

Canada's Program of Social Security

THE MARSH REPORT AND THE REPORT OF THE ADVISORY COMMITTEE ON HEALTH INSURANCE

By A. E. GRAUER

I

THE MARSH REPORT

THERE are three main points of view regarding social policy in Canada; first, the belief in free enterprise and the necessity of doing away with both war-time and peace-time restrictions on free enterprise; second, the view that socialism should be introduced as soon as possible; third, the belief that the system of free enterprise supplemented by state planning and some control is in the direct line of development of our social processes. The "Report on Social Security for Canada," prepared by Dr. L. C. Marsh for the Advisory Committee on Reconstruction, does not formally discuss its points of departure but implicit both in its title and contents is the third or "planning" approach to social policy. This is clearly shown on the title page opposite the Table of Contents for Part I which reads: "Social Security for Canada: The Requirements for Post-War Planning." This article will discuss the Marsh Report within the confines of its own point of departure and will be more concerned with the principles involved in planning social security for post-war Canada than with details of the Marsh Plan.

The Report is written as a preliminary report for a governmental advisory committee, and therefore ultimately for the benefit of governmental policy. A preliminary report of this type might be expected to do two things. First, it should meet the responsibilities of the planning approach by indicating how post-war planning for social security in Canada fits into the planning programme

as a whole. The part cannot be intelligently developed and delimited without relation to the whole. Second, it should outline the main policies and problems in the social security field as more narrowly defined, with a discussion of alternatives where they exist.

The Marsh Report an Instrument of Planning

The Marsh Report deals almost exclusively with the second of these, a limitation which is, to my mind, unfortunate.

If we are now entering the era of the Planning Revolution, as Julian Huxley has called it, then we must surely plan the planning. The social security plan must not reach out to do things which could be better done in other ways, and it must develop from what we have now. Furthermore, "social security," with its slogan of "cradle to the grave" protection, has unusual popular and therefore political appeal. The full Marsh Plan involves an admittedly heavy claim upon the national income. The hurried implementation of the full Plan might therefore mean pre-empting the national income unduly for "social security" as against less striking but perhaps worthier social claims.¹ The field of education, for instance, must be made a full partner in any significant discussion of social security. The potentialities of the educational system for democratic countries are enormous, and they are intimately connected with social security.

The social sciences in general have their contribution to make to a sound and enduring programme of social security.

EDITOR'S NOTE: Dr. A. E. Grauer, for many years on the staff of the Economics Department at the University of Toronto, is the author of the reports on "Public Health," "Public Assistance and Social Insurance" in Canada which were issued by the Rowell-Sirois Commission. He is at present with the electric railway system of his native British Columbia.

1. It is unfortunate that the term "social security" has achieved such currency. It is a dishonest term because it implies so much and it has raised expectations among low income groups far beyond its scope. The title of The Beveridge Report, "Social Insurance and Allied Services" gives a more correct description of the field.

For instance, the economic condition of full employment is admittedly necessary for the full Marsh Plan and economic considerations enter at many other points (e.g. financing, relationship to the taxing system, investment of social security funds). Psychology is given no recognition although the impact of the full Marsh Plan on Canadians would be such as to warrant serious thinking about the social psychology of social security. Again, there has been a striking development in the field of social work on this Continent, with an accompanying accumulation of valuable information on questions of insecurity, and techniques for constructively meeting the human situation created by insecurity.

The Marsh Report represents a quick jump from the idea of social insurance for industrial wage-earners to that of social security for everybody. The small body of welfare economists, who were our experts on social insurance, have assumed responsibility for a broad programme of social security with implications affecting our whole economy, social and economic. I do not decry the valuable contribution of the welfare economists in general and of Dr. Marsh in particular, who has done a splendid job under what must have been conditions of great pressure, when I suggest that our statesmen, before deciding upon "full" social security, should have the benefit of the integrated thinking of representative social scientists, including educationalists and health experts, as to the significance and scope of "social security" and its relationship to the requirement of post-war planning in general. The Government of Canada could do no greater service at this stage than to bring together representative figures from the various relevant fields for a year or more of continuous research and discussion designed to integrate our knowledge and shake down our thinking.

