canada and in each province earning less than $450, $950 and $1,500 respectively during the census year of 1931. The term "wage-earner" was broadly defined to include all those earning salaries and commissions and the figures are therefore somewhat higher than they would be for wages alone.[3] For all Canada, about one-third of the men and one-half of the women receive less than $450 annually, while 58 per cent of the men and 80 per cent of the women receive less than $950 annually.

[3] All these charts are based upon the wage statistics of the Dominion Bureau of Statistics.

TABLE 18

Per cent of male and female wage-earners earning less than $1,500, $950 and $450 in 1931. (*) (b)

—	Males			Females		
	Less than $450	Less than $950	Less than $1,500	Less than $450	Less than $950	Less than $1,500
Canada	32	58	78	47	80	93
Prince Edward Island	42	73	85	62	91	94
Nova Scotia	35	69	85	59	87	94
New Brunswick	42	66	84	56	88	95
Quebec	36	60	81	56	85	94
Ontario	28	54	76	38	76	92
Manitoba	38	58	76	47	75	93
Saskatchewan	49	66	80	53	75	93
Alberta	38	56	73	45	73	93
British Columbia	31	54	73	39	75	92

(*) The term "wage-earner" means a person who works for salary or wage irrespective of the nature of his employment. "Earnings" includes moneys received by way of commission or piece rate payment in addition to salary or wage, but does not include income from investment, pension or compensation.

(b) 42 per cent of the male wage-earners were under 16 years of age, and 3-72 per cent were under 18. 1-39 per cent of female wage-earners were under 16 years of age, and 8-9 per cent under 18.

Table 19 classifies male wage-earners on the basis of industry rather than province. It gives the percentage of male wage-earners earning less than $600, $800 and $1,000 respectively for the year 1934; and the percentage of females earning less than $600 and $800 respectively. In this table, "wage-earners" includes only those working for wages; that is, salaried workers are excluded. The percentages vary with industries; about a fifth to a third of the men received an annual income of less than $600, while from 40 to 56 per cent received less than $800 for the year. The percentage of female workers earning less than $600 and less than $800 is remarkably steady at around 70 and 90 per cent respectively. Presumably female minimum wage legislation, which fixes minimum wages at from about $10 to $14 a week in most provinces, has an important effect on this result.[4]

TABLE 19

Per cent of male wage-earners, earning less than $600, $800, and $1,000 and of female wage-earners, earning less than $600 and $800, classified according to industry groups, 1934. (*)

—	Males			Females	
	Less than $600	Less than $800	Less than $1,000	Less than $600	Less than $800
Vegetable products	25	43	70	70	90
Animal products	28	50	69	70	90
Textiles and textile products	24	56	76	70	90
Wood and paper products	32	51	70	69	90
Iron and its products	18	40	63	76	92

(*) "Wage-earners" are people working for wages as distinguished from those working for salaries.

[4] See the study on *Labour Legislation*, by A. E. Grauer, Table 5, p. 35.

Table 20 shows the average yearly earnings of male and female workers respectively in twenty-five leading industries in Canada for the year 1934.

TABLE 20

Average Yearly Earnings of Male and Female Wage-earners in 25 Leading Industries, 1934 (*), (b)

Industry	Male Earnings	Female Earnings
	$	$
Sawmills (c)	606	545
Fruit and vegetable preparation (c)	653	392
Boots and shoes—leather	696	480
Furnishing goods—men's	715	472
Cotton yarn and cloth	786	597
Biscuits, confectionery, cocoa, chocolate	802	513
Silk and artificial silk	840	546
Hosiery and knitted goods	842	564
Bread and other bakery products	875	516
Castings and forgings	891	490
Butter and cheese	906	516
Railway rolling stock	936	.....
Electrical apparatus and supplies	967	609
Rubber goods, including footwear	969	552
Clothing, women's factory	999	596
Clothing, men's factory	1,019	550
Slaughtering and meat packing	1,026	575
Printing and bookbinding	1,051	599
Pulp and paper	1,113	523
Primary iron and steel	1,138	.....
Automobiles	1,203	722
Non-ferrous metal, smelting and refining	1,238	.....
Central electric stations	1,312	.....
Printing and publishing	1,350	607

(*) "Wage-earners" does not include those working for salaries.
(b) For industries employing less than 100 female wage-earners, earnings of females are not shown.
(c) In these seasonal industries, account is not taken of possible earnings along other lines in off-seasons.

Again, there are wide variations with the bulk of the industries averaging below $1,000 for men and below $600 for women for the year.

These four tables viewing the workers' income from various angles show that the majority have little or no margin to use for buying protection against the major threats to their security. This condition is not peculiar to Canada; it faces all industrial countries. The basic fact is that the worker and his family have little or no protection against certain fundamental hazards. These are serious illness, unemployment, old age, premature death and invalidity. Most countries have come to the conclusion that it is good public policy to aid the worker in planning a defence against the shattering impact of these hazards rather than to allow him and his family to remain potential public charges. This attitude has been supported not only by humanitarian and economic arguments but by the necessity of keeping the very political and social system intact.[5] As a result, this century has seen a remarkable spread of social insurance throughout the industrial countries of the world. The extent of that movement is documented in Tables 21, 22, 23 and 24.

[5] See, for example, the Preamble to the Labour Section of the Treaty of Peace.

Chapter VII

FACTORS AFFECTING CANADA'S ATTITUDE TO SOCIAL INSURANCE

Several factors have affected the attitude of Canada towards social insurance.

(1) As a background for all other considerations is the fact that Canada is a relatively new country and, with two short exceptions immediately before the Great War and in 1921-22, had an uninterrupted period of prosperity from the 1890's to 1930. During this period Canada was also under the influence of a powerful neighbour that until recently was probably the outstanding believer among nations in *laissez-faire*. The optimistic faith of a new country with vast natural resources in its future plus the stimulus of individualistic thought from the United States tended to keep political and business thought in Canada away from social insurance.[6]

(2) Jurisdiction over the field of social insurance lies with the provinces. This fact tends to militate against the introduction of social insurance because any given province is afraid that if it takes the lead it will penalize its own industry in competition with that of the other provinces. This argument has weighed all the more heavily because general awareness of the necessity for social insurance other than industrial accident compensation did not develop in Canada until the present depression, and under conditions of business depression there is greater reluctance than usual to add to the costs of industry in any one province.

(3) There was some feeling during the prosperous post-war years that wages were high enough in Canada to allow the thrifty worker to protect himself and his family from hazards. This argument is seldom heard now because of its patent inapplicability but a variation of it is often advanced, namely, that social insurance is only a rather poor substitute for adequate wages and that the thing to do is to concentrate upon means of raising wages rather than set up a system of social insurance. This argument fundamentally misconceives the nature of the hazards that social insurance is designed to meet. It is possible theoretically to compute a wage which will cover the basic necessities of life such as food, clothing and shelter; and it is the purpose of minimum wage legislation to provide such a bottom for the wage structure. It is impossible to establish a wage which will allow every worker and his family to meet the heavy disabilities of serious illness, prolonged unemployment, accident and premature death. These are budget-shattering contingencies that strike most unevenly. The lucky worker may not be faced with any of them. But the only way for the whole body of workers to be protected against them is by social insurance which reduces these highly uncertain and heavy costs to a small and definite figure. Far from adequate wages being a substitute for social insurance, therefore, social insurance is a condition precedent to adequate wages.

Furthermore, the nature of the Canadian economy seems to indicate that a policy stressing high wages and ignoring social insurance might be ill-advised. As the Canadian economy is based on the export of primary and extractive products, the Canadian structure of prices is conditioned by the international prices for her staple exports. This means that the smooth functioning of the Canadian system is ultimately dependent upon the maintenance of an adjustment of other prices to export prices. The unequivocal pursuit of high wages might seriously interfere with this adjustment, at any rate during periods not characterized by rising export prices and satisfactory crops. Furthermore, the wage-level, if it were to attempt to cover ever-present threats to security, would have to be not only high but rigid, a condition that an export economy could not afford. Consequently concentration on wages as the only means of improving the welfare of the workers might under some conditions actually lead to a diminution of their welfare. But there are alternative ways of improving the welfare of the workers and social insurance is perhaps the outstanding one.[7]

An essential aspect of expenditures on social insurance is that they are not in their entirety a direct cost of production to industry in the way

[6] Compare, for instance, Australia and New Zealand which are also new countries but more under the influence of British traditions than Canada.

[7] Others are through expenditures on health, housing, education, recreation, etc.

that an increase of wages is.[8] To the extent that a persistent pressure for higher wages cuts into a satisfactory profit for the business man it might dampen business enterprise and cause a flow of capital out of the country. Under the most common system of social insurance only a part of the cost would fall on the employer in the first instance and probably a good part of this could be shifted. But the state can, if it wishes, rectify the balance from the point of view of the welfare of labour by contributing substantially to the cost of social insurance out of the proceeds of taxation on the profits of business. As J. M. Keynes expresses it, "Compare high taxation with high wages in its effect on the incentive to the business man to increase his output. The taxes only fall on profits after he has earned them, and take only a proportion. Thus, broadly speaking, his inducement to earn profits and to raise his output to the socially optimum level is just as great as if the taxes did not exist."[9]

Social insurance would further be more equitable both for industry and for labour. Businesses, like finance, which make at least average profits but have a relatively small working force would bear a fairer share of improving the welfare of the working class. Labour as a whole would benefit, rather than just the highly organized workers who may be in a position to demand and get a high level of wages.

Finally, a policy of stressing high wages solely would make the employer substitute machinery for labour as much as possible and force the rate of mechanical innovation. Whereas a system of social insurance supported in part by the taxation of profits would not discriminate against the use of labour.

(4) There is some feeling in Canada that the *causes* of social insecurity should be attacked rather than a system of social insurance set up to deal merely with results. This approach assumes the existence of an alternative. An attack upon causes and a system of social insurance are in fact complementary, and no alternative in a final sense exists. If the nature of each hazard is reviewed,—illness, unemployment, old age, premature death, and industrial accidents and disease,—it will be seen immediately that no amount of concentration on causes will entirely do away with any one of them. Sound social policy, therefore, while doing its utmost to control the causes of social insecurity, will realistically provide for the substantial amount of insecurity that will always remain.

[8] This argument is not to be taken to mean that the level of wages in Canada is in fact too high.

[9] *The Political Quarterly*, January, 1930, pp. 119, 120.

This statement might be disputed by some with respect to unemployment. Unemployment insurance is sometimes disparaged as likely to take attention away from the objective of a "cure." However, an analysis of the problem demonstrates conclusively that unemployment is a characteristic of our economic system and remedial measures can serve only to lessen its amount, not to abolish it.

The very structure of our industrial system will cause some unemployment, no matter how well it is functioning. The chief characteristics of the organization of modern industrialism may be described as follows. First, there is an intensive specialization and division of labour which presupposes a wide market. This delicate organization can be easily thrown out of gear by a host of factors, of which changes in tariffs, policies of national self-sufficiency and droughts are a few examples. Second, the modern industrial system is a roundabout process of production involving many stages between the beginning of production and consumption, and is therefore based upon production for a future market. Miscalculations are inevitable in the long-time forecasts necessitated here. Third, we live in a competitive economy on the whole and each producer is to a certain extent involved in "blind" production because he has no way of telling exactly what his competitors are doing. Again, maladjustments inevitably arise. Fourth, we live in a price-economy, and recent history has shown only too clearly the instability that this fact postulates. Finally, the distribution of business income in the shape of wages, interest, profits and rent, through bargaining and contract necessarily involves elements of instability. Professor Alvin Hansen brilliantly summarizes the effects on employment of the organization of modern economic society as follows:—

> "This complicated system is easily thrown out of equilibrium. We live in a world of constant and rapid changes: changes in demand, changes in the technique of production, changes in prices, in costs, in wages, changes in the size and distribution of populations, changes in the weather, changes in habits of saving and spending—a thousand and one changes occurring from day to day. Now these changes would create no difficult maladjustments if we lived in a simple, self-sufficing economy. But these changes play havoc in a society so complicated in structure as ours. The modern economic order, with its technique, its institutions, its structure and organization, furnishes the fundamental, underlying basis or condition for the maladjustments that give rise to unemployment."[10]

[10] Alvin H. Hansen, *Economic Stabilization in an Unbalanced World*, 1932.

If we cease talking about a generalized "unemployment" and turn instead to the various specific types of unemployment, each having to a large extent its own causes, we get further proof of the inevitability of some unemployment and the futility of waiting upon "cures." A healthy economic system is bound to have a considerable amount of technological unemployment at any given time. The only way to abolish technological unemployment is to abolish technological change. This does not mean that new and improved techniques are bad, or that the impact of technological unemployment cannot be lessened by a proper organization of the labour market. It does mean that at any given time there will be a considerable problem of technological unemployment in a society healthy enough to have a high rate of technological innovation. Similarly, there will always be some seasonal unemployment. This is especially true of Canada, which is one of the most important countries, economically speaking, that is trying to function at such a northerly latitude. Finally, it is impossible at this stage of our economic knowledge and technique seriously to talk of a "cure" for cyclical unemployment, caused by the swings of the business cycle. An intelligent application of existing economic knowledge, especially if international cooperation were forthcoming, would lessen the swings of the business cycle but there is no justification at present for saying that cyclical unemployment can be eradicated.

(5) There is the feeling in some quarters that the introduction of social insurance will tend to destroy habits of thrift among the workers. It is difficult to see the applicability of this argument to contributory social insurance unless one were prepared to argue that all insurance involving regular premiums undermines thrift. The argument, which was first advanced by German business men in the 1880's[11] does not stand up under the test of history. The working-class of Germany, the first country to introduce a complete system of social insurance, has since been customarily held up as a model of hard work and thriftiness and the countries that have gone in most for social insurance continue to be leading industrial countries.

On the face of it, it would appear that personal responsibility can only exist where the worker does not see the results of his thrift swept away by circumstances beyond his control, like serious sickness and unemployment. Thousands of Canadian workers who were making payments on homes, saving for the education of children, for their old age and so forth, have seen all this disappear. What would be more natural than that they should decide to "live for the present" after re-employment? The conclusion seems inescapable that if habits of thrift are not to be undermined, the thrifty worker must be put in a position where he can have some hope that the results of his thriftiness will be protected from such ever-present contingencies as serious illness and unemployment. Social insurance performs precisely that function. But it does not stop there. There will always be some workers who, for one reason or another, make no provision at all for the future. With the first blow of economic adversity they become public charges and must be supported by the taxpayer. Contributory social insurance forces such workers to save and relieves the pressure on other members of society.

(6) It is often argued that contributory social insurance will raise the prices of manufactured goods and so not only damage the competitive position of Canadian manufacturers but penalize producers of primary products by obliging them to pay more for what they buy. Identical argument has been raised in every country[12] but no dire results seem to follow the introduction of social insurance. Indeed, in countries like Great Britain, social insurance benefits were generally considered to have had a distinct stabilizing influence during the last depression by sustaining purchasing power.

The outstanding reason why social insurance would not necessarily involve additional costs to business or extra calls upon public treasuries is that heavy payments are being made because of social insecurity now. Unemployment relief is of course the most obvious example, but large payments are also being made for old age pensions, mothers' allowances, hospitalization, medical relief, and so forth.[13] When it is realized that over $1,000 million has been spent by Canadian governments during the short space of this depression on unemployment relief alone, the weight of the present burden of social insecurity upon public treasuries can be appreciated as a really staggering one. The costs of social security are, therefore, now being met but in an unplanned and wasteful way and with no thought of keeping up the physical efficiency of the working force of the country. Furthermore, they fall heaviest during times of depression, the very time that business and the country at large can least carry them, and consequently retard recovery. The concealed costs of delayed recovery may be

[11] See A. E. Grauer, *Labour Legislation*, p. 2.

[12] Canada, of course, is more dependent upon primary production than most countries.

[13] See Part I of this study on *Public Assistance*.

enormous and they affect all aspects of the economy and all classes of people. It follows from these facts that the farmer, the business man and the taxpayer in general have not the alternatives of meeting the costs of social insecurity through insurance or of avoiding them. The alternatives are to meet them in an efficient and humane way through social insurance, or in a wasteful and demoralizing way as at present. The whole basis of social insurance is that it is preparing for actual hazards (not theoretical ones) by building up funds in good years to help pay the costs of social security in bad years. This is a sound principle in business and it is an equally sound principle in government. The introduction of social insurance, therefore, would so meet the costs of social insecurity as to have the least disruptive effect upon the economy as a whole, and should over a period of years reduce their costs to the taxpayer.

Over the short run, however, while adjustments are being worked out, social insurance may involve a net addition to the cost of production and lead to slightly higher prices. The most that prices could rise theoretically would be by the total amount of contributions. The British system usually involves equal contributions by the employer, the employee and the state.[14] The United States procedure is to tax either the employer alone or the employer and employee equally, with the state not participating.[15] The Australian plan looks forward to the eventual assumption of the total cost of premiums by the employer and employee, but until the system reaches maturity,[16] that is, until everyone under it has paid premiums from the age of sixteen (or whatever the entrance age may be), the state subsidizes the scheme. This plan is more equitable than that of the United States, and if used in Canada should not involve the state in higher taxation because of the large amounts of money the state is already paying on account of social insecurity.

For Canada, it would be impossible to make an estimate of the cost of social insurance for the employer unless the type of system envisaged were known. That cost would obviously vary with the standards and duration of benefits, governmental contributions, etc. On the basis of British and United States experience, it would be surprising if the cost to the employer of a comprehensive system of social insurance to which the employee also contributed, would come to more than 6 or 7 per cent of the annual payroll. The amount added to price would depend on the relative importance of wages in the cost of production of each industry. This would set the upper limit. There are, however, other factors besides those already mentioned which would counterbalance any tendency for prices to increase. To the extent to which Canadian industries (*a*) are industries of decreasing costs,[17] (*b*) have excessive tariff protection, (*c*) can be more efficiently organized and managed,[18] (*d*) will gain a more efficient working force physically and psychologically[19] through social insurance, the transfer of the present costs of social insecurity from taxation to production can be effected without any increase in prices.

To sum up, the immediate effect upon prices of the introduction of social insurance is not clear because the force of off-setting factors cannot be measured. Over the long run, the taxpayer and all classes in the country would benefit from social insurance because it is not, like present practices, wasteful both of financial and human resources, and because it is more conducive to the steady functioning of the economy as a whole by not piling up taxes and other costs during depression periods and thus delaying recovery.

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[14] Where the state contribution is from the proceeds of progressive taxation, it is out of net income and therefore does not affect cost of production. See the argument on p. 56.

[15] The sales tax in Canada is substantially higher than that of any other country and this means that despite a substantial range of exemptions, the Canadian low-income classes are already being taxed heavily. It might therefore be argued that this regressive taxation should be considered the equivalent of employee contributions for social insurance, especially as, by a judicious determination of exemptions, it can be made to apply largely to the beneficiary classes. There are certain obvious administrative advantages of simplicity and automatic (though rough) coverage in this system, but the great disadvantage exists that the individual is not made conscious of his own contributions and an attendant sense of responsibility developed. In any case, the existing taxation system is obviously an important factor to be considered in determining the allocation of the costs of social insurance.

[16] See p. 72.

