



## **The Underfunding and Accountability Crisis in Canada's Community- based Social Service Sector**

**As amended by participants at  
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Service Conference  
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*Our most vulnerable citizens are hurting.  
So are those who work hard to help them.*

## SUMMARY

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THE PURPOSE of this paper is to examine the current state of the community-based social service sector in Canada. We provide a broad overview of the range of services and programs that the sector offers to the population it serves. We outline the challenges that community-based social service workers face in trying to provide quality care in a system in turmoil from over a decade of serious underfunding.

A GENERATION of Canadians, beginning in the 1960s, worked hard to build a strong network of social services in communities across the country to serve our most vulnerable citizens—a network built on the values of caring and sharing. But this network is crumbling and, as a result, many Canadians are being left behind to live in poverty and social exclusion.

The federal government led the way in creating the crisis through its massive cuts in transfer payments. The provinces chose, or were forced by those budget cuts, to follow suit. Municipalities had to revamp delivery of their portion of social services

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as they dealt with off-loading from the federal government to provinces and from provinces to those same municipalities. It has fallen to the community agencies and ultimately to individuals and families to pick up the pieces.

SOCIAL SERVICE WORKERS have also paid a huge price for this massive withdrawal of funding. Their daily experience includes work intensification and the devaluation of that work, increased health and safety risks, low wages and few workplace benefits. On-the-job stress is reaching epidemic proportions as workers try to cope with larger caseloads and increased demands from the individuals they serve. All the while services are being gutted and workers have to deal with the ongoing fear of job loss.

This paper assesses the state of public funding for Canada's community-based social service sector and examines what led to the severe funding crisis that has been experienced. We explore the extent and impact of changes to federal / provincial funding arrangements that were

made in 1996. These changes ended the federal government's commitment to share equally with the provinces the costs of providing social assistance and social services, and eliminated national standards in the provision of social service programs.

We present a strong case for a return to direct federal funding and national standards for the social service sector, as well as the establishment of provincial funding principles in the provision of social services and programs. We conclude with a number of recommendations on how this can be achieved.

MONITORING and reporting on changes in the social service sector across Canada for the last decade and a half has been a key activity for the National Union<sup>1</sup>. This paper is part of that ongoing work.

Our first major policy document dealing with these questions was a national study produced in 1994. It was in reply to the federal government's January 1994 invitation to Canadians to respond to the *Discussion Paper on Social Security Reform*.



## OVERVIEW:

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### HUGE HOLES

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### IN CANADA'S

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### SOCIAL SAFETY NET

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Those Canadians most in need have suffered greatly from Ottawa's withdrawal of direct funding from the social service sector since 1996 and the subsequent cuts made by provincial governments. There are serious gaps in our social safety net. The need for a range of social supports and services in communities is growing in all regions, but funding shortfalls are leaving many vulnerable people desperate for the care they need to live a quality life.

To place the massive social spending cuts of the last 12 years into context, and to show the extent of the human anguish they have caused, it is helpful to provide an overview of the existing social service environment.

Individuals and families have become poorer and many lack the financial resources to meet basic needs. This is due in large part to significant and regressive changes to social assistance programs in most provinces over the last decade and a half.

More stringent eligibility criteria, reductions to benefit rates, and various administrative controls (fraud prevention and detection) have become the norm. Several provinces have also chosen to introduce American-style "workfare" programs, characterized by short-term job

placements and wage subsidies, rather than providing education, training and subsidized child care. In 2002, British Columbia became the first province to end the entitlement to welfare by introducing benefit time limits and requiring immediate work for employable individuals. As a result of these changes, there are sharp rises in the number of individuals who face hunger, homelessness and substandard housing.

There is less support available for vulnerable individuals and families than there once was. Cuts have been made to many services and programs that help those who need consistent and quality intervention to avoid crisis and live independently. Funding reductions to community services have meant fewer resources and programs for disadvantaged populations.

