



# Bulletin

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## WHITE PAPER ON INCOME SECURITY

A White Paper entitled "Income Security for Canadians", proposing to shift the weight of Federal Government direct payments more in favour of people in need, was tabled in the House of Commons on November 30 by Mr. John Munro, Minister of National Health and Welfare.

The proposals are seen as a major rationalization of income security programs to contribute substantially to the prevention and alleviation of poverty in Canada by redistributing to the best effect the money already in the system. Results forecast are improvement in the condition of millions of low-income people, the saving of hundreds of thousands more from falling into poverty and the improvement of the basic income protection of most people.

Four distinct income-security techniques are involved: *guaranteed income*, *demogrants (universal programs)*, *social insurance* and *social assistance*.

The resulting package of proposed improvements has the effect of not only re-ordering priorities and concentrating available resources upon the people in greatest need, but changing the relative emphasis to be placed in future upon these four techniques.

Social insurance, which prevents people from falling into poverty, and guaranteed income, which directly alleviates poverty, are to be strengthened substantially.

The universal technique will become less central to income security generally.

Changes in these three techniques are designed to reduce the dependence of people on social assistance and to assist low-income families with children.

### POLICY PROPOSALS

The proposed changes relate directly to four major programs:

#### (1) Family Income Security Plan

A major anti-poverty initiative to assist low-income families with children is made possible by shifting to the selective principle the present Family Allowance program. This program would be dismantled and replaced by the Family Income Security Plan (FISP), which permits the greatest possible concentration of national resources upon families in greatest need through a new extension of the guaranteed-income conception, based on income levels.

The proposed FISP will cost about \$660 million in the first year, \$100 million more than at present. Higher benefits will be financed from about \$270 million in benefits withdrawn from higher income families and in tax recoveries from beneficiaries. On March 31, 1970, 7,377,000 children in 3,473,000 families received Family Allowances, Youth Allowances or Family Assistance payments.

Under this plan:

- (a) Effective September 1971, a payment of \$16 a month for each child under 16 will be made to mothers of families in which the combined income (husband and wife) does not exceed \$4,500 a year.
- (b) Benefits will be taxable.
- (c) Monthly benefits will decline gradually as the level of family income increases until payment ceases for families with a combined income of more than \$10,000 a year.

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The following table illustrates the approximate amounts of benefit payable at different income levels:

| <u>Income Level</u> | <u>Monthly Benefit</u> |
|---------------------|------------------------|
| Up to \$4,500       | \$16                   |
| \$ 4,501 - \$ 5,000 | 15                     |
| 5,001 - 5,500       | 14                     |
| 5,501 - 6,000       | 13                     |
| 6,001 - 6,500       | 12                     |
| 6,501 - 7,000       | 11                     |
| 7,001 - 7,500       | 10                     |
| 7,501 - 8,000       | 9                      |
| 8,001 - 8,500       | 8                      |
| 8,501 - 9,000       | 7                      |
| 9,001 - 9,500       | 6                      |
| 9,501 - 10,000      | 5                      |
| 10,001 and over     | 0                      |

### (2) *Guaranteed Income Supplement and Old Age Security*

Substantial increases of great benefit to low-income older people will result from changes in payment under the guaranteed income supplement to their Old Age Security pension. In 1971 this program will apply fully or partially to about 1 million people.

- (a) Effective January 1971, the basic Old Age Security pension will be set at a flat rate of \$80 a month.
- (b) From April 1971, increases in the Guaranteed Income Supplement will ensure that no qualified married couple has less than \$255 a month, and that no qualified single person has less than \$135 from all sources.
- (c) Old Age Security recipients who qualify for GIS will be entitled to a maximum 2 per cent annual escalation on the combined total to reflect price increases. OAS will be escalated only when accompanied by the supplement.

By increasing the supplement from \$31.83 a person to \$95 for married couples and \$55 for single people, substantial additional purchasing power will be placed in the hands of people who have few opportunities to acquire extra income. Together with the OAS pension of \$79.58, supplementation now produces a maximum of \$111.41 for individuals and \$222.82 for couples.

