

## Social Programs in British Columbia

Social programs are a fundamental element of Canada's social fabric, but they are increasingly seen by Canadians as under threat, to be sacrificed at the altar of tax relief and debt reduction. Mainstream media commentary reinforces this view, simultaneously reporting on stresses within the system, like waiting lists and labour disputes, while demanding tax cuts that will only further increase the stresses on these institutions.

In BC, the state of social programs is a good news/bad news story. The good news is that health care and education are in better shape than in other provinces. BC has not experienced the cuts seen in other jurisdictions, and both health and education are the best funded in Canada. The bad news is concentrated at the bottom rungs of the income ladder, and among a large number of children at risk. Cuts to income support and programs for this segment of the population have come at a time of high unemployment and increasing market inequality.

### The Fiscal Backdrop

In 1999/00, spending in BC for health, education and social assist-

By 1998, it had fallen to about 15%.

Every province has had to make choices about funding for social programs in this context of federal cuts, particularly after the 1995 federal budget. BC has made the choice to absorb the federal cuts, maintaining funding levels (at least for health and education) by increasing its debt. Unlike many other provinces, however, BC has low debt levels, and can well afford to take this course until the economy recovers.

### Health Care

BC has been unique in Canada for maintaining funding for health care. On a per person basis, public health expenditures in BC amounted to \$1,955 in 1997, highest in the country. As Table 2 shows, BC ranks above Manitoba (\$1,886 per person) and Saskatchewan (\$1,768 per person) in public health expenditures.

While these numbers reflect public expenditures, in recent years, increasing pressure has mounted for Canadians to cover health costs out-of-pocket. BC has fared much better than other provinces in preventing increased privatization. Nonetheless, in

1997, British Columbians spent an average of \$685 per person on private health expenditures — which include items like prescription drugs and physiotherapy — an increase of 45% since 1992. Private expenditures amount to 26% of total health expenditures, although this share is lower than every other province except Newfoundland (25% private).

The 1999 budget will increase public health care

funding by 4.3%. About 1000 new nurses will be hired over three years, a response to the fact that BC has one of the lowest number of nurses per capita in Canada. In addition, new funding will be directed toward acute care and continuing care programs to address waiting lists, and to provide more long-term care facilities.

**Social Program Expenditures in BC (\$millions)**

	Actual 1997/98	Revised Forecast 1998/99	Budget Estimate 1999/00	Growth, 98/99 to 99/00
<b>Health</b>	7,271	7,615	7,942	4.3%
<b>Social services</b>	3,090	3,004	2,946	-1.9%
<b>Education</b>	5,774	5,918	6,064	2.5%
<b>Total</b>	16,136	16,536	16,952	2.5%

Notes: Forecast numbers for 1998/99 differ from those reported in the Winter 1999 edition of *BC Commentary*, due to revised estimates made by the BC government.

Source: BC Budget 1999

ance will amount to almost \$17 billion, or just over 80% of total provincial expenditures of \$21 billion. For these three areas, this represents a 2.5% increase over 1998/99. Spending on social programs in BC in real per capita terms has been flat since 1992/93, while other provinces have generally seen declines.

While delivering social programs is within provincial jurisdiction, the federal government has traditionally played a role, using its spending powers to set national priorities and standards. This federal support has been declining for a number of years. Ten years ago, the federal share of BC's social programs was more than 30%.

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## Education

BC's support for public education has also been strong. In 1996/97, BC spent \$7,211 per student on K-12 education, more than any other province. And from 1992/93 to 1996/97, spending per pupil in BC increased by 11.7%, also highest in the country. In part, this represents catching up with other provinces, but it is also a response to rapid population growth.

In the classroom, BC is in the middle of the pack with regard to student-educator ratio. Notably, last year's collective agreement between the government and the BC Teachers' Federation will result in the hir-

7.5% since 1992, the largest increase in the country (most provinces had a decrease). As a result, BC had the second highest level of post-secondary funding in 1997 at \$372 per capita.

In addition, BC has maintained a tuition freeze to ensure affordability for students, now in its fourth year. While tuition has increased dramatically across the country, in 1997, average undergraduate tuition in BC was \$2,308, second lowest after Quebec.

BC has also increased the number of universities in the province, and expanded accessibility through the college system.

a time when these supports are badly needed. Only one-third of the unemployed are eligible for Employment Insurance. Of new private sector employment, most has come in part-time and self-employment work. And labour markets are producing a widening gap between rich and poor.