Raising the Social Minimum

Having noted the fundamental desideratum of the relationship of the Marsh Report to the Canadian programme of

post-war planning as a whole, we shall turn our attention to the full programme of social security which the Report advances.

The purpose of the full programme is to abolish poverty, and to this end it proposes several measures designed together to secure the "social minimum" for everyone. This concept of the social minimum is rather elusive. It is a materialistic concept postulating that everyone should get enough money to prevent want, but not enough to upset existing wage-rates and encourage anti-social habits like idleness. It would be interesting to have the views of educationalists, psychologists and other social scientists on the validity of this concept. It is obviously easier to keep benefits related to wage-rates than to human conduct. But even wage-rates are diversified in a big country like Canada with its significant regional differences, a point to which we shall return later.

The Plan advanced by the Marsh Report to achieve the social minimum may be divided into two parts, first, there is the conventional programme of social insurance; second, there are newer policies that have not been commonly implemented by western industrial countries in the past. The constituents of the former—unemployment, industrial accidents and disease, medical care, cash benefits for sickness, old age, permanent disability, widows and orphans, and maternity—have been successfully tested in other countries, at least as far as industrial workers are concerned. The aim of this programme has been to protect workers by social insurance against hazards which will not strike all of them and which fall with uneven impact when they do strike. The various parts of this programme also have the common characteristic that they do not represent new social costs, but simply the planned meeting of costs that are at present largely hidden.

Least important of the newer policies proposed by Marsh is provision for funeral benefits. As death is unavoidable for everyone, provision for funeral bene-

fits is largely planned saving for an inescapable contingency. There can be little objection to the state making provision for a socially desirable distribution of such planned savings but it is very doubtful if public finances should contribute. Public finances have more constructive objectives to carry. For instance, what farmer would not rather have state aid for electricity than for burial?

Children's Allowances

The most important addition to the conventional system of social insurance recommended by Marsh is children's allowances. The argument is that the maintenance of children is a continuous requirement which cannot adequately be met by many persons for a variety of reasons, e.g. irregular earnings and the fact that the wages system is attuned to productivity, not to the size of the family. The proposal in its complete form is to pay a monthly allowance of somewhere between \$8.00 and \$14.50 per month per child out of revenue from taxation for each of the 3,500,000 children under 16 in Canada, the allowances being paid to the parents; but there is a discussion of various alternatives for lowering the cost. The New Zealand Social Security Act of 1939, which is the only existing legislation requiring children's allowances for the whole nation, provides approximately \$1.50 per week for every child, payable only when the bread-earner is not otherwise receiving benefit.

A careful reading of Marsh and other advocates of children's allowances has not convinced this writer that the place of children in social security has been thought through. For instance, Marsh speaks of "the national value of healthy children" and Beveridge looks to children's allowances to increase the British birth rate, which he considers necessary. Healthy children are brought about by health measures in a broad sense, not by small cash payments to parents; and an increased birth rate has nothing to do with the social security of children. Few would disagree with Marsh's state-

ment "... children should have an unequivocal place in social security policy",—but it is difficult to see how children's allowances accomplish this end.

To my mind the proposal regarding children's allowances arises from the failure to put the social security programme in its proper setting, to which reference was made at the beginning of this article. The Marsh Report has approached the "unequivocal place" of children in social security policy simply as an extension of social insurance, and hence arrived at the universal cash benefit. If our general resources for attaining social security had at first been explored, would we not have arrived at an integrated, qualitative approach to children focused upon their specific needs? This is a big subject which can only be indicated here and the working out of which requires the getting together of qualified people from several fields. The point of departure would be our educational system, which would mean starting from what we have, and it would be very strange if educationalists, child psychologists, nursery school experts and experienced administrators of child welfare could not among them work out a much more meaningful programme for children, and at a lesser cost.