The new program, for the first time, attaches weight to the higher unit cost of living faced by the individual, compared to a couple living together.

### (3) *Canada Pension Plan*

Changes could not be effective before January 1973, to permit consultation with the provinces and to fulfil the statutory requirement that three years' notice of major changes be provided. There is a continuing need to maintain comparability between the Canada and Quebec Pension Plans so that this insurance system remains Canada-wide.

A series of technical amendments will combine to permit increased benefits as follows: (benefits under an unchanged plan in the year to which reference is made are in brackets):

- Retired - A maximum of \$162 a month by 1977 (\$131 in 1976) in addition to the OAS pension.
- Disabled - A maximum of \$199 a month in 1973 (\$114), rising to \$249 in 1977.
- Wives of Disabled - A new benefit providing a flat-rate pension of \$80 a month for the wives of disabled contributors who are under 65 and who have dependent children.
- Widows - A maximum of \$170 a month in 1973 (\$71) rising to \$208 in 1977 for widows, regardless of age.
- Special Adjust-ment - Persons already receiving widows' or disabled pensions under the existing plan in 1972 will have their payments readjusted in 1973 to reflect higher benefits....

### (4) *Social Assistance*

This important income security field is under the jurisdiction of the provincial governments. While the effect of the preceding proposals will be to reduce the dependency of many people on welfare, there can be no doubt that social assistance programs will be required for many more years. Accordingly, the Federal Government wishes to do all it can to ensure that the existing social assistance systems will, in future, be undeserving of the criticisms now prevalent. The vehicle for federal delivery in this field is the Canada Assistance Plan, under which the Federal Government pays 50 per cent of assistance costs.

At the earliest opportunity, the Federal Government wishes to enter discussions with provincial governments to secure improvements in social assistance programs.

### (5) *Unemployment Insurance*

The Government White Paper on Unemployment Insurance of last June put forward major changes in the program, extending coverage to additional workers, adding sickness and maternity benefits and improving unemployment benefits substantially. The result will greatly improve income protection for people in the labour force and, therefore, should result in reduced dependence on social assistance.

### COST AND FINANCE

By reallocation existing resources to the people in greatest need, the Government is able to propose major changes in income security which should improve the levels of several million Canadians without involving a substantial increase in taxation.

The Old Age Security Fund will bear the \$194 million additional cost in the first year for the OAS-GIS proposals.

## CLEAN-AIR CAR RACE

*Miss Purity*, a car built by student engineers at the University of Toronto, recently tied for first place in its class in a race in which time meant very little and speed even less. The criterion in the cross-country dash from Cambridge, Massachusetts, through Ontario to Pasadena, California, was the amount of pollutants discharged into the atmosphere.

The drivers who entered the clean-air car race sponsored by the Massachusetts Institute of Technology (MIT) and the California Institute of Technology were trying to prove that cars need not cause air-pollution.



Ontario Hydro

The crew of *Miss Purity* (Douglas Venn, captain, centre) are happy to have won their prize.

The University of Toronto's entry, with 41 other cars, had to undergo extensive tests at the MIT campus before setting out on the 3,600-mile trek. Race officials checked everything from performance and manoeuvrability to exhaust emissions, and *Miss Purity*, an "electric-propane hybrid", driven by a crew of three, eventually won \$5,000 in prize money. The only other Canadian entry, which has a modified internal-combustion engine that burns propane, was built by students at St. Clair College in Windsor, Ontario. Also in the line-up were electric cars, propane-electric hybrids, "steamers", turbines, diesels and liquified natural gas burners.

## UNIQUE SERVICE STATIONS

Ontario Hydro and four municipal utilities installed

"filling stations" for the electric cars on the Ontario leg of the race. The 100-kilowatt charging stations were set up at the Burlington Mall, Varsity Stadium, on Highway 401 and at London, Chatham and Windsor.



Ontario Hydro

*UT 1* is the number plate of the car made by students at the University of Toronto.

The rules of the race required that all cars be driven and maintained by students along the entire route, while race observers checked their progress. More than one flat tire had to be changed by the student engineers, who had more interest in electronics than in wheel-changing.