In 1997, 18.2% of British Columbians were living in a low income situation, continuing an upward trend from 14.8% in 1990. This mirrors (but is more severe than) the overall national trend, where incidence of low income has grown from 15.4% in 1990 to 17.5% in 1997.

BC provides a monthly subsidy for the

### Provincial Comparisons

	Health Expend per capita, 1997		K-12 Expend. per student, 1996-97 (\$)	Post-secondary Expend. per capita, 1997 (\$)	Welfare income as a % of the LICO, 1996	
	Public (\$)	Private (\$)			Single	Family
<b>BC</b>	1,955	685	7,211	372	39	56
<b>AB</b>	1,588	729	6,026	344	31	55
<b>SK</b>	1,768	643	6,067	319	42	62
<b>MB</b>	1,886	807	6,603	276	39	56
<b>ON</b>	1,757	890	7,204	271	42	57
<b>PQ</b>	1,615	769	6,694	433	39	51
<b>NB</b>	1,708	813	no data	341	24	48
<b>NS</b>	1,595	664	5,070	323	43	58
<b>PEI</b>	1,616	774	4,807	261	40	64
<b>NFLD</b>	1,746	593	5,855	292	19	53

Notes: LICO refers to Statistics Canada's "low income cut-off." "Single" means a single employable; "family" means a couple with two children.

Sources: *Health expenditures*: Canadian Institute for Health Information, on-line statistics

*K-12 expenditures*: Inter-provincial Education Statistics Project, BC Ministry of Education

*Post-secondary expenditures per capita*: Statistics Canada, Financial Management System

*Welfare incomes*: National Council on Welfare, Welfare Incomes 1996

ing of about 500 new teachers. This, and declining enrollments, will decrease the student-educator ratio as of 1998/99 to its lowest level since 1992/93.

The 1999 BC budget continues these trends in support of K-12 education. In addition to hiring new teachers, new spending measures at the K-12 level will reduce class sizes and build more schools.

At the post-secondary level, BC has made big strides compared to other provinces. Per capita funding has increased

However, BC's post-secondary system still does not produce enough graduates to meet demand in the labour market. Further investment is required, particularly given the high returns to additional education.

### Social Assistance

Support for social assistance has been a major weakness of the BC government, with funding levels declining in recent years (even before accounting for inflation and population growth). This has come at

working poor with children through the Family Bonus program. However, this support has been denied to those for whom welfare is the primary means of income. In September 1998, 5.7% of adults age 19-64 were BC Benefits recipients, plus 9.8% of children under 19 (importantly, these figures do not include disabled persons, children in the home of a relative or aboriginal people on reserve).

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# Feature: Budgeting And Sin

by Gideon Rosenbluth

A major sin for which the media and the Opposition have pilloried the Premier of British Columbia is that his government misled the public by budgeting a surplus in 1996/97, when what they got was a large deficit.

Is it a sin to end up with a different balance of revenues and expenditures from that budgeted? And is the sin greater the larger the difference? Of course not! A budget is a statement of intentions contingent on a forecast of economic conditions. The budget legislation sets the rules governing revenues and expenditures. But how much you actually spend and take in depends on how much is sold in and from the province, how many people are employed and unemployed, how much they drink, and so forth. You cannot forecast any of this very accurately, no matter how many experts you consult.

When the Premier's pursuers are reminded that it cannot be a sin to make a mistaken forecast, they amend the charge: it is a sin to make a *biased* forecast. The story is that the Premier's advisors rejected the unbiased estimates of Treasury staff, and came up with an unreasonably low estimate of the deficit — a surplus, in fact.

Is biased estimating really sinful? The federal Minister of Finance boasts of doing just that in his very conservative budgets. He calls it "prudence" (which presumably is a virtue) to deliberately estimate a *higher* deficit or lower surplus than an unbiased forecast of economic conditions would predict.

Evidently, the unforgivable sin is not biased estimation, but only biased estimation that under-estimates the deficit.

We now investigate just where in the ranking of sinners the NDP government of British Columbia would be located, if we were to accept this definition of budget sin. The table below shows the error in the deficit or surplus predicted by the five NDP budgets leading up to the fateful budget of 1996/97, and the ten preceding Social Credit budgets.

The table reveals, first, that if a mistake in estimating the budget balance is a sin, the Socreds committed much greater sins than the NDP. Six of their ten budget errors exceeded one percent in absolute value, while the largest NDP error was only seven tenths of one percent.