Many individuals who have taken steps toward self-sufficiency and independent living cannot get the support they need, and as a result are unable to overcome the barriers they face. For example, while policies for keeping children with their families have resulted in fewer apprehensions, cuts to supportive programs for at-risk families also mean that more of those children are suffering.

The erosion of social supports and services has had a disproportionate impact on women and children because they constitute the majority of consumers for community-based social services. (It's worth noting that women constitute the majority of service providers in the sector.)

Funding for transitional services, shelters and rape crisis centres has been severely curtailed and, in some

cases, service providers have been forced to close their doors. Eligibility for legal aid in most provinces has been reduced and women in abusive situations often find it difficult to get legal aid unless there is undeniable evidence of physical abuse.

Child care funding and subsidies have been cut in many provinces and, with the expansion of for-profit care, there has been a huge increase in the costs for families to obtain much needed care for their children.

Services and support programs for those youth with high needs but at medium risk are overburdened and often lack the resources to handle the demands of a high caseload. As a result, many medium-risk youth and their families move into the high-risk category.

The number of individuals with developmental disabilities who need community services is increasing steadily. Medical advances have resulted in increased survival rates for children with developmental disabilities and longer life expectancies for adults with developmental disabilities. Aging parents are struggling to keep their adult children at home. People with these disabilities face unique issues as they age — issues that the medical community is struggling to understand. Thousands of people are not receiving the services they need. In Toronto alone, there are more than 2,200 people with developmental disabilities on waiting lists for community supports and services.

The push to deinstitutionalization has forced the closure of mental health institutions, but most of the

"saved" dollars have not been reinvested in providing community mental health and residential services. As a result, many vulnerable citizens are forced to live on the streets or become "re-institutionalized" as inmates in correctional facilities. The profile of Canada's inmate population is dramatically changing as the result of increased incarceration of people with mental health problems and developmental disabilities.

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## A DECREASED

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### CAPACITY TO CARE

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Community-based social services in every province have experienced a reduced capacity to provide care. In trying to deal with off-loading from the federal government, provinces have shifted responsibility for social service delivery to community agencies, but with little in the way of accompanying resources. Some provinces, in recent years, have provided small funding increases to the community sector due to the increasing demand for support and services, but these increases have not come close to addressing the years of chronic underfunding that the sector has experienced. In a comprehensive survey of Canadian social service organizations, completed in 2003, at least 70 percent of agencies that receive government support reported major problems with underfunding. This was related to reductions in government funding, the unwillingness of funders

to support core operations, and an overreliance on program funding.<sup>2</sup>

The sector has been forced to deal with new funding arrangements that have seriously impeded its ability to provide vital support and services. One of the new funding models that is being extensively used in several provinces is "individualized funding" (IF), where governments provide direct funds to individuals and / or their families to purchase services and programs in the "market". IF has been associated particularly with several types of supports and services for persons with developmental and physical disabilities, as well as to children and seniors.

The irony is that IF is being promoted as a "client-centred" approach but it actually creates instability among the very social services and programs that are available to individuals to "purchase" with their IF dollars. Agencies are forced to compete for those dollars and develop services based on individualized funding. The services, however, have little stability because their existence is always dependent on maintaining "individualized funding", which is provided on a short-term basis and subject to renewal.

In 2003 the Canadian Council on Social Development (CCSD) released a study providing an in-depth examination of how the voluntary and non-profit sector in Canada are coping after a decade of cost-cutting and restructuring by governments.<sup>3</sup> It found that community agencies are being forced to seek out alternative financial support because their funding is increasingly unstable. One of

the central themes documented in the study was a national trend toward funding "programs" rather than funding "agencies to deliver programs". The study noted that the shift to funding individuals and / or programs, as opposed to direct funding of service agencies, has resulted in instability and increased stress among service providers as they struggle to compete for funds to maintain their base operations.<sup>4</sup> The ability to hire and keep qualified staff is also constantly undermined by the short-term and unstable nature of the funding.