[17] Generally speaking, tariff-protected industries are industries of decreasing costs, that is, as demand and production expand, the per unit cost of production decreases. For a good account of the economic theory relating to this type of industry see R. F. Harrod, *International Economics*, c. IV.

[18] J. W. F. Rowe concluded, after a documented study of five industries in Great Britain (*Wages in Practice and Theory*, London, 1928) that most employers did not take full advantage of economies of industrial organization and that "in raising wages you bring into activity latent energies in the entrepreneur out of which the additional wages can be paid". If this is true of a relatively free-trade country like Great Britain, it should be more true of Canada where management is protected from the full force of world competition by tariffs. It would indicate that with some industries, at any rate, there would be a "cushion" which might absorb the cost of premiums for social insurance to the employer.

[19] Some authorities feel that the psychological effect of an ever-present feeling of insecurity on the workers is the greatest single drag on industrial efficiency at the present time; vide, H. Feldman, *The Regularization of Employment*, 1926.

Chapter VIII

TYPES OF SOCIAL INSURANCE, AND THE APPROPRIATE GOVERNMENTAL JURISDICTION

1. General Considerations

As social insurance is, on the whole, a virgin field in Canada, the question of jurisdiction is not complicated by existing administrative structures. In setting up a system, Canada's lateness in this field enables it to benefit by the experiences of other countries, although the peculiarities of the Canadian situation must, of course, always be kept in mind. Tables 21, 22, 23 and 24 summarize the world situation regarding the various types of social insurance.[20]

Several conclusions follow from an examination of other countries. First, there is a definite trend towards *comprehensive* systems of social insurance. The older industrial countries have had broad schemes in operation for some time, but recently the countries of the New World have taken steps in the same direction. The Social Security Act of the United States set up contributory schemes for unemployment and old age, and non-contributory ones for the aged above seventy and for dependent children. In addition it provided federal grants for certain health purposes. In Australia, the government now has a National Health Insurance Bill before Parliament, which it is proposed to have in operation by January 1, 1939. This bill is really a general social security act and establishes contributory old age, invalidity and widowhood pensions besides national health insurance. Representatives of the Australian states and the Commonwealth have met to discuss a national system of unemployment insurance, after the recommendation of the Ince Report. The government of New Zealand has announced the details of its national health and superannuation bill which it proposes to introduce during the next session of Parliament and have in operation by April 1, 1939. This, too, is a broad measure covering not only health but old age, invalidity and widows and orphans. In addition, the following countries have either recently set up systems of social insurance in whole or in part, or have drafted legislation to that end: Greece, Bulgaria, Uruguay, Peru, Brazil, Argentina, Colombia, Bolivia, Mexico, Egypt and Esthonia.

[20] Under social insurance, benefits are paid to insured persons, on the fulfilment of specified requirements, as a matter of "right" irrespective of their financial need for benefits at the time. Social insurance does not cover payments made to needy persons after the application of a means test to verify their need. Such payments (non-contributory old age pensions, mother's allowances, etc.) properly fall under the heading "Public Assistance". However, they are included in the following tables, especially with relation to Canada, for purposes of comparison because Canada has so little social insurance.

TABLE 21

Unemployment Insurance (a) (b) (c)

—	Great Britain	Germany	France
Scope	Compulsory for all industrial and agricultural workers from 14 to 65. *Exemptions:* Domestic servants, railways, governments and public utilities.	Compulsory for all workers and salaried employees earning not more than 8,400 R.M. a year. *Exemptions:* Domestic servants and certain groups of agricultural workers.	Voluntary but state subsidized. Most of funds are attached to trade unions but some to mutual benefit societies and some are independent.
Financial Resources	Equal contributions by employer, employee and National Government. Flat rates, based on sex and age differentials rather than on wages. *Agriculture:* smaller contributions. Rebates to employers for contracts of service of yearly or half-yearly duration.	Equal contributions by employer and employee on the basis of a specified percentage of wages. Voluntarily insured persons pay the whole contribution.	(a) Contributions of insured persons. (b) National subsidies proportionate to amounts paid in benefits (usually about 40% of benefits). (c) Subsidies of communes and departments (usually about 33 per cent of benefits.)
Qualifications for Benefits	For first claim, 30 weekly contributions during preceding 2 years. Subsequently, 10 weekly contributions. If under 18, must attend authorized courses of instruction unless exempted for cause.	For first claim, 52 weekly contributions during preceding 2 years. Subsequently, 26 during preceding year.	Right to benefit defined by the various funds.
Waiting Period	Six days. Intermittent employment not counted.	From 3 to 14 days according to number of dependents.	Varies with funds.
Benefits	Flat rate benefits based on sex and age differentials. Allowances for dependents. Duration of benefits 26 weeks. May be extended to 52 weeks if previously employed for 5 years.	Benefits according to rate of pay during last year of employment and cost of living in district. Allowances for dependents. Duration of benefits 20 weeks. Provisions for short-time benefit if not working for 3 days per week or 6 per fortnight.	Rates fixed by each fund and depend largely on the amount of subsidy received from public authorities.

(a) Based on reports of the International Labour Office and of the Social Security Board of the United States.
(b) Other countries with compulsory schemes are Austria, Bulgaria, Poland, U.S.S.R., Switzerland (certain cantons), Uruguay.
(c) Other countries with voluntary subsidized schemes are Belgium, Denmark, Finland, Netherlands, Norway, Spain, Switzerland.

TABLE 21—(Concluded)

Unemployment Insurance

	Czecho-Slovakia	Italy	United States of America
Scope	Voluntary scheme covering all members of workers' organizations.	Compulsory for all industrial workers.	All employers who employ 8 or more workers for 20 or more weeks a year. *Exemptions*: Agriculture, domestic service; governments; religious, charitable, scientific, literary and educational bodies.
Financial Resources	Members' contributions. State makes a grant based on amount of benefits paid.	Equal contributions by employer and employee varying with wage-class. State makes advances only.	Federal tax of 3 per cent on payrolls of employers. Credits allowed up to 90 per cent of tax for each state having a system of unemployment insurance. Grants made to states for administration.
Qualifications for Benefits	Right to benefit defined in rules of workers' organizations.	24 fortnightly contributions during last two years.	Details left to each state, but state laws must meet certain general requirements, *e.g.* (1) Compensation must be paid through public employment offices or similar approved agencies; (2) No worker shall be forced to accept work resulting from a labour dispute, etc.
Waiting period	8 days	7 days	Details left to each state.
Benefits	The state supplement is granted to persons who are entitled to benefit and have been members for 6 months. It is payable for 26 weeks. The aggregate of benefit and state supplement may not exceed $\frac{2}{3}$ of the beneficiaries' normal wages. Any excess is deducted from the state supplement.	Benefits for 3 months. Extra month if 36 contributions within last two years. Rate of benefit varies with wage-class.	Details left to each state.

—	Queensland	Union of South Africa	Irish Free State
Scope	Compulsory for everyone over 18, whose wages fixed by an award or industrial agreement. *Exemptions*: agriculture, Commonwealth government employees.	Minister may establish a fund in any scheduled industry and may specify areas where fund is to operate. All employees included subject to certain income exemptions.	Compulsory for all industrial workers aged 16 and upwards. *Exemptions*: agricultural workers and private domestic servants.
Financial Resources	Equal contributions from employer, employee and state of 6 pence a week.	Employers and employees contribute on basis varying with specified wage or salary groups. State contributes $\frac{1}{4}$ of the above total.	Contributions from employer, employee and state in that order of importance. Flat rate system based on sex and age differentials.
Qualifications for Benefits	26 weekly contributions during preceding year. Lesser contributions call for *pro rata* benefits.	26 weekly contributions during preceding two years.	12 weekly contributions must have been paid.
Waiting Period	14 days.	7 days.	
Benefits	Shall not exceed $\frac{1}{2}$ the wages payable under any award. Married workers get larger benefits and a supplement for each dependent child for not more than four. Maximum—15 weeks in any 12 months.	Rate of benefit depends upon wage or salary group in which the worker is classified. Benefit payable 26 weeks.	One week's benefit for every 6 contributions, payable for 26 weeks. Flat rate. Allowances for dependents.

TABLE 22

Old Age Assistance and Insurance (a), (b)

—	Great Britain (c)	Germany	France (c)
Scope of scheme and conditions for pensions	Compulsory for all employed persons 16 and over who earn less than £250 annually. Pensions paid at age of 65.	Compulsory for all workers including agricultural workers, domestic servants, houseworkers and seamen. Pensions paid at 65 years of age.	Compulsory for workers in commerce and industry and for domestic servants whose income does not exceed a specified amount. Pensions granted at 60, but may be awarded at 55 or deferred until a later age.
Financial Resources	Flat-rate contribution by employer and employee for combined widows, orphans and old age insurance uniform for all wage and age groups. State makes an annual contribution.	Employers and employees contribute according to income. Federal subsidy as well.	Equal contributions by employer and employee, with subsidies from public authorities.
Benefits	10 shillings a week to insured persons between 65 and 70. At 70, all insured people automatically qualify for non-contributory old age pensions.	Benefits consist of a variable amount based on number of contributions plus federal supplement of 72 marks, plus a bonus of 90 marks for each child under 15.	Pension not less than 40 per cent of average wage. Pension increased by 10 per cent for insured persons who have brought up 3 children to the age of 16 years.

—	Czecho-Slovakia	Sweden
Scope of scheme and conditions for pensions.	Compulsory for all persons working under contract. Pensions granted at 65.	Compulsory for all citizens between 18 and 65. Voluntary insurance available for additional pensions. Pensions granted at 67.
Financial Resources	Equal contributions by employer and employee which vary with the worker's age class. State subsidy. Employer pays whole contribution for person not receiving cash wage.	Basic premium of 6 kroner per year and a supplementary premium based on income over 600 kroner with maximum limit of 20 kroner. Subsidies for specified purposes by state, departmental and local governments.
Benefits	Pensions consist of a basic amount plus an increment based on the number of contributions and a supplement for each dependent child under 17. Pension may be increased by 50 per cent if person requires constant assistance of another.	Basic pension of 70 kroner plus 10 per cent of total contributions. Bonus varying with size of place where residence established.

—	United States of America (c)	Australia (Jan. 1, 1939)	Union of South Africa
Scope of Scheme and Conditions for Pensions.	Compulsory for all workers. Payable from 65 to death on condition that recipient ceases work. *Exemptions:* Agriculture, domestic service, government service, railways, and seamen.	Compulsory for all employed persons over 14 except non-manual workers earning more than £365 a year.	Non-contributory. All white persons covered if they prove *(a)* age of 65 (men) or 60 (women); *(b)* Residence in the Union for 15 out of 20 preceding years; *(c)* British citizenship for 5 years. Means test.
Financial Resources	Employers and employees each pay 3 per cent of wage.	Same contributions as for sickness insurance.	Public Treasury (Union).
Benefits	Percentage of total wages earned to age of 65, with a maximum of $85 a month. If person dies before 65, ¾ per cent of total life-time wages goes to his estate. If person dies between 65 and 70, portion of his equity still in government's hands is paid to his heirs.	Men, 65 and over, 20s. a week. Women, 60 and over, 15s. a week.	Maximum of £42 per annum for whites and £22 for coloured people. (Native blacks and Asiatics are excluded from the system).

(a) Based on reports and material of the International Labour Office and of the Social Security Board of the United States.

(b) Other countries with compulsory contributory old-age insurance laws are Austria, Belgium, Bulgaria, Chile, Ecuador, Finland (1939), Hungary, Iceland, Italy, Luxemburg, Netherlands, Peru, Poland, Portugal (optional), Rumania, Spain, Uruguay, U.S.S.R., and Yugoslavia.

Other countries with non-contributory old-age assistance laws are Denmark, Greenland, Newfoundland, Norway.

Countries with compulsory contributory old-age insurance laws of limited coverage are Argentina, Brazil, Cuba, Costa Rica, Greece and some parts of Switzerland.

(c) These countries also have a supplementary system of non-contributory old-age assistance.

TABLE 22—(Concluded)

Old Age Assistance and Insurance (a), (b)

—	Irish Free State	Canada
Scope of Scheme and Conditions for Pensions.	Non-contributory. Payable at 70 if (a) 30 years residence; (b) 6 years residence since 50 for a citizen and 16 years residence since 50 for a non-citizen. Means test.	Non-contributory. Payable at 70 if (a) resident in Canada for 20 preceding and in Province for 5 preceding years. (b) British subject. Means test.
Financial Resources	Public Treasury	Dominion contributes 75 per cent; Provinces contribute 25 per cent.
Benefits	Maximum of 10s. per week	Maximum of $240 per annum.

TABLE 23

Widows' and Orphans' Pensions (a), (b)

—	Great Britain	Germany	France
Scope and Conditions for Pensions.	Compulsory for employed persons aged 16-65 except non-manual workers earning more than £250 a year. Qualifying period of 104 weekly contributions.	Compulsory for all workers including agricultural workers, domestic servants, home-workers and seamen. Qualifying period of 200 weekly contributions.	Compulsory for all workers whose annual pay does not exceed a specified amount. Qualifying period of one year's insurance and contributions of at least 60 francs.
Financial Resources	Flat rate contribution by employer and employee for combined widows' orphans' and old-age insurance. State makes an annual contribution until scheme reaches maturity.	Employers and employees contribute according to wage-class for combined widows' and orphans', old-age invalidity insurance. Federal subsidy.	Part of general scheme of social insurance. Equal contributions by employer and employee proportionate to the amount of wages. State subsidy.
Benefits	Widow: 10s. per week until remarriage. Children: 5s. for first child per week; 3s. for each other child. Whole orphan: 7s. 6d. per week. At age of 70, widow's pension is replaced by a non-contributory old-age pension.	Widow: a federal supplement of 72 R.M. a year, plus 50 per cent of the annual increment of the invalidity pension. Widower: the same, if incapacitated and in need. Orphans: 36 R.M. a year plus 40 per cent of the increment of the invalidity pension for each orphan.	Widow: 20 per cent of average annual wages with a minimum of 100 fr. and maximum of 2/3 of actual earnings at time of death. Half orphans, 100 fr. per year for each child under 16; extra allowance if 3 children under 13. Whole orphans: minimum of 120 francs per year per child if under 13 or until 16 if schooling continued.

—	Czecho-Slovakia	Irish Free State(c)	United States of America
Scope and Conditions for Pensions.	Compulsory for all persons working under contract. Qualifying period: 100 weekly contributions.	Compulsory for all employed persons 16 years and over who do not earn more than £250 annually. Qualifying period of 104 contributions or if insured for 4 years, 26 contributions for each of last 3 years.	For needy dependent children under 16 who have been deprived of parental support by reason of death, continued absence, physical or mental incapacity of the parent and who are living in a relative's home.
Financial Resources	Part of invalidity, old age, widows' and orphans' insurance scheme. Equal contributions by employer and employee varying with wage-class. State subsidy.	Equal contributions of 4d. per week for employers and employees.	Federal grant to each state of 1/3 of total cost excluding amounts in excess of $18 for eldest child and $12 for each remaining child.
Benefits	Widow: 50 per cent of invalidity pension due deceased insured person. Granted at age 60, or earlier if incapacitated or if maintaining 2 or more dependent children. Children: 20 per cent of invalidity pension due deceased to age of 17. Whole orphans: 40 per cent to age of 17.	Widow: 10s. per week until remarriage or age of 70. Children: 5s. for eldest child and 3s. for each other child. Whole orphans: 7s. 6d. a week. Pensions to dependents of agricultural workers on a lower scale.	Cash payments but details of amounts, etc. left to states.

(a) Based on reports of the International Labour Organization.

(b) Other countries with contributory widows' and orphans' pensions are Australia (1938), Austria, Belgium, Brazil, Ecuador, Poland, Yugoslavia, Greece, Hungary, Luxemburg, Netherlands, some parts of Switzerland, U.S.S.R., Uruguay.

(c) By an amendment of 1937 any widow not qualifying for the contributory pension is eligible for a non-contributory pension provided that she is 55 years of age or has at least one dependent child under 14, or 16 if at school.

TABLE 23—(Concluded)

Widows' and Orphans' Pensions

—	New South Wales	New Zealand	Canada
Scope and Conditions for Pensions.	Non-contributory. Applies to widow with dependent child under 14. Applies to widow alone if she is at least 50 and destitute, or for 6 months after husband's death if unprovided for.	Non-contributory. Applies to widows of insufficient means who have dependent children under 15.	Allowances are paid to mothers in respect of dependent children in all provinces but Quebec, New Brunswick and Prince Edward Island. Scope of the Acts varies with the provinces.
Financial Resources.....	Public Treasury.	Public Treasury.	Provincial treasury except in Alberta where municipalities share the cost.
Benefits.....	Cash supplement for each child under 14 entirely or mainly dependent on the widow.	Widow: maximum of £1 per week. Children: maximum 10s. per week for each child.	Amount of allowance varies with the provinces.

TABLE 24

Sickness Insurance, including Maternity, Invalidity and Death Benefits (a), (b), (c)

	Great Britain	Germany	France
Scope and Conditions for Benefits.	Compulsory for all employed persons aged 16-65 except non-manual workers earning more than £250 a year. Reduced benefits after 26 weekly contributions, full benefits after 104; medical benefits immediately. Provisions for voluntary contributors.	Compulsory for all employed persons. Certain provisions for voluntary insurers.	Compulsory for all workers whose annual remuneration does not exceed a specified amount. To qualify for benefits, must have paid 30 francs during preceding 6 months or 60 during preceding twelve.
Financial Resources.....	Equal contributions by employer and employee of 4½d. per week each. State pays one-seventh of cost of benefits for men and one-fifth for women; also entire cost of central administration and part of local.	Equal contributions by employer and employee. Rate proportional to amount of wage.	Equal contributions by employer and employee. Rate proportional to amount of wage. State subsidy.
Cash Benefits.....	15 shillings per week for 26 weeks from 4th day of sickness. Benefits cease when old age pensions begin.	50 per cent of basic wage from 4th day of sickness for 26 weeks. If head of family in hospital family receives a benefit equal to half the sickness benefit.	50 per cent of basic wage from 6th day of sickness for 6 months. Allowance is increased by 1 franc a day for each dependent child under 16.
Medical Care.....	Medical treatment and drugs for as long as necessary for worker only.	Medical and dental treatment, drugs and therapeutic appliances for 26 weeks. Hospitalization and nursing in home. Medical and dental treatment for family.	Medical attention for worker and family including medicines. Worker must pay 20 per cent of charges or 15 per cent depending on wage group.
Other Benefits.....	Maternity benefit. Invalidity benefit.	Maternity benefit. Funeral benefit (d). Invalidity benefit (e).	Maternity benefit. Invalidity benefit (e).

(a) Based on reports of the International Labour Office.

(b) Other countries with systems of compulsory sickness insurance are Austria, Bulgaria, Chile, Denmark, Ecuador, Esthonia, Greece, Holland, Hungary, Iceland (optional), Italy (in part), Latvia, Lithuania, Luxemburg, Netherlands, Norway, Peru, Poland, Portugal (optional), Rumania, Serbia, Switzerland (in part), U.S.S.R., Yugoslavia.

(c) Other countries with systems of voluntary sickness insurance (usually subsidized), Sweden, Finland, Belgium, Spain.