In Ontario, most of the attention was centred on registration plate *UT 1* – that of *Miss Purity*. Five students had worked on the car full time at the university, beginning last April, and about 20 more helped on a part-time basis.

Douglas Venn, captain of the crew, a 23-year-old heat engineering graduate, explained that the car was capable of running on three propulsion systems: an all-propane engine; a propane engine running at constant speed, charging ten storage batteries that run an electric motor; or an all-electric engine. From Boston to Toronto, he said, his car made the 540-mile trip on propane alone except for one mile where it ran electrically. He stated that more intensive research into batteries was needed before the electric car (which has a range of from 80 to 100 miles before recharging) could be perfected. "There's nothing wrong with the electrics," he declared, "we've even got dash-mounted mini computers – but longer-charged batteries capable of going longer distances are what's needed."

During 1969, 5,028 million gallons of gasoline were sold for consumption on Canadian public roads and highways. This was 5.7 percent more than the 4,758 million gallons sold in 1968. Corresponding sales of diesel oil also increased by 13.0 percent to 388 million gallons from 343 million.

## BOOST FOR SHIPBUILDERS

An extension of the Government's national program for shipbuilding was announced by Mr. Jean-Luc Pepin, Minister of Industry, Trade and Commerce to the House of Commons on November 27.

Mr. Pepin said that the program would "help shipbuilders throughout Canada to obtain export orders". His statement follows:

...As Honourable Members are aware, shipbuilding activity in Canadian yards has been at a low level this year despite the support available for the construction of Canadian flag vessels for domestic use. Employment has seriously declined and will continue to do so.

At the same time, the international market for ships has strengthened. Demand has more than doubled since 1965 and is now running at some \$15 billion a year on the world basis. The extension of Government assistance to the industry which I am announcing today is designed to help our yards share in this strong market.

To penetrate the international market it is important for Canadian shipbuilders to achieve lower unit costs. Multiple unit production is one of the ways to improve cost performance. To this end, the Government has decided on a temporary program of support for the building of ships for export.

### RATE OF ASSISTANCE

The program will apply to firm export orders received by Canadian shipyards prior to June 30, 1972. Support will be granted to shipyards up to an amount of 17 per cent of the audited costs of a ship built for export and under 40,000 dead-weight tons. For ships over 40,000 dead-weight tons the support will amount to 14 per cent of audited costs. The rate of this temporary assistance will decline after September 30, 1971 by ½ of 1 per cent a quarter. In determining the base for support, profits will be excluded. Detailed information as to the various conditions of Government assistance will be announced in regulations to be issued in the near future. The necessary approval of Parliament will be sought shortly.

I understand that as much as \$300-million worth of export orders, representing over 14,000 man years of employment for this mainly Canadian-owned and operated industry, may be available to competitive Canadian shipyards which can offer early delivery.

I trust that the Government's decision to give this special temporary support will help to maintain employment during the period until the domestic shipbuilding market strengthens. I hope that the activity generated will place our yards in a better position to bid for continuing export as well as domestic business. It is not intended that during the life of this program our industry should over-expand in relation to anticipated long-term demand.

I believe that the expected higher level of business will help our yards further to diversify their

production and reduce vulnerability to fluctuations in the demand for vessels. It is significant that a number of our yards are already producing efficiently a wide variety of heavy equipment.

In recent years Canadian shipyards have improved their competitive competence and product capability and have increased their productivity and lowered their costs. This process has been facilitated by Government policies directed toward the encouragement of a healthy and viable industry. The modernization of shipyards has been encouraged under the programs of the Department of Industry, Trade and Commerce, and support for such modernization and diversification will be continued....

## MOST PROVINCES IN MEDICARE

More than 95 per cent of the population of Canada is now included in the national medical-care program, the Minister of National Health and Welfare, Mr. John Munro, stated recently as the Federal Government made the first monthly advance payment to the Quebec Health Insurance Board in the form of a cheque for \$11,284,400 to Quebec's Health Minister Claude Castonguay.