These findings were reinforced in a May 2004 study by the Community Social Planning Council of Toronto, which analyzed the impact of governmental underfunding practices on community agencies in the Toronto area.<sup>5</sup> The study concluded that most government-funded programs operated by community agencies do not receive the necessary funds to cover the complete costs of program operation. This causes the agencies to run deficits. In order to cover the shortfall in program funding, many agencies have to fundraise to stay afloat, which takes time and staff resources away from service delivery. The study also noted that fundraised monies are the most precarious and vulnerable of all revenue sources for community service agencies. The amount raised varies significantly from year to year, and requires extensive staff and volunteer effort. Because fundraised dollars are not sustainable, they cannot be used to fund staffing or any other ongoing costs of providing support and services.

The Social Planning Council's research identified the three most significant areas of systemic government underfunding – employee benefits, front-line supervision and core organizational functions.

Unfortunately, staffing is the only variable that agencies can adjust in the face of rising costs. Such expenses as rent, insurance, utilities, audit and office supplies and equipment are all beyond their control. As fixed costs rise and funding fails to keep pace, agencies often are forced to reduce staffing to balance their budgets. The irony is that human resources are the most important component in an agency's capacity to provide a quality social service or program.

The chronic underfunding of the community-based social service sector is characterized by inadequate, unstable, short-term and patchwork funding practices by government. This must be challenged and addressed if communities are to rebuild their capacity to care.

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## **T**HE IMPACT ON COMMUNITY-BASED SOCIAL SERVICE WORKERS

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There are close to 300,000 community-based social service workers in Canada. They are employed in approximately 19,000 social service organizations. These organizations account for 12% of the country's non-profit sector.<sup>6</sup> Up until the 1990s community-based social services

were almost exclusively non-profit, but in recent years there has been a growing presence of the private for-profit sector.

Statistics Canada does not provide a clear definition of the sector and therefore precise data on union density does not exist. However, based on membership numbers from the three national unions recognized as organizing in the sector, it is estimated that just under half of the workers are unionized. The National Union has one of the largest memberships, along with CUPE and SEIU. Because of its fragmented and diverse structure, community-based social service is one of the least unionized areas in the public sector, which overall has a union density rate of 75 percent.

Workers in this sector are among the lowest paid members of Canada's labour force.

Community-based social service workers certainly don't do this work to get rich. They are dedicated and care a lot about the people they serve. Although their work is greatly undervalued in an economic sense, what they do matters to the people they support, to their families and the community. The difference these workers make in people's lives is immeasurable but the conditions in which they toil are becoming increasingly intolerable.

At best, the work can be described as precarious. Many in the sector are employed either on a contract, temporary or part-time basis. To make a living in this low-wage sector, some travel long distances to work for two or more agencies. It is not

uncommon for these workers to be given notice of possible layoff every year because of insecure funding in their agencies.

The workforce also tends to be transient, with many young workers entering the sector as a stepping stone to better paid and more secure employment. For those who have several years of experience, there is often little prospect of training or advancement. Full-time employment is continually being threatened as agencies respond to funding pressures by converting full-time employment positions to part-time, casual or contract positions.<sup>7</sup> This has a destabilizing effect on workers and services because the increased casualization of the work compromises the ability of agencies to provide consistent, high quality services.<sup>8</sup>

Most community agencies receive little government funding to pay benefits or provide pension plans to their workers. If workers are fortunate enough to receive benefits, it is most likely because they are unionized; however, their benefit packages tend to be modest compared to other sectors.

Workers in the sector are increasingly experiencing health and safety risks. Violence in the workplace is on the rise because some individuals that the workers support are prone to behavioural outbursts. Workers are often left to work with them alone. Some physical environments are not healthy and workers find themselves having to serve individuals in cramped spaces with little or no privacy.