TABLE 24—(Continued)

Sickness Insurance, including Maternity, Invalidity and Death Benefits (*), (*), (*)

—	Czecho-Slovakia	Japan
Scope and Conditions for Benefits.	Compulsory for all except casual workers. No qualifying period for workers but he must pay 4 weeks' contributions before his family qualifies.	Compulsory for industrial workers, including miners and transport workers. No qualifying period except for maternity benefit.
Financial Resources	Equal contributions by employer and employee according to a percentage of the average daily wage. Employer pays whole contribution where worker receives no cash income.	Equal contributions by employer and employee except in unhealthy work where employer may be charged two-thirds. State contributes 10 per cent of benefit cost.
Cash Benefits	Benefit from 4th day of sickness for one year. Rate varies with wage class but usually 2/3 of average daily wage.	60 per cent of basic wage from 4th day of sickness for 26 weeks.
Medical Care	Medical treatment for worker and family for duration of sickness. Hospitalization, during which family entitled to ½ the sickness benefit.	When hospitalization given, daily benefit is reduced, but account is taken of family responsibilities.
Other Benefits	Maternity benefit. Funeral benefit (*). Invalidity benefit (*).	Maternity benefit. Funeral benefit.

—	Australia (Jan. 1, 1939)	Australia (at present)	Union of South Africa
Scope and Conditions for Benefits.	Compulsory for all employed persons over 14 except non-manual workers earning more than £365 a year. To qualify: 26 contributions required for sickness benefits, 104 for disablement benefits. Benefits cease when old age pensions begin.	Voluntary scheme undertaken by friendly societies in each state.	Voluntary insurance based on friendly societies.
Financial Resources	Equal contributions by employer and employee. Eventual total rate of 4s. weekly for men and 2.6 for women. This covers all social insurance benefits. Commonwealth contribution.	Contributions from members. Contributions usually paid into 2 separate funds: (a) for sickness and funeral benefit. (b) for medical and administrative expenses. State subsidy in New South Wales for older people.	Contributions from members.
Cash Benefits	Payable for 26 weeks: Men, 29s. a week. Women, 15s. a week. Dependent children under 15, 3.6, each. Benefits cease when old age pensions begin.	Maximum weekly rates of from £1.1s to £3, payable for duration of illness.	Where cash benefits given, flat rate system used.
Medical Care	Free medical treatment and medicines for contributors only. Juniors (14-16) get medical care only for weekly contribution of 8d. shared equally by employer.	Medical attendance and drugs for insured persons and families. Some societies give hospitalization on payment of an extra premium.	Medical attendance and drugs. Certain societies give additional benefits.
Other Benefits	Disablement benefit of 16s. for men and 12/6 for women per week with allowance for children.	Invalidity Benefit. Funeral Benefit.	Some societies pay a funeral benefit.

(*) In Czecho-Slovakia a funeral benefit is granted in case of death of a member of the family and in Germany it may be granted on the death of a wife or child.

(*) These payments not linked with the sickness insurance scheme.

TABLE 24—(Concluded)

Sickness Insurance, including Maternity, Invalidity and Death Benefit (a), (b), (c)

—	Irish Free State	Alberta (f)	British Columbia (f)
Scope and Conditions for Benefits.	Compulsory for all employed persons 16 years and over who do not make more than £250 annually. Reduced benefits after 26 weekly contributions; full benefits after 104. Worker's family not covered.	Organization by medical districts and local option. Compulsory for wage-earners and may be for other income-earners. Chief exception: female domestics not earning more than $12 a month cash.	Compulsory for all workers earning less than $1,800 annually. Chief exceptions: agriculture and domestic service. Qualifying period: 4 weekly contributions. Includes worker's family.
Financial Resources.....	Equal contributions by employers and male employees. 25 per cent less for female employees. State contributes 2/9 of cost of benefits and of local administration plus whole cost of central administration.	Province: $11.28 per resident per annum. Municipality: $3.22 per resident per annum. Wage-earner: $2.10 per month. Employer: $1c. per month. Other income earners: $2.82 per month.	Employee: 2 per cent of wages with weekly minimum of 35c. and maximum of 70c. Employer: 1 per cent of payroll with weekly minimum of 20c. and maximum of 35c. Government pays cost of organization only.
Cash Benefits.....	Benefit from 4th day of incapacity for 26 weeks. Insured woman who marries loses her acquired rights and is given a lump sum marriage benefit. If she goes on working, she must begin afresh.	None.	None.
Medical Care.....	Medical attendance and drugs for 26 weeks; thereafter a disablement benefit at a reduced rate. Both cease at 70 when old-age pensions commence. Additional benefits (hospital, dental, etc.) may be paid if there is a surplus.	Medical, surgical and dental care; hospital, nursing and diagnostic services; drugs, medical and surgical supplies and appliances.	Medical and surgical care, hospitalization, drugs, medicines, dressings, laboratory services and diagnostic aids including X-rays. Other benefits, *e.g.*, dental, if sufficient funds.
Other Benefits.....	Invalidity benefit. Maternity benefit.	Commission may institute clinics for preventive work and promotion of public health.	Prenatal and maternity treatment.

(f) The British Columbia statute was proclaimed on May 18, 1937, but is not in operation. The Alberta statute was proclaimed on July 24, 1935, but no medical district has as yet voted to adopt the plan.

A second conclusion is that compulsory insurance has stood the test of experience better than voluntary insurance. There have been numerous switches from the latter to the former but none in the other direction. Compulsory insurance ensures proper coverage; and if people are not covered by the insurance system the whole cost of relieving them, if they become needy, falls on the state. Furthermore no country has a broad system of voluntary insurance that functions without state subsidies, and there is always pressure to have the amounts of such subsidies increased.

A third conclusion is that central administration is the invariable rule with unitary states and the trend among federal states. No country has local administration in this field. Among federal countries, Switzerland has decentralized administration while Australia, the South American federally-organized countries and the U.S.S.R. favour federal legislation and administration. The United States has a national system of old age insurance, state administration of unemployment insurance, and a national system of unemployment and old age insurance for railway workers. Social insurance almost invariably involves contributions from the employer and employee and often the state, in return for which the insured persons receive benefits as a matter of right. These benefits are not, therefore, state philanthropy. Consequently there is no "means test" in social insurance and no need for detailed knowledge of the circumstances of beneficiaries. The traditional argument for local jurisdiction, that local officers have special knowledge of the needs of claimants, therefore does not apply. Social insurance operates automatically once the contributor has fulfilled the stipulated requirements. It is a modern development, a business method whereby the employer and the employee co-operate under the direction of the state to meet known hazards of the economic system

for the worker. It involves none of the customary techniques of state assistance to needy and dependent groups and there is no reason why it should be regarded as in the same administrative category. In fact there is danger in lumping social insurance together with other social services, as Great Britain found out with unemployment insurance, because of a tendency to make the insurance scheme carry welfare burdens that have no relation to it.

As a business proposition, most types of social insurance can be most efficiently administered by the central or federal government. In a federal state, a national system of social insurance would avoid unnecessary duplication and would thus effect economies in the setting up of administrative machinery. Technical problems such as the investment of insurance funds, which if unplanned and unco-ordinated, might have unfortunate results on the financial structure of the country, could be handled in a unified way and with an eye to the effects of policy on the whole country. And finally, a federal system would give the maximum amount of protection against the costs of insecurity because it covers the whole country.

There is another general consideration which is of great importance in the Canadian situation. It is most important for the efficient functioning of Canada's economic system that nothing be done to impede the mobility of labour. The highly seasonal nature of the country's industry makes this much more important for Canada than for most countries. In a national system of social insurance the question of "residence" does not matter, but if each province had its own system of social insurance, or if some provinces provided social insurance and others did not, the question of "residence" would become important. A mass of regulations might spring up which would seriously restrict the mobility of labour. Variations in relief regulations have already had that effect to a marked degree.

2. Unemployment Insurance[21]

The foregoing analysis applies clearly to unemployment insurance which is the type of social insurance that presents perhaps the strongest case for federal control. Unemployment is a nation-wide problem demanding nation-wide coverage; there would be no point in duplicating machinery for nine provincial systems and nine provincial funds; and such an organization would interfere with the mobility of labour. Although there are differences of opinion from other points of view, it is generally agreed that from the viewpoints of economy and efficiency it is the Dominion government which could most effectively administer unemployment insurance.

The chief argument for provincial jurisdiction is that of "provincial rights." It is part of the general plea for the retention of full responsibility by the provinces and municipalities for all the costs of unemployment, with the qualification that Dominion grants-in-aid may be necessary in some circumstances. The arguments for provincial control of unemployment aid might therefore be considered equally applicable to unemployment insurance. Those arguments, as advanced in the minority report of the National Employment Commission are chiefly (*a*) "in a democratic government the individual has a more responsible attitude to and interest in government to which he pays his taxes directly and which he sees functioning for himself and his neighbours. The further removed and more centralized government becomes and the less direct its taxing powers, the less easily can the individual relate his own responsibilities to his functions. No matter which government is responsible for and administers relief of distress arising from loss of income because of absence of work, there will be constant pressure to increase the benefits and to enlarge the base of admittance to benefits. If responsibility and administration are centralized in the Dominion government, the important counter-pressure from local taxpayers will be eased.[22]

And (*b*), it is undesirable to admit, as setting up special machinery would admit, that unemployment is likely to be permanent.

From the economic point of view it might be said that if a national system were based on flat-rate premiums and benefits it would not take into account regional differences in real wages. Premiums and benefits that were adjusted to Ontario, for instance, would not be suitable for the Maritime Provinces. This argument would not apply, however, if the national system were based on wage-classes or on premiums and benefits that were a percentage of wages.

The fear has been expressed in Ontario that if the Dominion contributed to a federal system of unemployment insurance, the Prairie Provinces would want it to contribute to a system of crop insurance on the grounds that they gained little from unemployment insurance. Assuming that the Dominion intended to contribute to the unemploy-

[21] For a discussion of whether or not unemployment is a lasting problem, see page 56, *et seq.*

[22] *Final Report of the National Employment Commission*, Memorandum of Reservations containing the Reasons for Dissent, p. 45, Ottawa, 1938.

ment insurance scheme (which, as we have seen, is not the practice in some countries) it does not follow that such a decision would involve it in larger total expenditures on the unemployed. The federal government now spends large sums of money for unemployment relief (see Part I, p. 15) and these expenditures would be cut down by a national system of unemployment insurance. Dominion contributions to unemployment insurance would be more in the nature of a shift in its expenditures on the unemployed rather than new expenditures. There would therefore be little basis for a demand for crop insurance merely because the federal government was embarking on unemployment insurance, especially in view of the huge sums of money the Dominion is already spending on agricultural aid (see Part I, pp. 14 and 16.

Actually, of course, crop failure and unemployment are two entirely different problems, one relating to widespread emergency conditions for a given region, the other to a chronic or recurring condition for the whole country. The feasibility of crop insurance for crop failure covering a whole region is most doubtful, because insurance predicates, (*a*) reasonably predictable risks; and (*b*) spreading those risks by means of contributions or premiums over the whole group potentially subject to them. Drought is not predictable; and if, as in recent years, most of the insurable area is affected by it, there is no chance of spreading the risk. We may conclude then, first, that unemployment and crop failure are two distinct problems which must be attacked in the light of their own respective merits; second, that as long as widespread drought exists, there will be pressure from the Prairie Provinces for some sort of remedial action, and that this will go on regardless of what is done about unemployment insurance.

It should be noted that the payment of unemployment insurance benefits would materially lessen relief costs to the governments responsible for them because insurance benefits are largely paid from accumulated contributions from employers and employees, while relief payments are solely a governmental cost. A Dominion system of unemployment insurance would therefore relieve provincial and municipal governments of some of their present liabilities for relief without involving them in the new one of contributing to the unemployment insurance fund.

It should also be noted that in no country to date has unemployment insurance been (or intended to be) a complete substitute for unemployment relief. Existing systems of unemployment insurance give benefits to insured persons for a *definite* period of time only, such as three or six months. Under ordinary conditions this will allow the worker enough time to find new employment but if by the end of the specified period he is still without work, the insurance system has no further responsibility to him. Existing insurance systems are therefore complemented by a system of unemployment aid to take care of those suffering from prolonged periods of unemployment.

Table 21 shows that most of the large industrial countries have compulsory systems of unemployment insurance, and those like France and Czechoslovakia which do not, have heavily subsidized voluntary schemes based on trade unions and mutual benefit societies. Such organizations are not sufficiently widely developed in Canada to form the basis of a system, and in any event they have not stood the test of experience satisfactorily because of the danger of incomplete coverage. Belgium and Norway are the latest countries to announce their intention of changing from voluntary to compulsory unemployment insurance. In some of the compulsory systems, notably in Italy and Germany, the state makes no contribution to the fund, but under certain conditions this plan may be neither as equitable nor as sound economically as that of Great Britain and other countries where the state contributes substantially.[23]

Federally-organized countries show a considerable diversity but their trend is towards a national system because of its administrative simplicity and economy and the greater protection it gives both to the workers and to the public treasuries by its complete coverage. South Africa has a national system and so had Germany even before the provincial organization was abolished by Hitler. Queensland, in Australia, has for some time been the only state in the Commonwealth to have a system of unemployment insurance in operation but consideration is now being given to the introduction of a national scheme. The Ince Report on Unemployment Insurance to the Parliament of the Commonwealth of Australia (1937) investigated three alternative systems for adoption in Australia, namely,

(1) A series of separate state schemes under the independent control of the state governments;

(2) An Australia-wide scheme under the control of the Commonwealth government;

(3) A series of uniform state schemes with a measure of Commonwealth control to secure uniformity.

[23] See p. 56.

The Report strongly recommended the second alternative.

The United States of America has adopted a unique arrangement in an attempt to overcome constitutional difficulties of a national plan. The federal government, under its taxing powers, levies a 3 per cent payroll tax on all employers, which goes into the federal treasury. If any state introduces a mandatory system of unemployment insurance, approved by the federal government, the employers in that state may credit, as an offset against the federal payroll tax, the amounts which they contribute to the state insurance fund, provided that the total amount of such credits do not exceed 90 per cent of the federal tax. The federal government makes grants for administration, which is presumably why it retains 10 per cent of the proceeds of the tax. About half the states now have systems of unemployment insurance in operation and the others have made provisions for introducing them. It is obvious that the United States arrangement is much more complicated administratively than a national plan would be. The relative simplicity of a national plan was one of the chief factors leading the Ince Report to recommend such a scheme for Australia.

3. Old Age

That the low and intermittent nature of income for many citizens makes it impossible for them to provide adequately for their old age is a fact now recognized by every western industrial country. Steps were taken in many European countries to meet this need before the beginning of this century. At the outset two plans competed for favour, the contributory old age pension, first adopted by Germany in 1889 and the non-contributory allowance, first introduced by Denmark in 1891; the former is social insurance, and the latter public philanthropy. In the intervening period, several countries have dropped the non-contributory for the contributory principle, but none has made the opposite move. At the present time some of the important countries like Great Britain and the United States have both, the usual arrangement being that non-contributory allowances are given to all needy citizens above a certain age (70), while only those who belong to the contributory system are entitled to pensions below that age (e.g. from 65 to 70).

Table 22 shows that twenty-six countries have compulsory contributory systems of old age pensions, six have compulsory contributory laws of limited coverage, while nine depend solely on non-contributory schemes. Under the compulsory contributory plans, pensions usually begin at the age of sixty-five, although in France benefits commence at sixty. In every case but that of the United States, the state contributes substantially to the funds. In the non-contributory class, Canada and the Irish Free State pay allowances at the age of seventy, while Australia and South Africa pay at the age of sixty-five for men and sixty for women.

As already mentioned Australia expects to have a system of contributory old age pensions in operation by January 1, 1939, The legislation provides for pensions of £1 a week for men and 15 shillings a week for women from the ages of 65 and 60 respectively. In addition, 3 shillings and sixpence is paid for each dependent child under 15. The government of New Zealand has also announced the details of a national superannuation plan which it will introduce at the next session of Parliament. The bill provides for pensions of 30 shillings a week for all men and women at the age of 60 who do not have a weekly income of more than one pound from other sources. These pensions will be financed by a tax on wages of one shilling on the pound, with an equal contribution by the state.

In introducing the new Australian bill in the House of Representatives, Mr. Casey, the federal treasurer, gave the present and probable future costs of non-contributory old age and invalidity pensions as one of the chief reasons for basing the new legislation on the contributory principle. Under the existing non-contributory system the estimated number of pensioners for 1937-38 is 311,000, and the cost is £15,850,000.[24] On the basis of present trends the estimated cost for forty years hence is £32,000,000. "The gravity of the prospective growth in the cost of pensions is accentuated," said Mr. Casey, "by the fact that, 40 years from now, there will be relatively fewer persons in the active productive age groups to bear the burden. According to the present and recent trends of our vital statistics, and on the assumption that there will be no material change in the rate of migration, which has prevailed during the last five years, the population of Australia will have begun to decline in considerably less than 40 years from now. . . . Unless something is done to put these plans on a contributory basis, no Government of the future, however well intentioned, could embark upon any

[24] The number of old age pensioners in Australia is about three and a half times the number of invalidity pensioners and about the same proportion exists for costs. This means that both the number of old age pensioners and the cost of old age pensions are higher in Australia than in Canada, despite Canada's larger population. (See Table 25 for the Canadian figures.)

worth while extension of our social services, without seriously threatening the whole financial fabric of the Commonwealth."[25]

Two conclusions stand out clearly from the experience of the various nations with old age pensions, first, that non-contributory pensions have a limited application, because the age limit must be fixed quite high if the burden on the national treasury is to be kept within reasonable limits; second, that the need of the aged definitely extends below that limit and will continue to do so because of modern industrial trends. The experience of Canada confirms both these conclusions. Regarding the first, no country has a higher age-level than Canada for non-contributory old age pensions although several have the same. Yet the cost of old age pensions for this country is rapidly becoming a serious one.

Table 25 summarizes pertinent facts relating to old age pensions in Canada, including the cost of pensions to the Dominion government in the past and for the last fiscal year. Close to 50 per cent of the people over 70 years of age receive pensions. The Dominion's contribution for pensions has increased steadily and will continue to increase faster than the growth of population for some 30 years (other things remaining the same) because of the large number of adult people who migrated to Canada within the last 30 or 40 years.

