

CASE STUDY

The Harper government and the Canada Social Transfer

Jennifer D. Mussell

IN THE WORLD of Canadian social policy, provinces are responsible for some exceptionally costly expenditures. In order to mitigate the effects of disparities in financial capacity both horizontally (among provinces) and vertically (between the provinces and the federal government), the Canadian government developed a series of arrangements to help fund provincial social programs. These include the Canada Social Transfer (CST), an annual fiscal transfer from the federal government to the provinces to support programs in post-secondary education, social assistance and social services, as well as early childhood development, early learning, and child care.¹ By limiting its potential for growth, the Harper government has significantly contributed to the dismantling of the CST as a useful tool for social policy.

Brief history of the social transfer

The precursor to the CST was the Canada Assistance Plan (CAP), a cost-sharing program covering welfare and other related social services. The overall objective was to ensure that provincial welfare programs provided adequate support to all persons in need. The CAP was a 50/50 cost-sharing program. Provinces would establish the amount they wanted to spend and this would be matched by the federal government. This program had five conditions attached to the receipt of funds, which gave the federal government a significant role in the development of provincial social policy. The CAP ensured a countrywide standard for welfare and social services, and thus for the social rights of all Canadians, without interfering in provincial policy jurisdiction.

Beginning in 1990, however, as the era of fiscal retrenchment was dawning, the federal government limited the growth of CAP expenditures in the three richest provinces: Alberta, British Columbia, and Ontario. By 1995, CAP was on the federal chopping block. The Liberal 1995–96 federal budget eliminated the CAP and replaced it with the Canada Health and Social Transfer (CHST), which would later be divided into the Canada Health Transfer (CHT) and the Canada Social Transfer (CST). The CHST not only eliminated four of CAP’s five conditions on funding, it cut approximately \$7 billion from the federal government’s yearly transfers to provinces. In effect, the 1995–96 budget signaled the federal government was stepping back from provincial social policy. Provinces would have fewer federal dollars to put toward their social programs, but they would also have fewer federal standards with which to comply. This is the model upon which the CST is currently based.

What is the role of the CST?

For advocates of strong social policy, social transfers have the potential to be tools for social policy development, and for the guarantee of Canadians’ basic social rights. With adequate funding, conditions, and measures for ensuring accountability, the CST could contribute to the growth and improvement of social programs that benefit those in need. Unfortunately, *need* rarely factors into debate on the CST. And under the Harper government it has moved further and further from the conversation.

Shortly after taking office in 2006, the Harper government defined its approach to relations with the provinces as “open federalism,” which was based on, among other things, “respecting areas of provincial jurisdiction,” and “keeping the federal government’s spending power within bounds.”² Rather than taking into account the needs of citizens or provinces, the CST under the Harper government is oriented toward diminishing its relevance as a tool for improving provincial social

policy. This has been displayed through the most recent policy contribution to the CST: the application and extension of automatic escalators.

Limiting growth through automatic escalators

The Harper government has shown consistent interest in the rate at which the CST grows even if social transfers are not high among government priorities. In 2009, an automatic yearly increase of 3% was applied to the social transfer that would last until 2014. Then, in 2014, the original five-year arrangement was extended to 2024, at which time it will be reviewed. This decision by the federal government means that the total amount transferred from the federal government is intended to increase by 3% each year until 2024. Until then, it is unlikely there will be very many discussions of the CST.

The idea behind automatic escalators is not new. For instance, the 1996 federal budget set out projections for CHST values until 2002–2003, and planned for a five-year funding arrangement to begin in 1998. However, the Harper government has shown unprecedented commitment to the concept. The 10-year arrangement for increases to the CST covers a much longer period than any previous automatic escalators.

The fixed rate of 3%, which is essentially non-negotiable as long as the escalator remains in place, is problematic for two key reasons. First, it does not account for inflation (i.e., the CST is actually growing by a proportion smaller than 3% when yearly increases in the cost of living are considered). Furthermore, in some years, 3% barely exceeds the rate of inflation and thus growth in the social transfer is minimal.

Second, the 3% escalator does not account for changing demographics within the country. Since 2008, Canada's population has increased steadily at a rate of approximately 1% per year.³ Thus, the per capita rate at which the CST grows is certainly less than the promised 3%. Additionally, one of the key provincial expenditures that the social transfer is intended to support is social assistance. Between 2008 and 2012, the total number of social assistance beneficiaries in Canada increased from 1,641,494 to 1,868,565.⁴ Stagnating rates of growth in the CST, which are expected given consistent inflation and population growth, imply the provinces are less equipped to handle increasing numbers of welfare recipients.

Effective social policy must allow for increases in spending when necessary. It must allow for the needs of provinces, and most of all people, to be met. A 10-year automatic escalator impedes the social transfer from meeting the actual needs of the provinces and people it is intended to serve. By putting in place a decade-long plan for CST rates, the Harper government has delayed any possibility for the prov-

inces to make viable claims of the federal government for need-based increases to pay for social programs.

Rejection of need as a guiding principle

While the automatic escalator is highly flawed, there has been another recent and worrying development in the Canada Health Transfer, the CST's sister program. In 2016–2017, the 6% automatic escalator on the CHT will end and growth in the CHT will be tied to gross domestic product (GDP) growth (see Newitt and Silnicki chapter). This essentially means that the CHT will continue to grow, but at a rate which fluctuates with Canada's economic performance. This is an absolute rejection of *need* as a guiding principle for the transfer. It would be a serious detriment if this formula were also applied to the CST.

As long as the automatic escalator legislation remains in place, it will impede efforts to reorient the CST toward the actual needs of Canadians. If the trend of insufficient long-term legislated escalators continues, the CST will deteriorate as an effective tool for guaranteeing social policy is equally distributed across the country. Canadians must ensure that discussions about the social transfer remain on the table even when governing parties do not prioritize them. This is a policy instrument that has the potential to guarantee social rights to all Canadians, most importantly to those in need, and it must not be allowed to be disabled beyond repair.

Bibliography – for more information

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Endnotes

1 While the three territories also receive Canada Social Transfer payments, and should have adequate support from the federal government, this chapter refers only to the provinces, for which the areas of social policy covered by the CST are within their exclusive jurisdiction.

2 “Prime Minister of Canada Promotes Open Federalism,” Prime Minister of Canada, access July 19, 2015. <http://www.pm.gc.ca/eng/news/2006/04/21/prime-minister-promotes-open-federalism>

3 Statistics Canada. Table 051-0001, CANSIM database, “Estimates of population, by age group and sex for July 1, Canada, provinces and territories,” accessed July 19, 2015.

4 Ronald Kneebone & Katherine White, “The Rise and Fall of Social Assistance Use in Canada, 1969–2012”. *SPP Research Papers* 7 (5): 2012: 4.