Overwork and burnout have become common occurrences. A 2002 McMaster University study documented how workloads and health risks have increased dramatically in this sector as a direct result of reduced funding.<sup>9</sup> This is but a brief sketch of the fragile state of the community service sector in Canada in 2007. Unquestionably, the system is failing Canadians because it does not have the resources to provide adequate and quality care to our most vulnerable citizens. Workers manage to hold the system together by its threads but they are crumbling under the stress of a serious underfunding crisis.

It's time that governments confront this reality and commit to reinvest in our capacity to care. In order for that to happen, it's important to examine and fully understand how we arrived at this sorry state of affairs.

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## THE ROLE OF THE FEDERAL GOVERNMENT IN SOCIAL SERVICES PRIOR TO CAP

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Prior to the creation of the Canada Assistance Plan in 1966, social assistance programs varied greatly across the country. There were very few community-based services and programs available to support vulnerable citizens.

Most programs that did exist were intended only for the most "desti-

tute", who were referred to as the "deserving poor". These programs were usually run by churches and relied on charity as the primary funding base.

It wasn't until the 1950s that the federal government began to play a real role in the social service sector, albeit one limited to the provision of social security. The first piece of legislation that involved the federal government was the *Old Age Security Act*, which was introduced in 1951 and took effect in January 1952. This Act established a federally funded pension for all men and women 70 years of age and over. This was in addition to the *Blind Persons Act* of 1951 and the *Disabled Persons Act* of 1954, which shared the costs of allowances to blind people and severely disabled adults between the federal and provincial governments. The last piece of federal income security legislation to be enacted in the 1950s was the *Unemployment Assistance Act* of 1956, which covered some of the poor who were ineligible for the other three federal programs.

During this period provincial or local governments administered their own social assistance programs, mostly limited to poor single mothers or other people who had "temporarily" fallen on unfortunate times. Public assistance was far from adequate and having to rely on it was a demeaning experience. Programs were not well administered and were fragmented by residency requirements among municipalities, the host province and other provinces. These programs were really a remnant of the old British Poor Laws of the 1600s.

The 1960s brought significant reform. The biggest advance for seniors was the federal government's Guaranteed Income Supplement (GIS), introduced in 1967 as a temporary measure to further reduce poverty among seniors. The GIS was part of the Old Age Security program and provided low-income pensioners with additional money. It was income-tested, meaning that as income increased, the amount of the supplement declined.

For those people under age 65 who were in need, the federal government introduced the *Canada Assistance Plan Act* in 1966 to replace the patchwork of programs operated and funded by different levels of government.

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## CANADA ASSISTANCE PLAN:

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### THE NATIONAL SOCIAL SERVICE BUILDING BLOCK<sup>10</sup>

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The Canada Assistance Plan (CAP) was the most significant social policy instrument in Canada's history. Established in 1966, CAP was a federal / provincial fiscal arrangement whereby Ottawa provided provincial governments with fifty cents for every dollar they spent within the social service sector, subject to certain standards. CAP was used to create a national network of social services and income assistance for Canada's vulnerable citizens. CAP provided the basis for a major growth in the social service sector in the late 1960s and throughout the 1970s and 1980s.

The "federal 50-cent dollars" provided provincial governments with a significant incentive to expand social security, services and programs to protect those vulnerable citizens who were not able to fully participate and benefit from economic growth taking place in our country.

There were six standards specified in the CAP legislation and they were included in all cost-sharing agreements that the federal government signed with the provinces under CAP. The standards were as follows:

- *Accessibility* – Provinces were obligated to provide financial aid or other assistance to any person in need.
- *Adequacy* – Provinces were obligated to provide an amount that is consistent with a person's basic requirements. CAP defined basic requirements as "food, shelter, clothing, fuel, utilities, household supplies and personal requirements."
- *Universality* – Provinces could not impose a residency requirement as a condition of eligibility to receive or to continue to receive assistance.
- *Accountability* – Provinces had to provide federal authorities with detailed information and statistics (caseloads, expenditures, program changes, etc.)
- *Right of appeal* – Provinces were obligated to provide a procedure for appeals for applicants who were denied assistance from social service agencies.
- *Right to refuse work* – Provinces could not impose a requirement that recipients of assistance work

in a federal-provincial cost-shared work project.