TABLE 25

Financial and Statistical Summary of Old Age Pensions in Canada as at March 31, 1938. (*)

—	Effective Date of Act	No. of Pensioners	Average Monthly Pension	Percentage of Pensioners to Total (b) Population	Percentage of Persons over 70 years to Total Population	Percentage of Pensioners to Total Population over 70 yrs. (b)	Dominion Contributions April 1/37-Mar. 31/38	Dominion Contributions from Inception of Act
		No.	$	%	%	%	$000	$000
Prince Edward Island	July 1, 1933	1,811	10·63	1·9	6·3	31·1	167	680
Nova Scotia	Mar. 1, 1934	13,827	14·64	2·5	5·0	50·7	1,837	6,812
New Brunswick	July 1, 1936	11,142	13·68	2·5	4·2	59·6	1,334	2,202
Quebec	Aug. 1, 1936	46,490	17·84	1·6	3·1	48·4	8,386 (c)	10,731
Ontario	Nov. 1, 1929	57,530	18·43	1·5	4·4	35·2	9,527	58,849
Manitoba	Sept. 1, 1928	11,800	18·66	1·6	3·1	52·7	1,997	12,702
Saskatchewan	May 1, 1928	11,775	16·45	1·2	2·3	53·3	1,753	11,442
Alberta	Aug. 1, 1929	9,726	18·30	1·2	2·4	52·8	1,561	8,055
British Columbia	Sept. 1, 1927	11,563	19·18	1·5	3·6	42·5	1,956	11,913
Northwest Territories	Jan. 25, 1929	9	19·20	0·1	1·2	7·4	2	13
		175,673	16·70	1·6	.....	.....	28,525	123,399

(*) Quoted in the Dominion Department of Finance Report on the Administration of Old Age Pensions in Canada, 1938.
(b) Percentages based on estimated population as at June 1, 1937—Dominion Bureau of Statistics.
(c) Includes payments from August 1, 1936 for certain pensions granted during the fiscal year 1937-38.

[25] The Argus, Melbourne, May 5, 1938.

Table 26 gives an estimate of the cost of old age pensions to the Dominion and provinces at ten-year periods until 1971.

TABLE 26

Estimate of Cost to Provinces and Dominion of Old Age Pensions in 1941, 1951, 1961 and 1971 (*)

—	Population 000's		Estimated Cost of Pensions $000
	20-69 yr.	70 yr. and over	
1941	6,879	463	46,300
1951	7,799	620	62,000
1961	8,410	822	82,200
1971	9,222	928	92,800

(*) Department of Finance Report on the Administration of Old Age Pensions in Canada, 1938.

If the basis of the Act remains unchanged and present tendencies continue, it is calculated that the cost will be $92,800,000 in 1971.

Regarding the second conclusion a substantial percentage of the aged people in Canada below the age of 70 are "unemployables," as the registration figures of the National Employment Commission indicate. But many of those who are employable, above the age of 40, will never obtain steady work. Most manufacturing industries prefer younger employees because of their greater vigour and because of the high-speed nature of modern manufacturing processes. This means that after any period of lay-off many workers over 40 will never be re-hired.[26]

Only a limited number of industries have private retirement schemes, but they are not an unmixed blessing. They make employers unwilling to hire persons over 40 even for clerical work because they are closer to the retirement age. Furthermore, there is often no security for those on the private pension scheme, because during any major depression many workers will have to be dismissed and an efficient manager will dismiss the workers he considers to be most inefficient, usually the older workers.

Although it would not answer the problem of the "old at forty" type of person, a downward extension of the age limit for old age pensions such as would be allowed by the introduction of the contributory principle would be a decided step forward in meeting the problem of the dependent aged. Just where the age for pensions would be set would depend on such factors as the rate of contribution, the amount of pension and the extent of governmental subsidy, if any. A generous age-limit, say at 60 instead of 65, would undoubtedly mean governmental contribution, but not necessarily an added cost for governments. The increasing speed-up of modern industry has meant that more and more workers become incapable of supporting themselves somewhere between the ages of 40 and 60. Periodic business depressions, which literally wipe out the savings of large sections of the working class, intensify this trend. These people have to be provided for by some form of governmental relief, all of which comes out of public treasuries. A system of contributory old age pensions with a reasonably early age for the beginning of pensions would help provide for them under conditions where the public treasuries are paying only a part of the cost. And furthermore by tending to take off the labour market those workers between the ages of 60 and 70 who have jobs, it would open up a type of position that the unemployed between the ages of 40 to 60 can fill.

Table 27 gives the number of persons in receipt of material aid to which the Dominion contributed by age groups, province by province, as at March, 1938. These figures cover heads of families, individuals without dependents and employable dependents of family heads. The breakdown for age groups is not available for "non-worker type dependents." The figures include all the provinces but New Brunswick, which does not give material aid. There were 12,090 or 5·5 per cent of the total number receiving material aid between 65 and 69 years of age, 14,083 or 6·4 per cent of the total were between 60 and 64 years of age, making a total of 26,173 persons between 60 and 69 years of age inclusive, or 11·9 per cent of the total number receiving material aid.

In addition, a substantial number of other persons in the upper age-groups are in receipt of one form or another of public assistance under war veterans' allowances, war veterans' unemployment assistance, mothers' allowances, provincial or municipal poor relief, etc.

[26] There is little precise information on the extent to which prejudice against the worker over forty exists. The Deputy Minister of the Dominion Department of Labour is of the opinion that very little discrimination actually takes place. On the other hand, the Secretary of Labour in the United States felt that discrimination was so widespread that in 1938 she appointed the Committee on Employment Problems of Older Workers to consider ways and means of overcoming it. The International Labour Organization is making a similar study.

TABLE 27

Numbers of Persons in Receipt of Material Aid to which the Dominion Contributed, by Age Groups and Provinces, March, 1938 (a)

(exclusive of farm operators and non-worker type dependents)

—	All Ages		65-69 years			60-64 years		
	Number	Per cent	Number	Percentage of Dominion Total	Percentage of All Ages	Number	Percentage of Dominion Total	Percentage of All Ages
Prince Edward Island	1,353	0·6	92	0·3	6·8	70	0·5	5·2
Nova Scotia	3,389	1·5	159	1·1	4·2	133	0·9	4·0
New Brunswick (b)	.....	.....	.....	.....	.....	.....	.....	.....
Quebec	48,162	21·7	1,446	11·9	3·0	2,134	15·3	4·4
Ontario	85,735	38·7	6,052	50·1	7·1	6,164	43·8	7·2
Manitoba	20,227	9·2	956	7·9	4·7	1,350	9·9	6·2
Saskatchewan	26,780	12·1	1,517	12·5	5·7	1,518	10·8	5·7
Alberta	15,587	6·9	794	6·6	5·2	991	7·0	6·4
British Columbia	20,613	9·3	1,095	9·1	5·3	1,817	12·9	8·8
Canada	221,848	100·0	12,090	100·0	5·5	14,083	100·0	6·4

(a) From the National Registration.
(b) New Brunswick does not give Material Aid.

The introduction of contributory old age pensions brings up an important point of national policy about which it is necessary to be clear. Such a system takes many years to reach its maturity, that is, to reach the stage where it will carry itself. We may take the example of Great Britain and the United States to illustrate this point and assume that contributory pensions will be payable to contributors at the age of 65. Suppose that from the moment the scheme is started contributions are collected from all workers over 18 and their employers. If the system is made to carry itself from the beginning, it means either that the older workers must be charged high premiums or more probably that the younger workers must pay a good share of the pensions of the older workers. Even if the pensions are on a sliding scale, as in the United States, this is true. It is only when some 40 years have elapsed, that is, when the pensioners of 65 have been in the system from the beginning, that it is a "mature" system and can carry itself without penalizing the younger workers. To escape this inequity, the government of Great Britain subsidizes the contributory scheme. Similarly Australia is fixing the premiums for its new scheme as if it were a mature one and is subsidizing the system until maturity actually is reached. This is not only an equitable arrangement, but economically sound, especially if the state contribution is made from progressive taxation.[27] Furthermore, this "cost" to the state is not an absolute one because it must be discounted by the amount that is spent under existing arrangements on aged people of 65 to 70 incapable of supporting themselves. However, as in Canada the provincial and local governments are paying most of the latter cost now, the introduction of contributory old age pensions by the Dominion government should possibly involve some financial adjustment to take into account the additional burden it is assuming and the relief it is giving to local governments.

It remains to be observed that non-contributory pensions could not be finally abolished even if the state extended the contributory principle above the age of 70. There would always be categories of workers who could not be easily fitted into a contributory system (such as casual workers and farm labourers), and some members of non-working class occupations (such as small shop-keepers), who would be incapable of supporting themselves in old age.

As far as administration is concerned, the same arguments for a Dominion-wide system that apply to contributory unemployment insurance would apply here. With a problem that is nation-wide in scope, there is nothing to gain and a lot to lose by having nine duplicating systems with the necessity of complicated rules for establishing residence and for transferring from one system to another. It would be an unwarranted interference with the rights of the contributors to the system because of restrictions on their mobility, etc., and by the same token it would be economically bad for the country. On the other hand, provincial systems might be more inclined to take into account regional differences in the cost of living and save public exchequers money on this score (if they contributed). This point would depend on the type of federal system envisaged. It would not be true of a federal system using a wage-percentage or a wage-class basis for premiums and benefits.

4. Widows and Orphans

It is paradoxical that modern society, based upon the social unit of the family and with its ideology largely built around that unit, should on the economic side largely ignore it. The system of wages pays no attention to the family.[28] The married worker with a family finds, therefore, that at the very time when there are the greatest calls on his income for the bare essentials of food, clothing and shelter, he is faced with the most pressing need to provide protection for his wife and children against disease and the possibility of his own early death. The annual income of the average worker is too low

[27] See the argument on page 56.

[28] Although some countries have attempted to provide family allowances as an integral part of the wage-system. See Paul Douglas, *Wages and the Family*, 1925.

to enable him to buy this protection in the open market, so unless the state is willing to assist him through the medium of social insurance, he and his family are defenceless.

The realization of the catastrophic impact of the premature death of the wage-earner upon the working class family has caused a considerable trend in the direction of social insurance for widows and orphans. This type of insurance recognizes the importance of the child as a future citizen and the necessity of monetary aid to keep the family unit functioning in a reasonable manner where the wage-earner has died or been incapacitated. It realizes that most of the workers have no margin of income to buy adequate protection through regular commercial channels, the most important development here being "industrial" insurance, which is chiefly used for burial expenses.[29] Under these circumstances, it has been considered good business as well as good social policy to prepare by a contributory pension scheme for a class of widows and orphans who would otherwise almost surely become public charges.

The important industrial countries of Europe have had compulsory schemes for widows and orphans for some time along the familiar pattern of equal contributions from employer and employee with a state grant. Table 23 shows that seventeen countries now have such compulsory contributory pensions. These pensions are usually administered along with contributory old age pensions and invalidity insurance. In that case, one contribution is collected for all of them. In the new world, the tendency has been to put grants to orphans on a charitable basis and outright allowances are made under certain conditions where need is proven. Although there will always be need for this type of allowance because of people who do *not* qualify for the insurance scheme, there seems to be little reason for not following the well-tested example of older industrial countries and giving the widows and orphans of workers the more dignified and certain protection of a contributory insurance plan. Australia has already taken this step under its new National Health Insurance bill which provides for a widow's pension of 15 shillings a week for life or until remarriage, and an allowance of 3 shillings and sixpence for each dependent child aged less than 15 years. The orphan's pension is 7 shillings and sixpence for each child under 16 years of age.

In Canada, substantial public funds are already being allocated for needy widows and orphans along our traditional lines of public charity. The chief form of public assistance, "mothers' allowances," are given from the point of view of the child; they are to enable needy mothers to bring up their dependent children.[30] Six provinces provide mothers' allowances and the annual payments amount to about $7,500,000. A thorough-going system for social security would provide pensions for the widows and orphans of wage-earners as part of the contributory system of social insurance. However, such pensions would not do away with the necessity of provincial provision for mothers' allowances. There are other causes of the dependency of mothers and children than widowhood and orphanage, notably, desertion, divorce, imprisonment and the mental or physical incapacity of the father. Furthermore, the coverage of the national system would not be broad enough to include all needy widows and orphans. The inauguration of a national system would, however, relieve the provinces of a substantial portion of the payments they are now making for mothers' allowances.

The experience of other countries indicates that such a system could best be administered by the Dominion government as part of a general structure of social insurance. The advantage here would be decided economies of administration. In Great Britain and Australia, for instance, insurance for old age, invalidity, health and premature death are all administered as one system. The employer and employee pay one contribution only so that there is the minimum of inconvenience and cost of collecting. And as the insured persons receive their pensions as a matter of right once death or invalidity is established, this is a type of protection particularly well adapted to national administration. On the other hand, if other forms of social insurance were on a provincial basis in Canada, it would be more economical and less troublesome to business men to administer widows' and orphans' insurance in conjunction with them.

5. Sickness

Sickness is perhaps the most constant threat to the security of the worker and his family. The most recent and comprehensive information on the

[29] See p. 75. The impossibility of the lower income groups purchasing protection commercially is becoming more and more apparent as statistics of the actual distribution of income improve. The most comprehensive survey of consumers' income yet made is that of the Natural Resources Committee of the United States for the year 1935-36, and published in 1938. It was a study of *family* income and took into account income in kind as well as money-income. It found that the lowest third of American income-receiving families averaged $471 for the year, the highest income in this group being $780. Sixty-five per cent of all the families in the United States received less than $1,500. These figures are of significance because it is generally agreed that incomes in the United States are on a higher level than in Canada.

[30] For details of mothers' allowances in Canada including costs, see Part I on Public Assistance, Chapter 4.

extent of disabling illness is furnished by the Preliminary Reports of the National Health Survey of the United States Public Health Service. It is reasonable to assume that these findings would hold relatively true for Canada.

For the survey year of 1935-36, it was found that "six million people in the United States are unable to work, attend school, or pursue other usual activities each day during the winter months on account of illness, injury or gross physical impairment resulting from disease or accident."[31] The proportion of those sick was found to vary with age. As Table 28 shows by far the highest rate was for the 65-and-over group. This fact is of interest to a system of social insurance because, in the absence of free medical treatment under health insurance, it should be taken into account when determining the amount of old age pensions.

TABLE 28

Proportion of 2,308,588 Persons in 81 Cities Disabled on the Day of the Visit, by Ages, 1935-36. (*)

Age Group (in years)	Percentage	Ratio of the Percentage in Each Age Group to that for all ages
All Ages	4·5	100
Under 15	4·2	94
15-24	2·5	56
25-64	4·4	98
65 and Over	12·1	270

(*) Bulletin No. 1 Sickness and Medical Care Series, p. 2.

Even for the age group of 25-64, there was a surprising amount of disabling illness, 4·4 per cent of the total number in that group being disabled at a given time.

The National Health Survey also investigated frequency, severity and disability rates of sickness with the results shown in Table 29.

TABLE 29

Frequency, Severity and Disability Rates of Illness by Age on the Basis of 2,308,588 Persons Canvassed in 81 Cities, 1935-36 (*)

Age Group	Frequency Rate	Severity Rate	Disability Rate
	Disabling Illnesses per 1,000 persons	Days of Disability per Case	Annual Days of Disability per Person Estimated
All Ages	172	57	9·8
Under 15	232	26	6·0
15-64	144	63	9·1
65 and Over	265	123	32·6

(*) Bulletin No. 1 Sickness and Medical Care Series, p. 4.

[31] Sickness and Medical Care Series, Bulletin No. 1, 1938, p. 1.

The "disabling" illnesses covered by this table were those which disabled the person for a minimum of a week. The amount of such illnesses disclosed was high, and the severity rates shown in Table 29 indicate the impact of sickness on the afflicted wage-earning family. For the age-group from 15-64, the average number of days of disability per case was 63. The disability rate per year for all persons in the population was estimated at 9·8 days. If the same rate of disability were true of Canada, it would mean that about 104,000,000 days are lost annually from work at home or in industry, and from school through illness disabling persons for one week or longer.

Not only is sickness widespread, but its incidence is very uneven. Most families could probably budget for a small, regular amount of illness, but it is impossible for wage-earners to budget against the risk of serious illness. Studies of the American Committee on the Costs of Medical Care, 1928-31, clearly reveal this unevenness. Table 30 gives an analysis of the incidence of sickness on the basis of cost for 863 families with incomes less than $1,200 and shows how heavily some families are hit.

TABLE 30

Distribution of 863 Families who had Incomes of less than $1,200 and Resided in Small Towns or Rural Areas, According to Charges for Medical Care During a Twelve-Month Period, 1928-31 (*).

(Number of Families whose Charges were in a Specified Range)

Average Charge	Under $10	$10-$20	$20-$40	$40-$60	$60-$100	$100-$200	$200-$400	$400-$700	$700-$1,000	$1,000 and over	Total
$44.13....	289	259	159	74	46	24	10	2	0	0	863

(*) Louis Reed, *Health Insurance*, 1937, p. 37.

As the average income of these families was $817, there was no chance to budget for any but the smallest medical charges. Analyses of urban groups and groups with somewhat higher incomes made by the Committee, show a similar unevenness in the cost of illness to families. Under such circumstances, insurance is the obvious solution.

Looked at from other angles, such as expenditures by income groups for medical care and the volume of service received according to economic status, the inability of the average working-family to meet medical costs can be further demonstrated.[32] Louis Reed, a member of the Research staff of the American Committee on the Costs of Medical Care, estimated that in the prosperous year of 1929, 71 to 78 per cent of American families were not spending enough, on the average, to buy adequate medical care.[33]

[32] See *The Incidence of Illness and the Receipt and Costs of Medical Care Among Representative Families*, Committee on the Costs of Medical Care, University of Chicago Press, 1933.

[33] *Op. cit.*, p. 131.

There is no reason to believe that the situation is better in Canada, although statistics are not so satisfactory as for the United States. The Report of the Committee on Economics of the Canadian Medical Association, 1934, stated that, "The real problem, however, arises out of the ability to pay for such medical services as are required. This is not a new problem, nor one which has arisen with the depression."[34] Every commission appointed to investigate health insurance in Canada, as in other countries, found the average wage-earner unable to provide adequate medical care for himself and his family.[35]

From the social point of view, there are additional reasons for the state taking an interest in the ability of its citizens to obtain proper medical attention. In the first place, it is increasingly felt that the physical fitness of the population is a matter of basic public interest like education. It is ironic that this opinion should be most advanced in military-minded nations but it is true that a physically fit and alert population is a national asset from any point of view, whether it be war, national income or human happiness. Secondly, it has long been recognized that preventive medicine is being used to only a slight degree of its potentialities. One of the chief reasons is that many low income receivers are unable to obtain regular examination and diagnosis. The meeting of this need would not only save life and health but would probably reduce state expenditures on hospitalization, institutionalization, mothers' allowances and other social services.[36] Thirdly, the loss occasioned by sickness is a very important one for industry, and to the extent it could be reduced, industry would benefit. Aside from the loss in man hours, sickness causes loss through disorganization, even where a new worker is put on the job. The Bureau of Statistics estimated that wages lost in Canada because of sickness during the census year of 1931 were $40 million. Finally, there is the loss to society occasioned by preventable death and disability if proper medical care had been easily available. A calculation of this loss would be too risky to be of use, but it would be a large figure. Looking at the problem as a whole, then it can be seen that this form of social insurance would increase the national income as well as national health and welfare.

[34] At p. 6.

[35] Report of the British Columbia Royal Commission on State Health Insurance and Maternity Benefits, 1932; Reports of Alberta governmental commissions on health and medical services in 1929, 1933 and 1934; Seventh Report of the Quebec Social Insurance Commission, 1933; Reports of the Select Standing Committee on Industrial and International Relations (Ottawa), 1926-29.

[36] See A. E. Grauer: *Public Health*, for an elaboration of this point.