By way of example, let us look for a moment at what would certainly be one aspect of such a system, the addition of the nursery school to our public educational system. Educational and child psychologists stress the early years of childhood for their crucial formative importance, yet as a nation we have done nothing about this period. These are years in which the child forms attitudes not only of great consequence to his own future happiness, but of the utmost significance to the well-being of the democratic state; and contemporary history shows that the democracies need the support of the best educational system they can devise. Who, with knowledge of the nursery school, has not been impressed to see it take hold of youngsters of three, four and five whose environments have taught them no

respect for the rights of others, and transform those children through group techniques into well adjusted youngsters who as a matter of course respect the rights of others and know that they have duties as well as privileges? The nursery school, too, is the best sort of medium for taking care of the health, diet and other aspects of the child's welfare, while it would obviously be a godsend to the harassed mother with too many responsibilities.

Contrast this type of social policy and expenditure, focused directly upon the child, to the negative, onerous and indiscriminate paying out of small monthly cash allowances to parents. It will no doubt be argued that we can have children's allowances and all the rest too. But let us do first things first.

National Employment Programme

The remaining important addition of the Marsh Report to the conventional system of social insurance is its proposal for a national employment programme which is designed to "offer wages rather than subsistence maintenance to the farthest extent to which it is possible." Besides this basic permanent function, the works programme is advanced as having a special place in the transitional period of six months to three years which Dr. Marsh sees between the end of the war and the time when the peacetime demand for labour will have been built up to present war-time levels. The works programme, then, is the positive proposal of the Marsh Report for maintaining the full employment which is assumed for the purposes of the rest of the Report. Full employment in the Marsh Report means substantially that required by the roughly eight billion dollar national income of to-day.

The national employment programme is distinct from the rest of the Marsh Plan in that its validity rests upon purely economic grounds. It is a proposal full of complicated inter-actions with both national and international economic structure, and of great significance for

good or bad to the national credit. It cannot be said that there is substantial unanimity among economists or even a consensus of opinion about the feasibility, content and effects of such a plan. A great deal of work has been done from a variety of approaches by economists of many nations on measures to offset depressions and to achieve full employment. A works programme is one approach.

What is so obviously needed is the bringing together of representative economists from various nations for as long as is needed to integrate present thinking and to do necessary research. No problem is more important to our democratic way of life, and these economists should have no other duties until they have made their report. What we are getting now is largely the efforts of individual economists working under the pressure of a multiplicity of demands upon their time. That is not good enough. This problem is so vital and has so many ramifications that it demands the undivided and sustained attention of a representative group of the world's economists. A report or reports from such a source would have great authority and would be of the utmost aid to social policy. Failing such a report, and in any case supplementing it from the point of view of Canadian peculiarities, Canadian statesmen will want to bring together a representative group of Canadian economists. This might be difficult under war-time conditions but no problem is more important for the immediate post-war period.

It should be noted in passing that the Marsh Report rightly stresses international collaboration in the development of a works programme. Canadian statesmen will no doubt appreciate that international collaboration is basic to the whole concept of social security. The social security of Canada is only as secure as the ability of international society to control the causes of wars and the causes of depressions. This is another and fundamental aspect of the broad setting in which social security must be viewed.

Universal Coverage

In its treatment of the more conventional programme of social insurance the Marsh Report makes an important recommendation regarding coverage. A distinction is made between the "universal risks" like medical care and old-age retirement, and the "employment risks." The proposal is to cover substantially all citizens against the universal risks. This will largely meet the oft-heard objection that social insurance pampers the industrial wage-earner and ignores the farmer. There are other approaches to the security of the farming population which are no doubt being studied by agencies of the Dominion Government, but few will deny the validity of having the broadest possible coverage for medical care, permanent disability, old-age retirement and widows and orphans.