Although these were minimum national standards, they provided basic entitlements. For the first time, social assistance was available to all Canadians who were unable to provide for their own needs, regardless of where they lived. For the first time, people who disagreed with decisions impacting on their basic economic security were guaranteed by law a right of appeal. Finally, CAP, while not barring workfare completely, put a definite chill on it.

Under CAP any provincial government that violated the standards could be sued and the federal government could also face litigation for failing to require the province to meet CAP's national standards. Ottawa could also withhold funding from provinces that did not meet those standards.

In each of the final four years of CAP funding (1992-93 to 1995-96), the federal government provided over \$7 billion toward the costs of social assistance and social service programs across Canada. Ottawa's payments for CAP were close to \$7.9 billion in 1995-96.

Approximately 80 percent of CAP funding went to pay for half of the provincial costs of social assistance, and the other 20 percent helped fund an array of social services and programs provided in the community, including:

- adoption services;
- casework, counseling, assessment and referral services;
- community development services;

- administrative services related to the delivery of social services;
- homemaker services for the elderly;
- attendant services for people with disabilities;
- rehabilitation services, including life-skills training;
- child care services to assist parents with the care of young children;
- child protection services;
- preventive services that children receive in their own homes;
- services to assist unemployed persons to enter or re-enter the workforce;
- respite services to assist parents caring at home for children with severe disabilities;
- services to assist women to get out of violent and abusive relationships, such as shelters and transition homes;
- assistance in covering the costs of medically-prescribed diets and devices;
- legal aid in poverty law and family matters; and
- consulting, research and evaluation of social service programs.

CAP provided a real incentive for provincial governments to expand social services and programs to protect their most vulnerable citizens. CAP funding was provided to the provinces only as a reimbursement for actual expenditures. That meant federal money could not be diverted to support other initiatives and it ensured a measure of accountability.

CAP began to unravel in 1990 when the federal budget speech an-

nounced a "cap on CAP" in the three wealthiest provinces: Ontario, Alberta and British Columbia. The budget strictly limited increases in Ottawa's share in the three provinces to not more than five percent a year. Any increases above that figure had to be covered by the provinces themselves. The recession of 1990-91 led to a huge increase in social service spending and by the 1992-93 fiscal year, the federal share of CAP was down to 28 cents on the dollar in Ontario and 36 cents in British Columbia. Alberta was not as negatively impacted because it had, and continues to have, the lowest social service spending per capita in the country.

Despite its limitations, CAP provided help to millions of Canadians. It ensured that the sharing and caring values of Canadians were well integrated into our country's overall prosperity. CAP also provided a strong signal that the state had a collective responsibility for the well-being of all citizens.

Between 1977 and the federal budget of February 1995, CAP remained in place to fund social services, but the federal government moved to financing health care and post-secondary education under a block funding arrangement known as Established Programs Financing (EPF). The EPF was based on a formula tied to economic growth as measured by increases in the gross national product (GNP).

The federal government's contribution under EPF was a combination of cash transfers and "tax points". When EPF was introduced in 1977,

Ottawa provided the provinces with a one-time transfer of tax points – agreeing to reduce its corporate and personal taxes, while the provinces raised theirs by the same amount. Each year the federal government would calculate its total commitments to each of the provinces under EPF. It would then calculate the amount of money raised that year through the transfer of tax points and subtract that amount from its total EPF commitment. The remaining amount constituted the cash transfer provided to each of the provinces.

## A GIANT STEP

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### BACKWARDS IN

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### CANADIAN SOCIAL POLICY

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Finance Minister Paul Martin's Budget in February 1995 introduced a new era in the funding of social services in Canada.