In view of these facts, it is not surprising that health insurance is, along with old age pensions, the most widespread form of social insurance. Table 24 shows that 30 countries have adopted compulsory sickness insurance, while the number supporting voluntary schemes has dwindled to a handful.[37] No country has given up the compulsory principle for the voluntary and the former may be accepted as the one established by experience. As the British Columbia Royal Commission on State Health Insurance and Maternity Benefit found,

> "Analysis of world legislation on State Health Insurance and related matters gives evidence of revolutionary changes of opinion in recent years. When a previous (British Columbia) Royal Commission inquired into this subject, European countries were by no means of one mind whether health insurance should be optional or compulsory. Since then it has become almost everywhere accepted that, to be effective, such insurance must be compulsory, the improvident, careless citizen, against whose necessities it is most essential to provide, habitually neglecting opportunities to protect himself against possible sickness losses and remaining as before voluntary insurance laws existed, a prospective recipient of public aid if overtaken by misfortune.
>
> In other words, the voluntary sickness insurance plan has now become generally accepted throughout Europe as impotent to achieve results, and those countries which had previously expressed antagonism to the compulsion principle, one by one have come or are coming to accept it."[38]

Practically all systems of health insurance include invalidity benefits, funeral benefits and maternity benefits, either in the form of a lump sum or an allowance for a specified period or both. In Great Britain, funeral or "industrial" insurance was not included in the state system of social insurance. The Parmoor Committee appointed in 1919 found that 44 per cent of the total premium income on industrial policies of private companies were absorbed by expenses and commission. As a result of its Report (Cmd. 614) far-reaching changes were made with the result that, "It may fittingly be claimed for private enterprise that it has built up a system that has become an integral part of the national organization of Social Insurance. With the sweeping away of abuses, extravagance and laxity, the system, now closely guided by the State, gives the public fair measure for its premiums."[39]

[37] A Committee appointed to investigate the feasibility of introducing sickness and maternity insurance in South Africa reported in favour of a compulsory system for all manual and non-manual workers whose remuneration does not exceed £400 a year. Both medical and cash benefits were recommended.

[38] Progress Report, 1930.

[39] Percy Cohen, *The British System of Social Insurance*, p. 246, London, 1932.

In the United States, there has been persistent agitation against the funeral or "industrial" insurance provided by private companies on the grounds that premiums were too high. Since 1907, when Massachusetts extended the service of the savings bank to cover this type of insurance policy, New York has been the only state to take action on the matter. On March 16, 1938, a bill was passed allowing savings banks to deduct small monthly amounts from deposits, on request, for insurance limited to $1,000 per policy and $3,000 per person. It is claimed this plan will greatly reduce the cost of such insurance to the wage-earner.[40]

Generally speaking, compulsory sickness insurance schemes provide two things; first, medical care, second, cash payments to replace the loss of earnings during illness. The earlier sickness insurance legislation stressed the latter benefit and was designed to prevent working families from falling into destitution when earnings were cut off by illness. Gradually, however, the need of medical care has received attention and now almost the primary aim of health insurance is to provide all necessary services to keep the worker and his family well. The ratio of disbursements for medical benefit to disbursements for cash benefit is 3:2 in Germany, 4:1 in Denmark, 3:1 in Poland, and 3½:5 in Great Britain. Under the proposed New Zealand legislation this trend is carried a step further and the government plans to supply the service of a general practitioner free to all citizens requiring it plus free hospital and sanatorium treatment, free medicines and free maternity treatment, including the cost of maintenance in a maternity home. Specialists' services are not included under medical benefits, but may be provided in the future under "supplementary benefits." Such broad coverage is more difficult to finance, but it has the merit of creating a single organization for the prevention and cure of disease.[41]

Medical care, instead of cash benefits, is also stressed in most systems by the inclusion of the wage-earner's family. Of the countries having health insurance, Great Britain and Japan are the two most important that do not provide medical services for the worker's family. In Canada, both the British Columbia and Alberta statutes make no provision whatever for cash benefits but provide very complete medical, surgical and hospital services for the worker and his family. The proposed Australian system follows the British example quite closely and does not cover the worker's family, nor provide hospitalization for the worker. It therefore differs markedly from the proposed New Zealand scheme which, as we have seen, covers all citizens.

The importance of the various kinds of medical expenditure from the point of view of the citizen is shown in Table 31. This table is based upon material gathered by the American Committee on the Costs of Medical Care, but it should be a fair indication of expenditures on the various kinds of medical care in Canada. Drugs are usually supplied with medical service, and these two items accounted for nearly 50 per cent of American expenditures for medical care. Hospitalization and dentistry are the two other major categories of expenditure.

[40] "This class has been served hitherto largely by what is known in the trade as 'industrial' or 'burial' insurance, in which the agent walks from house to house, collecting a dime or a quarter a week from the insured. Proponents of the new system have criticized 'industrial' insurance on the ground of high cost and high-pressure salesmanship, citing the frequent forfeiture of policies for non-payment of premiums. Under the new system, the wage-earner pays his premiums at the bank, eliminating the cost of house-to-house collection. He benefits by lower rates and the privilege of loans or cash-surrender value if he cannot keep up the payments." *The New York Times*, January 1, 1939.

[41] In 1930 the British Medical Association proposed a wide expansion of the British system to provide a complete medical service for all under a given income level.

The same idea was expressed by the National Conference of Friendly Societies before the Royal Commission on Health Insurance; "It is, therefore, suggested that the best way of organising the provision of medical treatment is to merge *all* existing forms of public medical service (including medical benefit under the National Health Insurance Acts) into one National Medical Service, thereby creating one unified organization for the prevention and cure of disease. Under this system the service would be provided for all persons below a given income level".

TABLE 31

Expenditures for Medical Care in the United States, 1936 (*)
(Millions of Dollars)

Service	Total	Source of Funds				Per cent
		Patients	Government	Philanthropy	Industry	
	$	$	$	$	$	
Physicians in private practice	980	925	10	.....	45	30·5
Dentists in private practice	315	315	.....	.....	.....	9·8
Secondary and sectarian practitioners	150	150	.....	.....	.....	4·7
Graduate nurses, private duty	142	142	.....	.....	.....	4·4
Practical nurses, private duty	60	60	.....	.....	.....	1·9
Hospital care	736	320	346	45	25	22·9
Public Health	150	.....	135	15	.....	4·7
Drugs	563	563	.....	.....	.....	17·5
Surgical and sickroom appliances	34	34	.....	.....	.....	1·2
Glasses	42	42	.....	.....	.....	1·3
Organized services	40	10	25	.....	5	1·1
Total	3,212	2,561	516	60	75	100·0
Per cent	100·0	79·7	16·1	1·9	2·3	.....

(*) Louis Reed, *Health Insurance*, p. 19.

It can be seen that health insurance systems like that of Great Britain which do not provide hospitalization and do not cover the worker's family leave a heavy burden on the worker. Although many countries provide cash benefits to cover the wage-earner's loss of income while ill besides full medical care including hospitalization for the worker and his family, it is probable that if a choice had to be made between two systems, the British Columbia and Alberta provision of complete medical care for the worker and his dependents without cash benefits gives greater security than the British plan of limited medical care for the worker only with cash benefits.

The funds for health insurance are typically provided by equal contributions from the employer and employee and usually a subsidy from the state. Under the British Columbia plan the employee and employer provide all the funds, the worker paying twice as much as the employer. The employer also pays considerably less than the employee under the Alberta legislation (which is on the basis of local option), but the province and the municipalities both contribute.

All the health insurance schemes in operation are for industrial workers (broadly defined) only. It is difficult to see how health insurance can be provided for all persons of low income unless the funds are provided through taxation. This would be state medicine for the low income classes rather than health insurance. The British Royal Commission on National Health Insurance, commenting on this problem said:—

"But, if we may venture to pronounce on this matter, we are of the opinion that the difficulties of a composite support to a complete medical service from insurance funds as well as from grants and rates would be so considerable, alike in their financial, administrative and social aspects that some more practical solution must be sought. In particular we feel sure that the wider the scope of these services, the more difficult will it be to retain the insurance principle. The ultimate solution will lie, we think, in the direction of divorcing the medical service entirely from the insurance system and recognizing it along with all the other public health activities as a service to be supported from the general public funds."[42]

The suggestion of the Commission, then, is that medical care might be provided for all low income receivers out of taxation, while sickness (cash) benefits, and presumably invalidity and funeral benefits might be provided through sickness insurance.

The health problem of low income workers other than industrial workers is of special interest to Canada because of the large number of Canadians employed in agriculture. Health insurance, as practised to date, would not help these people, but there have been two interesting developments in Canada designed to meet their needs. The first is the development of the municipal doctor and union hospital, chiefly in Saskatchewan. Provincial legislation set up a Health Services Board which may approve contracts made by municipal councils for medical, hospital, dental and nursing services to be paid for by taxation.[43] By this scheme rural muni-

[42] Report of the Royal Commission, 1928, p. 66.
[43] See A. E. Grauer, *Public Health* for details.

cipalities have been able to secure medical and hospital facilities which, otherwise, they would lack. Health insurance, as understood heretofore, would not supersede such a system because it would apply only to industrial wage-earners. The Saskatchewan development would appear to hold important possibilities as a complement to health insurance on the agricultural side.

The other development is the Alberta health insurance scheme. It provides for the care of all residents[44] of any medical district which votes to adopt the plan under local option. This plan follows the usual procedure of contributions by the employee, employer and the government (both provincial and municipal) but adds the novel feature of requiring all other "income earners"[45] to pay $2.82 per month on demand. As a result, all the residents of a given district may be covered. However, the premium charged for income earners is too high to meet the needs of agricultural workers or low income farmers. No medical district has as yet voted to adopt this plan.

Medical Care for the Unemployed

Substantial sums of money are now being spent by Canadian governments on medical care for the unemployed.[46] This service has two major defects. In the first place, it is very uneven in coverage and variable in quality. In the second place, it does not help low-wage workers, whose medical needs are as great as those of the unemployed. A worker, especially one with a large family, going from relief to a job is therefore penalized. If governments concede the necessity of providing medical care for the unemployed, there is no logical reason why they should not provide it for workers whose incomes are too low to enable them to buy it themselves. There is a highly fluctuating margin between low-income groups and the unemployed; and from the social point of view, not indigence, but inability to deal with sickness should be the criterion for public initiative in providing medical care. Present governmental subsidies could be used more effectively in a system of health insurance which would supply adequate medical care for all low-income citizens, and not only the group whose need happens to be particularly obvious at the moment.

Health Insurance Provincial or Dominion?

The question of jurisdiction is more complicated here than with other types of social insurance, but the following are the chief arguments in favour of Dominion control. First, a national health insurance scheme would ensure that all parts of the country would benefit, whereas provincial jurisdiction might mean delay or inaction on the part of some provinces. When the objective is improvement in health, it is obvious that the broadest possible coverage is desirable. Second, a national system could probably be operated more economically than nine provincial systems. Third, health insurance of the traditional type would fit in very well as part of a national system of social insurance. Probably one system of collection could be used for health, old age, widows' and orphans', and invalidity insurance; and other types such as maternity and funeral insurance if they were decided upon. This would not only be an economy, but also a convenience for business men, who customarily act as collectors for the government. Fourth, a national scheme would obviate problems of residence that would arise if the provinces had jurisdiction over health insurance. There might also be a tendency under provincial control for workers to migrate to the provinces which had health insurance from those which had not, although this difficulty was not important in Australia where Queensland has for some time been the only state with unemployment insurance.

The arguments in favour of provincial jurisdiction are, first, that provincial systems could probably be operated more efficiently. As already indicated, the trend in modern medicine is towards prevention, and in health insurance this means an objective of complete coverage for all people whose level of income does not allow them to purchase medical care in the customary way. It means that there should be the greatest possible co-ordination of the medical benefits of health insurance with the ordinary public health services.[47] The latter are in the provincial-municipal field where, by common consent, they should be. It follows that there is a valid argument for leaving the medical benefits of health insurance in provincial hands too. This

[44] A "resident" is defined as a person who has had a home or been a sojourner in a medical district for three successive months out of the preceding six.

[45] An "income earner" is any person in receipt of income whether temporary or continuous, but does not include a married woman whose income apart from her husband does not exceed $100 per annum, a female domestic servant whose remuneration over and above board and lodging does not exceed $12 monthly, or a male person under 18 related to and residing with an income earner but receiving no remuneration for services other than board and lodging and having no other income.

[46] For details see Part I on Public Assistance, p. 28.

[47] This point is stressed by the Report of the Committee on Economics of the Canadian Medical Association, 1934, pp. 32-33.

argument does not, however, apply to the cash benefits of the traditional health insurance system which are paid to take the place of the wage-earner's income lost through sickness. As payment of these benefits is more of a straight business matter, they might, if thought desirable in Canada, be more efficiently handled by the Dominion as part of a general scheme of social insurance. Such a solution would be in line with the opinion of the British Royal Commission on Health Insurance already cited. Second, it is probable that hospitalization could be better handled if health insurance were a provincial responsibility. All the provinces financially assist and to some extent control the hospitals and accordingly they would presumably be better able to co-ordinate the existing system with the hospital benefits under an insurance scheme. Third, there are distinct regional differences in health needs in Canada and provincial responsibility for health insurance might provide a better basis for meeting those needs. For instance, health insurance as ordinarily conceived and as it is now being set up in Australia, would not meet the needs of the predominantly agricultural Prairie Provinces with their very special health problems. At the present time, the Prairie Provinces are not in a financial position to cope with their health needs but this is perhaps a matter for financial adjustment rather than functional adjustment. Fourth, health insurance will require a good deal more administration than other types of social insurance because of the widespread incidence of sickness and the inevitably high rate of turnover among those receiving benefits. Objections to trying to administer services centrally for a huge area like Canada would therefore apply more pointedly to health insurance than to other types of social insurance.

In conclusion, it should be noted that although insurance against loss of income through sickness (sickness benefit insurance) and insurance against the costs of medical attention (medical care insurance) have always been combined in one system of health insurance, there is no inherent reason why they should be so organized. As already indicated, there is a growing body of opinion in favour of their separation,[48] and, in a federal system of government, it might be argued that each aspect of health insurance be tied jurisdictionally and administratively to the services with which it is most closely connected; sickness benefit insurance to general social insurance for wage-earners, and medical care insurance to the other health services including hospitalization, mental hygiene and general public health.

[48] See also, H. A. Millis, *Sickness and Insurance* (1937), J. S. Falk, *Security Against Sickness* (1936), Louis Reed, *Health Insurance*, (1937), Orr and Orr, *Health Insurance with Medical Care*, (1938).

6. Invalidity

All the arguments that support the granting of widows' and orphans' pensions on the premature death of the male wage-earner apply with more force to the granting of pensions on disability. The earning power of the wage-earner is completely gone and in addition he is left a charge on whatever family resources exist.

Interesting light has been thrown on this little-examined field by the National Health Survey of the United States Public Health Service, 1935-36. Its report on orthopedic impairments indicates first, an important amount of incapacity, and second, a definite relationship between annual family income and the prevalence of impairment.

TABLE 32

The Relationship of Annual Family Income to the Total Prevalence of Orthopedic Impairments and to the Occurrence of Incapacity Associated with These Impairments. 1935-36. (*).

(*based on 312,655 white and coloured persons in 8 cities*)

Annual family income and relief status	Rate per 1,000 persons.		Ratio to rate among families with income of $3,000 and over	
	Total	Incapacitating[b]	Total	Incapacitating
All incomes	30·2	3·9	.....	.....
On relief	29·3	6·7	271	372
Non relief—				
Under $1,000	24·1	4·7	221	261
$1,000 to $2,000	16·9	3·1	155	172
$2,000 to $3,000	15·7	2·0	126	111
$3,000 and over	10·9	1·8	100	100

(*) Sickness and Medical Care Series, Bulletin No. 4, 1938, p. 8.
(b) For 7 consecutive days or longer during a 12-month period.

Table 32 shows that the prevalence of impairments increases markedly with each decrease in family income; and that the rate of occurrence of incapacity was almost four times as great among persons on relief who were canvassed as among those with incomes of $3,000 and over. "Thus," to quote the bulletin, "the heavy cost of orthopedic cases due to the length and intensity of treatment and in the case of the wage-earner to the loss of wages over a long period of time, places an excessive burden on those least able to carry it."

The Survey's investigation of chronic illness causing chronic disability shows the same relationship between frequency and low income. Table 33 summarizes the results of an examination of 651,716 family heads in 81 cities in 1935-36.

TABLE 33

Proportion of Family Heads Reported as Not Seeking Work Because of Illness Causing Chronic Disability, by Income of Family, 1935-36. (*)

(based on 651,716 families in 81 cities)

Annual family income and relief status	Number of heads	Number not seeking work because of chronic disability	Per cent
Relief	88,090	4,616	5·2
Non-relief—			
Under $1,000	157,177	3,723	2·4
$1,000 to $2,000	209,088	1,721	0·8
$2,000 to $3,000	60,134	528	0·5
$3,000 and over	31,792	135	0·4

(*) Sickness and Medical Care Series, Bulletin No. 2, 1938, p. 3. "Chronic" diseases are those with symptoms of 3 months duration or longer.

The frequency of chronic illness among heads of families on relief or with family incomes of under $1,000 annually was strikingly higher than for the better income levels.[49] Again, the heaviest burden falls on those least able to carry it.

In the light of such facts it is not surprising to find, as Table 24 shows, that provision for invalidity is an integral part of most systems of social insurance. Along with legislation for workmen's compensation, it gives the low income family protection against the sudden loss of income through the invalidity for one reason or another of the wage-earner. Without such protection, the majority of these families would become public charges.

Invalidity insurance is administered in conjunction with old age pensions in some countries and with health insurance in others. Both systems of administration appear to operate satisfactorily.

[49] In an urban population of some two and a quarter million persons canvassed in the National Health Survey in 1935-36, persons in families with annual incomes under $1,000 represented about 40% of the surveyed group. 65% of the families had annual incomes below $1,500 and 80% below $2,000.

7. Industrial Accident and Disease

Workmen's compensation for industrial accident and disease is the most widespread form of social insurance and one that is now in operation in every Canadian province but Prince Edward Island. This provincial legislation has already been analyzed.[50]

The question arises whether any change of jurisdiction is desirable here. The chief argument in favour of Dominion jurisdiction is that it would bring about uniformity with respect to benefits and other conditions. The case in favour of leaving responsibility with the provinces is, first, that there is now substantial uniformity as between the provinces and the trend in this direction may be expected to continue because of the functioning of the Association of Workmen's Compensation Boards of Canada. Second, the Canadian systems of workmen's compensation compare favourably with those of other countries, and, on the whole, measure up to the standards of the International Labour Organization, although their scope is narrower. Third, Dominion assumption of jurisdiction over industrial accidents and disease would cause an upsetting of existing machinery, which is not true of other types of social insurance, and as long as existing machinery is functioning reasonably satisfactorily there is no point in inviting dislocations. Fourth, workmen's compensation does not fit in administratively with the other types of social insurance, so that there would be no administrative economies by transferring it to Dominion jurisdiction. And as it is financed solely by levies on the employer it is not a financial burden to the provinces nor could it be fitted into the broader contributory base of the other types of social insurance.

[50] See A. E. Grauer, *Labour Legislation*, Chapter 12.