Quebec, the eighth province to enter the national program, introduced its medical-care insurance plan on November 1. New Brunswick, Prince Edward Island, the Yukon and Northwest Territories are yet to enter the program from which more than 20 million Canadians benefit.

The Federal Government makes monthly advances to the provinces of 90 per cent of the amount of its share. At the end of each fiscal year an adjustment is made, based on the actual cost of the plan in each province. Until all the provinces and territories participate in the program, monthly advances are slightly adjusted when another province enters.

## PAY RAISE FOR ARMED FORCES

Mr. Donald S. Macdonald, the Minister of National Defence, has announced increases in pay and allowances for members of the regular and reserve forces, effective October 1, 1970.

In general, the increases amount to 6.06 per cent, varying with rank and occupation. Non-commissioned personnel, particularly corporals, received higher percentage increases.

The revisions, which apply to regular-force general-service officers of the rank of colonel and below, and to non-commissioned personnel, will cost the Department of National Defence some \$20 million in the fiscal year 1970-71 and \$39 million in 1971-72. Pay for officers of the rank of brigadier-general and above has been dealt with separately on the basis of comparisons with salaries of senior levels in the Public Service.

Increases in the basic rates for corporal range from \$28 a month in the less technical trades to \$43 a month in the more technical trades. Pay for a captain with two years in rank will be increased by \$41 a month and for a major with three years in rank \$53 a month.

Members of the reserve force will receive pay increases comparable to those approved for regular force personnel.

#### DIFFERENTIALS

A revision will be made in the established dollar differential whereby pilots and air navigators receive higher rates of pay than other general-service officers. Under the revision, the additional dollar differential for pilots in the rank of captain will remain unchanged at an average of \$207 a month and for major will be reduced by \$16 to an average of \$175 a month; for navigators in the rank of captain the monthly differential will be increased by \$20 to an average of \$186 and for majors reduced by \$3 to \$75. Lesser amounts will be paid to a lieutenant-colonel and colonel. The revisions are related to the average amount of flying carried out at each rank level whereby officers in the more senior ranks are required to fly less often than those at the junior rank levels.

#### SPECIAL ALLOWANCES

A review of the forces' special hazard and environmental allowances has resulted in changes to the special allowances paid to personnel serving in ships and submarines and to certain specialist tradesmen employed in aircraft.

An increase in the sea-duty allowance to \$60 a month for personnel serving in ships will be paid to officers above the rank of lieutenant and to men of corporal's rank and above. Officers of the rank of lieutenant and below, and men below the rank of corporal will receive \$30 a month. This compares to an existing allowance which ranges from \$15 to \$45 a month.

A submarine allowance will be paid at rates varying from \$60 to \$180 a month, compared to the present rates of \$45 to \$115 a month. The daily rate for specialist tradesmen employed in aircraft will be raised from \$2 to \$3.

There are no changes in allowances paid to personnel employed in diving and parachutist operations.

The purpose of these allowances is to attract, motivate and retain personnel where circumstances and conditions of hazard or adverse environment exist.

#### CANADA'S BREWING INDUSTRY

Canada's brewing industry spends more than \$2 million a year on quality control and research. The federal Department of Health and Welfare Food and

Drug Directorate has regulations widely recognized as strict and excellent, which are strictly complied with by all 43 Canadian brewers.

The brewers also co-operate with the malting industry in supporting the Brewing and Malting Barley Research Institute, which has developed better barley for making malt. They use the best quality of hops available from world suppliers and their brewmasters must meet high educational standards. This is reflected in the number of exceptionally qualified personnel employed by Canadian breweries.

Canada's brewing industry is becoming increasingly active abroad and, while not yet a large export, beer from a Canadian formula is now sold in most parts of the world. Actual exports from Canada, too, rose 16 per cent last year over the 1968 figure.

In Canada the brewing industry is just over 300 years old, although the oldest brewery long since became a showpiece for tourists, operated by Dow Brewery, which is part of Canadian Breweries Limited, Toronto. In 1668 Jean Talon, Intendant of New France, opened la Brasserie du Roi, now called the Talon Vaults, in what later became Quebec City.