Regional Differences

The question of regional differences in a country of the size and diversity of Canada, presents many thorny problems. Even within provinces the differences are striking as, for instance, between the relatively prosperous counties of the St. John river valley in New Brunswick and the poor counties of the north and east; while the further complication exists of depressed areas requiring reconstruction or the resettlement of their inhabitants. The Marsh Report recommends graduated benefits for the "employment risks," which would tie them in with regional wage-rates, and flat-rate benefits for the "universal risks." The difficulty with such a system is that the minimal flat-rate benefits will be relatively ample for some regions, while obviously meagre for others. This will immediately set up political pressures for increases, and as all the universal benefit plans are to be administered by the Dominion, the increases will from a political point of view have to be nation-wide.

The possibilities of new political pressures under the Marsh Plan loom large

and this is, of course, a serious consideration for the healthy functioning of a democracy. There would not only be regional pressures, but pressures on the concept of the social minimum. The social minimum is advanced by the Marsh Report as almost something static, which the nation achieves as soon as the full social security plan is in operation. There is little likelihood of the social minimum being static under the play of political pressures. Experience on this Continent with pressure groups has not been happy, which is probably one of the reasons why the new social security bill in the United States, the Wagner-Dingell Bill, proposes to finance itself by contributions from employers and employees, (6% each on payrolls). There are no easy solutions to this question. A reasonable measure of direct contributions by those covered and an awareness of the possibilities of social planning in other directions than distributing cash benefits are perhaps the best safeguards.

II

HEALTH INSURANCE REPORT

The publishing of the "Report of the Advisory Committee on Health Insurance," under the chairmanship of J. J. Heagerty, Director of Public Health Services, Department of Pensions and National Health, draws attention to the fact that the biggest single measure in the Marsh Plan, medical care, is ready for implementation. The Heagerty Report incorporates its proposals in a Draft Bill for enactment by the Dominion and each Province, respectively.

This Report, of some 550 pages, does not contain a discussion of the considerations which led to the decisions incorporated in the Draft Bill nor does it deal with important financial aspects of the programme such as the method of arriving at the \$26.00 per year basic contribution. For these, one must go to the testimony of the Honorable Ian Mackenzie, Dr. Heagerty, and Mr. A. D. Watson before the Sub-Committee on Social Security.

Coverage

The Draft Bill does not purport to cover permanent disability or cash benefits for sickness, which it believes are better fitted into other measures of social insurance, but it provides coverage for all persons resident in Canada for complete medical care including specialists, hospitalization, nursing, drugs and dentistry up to the age of sixteen, which is all that the existing supply of dentists will allow for. In addition, the Bill stresses prevention, makes provision for the closer integration of medical care and public health, and for a substantial expansion of the latter.

In all these respects, the Marsh and Heagerty Reports find themselves in complete agreement. And Dr. Heagerty's testimony before the Special Committee on Social Security would indicate that the Canadian Medical Association is in substantial agreement too. This represents a resilient and co-operative attitude on the part of the medical profession which is most commendable and in direct contrast to what has been that attitude of the profession in the United States.

Aside from its constructive importance to the national health, health insurance was cast by the Marsh Report as the administrative backbone for the "universal risks," just as unemployment insurance is for the "employment risks." Canada would therefore be building its programme of social insurance on a sound foundation if it followed unemployment insurance with medical care.

Dominion-Provincial Relations

It should be noted that of his proposals for new legislation, medical care is the only one that Marsh assigns to Provincial administration, and even here he favours concurrent Dominion-Provincial jurisdiction "to assure uniformity in a field which is of vital significance for all future social security planning." The Heagerty Report leaves jurisdiction with the Provinces but depends upon the Dominion Government to bring about Dominion-

wide coverage by two types of conditional grants, first, for specified public health purposes; second, for the medical care Fund. To obtain these grants, each Province must enact legislation "for the economic and efficient use" of both grants. The second type of grant runs counter to the Rowell-Sirois findings against Dominion conditional grants for major and continuing Provincial purposes; the first type was acceptable to that Commission.