Secondly, we see that six of the ten Socred budgets underestimated the realized deficit (negative figures), while this holds for only two of the five NDP budgets — the two that all the fuss is about. Moreover, the average Socred sin of underestimation was three quarters of one percent of GDP, while the average NDP sin was only one half of one percent. So according to the definition, the Socreds were both more frequent and greater sinners than the NDP.

We now inquire whether the concept of budget sin makes sense. It is based on two assumptions: that the government should always try to balance the budget; and that if you cannot balance the budget, a deficit is bad and a surplus is good.

These assumptions were the conventional wisdom before the 1930s, and were discredited by our experience of the Great Depression and the War. While they have since been revived by

conservative commentators, they remain intrinsically anti-social.

As we have seen, given any set of rules, the balance of revenues and expenditures depends on economic conditions. In civilized industrial economies, like British Columbia, revenues rise and fall with economic activity, while expenditures tend to move the other way, because of the importance of social services, social assistance, health services, education, and job creation in the expenditure budget.

Striving to balance the budget when unemployment is high must therefore mean either cutting expenditures, and so beating up on the unemployed, the poor, the sick, and those seeking an education, or else raising taxes. In either case, it means creating a "fiscal

BC Budget Errors, 1982/83 to 1996/97

Fiscal Year	Budgeting Government	Budgeted Deficit minus Realized Deficit as a % of GDP
1982/83	Socred	-1.4
1983/84	Socred	1.3
1984/85	Socred	-0.7
1985/86	Socred	-0.1
1986/87	Socred	-0.5
1987/88	Socred	1.3
1988/89	Socred	1.7
1989/90	Socred	1.2
1990/91	Socred	-0.1
1991/92	Socred	-1.7
1992/93	NDP	0.1
1993/94	NDP	0.7
1994/95	NDP	0.5
1995/96	NDP	-0.5
1996/97	NDP	-0.5

Notes: In calculating the budget error, a surplus is counted as a negative deficit.  
Realized surpluses occurred in 1988/89 and 1989/90; budgeted surpluses in 1995/96 and 1996/97. To see whether budget errors are large or small, one must view them in relation to the size of the economy that furnishes the tax base. They are therefore measured as percentages of provincial GDP.

Source: Author's calculations

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Overall, welfare benefit rates have been declining, and are generally insufficient for the purposes they are trying to serve. The BC Benefits program, introduced in 1996, cut already low welfare rates for people deemed “employable.” A single employable on welfare in BC received total income of \$6,332 in 1996, only 39% of Statistics Canada’s “low income cut-off” (or LICO, commonly called the “poverty line”). For families on welfare, the gap is not as severe, though still cause for concern. In BC, a couple with two children received \$17,906 in welfare income, or 56% of the LICO.

The 1999 BC Budget does little to ameliorate these concerns. Of note, support for new social housing will be doubled to 1,200 units

per year (only BC and Quebec support new social housing since the federal government stopped its funding in 1993). However, overall funding for social assistance is estimated to fall by 1.9%.

**Summary**

Unfortunately, most discussion of the BC budget has been preoccupied with the size of this year’s deficit, even though it is widely acknowledged that the province is in the midst of a recession. The budget does provide a stimulus appropriate for current economic circumstances. But the burden is still high for those who have fallen through our tattered safety net.

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drag” — that is, taking income out of the private economy or putting less in — so that the bad economic conditions that have created the deficit are made worse.

A government therefore should not try to balance the current budget regardless of economic conditions. When unemployment is high, a deficit is better policy than a balanced budget, and much better than a surplus. The environment in which a surplus may be a better policy is low unemployment and inflation. We have not had these conditions for some time in British Columbia.

If the NDP government sinned in 1996, it was not their mistaken forecast of economic conditions, but that they tried to achieve the mistakenly budgeted surplus by cutting expenditures when economic conditions were poor.

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## Recent Indicators

	Monthly Unemployment Rate (%)		
	Mar-99	Feb-99	Mar-98
BC	8.4	8.1	9.9
Canada	7.8	7.8	8.4

Note: Unemployment rates are seasonally adjusted.  
Source: BC Stats

	BC Unemployment Rate by Age(%)		
	Age 15-24	Age 25-44	Age 45-64
BC - March 99	15.0	8.9	6.5
BC - March 98	19.9	9.5	7.7

Note: Unadjusted numbers  
Source: BC Stats

	Total employment, 1998 (thousands)	Unemployment rate, 1998 (%)	Percent working part-time
BC Total	1860.4	8.9	21.5
Men	996.2	9.8	12.4
Women	864.2	7.9	31.9

Source: BC Stats

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