Appendix I

GOVERNMENTAL ORGANIZATION FOR THE SOCIAL SERVICES AND ESPECIALLY FOR THE RELIEF OF UNEMPLOYMENT IN CANADA[1]

1. Dominion

There is no federal Department of Welfare or of Health and Welfare. The central government in Canada has, as we have seen, considerably fewer welfare functions than most central governments. In so far as the Dominion Parliament participates in health and welfare functions, it does so administratively chiefly through the Departments of Finance, Labour, and Pensions and National Health. The Old Age Pensions Act and housing legislation are administered by the Department of Finance, unemployment relief legislation by the Unemployment Relief Branch of the Department of Labour, and agricultural relief by the Department of Agriculture. The Dominion's concern, however, is almost purely a financial one.

2. Provincial

The provincial and municipal administration of public health has already been looked into.[2] Other welfare services are administered as follows:—

(a) British Columbia

Apart from the three important services of unemployment relief, old age pensions and juvenile courts, the health and welfare services are administered by the Department of the Provincial Secretary. Here are included the Provincial Board of Health, mental hospitals and psychiatric clinics; child welfare; industrial schools for boys and girls; mothers' allowances; poor relief in unorganized territory; statutory and special grants to hospitals; the Home for Incurables and the Provincial Home for aged and infirm men; and administration of grants to private health and welfare services. A Welfare Field Service was set up under this Department in 1935, consisting of a supervisor and a staff of well-qualified social workers who are distributed throughout the Province. This is an interesting device to meet the geographical situation in British Columbia. "The different branches," says a Departmental report, "such as the mental hospitals, the Tuberculosis Division and the Venereal Disease Division, all require the services of social workers to make reports on home conditions, to make arrangements for a patient to go home after leaving an institution and to do many other jobs. But in a province with a population so thinly scattered as British Columbia it is clearly impossible for each branch to be represented by a social worker in the smaller towns. The Welfare Field Service solves this problem by having welfare visitors located at strategic centres, each of whom is required to perform for any one of the six or seven different branches of the Department which may ask for assistance. . . . Not the least of their services is that by helping to solve the problems of an individual in his own community they often succeed in making it unnecessary for him to go to a mental hospital, a tuberculosis institution or an industrial school."

Old Age Pensions are administered through the Workmen's Compensation Board in the Department of Labour. The administration of direct unemployment relief is handled through the Unemployment Relief Branch of the Department of Labour. Only about one-half of 1 per cent of the area of British Columbia, containing nearly 75 per cent of the population, is municipally organized. The distribution of relief in the unorganized districts[3] is handled directly by the Provincial Government; otherwise, the local authorities are responsible for administration. The Provincial Government has not attempted to lay down organization and procedures for the organized municipalities, but it has tried to control costs by setting up a maximum food schedule for families of varying size which is applicable throughout the Province. However, in the twenty-eight districts, seventeen villages and all unorganized territory in which the Province handles administration directly, relief standards, practices, etc., are kept uniform.

[1] Most of the information about relief in this appendix is gained from the Canadian Welfare Council's admirable annual study on "Schedules of Relief and Assistance in Canada" and from correspondence with the provinces.

[2] See A. E. Grauer, *Public Health*.

[3] Under provincial legislation, villages are only required to make provision for their own destitute residents where the revenue from taxes on land and improvements exceeds $5,000 either for the current year or for the last preceding year. Under this provision the relief of seventeen of British Columbia's eighteen villages is administered directly by the provincial government.

83820—6

The administration of the vast unorganized territory of British Columbia is most interesting. "Government agents" are stationed in the thirty odd districts into which the Province is divided. They are sort of "administrators-at-large" and perform a great variety of duties on behalf of all departments. As far as relief is concerned, the government agents act as relief officers in some thinly settled areas, but in other designated areas, departmental relief officers have been appointed who are directly responsible for administration.

(b) Alberta

The Department of Health is becoming more and more a Department of Health and Welfare. It covers mothers' allowances, child care and unemployment relief. Old age pensions are administered through the Workmen's Compensation Board, reporting to the Provincial Treasurer.

Six cities—Edmonton, Calgary, Lethbridge, Medicine Hat, Wetaskiwin and Drumheller—administer their own relief, and determine their own relief rates. They receive a *pro rata* share of the Dominion grant and operate under little provincial supervision. Otherwise, all unemployment and municipal relief in the cities, towns, villages, municipal and improvement districts, and in the Province generally, is administered directly by the Provincial Commissioner of Relief and Public Welfare in the Department of Health. This is the most extensive of the provincial structures for the central administration of unemployment relief.

(c) Saskatchewan

The Bureau of Child Protection administers child welfare, mothers' allowances and old age pensions, although old age pensions administration is for all practical purposes separate. The Commissioner of the Bureau of Labour and Public Welfare in the Department of Municipal Affairs administers direct relief, and agricultural relief is carried out through the Department of Agriculture.

For relief administration, the Province falls into four divisions: the urban areas, the rural municipalities, the local improvement districts and the drought areas. The larger cities operate their own relief organization and set their own schedules, but the Province can give fairly effective general supervision through refusing to reimburse the cities for any items which it has not approved. With the other divisions, although relief is locally administered, the Province exercises more direct supervision and the Bureau has an inspection service through its district representatives. The local improvement areas are directly under the supervision of the Department of Municipal Affairs in any case, as they have not been organized to administer their own affairs. Residents in these districts are given direct relief and agricultural aid according to the same schedules that are used in the rural municipalities.

As in Alberta, direct relief in which the Province shares, is restricted to food, fuel, clothing and shelter. Payments for hospitalization, medicine, medical attention and funerals must be borne entirely by the municipalities.

(d) Manitoba

Manitoba is the only Province having a Department of Health and Welfare. A division of this department embraces mothers' allowances, child care and similar forms of public assistance. Old age pensions are administered by the Workmen's Compensation Board in the Department of Public Works.

Unemployment relief is handled in the Department of Public Works. The Provincial Supervisor of Relief is the Deputy Minister of Public Works and the Deputy Minister of Labour which makes possible a unified handling of the different phases of the problem of unemployment. The administration of relief varies somewhat with the type of area. About 60 per cent of the population of the Province is in the Greater Winnipeg Area and it is here that the problem of direct unemployment relief is concentrated. Regulations for this area are made by the Greater Winnipeg Advisory Relief Commission, appointed by the Provincial Government and having representation from Winnipeg and each suburban municipality. Each constituent municipality, however, has its own organization for relief except for clothing which is distributed from a central depot. The Provincial Supervisor of Relief sits on this Commission and there is thus a direct connection between it and the provincial administration. The only other important city, Brandon, has its own relief administration under general provincial supervision. The second type of area comprises towns, villages and municipalities in rural areas. These units are responsible for the administration of their own relief but are supervised and to some extent regulated by the Provincial Supervisor of Relief. It is interesting to note that all applications for relief must be passed upon by a Committee having representatives of taxpayers on it as well as local municipal authorities. Unorganized territory is administered directly by the Department of Public

Works from a central office in Winnipeg; and for local inspection and investigation, government officials such as road engineers, school administrators, etc. are used.

(e) Ontario

Ontario is the only province having a Department of Public Welfare. All the welfare services are administered by this Department, including the Children's Aid Branch, mothers' allowances, old age pensions, Boys' Training School, Bowmanville, and grants to refugees, orphanages, and voluntary welfare organizations.

Unemployment relief is administered by the Minister of Public Welfare. For administrative purposes, the Province is divided into two areas, northern and southern Ontario, each of which is subdivided into districts served by provincial inspectors. Each municipality, however, has control over the details of its own relief administration. The Minister requires regular statements of relief expenditures and he has power to order an audit of the books, accounts and vouchers of any municipality relating to relief. "Direct relief" is defined by Order in Council and besides food, fuel, shelter and clothing, it includes medical services and supplies and school books and supplies. Maximum scales of food relief have been laid down, and maximum allowances for shelter and light. The Province will also share in the cost of a specified list of household remedies. The local relief administrator determines whether such household remedies are necessary or not.

In unorganized territories, relief is administered directly by the Province.

(f) Quebec

Private charity has always tended to overshadow public assistance in Quebec, and the two are carried on in relation to each other. The basic statute, the Public Charities Act, covers the welfare agencies eligible for subsidy from the Province, and provides that their "standard" costs shall be paid in equal thirds by the Province, the municipality and private charity, with residual costs being met by private funds. Under this Act, aid is confined almost exclusively to institutional care with the result that outdoor relief to persons in their own homes has been, and (with the exception of unemployment relief) still is left to private charity.

As a result, the depression found neither the Province nor the municipalities equipped with an outdoor relief system on which to base unemployment relief. Even yet, it is only the largest cities that have municipal services for relief. Otherwise, it is either left to private effort or administered in conjunction with private effort.

Provincially, an Unemployment Relief Division was first established in the Department of Public Works, transferred to the Department of Municipal Affairs, Lands and Forests in March, 1936, and finally to the Department of Labour in August, 1936. It has been announced that a system of mothers' allowances will be introduced before the end of 1938, and it will be administered under the Department of Labour. Old age pensions are administered in the Department of Labour.

Unlike Ontario, provincial participation in relief extends only to food, fuel, clothing and shelter. The Province has not laid down detailed regulations, schedules and procedures for the municipalities but has the general power of approval of all practices as a condition of its financial contribution. The Province has tried to maintain the principle that it would only help such municipalities as were unable to meet the cost of relief by their own resources.

The smaller towns and rural areas do not give relief according to specified schedules. The Provincial Colonization Department gives aid through relief works here, and otherwise such local welfare services as exist give direct relief, supplemented usually by private charity. The customary form of administrative organization is the Local Relief Committee formed of three persons, two representative lay citizens and a priest. The municipality is required to give relief by work if at all possible.

(g) New Brunswick

Welfare organization in the Maritime Provinces differs from that of the rest of Canada in that they long ago adopted the traditional English Poor Law system. Halifax and Sydney are the only cities in the Maritimes with a separate organization for unemployment relief. In New Brunswick, every county has its poorhouse or almshouse where indoor relief is given, while the Overseers of the Poor, elected annually by each municipality or parish, may also grant outdoor relief in special circumstances. It was through this system that direct unemployment relief was administered until 1933, when unemployment relief was separately administered through offices set up under the Provincial Department of Public Works and supervised by the Provincial Relief Officer. Since 1936 the provincial government has discontinued direct relief and concentrated on public works. Where direct relief is given, therefore, it must be paid entirely by the municipality.

Consequently, direct relief and poor relief have tended to merge again. The Province makes grants to certain municipalities for public works.

There are no mothers' allowances in New Brunswick; old age pensions are administered in the Department of Education, Federal and Municipal Relations; and the Children's Protection Act under the Attorney-General. The Provincial Boys' Industrial Home is separately administered.

(h) Nova Scotia

Nova Scotia also imposed unemployment relief on the parish poor relief system until 1933. The Province then set up a Supervisor of Relief in the Department of Labour, who, through a staff of inspectors, now gives province-wide supervision. The Province also requires the appointment of local Relief Committees of not less than three members. Otherwise, procedures, relief schedules, etc., are entirely up to the municipalities, although the Province limits its participation. This means the administration of unemployment relief through the parish poor relief system except in Sydney and Halifax. Food, fuel, clothing and shelter are the only expenditures the Province will share in.

Most of the other provincial welfare services, including old age pensions, mothers' allowances, neglected children and the Nova Scotia Training School, are administered under the Department of Public Health. Here again, the Department of Public Health is tending to become a Department of Health and Welfare.

(i) Prince Edward Island

As 75 per cent of the population of 88,000 is rural there is not so much need for the formal organization of relief services as in other provinces. Under the poor law legislation of the Province, distressed persons are entitled to a pauper's fee of $5 per month. As far as unemployment relief is concerned, the Province makes provision for grants to incorporated towns under certain conditions, and otherwise, distributes relief from the office of the Deputy Provincial Secretary in small monthly cash payments, each by approval of the Treasury Board.

The Province pays old age pensions through a separate Commission, but does not give mothers' allowances. The Children's Protection Act is administered by the Superintendent of Neglected and Dependent Children.

3. Municipal

All the larger cities now have a civic organization for administering unemployment relief. None of them had an adequate set-up at the beginning of the depression and the invariable experience was a more or less prolonged period of make-shift with most of the burden thrown on private welfare agencies before an adequate civic relief system was organized. Vancouver was one of the first cities to operate a fully organized Civic Relief Department, which administers not only unemployment relief but other types of social aid assumed by the city. The Toronto Department of Public Welfare was organized in 1931 and it also supervises all civic expenditures on public assistance. In Montreal, public funds were distributed through private charities until August, 1933, when a Civic Relief Commission was created. In 1934, it was superseded by an independent Unemployment Relief Commission entirely independent of the municipal government. This body was replaced in July, 1937, by the city of Montreal Unemployment Relief Department (Division of the Department of Health of Montreal). Winnipeg is one of the few large Canadian centres which still maintains two distinct civic departments dealing with ordinary municipal relief and unemployment relief separately. In the Maritimes, where local organization for poor relief had been the rule before the depression, unemployment relief, with a few exceptions, simply became part of poor relief.

Of the cities over 50,000 population, Saint John and Verdun are the only two that have no civic organization for direct relief. In Verdun, all able-bodied male heads of families are given work organized by the civic Employment Committee, while unemployables and their dependents are referred to churches and private organizations for assistance. In accordance with provincial policy, Saint John has a work plan for both men and women. Families not under this arrangement are the objects of charity either through the local alms house or through private agencies and churches.

Food and fuel are provided as a general rule, but according to no accepted standards of adequacy. Rent is not always provided, but usually is. Again, there is no standard; in some places it is fixed arbitrarily, in others it is 200 per cent of taxes, in others 100 per cent of taxes. Clothing is not always provided; where it is, the central depot system is generally used. Medical care is not usually allowed. Household remedies and furnishings are not usually provided.

Generally speaking, then, unemployment relief is restricted to bare essentials. Other things can only be obtained by saving on the bare essentials or by part-time earnings to the extent that they are allowed.

Appendix II

MEDICAL PROVISION FOR THE UNEMPLOYED[4]

The Ontario Medical Relief Scheme

The Ontario Medical Relief Scheme, started in March, 1935, and succeeding any previous arrangements made in particular municipalities, was made compulsory on all urban and rural areas in the Province. While its organization comes under the Department of Public Welfare, the scheme is sponsored by the Ontario Medical Association. This Association undertook the detailed administration of the scheme, and, through its committees, is the principal recipient and disburser of the government grant of 35 cents per month for each person in receipt of relief; while the Ontario Retail Druggists' Association participates in the provision of medicines. A Special Medical Relief Division has been set up within the Ontario Medical Association, with its own Board or Management Committee, which issues a separate annual report on the working of the scheme.

Medical Relief Committees, composed usually of from three to five physicians, a representative of the Druggists' Association, and the local relief officer, administer the scheme in regional units. The Committee as a whole is approved by the Medical Relief Board and by the Minister of Public Welfare, and its principal function is to scrutinize the accounts which are submitted monthly by all doctors and druggists within the area who elect to work under the plan. A flat-rate scale of fees is approved, and the doctor's gross accounts at the end of the month is paid in proportion to the total funds available. Discretion as to allowance of charges for special services, medicines, etc., is left to the Medical Relief Committees. The payment of druggists' accounts is on a *pro rata* basis similar to that for doctors' accounts, a limit of 6 cents of the 35 cents per capita grant being set aside for these expenses. When approved, both medical service and prescription accounts are passed on to the Medical Relief Board of the Ontario Medical Association, who authorize the final payments.

Eleven central District Committees have been set up, which perform the principal executive duties. The municipal authorities are also an integral part of the mechanism. The municipal relief office makes a certified statement of the number of persons on relief in the area concerned during the month, and issues cards or other suitable documents to the person on relief who applies for medical care; these are retained by the doctor chosen and submitted with his accounts. In rendering its relief accounts to the provincial government, the municipality includes a separate charge for medical services and supplies, at the flat rate of 35 cents for each person on relief.

The recipients entitled to benefit under this scheme are all persons on relief, including single men and women falling within such categories as are accepted by the municipalities, and the families of married persons in all cases. About 50,000 persons a month (adults and dependents) have been receiving medical attention under the scheme since its inception. Some 2,500 doctors are now participating in about 600 municipalities throughout the Province. The cost for the year 1935-36, of medical accounts only, was $1·2 million, and for 1936-37 about $1 million. The average number of patients coming under the care of a doctor has been between 20 and 30, and the average net amount paid per doctor between $30 and $40 per month in the larger centres of population.

The Medical Relief Scheme provides only for sickness which can be treated by the general practitioner, for standard medicines, and for one special service, that of maternity care. Hospital treatment still depends on the availability of clinics, free wards in the hospitals, and the services of charitable agencies. Dental and optical care for the relief population has not been fully accepted as a provincial responsibility, and conditions vary from city to city.

Medical Services in Quebec

For the purposes of the Public Charities Act, the unemployed on relief are regarded as equivalent to indigents, and on this basis they may secure free entry to hospitals and other medical institutions. Otherwise, in the smaller municipalities and the rural areas there is no standard medical service for the unemployed. In a few towns and cities, the recurrence of sickness among the unemployed has led the authorities to incorporate some definite

[4] Based upon L. C. Marsh, *op. cit.*, chapters 21 and 22.

82889—7

arrangements for securing medical care in their relief organization, the costs of which are met from municipal funds. In Verdun, responsibility for medical care has been accepted almost throughout the depression. A panel of doctors who agree to take relief patients has been formed, and these are paid at a flat rate of $1 per visit; besides general practitioner service and medicines, operations, glasses, dental extractions, etc., may also be provided in approved cases. In Westmount a special doctor is retained for relief patients; but in Quebec city, Sherbrooke, and Trois-Rivières, only hospital clinics or charitable agencies are available. In many towns, medical care is still left to the unpaid services of family doctors, with the municipality sometimes meeting the cost of medicines, sometimes making no undertakings in the event of sickness beyond the existing public health services of the city health officer, or facilitating hospitalization under the Public Charities Act.

In Montreal, the Unemployment Relief Commission in June, 1936, set up a Medical Relief Committee composed of seven doctors (nominated by a group of local medical associations), one druggists' representative, and certain relief officials. The schedule of "primary" fees for doctors' services is similar to that agreed upon in Ontario, but the medical fund is furnished in Montreal wholly by the city, and is fixed at only 25 cents for each registered person on relief. The whole fund, except 4 per cent for administration, is made available for doctors' accounts, but each doctor has to make his own arrangements with druggists for the filling of his prescriptions. Other details, particularly those relating to the certification of relief patients, are substantially the same as in Ontario.

The Maritime Provinces

While Relief Committees were set up to supplement the work of the Overseers of the Poor in the main cities of the Maritime Provinces when unemployment increased after 1930, in most cases no specific provision was made for medical services. In Halifax, reliance has been placed on the Health Clinic of the Dalhousie Medical School, and agencies such as the Visiting Dispensary and the Victorian Order of Nurses to which the city makes annual grants, with the result, as elsewhere under these circumstances, that the swollen burden of medical care has been carried through increased work on the part of outdoor clinics, greater pressure on the public ward space of the hospitals, and the acceptance by doctors of many non-paying patients. Individuals or families, who have not been able to have recourse to these, may apply to the overseers who are empowered to grant medical care (through a hospital, doctor or other means) as well as material aid at the municipality's expense, while, especially in the industrial districts, a few volunteer relief panels (of doctors accepting a specially low fee for relief patients) have been formed. In Saint John and Fredericton, orders on doctors in cases of medical need have been issued, and the costs met by the cities where these could not be "worked out" by a member of the family, but chief reliance has been placed on clinics, the Victorian Order of Nurses, etc. As in Nova Scotia, the chief municipalities have incurred increasing expenditures during recent years for nursing, dental and optical provision, etc., on relief account, and the finances of many hospitals have also been burdened by the heavy proportion of indigent patients.