Although neither the Heagerty Report nor the Marsh Report refers to it, their proposals again raise the whole question of Dominion-Provincial financial relations. Nothing has since happened to change the Rowell-Sirois conclusion that the various Provinces have a highly uneven capacity to meet expenditures on social welfare. The Heagerty Report as it stands, could place heavy responsibilities on the Provinces. Along with the question of financial capacities, the matter of jurisdiction should be settled. The Marsh Report advocates Dominion responsibility for at least seven measures of social insurance now within Provincial competence. What is needed is another Dominion-Provincial conference on the Rowell-Sirois recommendations and the appropriate jurisdiction for the various measures of social insurance.

Administration and Finance

The problems of organizing and administering health insurance will be great. Just how great may be visualized when it is remembered what superhuman efforts attended the launching of unemployment insurance, and when it is realized that the problem of launching medical care will be several times as big. The evidence of Mr. A. D. Watson before the Special Committee on Social Security was that it would be beyond the personnel and administrative resources of Canada to put into force more than one type of social insurance at a time. Medical care will undoubtedly be the most difficult type of social insurance to organize and administer, and a consideration of the Draft Bill's proposals regarding contribu-

tions and collections leads one to wonder if they would not make a difficult problem an impossible one.

Besides the Dominion and Provincial Governments, the Draft Bill provides for contributions from "employed insured persons" (i.e. wage-earners), "assessed insured persons" (all others), and employers. The basis of arriving at contributions from employed insured persons has been criticized for being complicated², and the method of computing contributions of assessed persons is even more so. It involves the annual computation of each contributor's real and personal property and the income thereon. The methods of arriving at the contributions of the employer and the Province respectively, are also complicated administratively because they are based upon possible deficiencies in the individual's contribution. The Marsh Report recommends strongly that every male contributor should be required to pay the same rate and that this rate should cover the wife, unless she is a wage-earner, and all children. The Draft Bill agrees, in essence, about the flat rate but makes a distinction between "children" and "dependents," the latter being chiefly the wives of contributors. It provides that a contribution must be paid on behalf of a dependent but

2. Canadian Welfare, April, 1943.

not of a child. From the social and administrative points of view, Marsh appears to be on the stronger ground.

From the point of view of the social security field as a whole, the Marsh and Heagerty Reports each has its place but neither should be regarded, nor is intended to be regarded, as the final word. The Marsh Report represents the valuable general contribution of the welfare economist whose objective is to provide against poverty by a logically complete system of benefits. It does not attempt to discuss or evaluate valid alternative claims upon the national income, some of a more constructive nature. The Heagerty Report deals specifically with the most important single measure of social insurance to be enacted and advances its findings to the point of a Draft Bill. This Draft Bill should be thoroughly discussed by interested parties, and Dominion-Provincial financial and constitutional matters should be cleared; but there would appear to be no reason unduly to delay the enactment of health insurance. Its successful execution, aside from considerations of health, will contribute materially to our resources of knowledge, personnel and administrative experience which we now lack to such a degree as to make the immediate implementation of the full Marsh Plan almost foredoomed to failure.

The Beveridge Report

By MARGARET BONDFIELD

THE Beveridge Report is undoubtedly a great state paper, and it deserves all the praise that has been showered upon it. But it is also an extremely practical document. It is not sufficiently realized, I think, how much of social service has already established itself in Great Britain. I have taken part in the campaigns for these services so that I can say confidently

that in every case the Acts of Parliament were preceded by campaigns throughout the country which had an educational value for the citizens, especially those directly affected.

The Workmen's Compensation Act of 1897 at first applied to a limited number of occupations and was made general in 1906. Its administration was left by employers largely to the insurance companies with whom they insured against the risk of accidents in the works, and

EDITOR'S NOTE: The Right Honourable Margaret Grace Bondfield is the well known trade unionist and labour leader. Miss Bondfield was Minister of Labour for Ramsay Macdonald's second Labour Cabinet from 1929-31.