#### VISITOR-IMMIGRANT PROBLEM

Mr. Otto E. Lang, Minister of Manpower and Immigration, has tabled in the House of Commons a report by Mr. Joseph Sedgwick, Q.C., on his inquiry into problems arising from the large number of visitors and other non-immigrants in Canada who apply for immigrant status.

Mr. Sedgwick, an authority on civil rights, recommends a number of legislative measures to "sensibly reduce" the legal recourse of those who pose as visitors to seek landed-immigrant status while in Canada. These would involve amendments to the Immigration Act and Regulations and the Immigration Appeal Board Act.

In summary, his recommendations are:

(1) That applicants for landed-immigrant status in Canada should be examined in the same way as if they applied abroad. If their application was rejected they would have the right to an inquiry by a departmental special inquiry officer. There should be no right to appeal - as at present - to the independent Immigration Appeal Board, except by leave of the Board; such leave should be given only in very special circumstances.

(2) That applicants in Canada who claim political asylum have either a right to apply for leave to appeal to the Board, on that ground alone; or, as an alternative, which Mr. Sedgwick said he would prefer, that such applicants have their status decided by the Minister of Manpower and Immigration, rather than by the Immigration Appeal Board.

(3) That a decision on security cases be taken by a Security Review Board, as proposed by the Royal

Commission on Security, and that jurisdiction over such cases be taken away from the Immigration Appeal Board.

(4) That as a temporary measure to deal with the backlog of cases before the Board, the Board review all pending appeals and allow to remain in Canada those who – in the Board's judgment – would probably succeed on compassionate or humanitarian considerations.

(5) That, to get rid of what then remains of the Board's backlog, *ad hoc* members be appointed temporarily to assist the permanent appointees.

#### ABUSE OF RULES

Mr. Sedgwick's appointment followed a continuing study by the Department, which showed that serious problems had arisen as a result of the abuse of the provision in the Immigration Regulations of 1967 providing a statutory basis for visitors in Canada to change their status to that of immigrants.

Mr. Sedgwick said that an increasing number of persons who expected to remain permanently in Canada were entering as visitors to avoid normal examination as immigrants at their place of origin.

The number of applications from visitors in Canada has increased from 28,000 in 1968 to 42,000 in 1969. Some 77 per cent of such applications are acceptable and cause no difficulty. "The acute problem," said Mr. Sedgwick, "is with the remaining applicants who do not qualify, many of whom intend to exhaust all their legal remedies before leaving."

This situation has created a serious backlog both in the processing of applications in Canada and in the hearing of cases by the Immigration Appeal Board. The time-lag between the making of a deportation order and the hearing of an appeal is now 18 months, and is increasing. Many applicants are successful before the Board because they have "entrenched" themselves in Canada during the waiting period.

#### WHITE PAPER ON INCOME SECURITY (Continued from P. 2)

Changes to the Family Income Security Plan from the present Family Allowances are self-financing by terminating the benefits to the more well-to-do families by making the benefits taxable.

Additional Canada Pension Plan benefits can be financed initially from the Fund – which has grown more rapidly than was originally anticipated – without an increase in the general contribution rate until after 1985. The effect of raising the maximum pensionable earnings ceiling will, however, mean higher contributions at the existing rate for most people whose earnings are above the present ceiling.

Until agreement has been reached with the provinces no estimate can be made of any additional social assistance costs.

#### MAJOR AIMS

The main thrusts of the Government's proposed policy for the coming years indicated in the foregoing changes are:

- (a) developing the guaranteed-income technique as a major anti-poverty policy;
- (b) a shift in policy, following this development, on universal payments involving a new Family Income Security Plan and changes in the Old Age Security Act;
- (c) strengthening and extending social insurance so that, combined with individual productivity and savings, it will keep the mainstream of the population out of poverty;
- (d) less reliance on social assistance through greater emphasis on both guaranteed income and social insurance;
- (e) federal desire to co-operate with the provinces and to help them improve their social assistance programs, to co-ordinate federal and provincial income security measures and in the total development of income security policies for Canadians.