Manitoba

In Winnipeg, a panel of doctors for persons on the relief rolls was set up in February, 1934, and a full-time medical relief officer is also retained, who acts as a referee on points of dispute. Application to the relief officer for a permit to consult a doctor may be made by married men for any member of the family, by women with dependents, and in a few special cases by some categories of single men. The choice of doctor is left to the patients, subject to the jurisdiction of the medical relief officer, while house visits are arranged if necessary or nursing service secured if the doctor so decides. The city has contracted with the local Druggists' Association for the filling of doctors' prescriptions, but the Relief Department encourages their restriction to a standard formulary drawn up for this purpose. A Medical Advisory Committee, which reports to the Unemployment Relief Department, and is appointed by the Winnipeg Medical Association, helps to administer the scheme. One dollar and fifty cents is paid for a house call, $1 for an office call, 50 cents for a hospital visit, $20 for a home confinement and $10 for a hospital confinement, but no doctor can claim more than $100 in any month unless he has performed more than $150 worth of services in which case he is paid $100 plus 60 per cent of the excess up to a maximum of $150.

The supplements to general practitioner service are more extensive than in most other cities: by arrangement with the General Hospital, a dental clinic has been established for the unemployed, the city making an appropriation for the cost of dentures; by a similar arrangement with opticians, glasses when necessary are provided at city cost;

and, through a separate department of the city, hospital charges including surgeon's fees for operations certified as necessary are taken care of. As in other parts of the Dominion, provincial grants are made on a *per diem* basis towards the expenses of free beds, but under the provisions of the main medical relief scheme, the family doctor may continue to attend such cases in the hospital, and is paid for his visits at the agreed rate.

In the unorganized territory of Manitoba, medical attention for those on relief is financed by the Province, and costs incurred on behalf of unemployed persons whose residence in a particular municipality is not established are similarly accepted. Otherwise, whether a family on relief can secure medical attention, apart from hospitalization, depends on varying municipal arrangements. Thus in St. Boniface doctors are paid a small flat-rate fee, in Portage la Prairie a city relief doctor is maintained, while in those areas where Health Units have been established, their facilities are usually available.

Saskatchewan

In Saskatchewan, a substantial appropriation, accepted as a joint provincial-federal charge, has been made available for doctors' and dentists' services for all persons on relief. However, much of the burden of providing medical services for the rural relief population has been shouldered by the system of "municipal doctors," covering some 140 municipalities and rural districts. Under one plan in operation, a full-time physician who serves all the residents of his district and acts as medical officer is retained at an appropriate salary, while under another plan a doctor and nurse are subsidized by the municipality. Through the union of districts into larger groups, similar co-operative arrangements have been applied to maintain hospitals over a large part of the Province, while special maternity grants of $25 per case are made by the provincial Department of Health, partly to mothers and partly to doctors or hospitals. The special needs of the drought area are also recognized in the inclusion on the Health Services Board, along with officials of the Departments of Labour and of Municipal Affairs, of the provincial Commissioner of the Red Cross, which organization has been one of the principal relief agencies throughout the depression.

In most of the smaller towns the medical needs of unemployed persons have fallen to the care of the medical officers and municipal nurses, with the supplement only of larger subsidies to hospitals in some cases, and usually of a Relief Committee to assist in administration. In Regina, the city's medical relief arrangements were put on a basis similar to that organized in Winnipeg, shortly after the change was made there. The city pays a maximum of $2,500 monthly to the Regina and District Medical Society, or in effect to the medical officer of health and his Advisory Committee of three physicians appointed by the Society, who administer the grant, and scrutinize the accounts submitted by the doctors who have attended relief patients in each month. The maximum amount paid to a doctor in one month is $100. Medicines are supplied under contract with druggists, the standard formulary being the same as that used in Winnipeg, and where a prescription is not covered by the formulary, it must be submitted to the medical officer for approval. Grants have been made available since 1935 for dental and optical treatments. The local Dental Society, which receives the dental grant, retains an examining officer who examines all relief applicants in need of dental services, and refers them thereafter to the dentist they select from the Society's panel. For persons with visual defects, on recommendation of a physician, the city pays the occulist's fee (at special rates) plus a grant of $2.50 towards the cost of glasses, while full costs are paid for school children, or if the individual's health or efficiency will suffer if he lacks glasses. Recommendations for admission to hospital or for operations are made to the medical officer, although emergency operations may be performed without any recourse to this procedure, the allowance of fees being then based upon the case history and full pathological findings which are submitted later. Apart from these arrangements for operations, the city pays the hospital charges at agreed rates for relief patients.

Alberta

In Alberta, the services of those Health Boards which have been established in cities, of "community doctors" or municipal physicians where such a scheme has been accepted, and of district nurses and travelling clinics in the less organized regions, are available for the unemployed. In Edmonton and Calgary, some medical service specifically for persons on the relief rolls has been established; otherwise, failing the availability of public health personnel, the unemployed may only secure medical care on the same terms as indigents. Only a few towns have negotiated types of administration organized co-operatively between the relief departments and the local medical association.

In Edmonton, the city accepts accounts, subject to review and veto, from any doctor who treats a relief patient, at rates of $2 for an office call and $3 for a home visit, with the proviso that only one call per patient per month may be charged for. Bills for necessary operations and for dental work (limited to extractions only) are accepted, but not the cost of glasses, while medicines, if the individual cannot buy them, may be secured only through the city hospital. An individual who is permanently or temporarily unemployable may be attended by a city nurse, but hospital charges are held against the patient whether he can pay them at the time of admission or not. In Calgary the city makes a lump-sum grant to the City Medical Association of $2,000 a month without accepting or receiving accounts from individual doctors, the administration being entirely in the hands of the Association. The cost of medicines is borne separately by the city, and appropriate cases of sickness are referred to hospital clinics. In the provision of necessary glasses and other medical appliances, the city meets half the cost, the other half being deducted in small instalments from the regular relief allowance.

British Columbia

Until the Medical Services Branch of the Provincial Secretary's Department was organized in 1935, the provision of medical relief was a municipal responsibility. When the Branch was first organized it was contemplated that responsibility for medical services for the indigent would be assumed completely by the Provincial Secretary's Department. But in practice this has not taken place and funds for the Medical Services Branch have been provided ever since by the Unemployment Relief Branch of the Department of Labour. In effect, therefore, the Medical Services Branch has been simply one section of the Unemployment Relief Branch. This branch arranges medical services (general practitioner service, necessary drugs and a few extras) for recipients of unemployment relief in unorganized territory and makes grants (essentially on a fifty-fifty basis) to municipalities which desire to provide organized services (general practitioner and drugs) to those on unemployment relief within their boundaries. Agreements are now in effect with most of the municipalities, including all the more important ones. The municipalities in turn make their own arrangements for remuneration of physicians, agreements with the medical profession for lump sum payments being most common.

In Vancouver, a full-time doctor, nurses, and a nutritionist are members of the civic relief staff. A plan to provide maternity services for unemployed families was started in August, 1933, with wider provision, including all basic medical services, following in January, 1934; the general principle being accepted of a monthly grant to the local medical association which is disbursed *pro rata* to the doctors submitting accounts. Fifty per cent of the total grant ($5,000 a month) is paid by the city, the other share being provincial. The contract with the Vancouver Medical Association provides for both general practitioner and specialist service. All essential operations are covered, and hospital charges are met jointly by city and province. Dental treatment is limited to extractions, and glasses may be supplied free if recommended on grounds of health, while the relief office has a standard pharmacopeia, arranges directly for the supply of medicines and meets this particular cost as a 100 per cent city charge. The fees of a doctor and nurse at agreed standard rates are paid for home confinements, while one inclusive charge is made for hospital confinements.

Appendix III

TRAINING THE UNEMPLOYED IN GREAT BRITAIN[5]

Since 1923, about 173,000 men and boys, and 80,000 women and girls have received training during unemployment, while about 1,400,000 juveniles have passed through Junior Instruction Centres. In 1937 there were at least five distinct types of training or instruction furnished or financed by the Ministry of Labour, with the Unemployment Assistance Board co-operating in matters of policy and recruitment.

Government Training Centres

Government Training Centres, with over 7,500 places, were maintained for the training of those men fitted to learn a skilled trade. Training was offered in every area of heavy unemployment where the young men had poor chances of getting a start in life; and, in the building and engineering trades, it was offered in all areas without exception. In addition, refresher courses were held for ex-workers in engineering who had lost touch with their trades or who, having had an earlier course of training, had fallen once more into unemployment. To encourage volunteers, five preparatory centres were opened inside the Special Areas where local men were invited to come in and try a six-weeks' course in the hope that they would transfer to a full course; and, for men whose lack of health was an obstacle, free medical and dental treatment was provided. For men not fitted for the heavier trades, courses were offered in hair dressing and neon-sign making; or they could become cooks and waiters at the Park Royal Centre near London. Late in 1937 a new scheme was developed whereby the Ministry of Labour undertook to train serving soldiers for industry in the last six months of their colour service to enable them to enter the labour market when discharged, if not fully skilled, at any rate with sufficient grounding to be certain of a job. Four of the Ministry's Training Centres were reserved entirely for soldiers.

A six months' course in a Training Centre cost the Ministry of Labour nearly £50 a man, including board and lodging, tools and fares, and a small allowance (5s. per week); dependents, if any, were also cared for. Difficulty has been met in recruiting enough men who were suitable for training and willing to move away from home, with the result that not all the training places could be used. However, 98 per cent of the men who completed the course and reached the improver stage in metal or woodwork, etc., were placed in jobs, while the Ministry could not turn out engineers' improvers fast enough.

The Instructional Centres

Instructional centres, varying in number from fifteen to twenty, with about 20,000 admissions in a year, were established to cater for men of the labourer type rather than to teach a trade. They were agencies of physical and moral rehabilitation, giving men a twelve weeks' course of fairly hard work, good feeding and mild discipline. Unlike the Government Training Centres, all the Instructional Centres and their Summer Camp Extensions were residential.

In the early years some difficulty was experienced in finding useful work which the trainers could do but this problem was solved by providing such work as the clearing of forest sites and making roads for some of the Land Settlement Estates. An even greater difficulty was the recruitment of men. The situation of the centres in remote places, the policy of paying no wages for work done, the steady improvement in ordinary employment and the increased chance of getting wages, and the agitation of an irreconcilable element, had the effect of discouraging enrolment.

Women's Training

Training facilities were offered to some of the unemployed women and girls on much the same plane as the Government Training Centres for men. About 2,000 were recruited every year for either the residential or non-residential centres in which women who had been factory hands and girls over fifteen were taught the various domestic arts, including cookery, needlework and laundering. Although little difficulty was experienced in finding trainees employment either in hotels or private homes, and the area of recruiting was not restricted, there was no rush of volunteers. This work of

[5] Based upon R. C. Davison, *British Unemployment Policy—The Modern Phase Since 1930*. London 1938. Chapter VI.

women's training was supervised, not by the Ministry of Labour direct, but by the Central Committee on Women's Training and Employment.

Individual Vocational Training

Assistance from the Ministry of Labour was given to men and women for individual training in any occupation, where it could be proved that such training would improve the applicant's chances of regular employment, or to apprentices in professions, such as that of chemist or of marine engineering, in passing the examinations which would qualify them to take up employment. In addition, young people in unsuitable or blind-alley jobs could be assisted to take courses in radio-engineering or shorthand, the grants usually taking the form of an unconditional payment of benefit during the period of the course in which the student was not required to be available for work.

Junior Instructional Centres

Junior instructional centres were conducted by local education authorities under the central administration and generous subsidy of the Ministry of Labour. They were something of day continuation schools, attendance at which was compulsory in certain selected areas which, by the end of 1936, comprised the whole or part of 200 Employment Exchange Areas, chiefly in the depressed regions of South Wales and the North. In October, 1937, the number of courses had fallen below 170, with an average attendance of 22,000 boys and girls.

The Ministry of Labour was empowered to make regulations to compel employers to notify the Exchanges of all discharges of juveniles under eighteen, and, while no such regulations were made, the object was secured by requiring employers to post the juvenile Unemployment Books to the local Exchange instead of handing them to the discharged person as in the case of adults. However, this arrangement did not work well as the juveniles shifted from one employer to another quicker than their books.

A weakness of the junior instructional scheme was the fact that its enrolment depended upon the unemployment of juveniles. Since the brighter boys got employment quickly, the average period of attendance was little over three weeks. However, it must be remembered that Great Britain is now in a relatively prosperous cycle of years and difficulties for these schemes caused by employment would not occur during a depression.

Appendix IV

STATUTORY PAYMENTS TO GENERAL HOSPITALS BY PROVINCES AND MUNICIPALITIES

British Columbia

The *Province* makes grants to public hospitals for all patients except Indians, whether paying or non-paying, according to the size of the hospital based on the number of patient days of treatment it gives annually, as follows:—

365– 500	patient	days	treatment	$.625	(lump sum annual payment)
501– 1,000	"	"	"	1.25	per patient day over 500
1,001– 2,500	"	"	"	.95	" " " " 1,000
2,501– 5,000	"	"	"	.80	" " " " 2,500
5,001–10,000	"	"	"	.75	" " " " 5,000
10,001 and over	"	"	"	.70	" " " " 10,000

Babies are counted as patients. Under a regulation effective as of January 1, 1938, statutory payments are not made in respect of any patient who has spent more than 300 consecutive days in a hospital.

Alberta

The *Province* pays $0.45 per day for 120 days for all patients, whether paying or non-paying, receiving active treatment. The grant is continued if the patient still receives active treatment but ceases if he becomes chronic or incurable. The grant is paid for 14 days in maternity cases, or longer on the advice of the attending physician. The grant is paid for babies as well as mothers.

The *Municipalities* are liable in the case of indigents only for the per diem public ward charge of the hospital but for not more than $200 per person in any one year. Contracts between local authorities and approved hospitals are permitted.

Saskatchewan

The *Province* pays 50 cents per day for every patient, whether paying or non-paying, including babies but not children brought in on account of the mother's illness. Since November 1, 1933, there has been a special grant for "relief services" of 40 cents per patient day for patients from Area A, and 20 cents per patient day for those from Area B. Area A is where more than 80 per cent of the inhabitants are on relief.

The *municipalities* are liable for a payment of $2.50 per diem for indigents. Municipalities are permitted to make agreements with hospitals or to build and operate union-hospitals.

Manitoba

The Province pays—

$.40 per diem for public ward patients
.20 per diem for babies born in hospital
.50 per diem for communicable disease cases.

The grant is limited to three consecutive months except with the written approval of the Minister. Municipalities are liable for the duration of hospitalization. A hospital must have fifteen beds before it is eligible for a government grant.

The *municipalities'* grant is based on the average cost of public ward care for the preceding year, with a maximum of $1.50 per day. (The maximum for smallpox patients is $7.00 per day.) Seventy-five cents per day must be paid for babies born in hospitals. If a patient is declared incurable, the municipality, after notice, must pay $2.00 per day.

Ontario

The *Province* pays $.60 a day for all patients (except Indians, non-residents of Ontario, persons for whom the Department of Public Health is liable and certain workmen's compensation and employment liability cases) for whom the hospital receives not more than $1.75 per day. After 180 days the rate is reduced to 10 cents per day. Thirty cents per day for not more than fourteen days is paid for babies of indigent parents born in hospitals. It is stipulated that provincial aid must not exceed the total amounts received during the year from municipalities.

Municipalities must pay $1.75 per day for indigents in general hospitals, $.60 for babies of indigent parents, and $1.50 for indigents in hospitals

for incurables. If the liability would unduly burden a municipality (other than a city) the Province may assist with a special grant. Municipalities may make agreements with private hospitals for the care of indigent patients.

Quebec

Hospitals are supported by the Public Charities Fund which is set up by provincial statute. The cost of indigent patients is provided for as follows. Class A1 general hospitals with a minimum of 40 beds for indigents are paid $3.00 per patient day; Class A2 general hospitals with a minimum of 25 beds for indigents are paid $2.01 per day; Class A3 general hospitals with a minimum of 15 beds for indigents are paid $1.50 per day. These charges are shared equally by the *Province*, the *municipality* and the hospital. This rate also applies to hospitals for incurables. The Province may make lump sum grants from the Fund, spread over a period of years, for construction and other capital expenditures.

New Brunswick

The *Province* gives lump sum grants to hospitals. In 1932 government grants were reduced 25 per cent.

Municipalities are responsible for all charges above what the patient is able to pay, based on the average cost per diem of the current or preceding year. Many hospitals receive lump sum grants from municipalities, but there is nothing in the Act to make this obligatory.

Nova Scotia

The *Province* pays $.30 per patient day for all patients up to $1,500 for any one hospital; then $.20 per patient day. Grants are given to (1) hospitals established or maintained by a city, municipality or town council; (2) hospitals established or maintained by private persons or benevolent organizations where such hospitals have fulfilled certain conditions (including the receipt of a grant of not less than $500 from the municipality in which it is situated for its maintenance).

Municipalities are liable for a charge of not more than $2.00 per day for patients unable to pay. An arrangement between a hospital and municipality is permitted. Certain Nova Scotia municipalities have requested the government to revert to the old system whereby the municipality was liable only for those patients who were sent to the hospital by the overseers of the poor. The hospitals oppose this suggestion and no change has been made yet.

Prince Edward Island

The *Province* gives annual lump sums to the three general hospitals and the provincial sanatorium. No statutory obligations are imposed on local authorities.

Appendix V

THE SOCIAL SECURITY ACT (1935) OF THE UNITED STATES

The Social Security Act covers two types of social insurance usually found in modern systems, namely insurance for unemployment and for old age. In addition, it provides grants for (1) assistance to dependent children; (2) maternal and child health; (3) public health; (4) the care of crippled children; (5) the care of neglected children in primarily rural areas; (6) vocational rehabilitation; (7) non-contributory pensions for the blind. In this appendix attention will be concentrated on the social insurance aspects of the act because of the current interest in that field in Canada.

A. Unemployment Insurance

The Social Security Act does not set up a national system of unemployment insurance but encourages the establishment of state systems. The technique it employs is quite unique. It provides for a payroll tax on all employers of 1 per cent for 1936, 2 per cent for 1937 and 3 per cent annually thereafter. These taxes are imposed on all wages and salaries, irrespective of their size, in non-exempted industries. The proceeds go directly into the federal treasury, but, if any state introduces a mandatory system of unemployment insurance approved by the federal government, the employers in that state may credit as an offset against the federal payroll tax the amounts which they contribute to the state insurance fund, provided that the total amount of such credits do not exceed 90 per cent of the federal tax. The federal government makes grants for administration, which is presumably why it retains 10 per cent of the proceeds.

