

involved (as proposed in the Social Services Financing Act), and because the federal dollars might not find their way into social service programs anyway, there does not seem to be much chance of moving to block-funding in the near future. Because the federal government will therefore probably continue using a shared-cost approach for at least the next few years, the majority of members, including those in favour of block-funding, are willing to support a 'loosening-up' of CAP for selected social services as an interim measure. We understand that the Minister of National Health and Welfare has been discussing with her provincial colleagues areas of highest priority for greater provincial flexibility. *The majority of the Task Force therefore endorses reducing the restrictiveness of the Canada Assistance Plan on cost-sharing of social services in areas of highest priority (as identified by the federal and provincial ministers), at least as an interim measure.*

## Interprovincial Variation

In hearings in almost every province, witnesses addressed the problem of reducing the variations in levels of social assistance and social services. In her statement to the Task Force, the Minister of National Health and Welfare noted that these disparities remain, despite CAP:

The poorer provinces find it increasingly hard to fund their part of the expenditures needed to support the development of such programs. This economic disparity also means that the level of financial assistance provided to individuals and families and the range of welfare services available to Canadians vary considerably from one part of Canada to another, since both are established by the provinces. Thus, although CAP does meet its objective of providing equitable access to social assistance, payments and services are not uniform.<sup>15</sup>

As stated by the Canadian Council on Social Development:

... even today with substantial levels of federal financial support, major discrepancies exist among income support levels and the access to and quality of social services on a provincial basis...<sup>16</sup>

This problem obviously relates to the issue of general fiscal equalization payments, the purpose

of which is to allow provinces to provide reasonably comparable public services at reasonably comparable levels of taxation.<sup>17</sup> However, as it is now designed, general fiscal equalization only equalizes fiscal *capacity*; that is, the amount of money provincial governments may raise with a given amount of tax effort. If a comparable level of public services entails substantially different *costs* between provinces, the current equalization formula may therefore fail to meet the agreed objective.

This point was made by the Canadian Advisory Council on the Status of Women in their brief: "The basis on which transfer payments are derived seem to take little account of the diversity of social problems and the varying costs of services among provinces".<sup>18</sup> Chapter VII of this report discusses more fully the extent to which this argument should be regarded as a general criticism of equalization with respect to the full range of public services. The requirement for most public services is usually thought to be roughly equal when averaged over all services, so that once provinces have an equivalent fiscal capacity, they automatically have the ability to offer a comparable level of public services. But social assistance is different from most services, because provinces cannot be expected to have comparable requirements and because it is those provinces with the least fiscal capacity that have a greater than average number of persons in need. Providing equal levels of assistance in these provinces will imply a greater than average tax burden for this purpose, even if fiscal capacity is equal. As Table VI-2 shows, Newfoundland, New Brunswick and Quebec all have substantially greater percentages of the population on assistance than the Canadian average. Of course, these measures are based on a province's own definition of 'need', so it can only be considered roughly indicative of differing requirements among the provinces. *The Task Force recommends that*

**fiscal arrangements recognize interprovincial differences in cost arising from differing levels of need for social assistance payments to individuals.**

Such special provision would be particularly appropriate given that at least a portion of the caseload may result largely from economic circum-