

view is well summarized by the government of Nova Scotia:

Our Province considers CAP as a vehicle for optimum federal/provincial co-operation. In the past, the federal government has played a significant leadership role in bringing provinces together to review social security needs. Such federal/provincial exchanges of information and ideas have resulted in significant program improvements.¹⁵

Task Force members who would prefer to move toward block-funding of social service programs now cost-shared under CAP also have persuasive arguments in support of their view. They point to the highly variable per capita costs of social services being shared across Canada. This variation reflects differences in the level and type of services offered in each province as well as varying costs per unit of service. Figure VI-1 gives shareable expenditures incurred by provinces in 1980-81. As may be seen, per capita social service spending in the less well-to-do provinces is generally less than that in provinces with more revenue. Some members argued that this is the result of a program that requires a province to spend a dollar before it receives a dollar in return. Although the Newfoundland Community Services Council concluded that cost-sharing was preferable overall, they agreed that cost-sharing appeared defective in at least one respect:

Those provinces which can afford more become eligible for a greater share of the federal dollar; thus, the disparity between provinces and regions increases.¹³

In contrast, block-funding of social services would provide some have-not provinces with substantial additional funds, which could be used to bring their social services to a higher level.

Members who favour block-funding point out that it would not only allow Parliament to treat each province more equally, it would also give provinces flexibility to develop their social service systems as they see fit. The conditions on provinces that would be retained under block-funding would be similar to those proposed in the Social Services Financing Act (1978)—no residency conditions, provision of statistical and financial information, and so on. The advantage of flexibility was described by several witnesses favouring block-funding. According to the brief by the Association of Municipalities of Ontario:

[Cost-sharing] restricts the ability of municipalities to adapt the available funding to a particular situation. As such, services for which funding is available from the provincial and federal governments are sometimes substituted for those that are really needed, but which are not funded.¹⁴

The heterogeneity of social services makes it difficult for the federal government to prescribe guidelines that will define the range of cost-shareable services without restricting provincial flexibility at the same time. Some members who favour block-funding point out that increased provincial flexibility combined with cost-sharing will lead to a situation where the Parliament of Canada shares the cost of an ever-increasing range of services. Is this a priority of the federal government, or should its fiscal commitment be limited to a block fund based on an adequate level of services to persons in need, or likely to be in need?

Finally, members not in favour of cost-sharing for social services point out that this is an agreed area of provincial jurisdiction. If federalism is to have substance, there must be some areas where provinces can make decisions free of federal influence. Unlike many other areas of modern government, there does not appear to be any overriding national concern with respect to social services that calls for a direct federal involvement. The use of the federal government's spending power to provide '50-cent dollars' is seen as interference in a matter of truly local or provincial nature to influence priorities and make social service spending more attractive.

A third option, federal withdrawal with a compensating tax transfer, was also put forward. According to this view, block-funding is an attempt at compromise between cost-sharing and complete federal withdrawal from the area. This compromise may not be viable, because as long as Parliament has a statute providing for funding of social services, it will be held partially responsible for provincial social service systems. An alternative is therefore to get out of the area completely by transferring tax room to the provinces. This has been the traditional demand of Quebec provincial governments.

Because provincial agreement on a social services block-funding bill could only be obtained if much larger amounts of federal funds were