Exemptions

The exemptions allowed are quite wide. In general, all employers hiring less than eight employees are exempt, although an employer is included if the number of his employees rises above seven during twenty weeks of a given year. Certain types of employment are completely exempt, namely (1) agriculture; (2) domestic service in a private home; (3) shipping, within the navigable waters of the United States; (4) services of members of the immediate family who are not over twenty-one years of age; (5) the service of the federal government or one of its instrumentalities; (6) the service of a state government or its subdivisions and authorities; (7) agencies not operating for profit and carried on for religious, charitable, scientific, literary, and educational purposes.

Benefits

No scale of benefits is stipulated, nor are any requirements made regarding the length of the waiting period or the duration of benefits.

Minimum Standards

The standards required are few, chiefly (1) benefits must be paid through public employment offices or such other agencies as the Board may approve; (2) No benefits shall be paid until two years after contributions are assessed under the state law; (3) The revenue collected by the states must immediately be turned over to the Secretary of the Treasury in Washington and there be credited to the Unemployment Trust Fund; (4) Unemployed workers may refuse to accept employment under certain conditions and still be eligible for benefits, e.g. "if the position offered is vacant due directly to a strike, lockout, or other labour dispute"; if the worker is required as a condition of employment "to join a company union or to resign from or refrain from joining any bona fide labour organization."

Administration

The Social Security Act recognizes several methods of administering the insurance reserves. First, a state-wide pooled fund may be set up covering all employees. Second, an individual employer or a group of employers may establish an individual reserve out of which benefits are paid to the workers normally employed by that employer or group of employers. Third, an employer or group of employers may guarantee a specified minimum amount of employment to its employees for a given year in lieu of paying the payroll tax. Both the second and third of these plans lead to inequalities of benefits as between workers in different plants. The plant reserve system gives no protection to the employee who is fully qualified for benefits but finds that the individual reserve has run out; while the guaranteed employment plan requires only a

low level of employment and appears to throw quite a burden of part-time unemployment on the worker.

The Act also allows a state to adopt merit rating. This principle is adopted from workmen's compensation, and it is argued that if an employer's tax for unemployment compensation is reduced as he stabilizes his working force, all employers will be stimulated to regularize their operations and hence the basic cause of unemployment will be met. No other country uses merit rating in unemployment insurance. Great Britain tried it but dropped it in 1920 because it had proven hard to administer and had not produced the results anticipated. Most authorities are agreed that the analogy between workmen's compensation and unemployment compensation is not a true one.[6] For one thing, it does not take into account the effect of the business cycle on unemployment; and, generally speaking, it disregards the fact that many of the factors making for a low rate of unemployment in a given firm or industry have nothing to do with managerial policy. By wholly or partially exempting many firms from contributions, merit rating undermines the insurance funds and sets up conditions of unfair competition between competing firms in states with merit rating and in those without merit rating. Finally, the basic idea of merit rating—that unemployment can be solved by the regularization of employment—is only partially true. Aside from the fact that some types of unemployment are not susceptible to this solution, there is the further consideration that some ways of "regularizing" employment simply freeze both employment and unemployment. In an attempt to avoid paying unemployment contributions, the employer may during slack times spread work by introducing a part-time week and thus stabilize employment at the poverty line, and during good times do the minimum of hiring.

Present Situation

All the states have taken advantage of the federal legislation and have set up systems of unemployment insurance. These systems have not been in operation sufficiently long to allow of too dogmatic conclusions but certain problems caused by the peculiar organization of unemployment insurance in the United States are already apparent.

1. *Complexity.*—The outstanding characteristic of the American system of unemployment insurance is its complexity. Unemployment is a national problem with causes that are national and international in scope. But to deal with this problem, fifty-one separate schemes have been put into operation, embracing numerous individual differences. As one authority says:—

> "The terms of the Social Security Act permit wide diversity in the state legislation and there are countless dissimilarities in the provisions of the various jurisdictions. The number of workers an employer must have on his payroll for purposes of inclusion under a law ranges from eight in twenty weeks to one at any time; altogether there are eleven different combinations. The states that have merit rating fix five different minimum contribution rates and four maximums. Initial waiting periods are of five lengths, and the provisions present in most laws for fixing maximum waiting periods in a specified number of weeks add five additional variants. Three levels of maximum weekly benefits and eight minimums are set. There are at least four principal methods of computing partial unemployment benefit. The maximum duration of benefit in a benefit year may be any one of seven periods ranging from twelve to twenty weeks, but further variation is introduced by the methods of determining the duration in terms of weeks worked or wages earned. Only one state grants every qualified claimant the same duration of benefit. This range of diversity has presented serious problems to all concerned—to the federal authority, which must exercise the same kind of control with respect to fifty-one different laws, to the employers operating in more than one state, who must conform to the separate laws of such states, and to employees whose employment brings them under the jurisdiction of more than one state law. . . . The American unemployment compensation legislation gives rise to administrative problems that are practically insuperable."[7]

This cumbersome and complicated federal-state system was introduced largely because of the fear that a national system would be declared unconstitutional. Since the United States Supreme Court handed down its decisions on the Social Security Act, these fears seem to have been unjustified.[8]

2. *Administration.*—The complexity of the American picture was increased by the fact that various services needed for dealing with unemployment were not co-ordinated administratively. The United States Employment Service was kept separate from the Social Security Board, to the detriment of administrative efficiency. The Bureau of Internal Revenue, over which the Social Security Board had no control, was charged with collecting the federal social security contributions. Differences of opinion between these three bodies in interpreting the Social Security Act have arisen and

[6] For a discussion of the arguments on merit rating see A. Epstein, *Insecurity: A Challenge to America*, pp. 829 *et seq.*, New York, 1938 (second revised edition); Bryce Stewart, *Planning and Administration of Unemployment Compensation in the United States*, pp. 492 *et seq.* New York, 1933.

[7] Bryce Stewart, *op. cit.*, pp. 458 *et seq.*

[8] *Stewart Machine Co.* v. *Davis*, 301 U.S. 548, affirmed the unemployment compensation sections of the Act.

open up regrettable possibilities of friction. Furthermore, it would be much less confusing to employers, whose co-operation is essential for the success of the scheme, if there were one body administering and interpreting the statute, whose decisions were final. "The rulings of the Bureau of Internal Revenue . . . already constitute more than 300 pages. State interpretative decisions, opinions of state attorneys-general and appealed benefit decisions now cover more than 800 pages. When appealed benefit decisions for all of the fifty-one benefit-paying jurisdictions begin to appear, this material will bulk into thousands of pages. Employers, especially those who operate in more than one state, will be hopelessly confused."[9]

There was no attempt to lay down a permanent national policy for unemployment relief in the Social Security Act and no permanent relief agency was set up. Since 1933 the federal government has been much more prominent than state or local governments in planning and financing unemployment relief, but there has been no attempt to relate these activities to the structure of unemployment insurance.

A good part of the burden of administration under the Social Security Act falls on the employer. He must make up monthly or quarterly payroll records for the federal government and for the state government. The payroll base for the two may differ. If the company operates in more than one state, its burden is correspondingly increased because of the differences in the state laws. Besides the 3 per cent payroll tax, therefore, the employer has in addition no small administrative costs under this legislation. There have been many complaints that two systems of taxation, one federal and one state, with great variety in the latter, is a needlessly complicated way of providing funds for one system of unemployment insurance.

The setting up of contributions and benefits as a percentage of wages earned has entailed a heavy job of administration to the various governments involved. It has been criticized as "the most complicated and costly system of administration because it makes a separate wage class out of each wage-earner. Long delays in benefit payments are unavoidable under this system. A mere description of the record-keeping difficulties involved here would fill a volume."[10] The Chairman of the Unemployment Compensation Advisory Council in the State of New York, after a devastating analysis of the operation of the system in that state, concludes, "the time has come for the proponents of this principle (of gearing benefits to prior earnings) to step down from their ivory towers and justify its continued use in the light of our experience and needs."[11] "The delays in making payments which have characterized this first year," writes another authority,[12] "have led to resentment and complaint among workers. The system is difficult to understand and the worker frequently finds that even the local administrator is in no position to explain to him the provisions of the law and the reasons for the determination governing his own case. Perhaps our greatest sympathy should be reserved for the administrators. They have been asked not merely to administer an act that would have taxed a trained and experienced staff, but they have also had to do so at a time of heavy claims when workers and employers alike were still incompletely aware of the provisions of the law and of their own rights and duties thereunder." As the latter part of this quotation indicates, it is probable that difficulties were magnified at the beginning of the scheme but they were great enough to cause considerable changes in the reports required and in administrative procedures, even though some of these changes modified the original aims of the benefit structure erected under the Act.

3. *Actuarial and Financial Problems.*—The great majority of the states have followed the federal example of levying a payroll tax. Benefits are 50 per cent of wages and are generally paid for from ten to fifteen weeks. These provisions have been criticized on the following grounds.

(*a*) Financing the system exclusively by a payroll tax is inequitable as between business firms and does not yield sufficient income to provide adequate protection for the unemployed. It is inequitable as between business firms because,

> "Some businesses enjoying an expanding market and low labour costs per unit of product may be able to pass part or all of the costs of the payroll tax onto the consumer. Others in highly competitive situations, marginal firms, those not readily susceptible to technological improvements, public utilities whose rates are regulated by public bodies, and concerns in which labour is the largest factor in cost of production will have to absorb part or all of these added burdens. Granted that business should share generously in such costs, a policy that would permit more gradual absorption of the burden than the rise in three years

[9] Bryce Stewart, *op. cit.*, p. 463.

[10] Abraham Epstein, *op. cit.*, p. 835.

[11] Herman A. Gray, Address at the Twelfth Annual Conference of the American Association for Social Security, April 14, 1939.

[12] Eveline M. Burns, *Common Sense and Unemployment Compensation*, a paper read at the joint meeting of the American Association for Labor Legislation and the American Statistical Association, December 1938, and printed in the American Federationist, March, 1939.

to 3 per cent of total payroll would have made for easier adjustments, a lighter brake on business expansion and fewer dislocations with their resultant unemployment."[13]

It does not provide adequate protection for the unemployed because a benefit period of from ten to fifteen weeks does not begin to meet the needs of mass unemployment. A short benefit period is valid only on the assumption that workers merely need tiding over short periods of unemployment. In the light of experience since 1929, such an assumption no longer reflects actual conditions. The benefit period in Great Britain is for six months, with an additional six months available under certain conditions. This is a realistic attempt to meet the problem of prolonged unemployment. This defect in the American scheme has definite implications for public finance because it means heavier demands for unemployment relief, all of which must come from public exchequers.

The United States is the only country that has attempted to finance unemployment relief solely by a payroll tax on employers. All other countries require the employees to contribute and in the great majority of cases make substantial contributions themselves. In Great Britain, governmental participation in the scheme from the beginning was largely responsible for its continued success. There are other sound reasons for both state and employee contributions. When the employee pays premiums, he has a definite sense of participation in and responsibility for the system. State contributions out of the proceeds of progressive taxation are highly equitable and carry the insurance principle of spreading the burden of risks over as wide a constituency as possible to its logical conclusion.

The experience of both the United States and other countries, then, points to the conclusion that adequate unemployment insurance benefits for a sufficient period of time to begin to meet the needs of prolonged unemployment, can best be paid if contributions to the insurance fund are made by the employer, the employee and the state.

(*b*) The federal-state system of unemployment insurance creates inevitable financial difficulties for some of the states. Some of the states have too small a working population to allow sufficient scope for the insurance principle of spreading the risk. In such states the closing down of one large industrial plant will be a severe drain on the unemployment insurance fund. "The danger of insolvency in sparsely populated states is increased by the fact that some of them have high unemployment rates, according to the available data. Nevada's percentage of unemployment eligible for compensation for 1930-33 was estimated at 32·5 per cent; Montana's as 29·5; and Arizona's as 29·3. Yet these states have the same contribution rate as most others, the same maximum benefit, and of the three only Arizona reduces duration below the norm to fourteen weeks of benefit, while Nevada grants eighteen weeks."[14]

Similar dangers to the unemployment insurance fund are caused in states that are dependent upon one or two types of industry. Depression in those industries makes the insolvency of the fund almost inevitable. The same dilemma faces states that have a high proportion of seasonal industries, unless special regulations are introduced for such industries. One of the great merits of a national system of unemployment insurance is that it allows the insurance principle of spreading the risk to be carried to its furthest limits. The types of problem that flow from the smallness of a region and from its economic complexion do not arise under a national system.

(*c*) A different kind of problem is caused under the federal-state system by interstate and migratory workers. The Social Security Act made no provision for such workers. "In all probability," says one American authority, "a pooled federal fund will be needed adequately to take care of these persons."[15] Here again, the problem is automatically met by a national system.

B. Old Age Insurance

Compulsory old age insurance is designed to supplement the federal-state system of non-contributory pensions and will, of course, reduce the number applying for that type of assistance. It differs basically from the unemployment insurance scheme because it is a national system. As in unemployment insurance, however, the revenue sections of the legislation were kept separate from those that appropriate money in the hope that this would enhance the constitutionality of the bill."[16]

The taxes for old age insurance, which are levied equally on employers and employees, begin in 1937 with 1 per cent on wages and salaries for each and rise to 3 per cent each by 1949. The employer is the collector and he deducts the employee's tax from wages. The taxes apply to all businesses, in-

[13] Bryce Stewart, *op. cit.*, p. 499.

[14] Bryce Stewart, *op. cit.*, p. 484.

[15] Paul Douglas, *Social Secretary in the United States* (second edition), New York, 1939, p. 418.

[16] The Supreme Court upheld the federal old age insurance system in *Helvering* v. *Davis*, 301 U. S. 619.

cluding those that employ less than eight workers, but otherwise exemptions are much the same for old age insurance as for unemployment insurance. Unlike the latter system, taxes are not assessed on income over $3,000 a year.

Monthly annuities are paid at the age of sixty-five provided that the applicant has been employed during each of at least five years, has received at least $2,000 in wages or salary and retires from work. In general principle, the annuities are the same as those sold by private insurance companies. They are to be based on life-time earnings according to the following formula. The worker will receive an annuity equal to one-half of one per cent of his first $3,000 of earnings, one-twelfth of one per cent of his next $42,000, and one twenty-fourth of one per cent of any earnings above that amount. The minimum annuity granted is $10 a month and the maximum $85. If a person dies before reaching the age of sixty-five his estate is paid roughly what the worker contributed during his lifetime. Similarly, if he dies after the age of sixty-five but before his benefits have equalled 3½ per cent of his insured earnings, the difference goes to his estate. The system is in large part, therefore, based on compulsory savings rather than on the true insurance principle of risk-sharing.

Although the system has been in operation but a few years it has been widely criticized on basic points. The method of assessing contributions and calculating benefits is heavily weighted against the younger worker, who pays not only for his own annuities but also for a substantial share of those of the older worker. At the same time the system does not provide adequate annuities for the older worker. "The 'unearned annuities' which will be paid to the older workers who reach sixty-five will be met out of the higher contributions of the employers and the younger workers."[17] But the minimum pension is only $10 a month, and it will take a person earning $100 a month regularly nearly twenty years to gain a pension of $30 a month.[18] Thus the system does not meet the social problem of providing at least a minimum of subsistence income to all workers in their old age. Consequently many workers will, despite their annuities, be forced to apply for additional income through the non-contributory pensions scheme and undergo a means test. Hence two systems will be required to deal with the same worker for the same need.

[17] Paul Douglas, *op. cit.*, p. 166.
[18] Abraham Epstein, *op. cit.*, p. 780.

The size of the payroll tax and the rapidity with which it reached its maximum rate has also drawn heavy criticism. It has been argued that the rapid introduction of the 6 per cent payroll tax on employers levied by old age and unemployment insurance would militate against the paying of higher wages and stimulate the technological displacement of labour. It has been claimed that the taxes on wages were unnecessarily high and that the consequent huge withdrawals of purchasing power delayed recovery and stimulated depression. The "collection of one billion dollars of social security taxes in 1937," said Chairman Marriner S. Eccles of the Federal Reserve System, "diminished buying power at the very time an increase in retail sales was most needed."[19] . . . These criticisms have had their effect and the period over which the old age payroll tax will reach its maximum has recently been considerably extended.

Perhaps the heaviest fire has been directed against the huge old age reserve fund that will result from the provisions of the Social Security Act. The surplus of receipts over benefits that the 6 per cent payroll tax will give until the system reaches maturity has been estimated by the Senate Committee on Finance to reach approximately 47 billion dollars by 1980.[20] This sum is larger than the existing national debt of the United States. It can be seen that the framers of the Act were greatly influenced by the practice of private insurance companies as opposed to the "pay as you go" basis that is followed in many countries. They believed that the interest on this huge fund would provide absolute security for the old age system in the future and relieve the taxpayer of any necessity of subsidizing it.

There have been basic objections to this reasoning. In the first place, the analogy between state and private insurance is not a true one. The state cannot, like a private insurance company, invest its surpluses outside itself. The Act itself provides that reserves are to be invested only in government bonds or obligations. The interest on such bonds, therefore, does not come from a source outside the government, it comes from the taxpayer himself. "Thus we have the anomaly of the Government piling up a forty to fifty billion dollar reserve fund in order to obtain the privilege of taxing the people for money to pay old-age pensions."[21] The only way that such a fund would help the taxpayer is if it were used consistently to acquire the national

[19] Speech before New Jersey Bankers Association Convention, May 15, 1938; quoted in Abraham Epstein, *op. cit.*, p. 787.
[20] 74th Congress, 1st Session, Senate Calendar No. 661, Report No. 628, p. 9.
[21] Maxwell Stewart, *Social Security*, New York, 1937, p. 156.

debt. Assuming for purposes of illustration that eventually the old age insurance fund had acquired the whole national debt, interest on the national debt and payments into the insurance fund would then be the same thing; while, without the fund, the state would presumably have to subsidize the old age insurance system as well as pay interest on the privately held national debt.

There are fundamental objections to such a course, however. First, it would mean that workers and their employers were being taxed to pay for the whole national debt. There is no reason in equity or economics why they should be held responsible for the wars, public works, droughts, etc., that are represented in the public debt. Second, it would entirely reverse present financial practice and have a highly unsettling effect upon the financial structure of the nation. Insurance companies, banks and industries have for generations based their policies partly on their ability to buy government bonds. Suddenly to cut them off from this field of investment would be a drastic change of policy, the results of which might be calamitous. Third, the accumulation of these reserves through payroll taxes "will beyond doubt greatly decrease the amount of purchasing power which otherwise would be spent upon consumers' goods. This will most certainly be the case for the contributions made by the workers. The contributions by the employers will in turn tend to be shifted either backward to the workers in the form of lower wages or forward to the consumers in the form of higher prices. In either event they also will decrease the real outlay on consumers' goods. Since our society seems to have suffered during the twenties from too large a proportion of the national income being reinvested and too small a proportion being used for consumers' goods, the withdrawal of such huge amounts from current consumption may well help to create a further state of unbalance in the future."[22] Fourth, at a time of deficit financing by governments and when heavy pressure for additional expenditures is being put on them from various sources, the sudden appearance of a huge new source of revenue would be a decided inducement to extravagance.

These arguments too have influenced the United States government and as already indicated it has revised its policy for levying contributions and has hence modified its plan to build up a huge old age reserve account.

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[22] Paul Douglas, *op. cit.*, p. 168.

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