The federal government unilaterally announced the end of CAP and the EPF. They were replaced by a loose "block funding" arrangement that would cover the total federal funding for health care, education and social services.

This new fund was introduced as the Canada Social Transfer, but was renamed the Canada Health and Social Transfer (CHST) by the time its legislative framework was introduced in Parliament three weeks later.

The implementation of the CHST resulted in profound changes to both

the standards for social service programs and the levels of federal fiscal transfers to the provinces that help to pay for them.

There were immediate federal transfer cuts totalling \$7 billion in the two years beginning in April 1995. That was the beginning of what has become a 12-year assault on the funding of health care, post-secondary education and social services. It was social services that bore the brunt of the cuts.

This CHST was a consolidated federal block fund and it meant that there were no longer dedicated federal dollars earmarked for social services or national standards that directed how social service money is spent.

The elimination of the CAP program and its "federal 50-cent dollars" for social service spending in favour of the CHST was the most significant factor leading to the current crisis in Canada's social service sector.

At the time of its introduction, the National Council of Welfare described the CHST as "*the worst social policy initiative undertaken by the federal government in more than a generation.*"<sup>11</sup> The Council's 1995 description has proven to be an unfortunate reality.

In 2004, the federal government separated the CHST into two different funds—the Canada Health Transfer (CHT) and the Canada Social Transfer (CST). The CHT provides federal funding for health care and the CST provides federal funding to the provinces for post-secondary education, social assistance and social services.

The CST, however, is still a block fund with the provinces having complete authority for determining how the federal funds are distributed.

## **T**HE FINANCIAL IMPACT OF

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### MOVING FROM COST-SHARING

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### TO BLOCK FUNDING

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The immediate impact of the introduction of the CHST in 1995 was profound. In the first two years nearly \$7 billion was cut from federal cash transfers to the provinces. This represented an overall decrease of 15 percent in federal support.

Since provincial governments are not required to report how the CHST (and now the CST) cash transfers are allocated, it is impossible to determine precisely what share of the block fund is spent on the social service sector. There are, however, a number of observations, which clearly show how the CHST/CST federal block funding arrangement has had a disastrous effect on social service spending and delivery in Canada.

The first observation relates to the formula for determining the amount of the block fund, which is, in part, based on economic growth in the country. It's difficult to imagine a worse mismatch than using economic growth to determine how much money should be spent on social services and programs.<sup>12</sup> Such a formula creates funding inequali-

ty for the social service sector because its spending demands run counter to economic growth. Demands on social services are generally triggered by higher unemployment and increased poverty, which is caused by a slowdown in the economy. It would seem more logical that a social service funding formula should be based on actual demand and cost generated by unemployment, rather than on economic growth.

An examination of the long-term impact of moving from a cost-sharing arrangement to a block funding arrangement clearly shows the damaging impact it has on the social service sector. The National Council of Welfare first observed this in 1995. The council compared actual federal spending under the CAP with the federal spending that would have taken place if CAP was a block funding arrangement similar to EPF. The results showed that the provinces and territories would have lost \$19.4 billion in federal social service spending in the 18-year period following 1977.<sup>13</sup>

It is also possible to calculate the financial impact of the CST (and its forerunner CHST) on the social service sector since its introduction in 1996. Based on the approximate share of total transfers allocated to social services prior to the implementation of the CHST and the CST, it is estimated that the sector has experienced a cumulative loss of nearly **\$38.5 billion** in the last 12 years. (See Table 1, page 16.)

In order to restore federal funding for social services to 1994-95 levels, which was the last year of federal

CAP funding, Ottawa would have to provide an immediate annual increase to the provinces and the territories of approximately \$3.2 billion.

The federal cash contribution available to social services in 2006-07 is 40 percent lower than it was in 1995-96. Federal per capita spending on social services has decreased by 46 percent since the elimination of CAP funding – it was \$146 per person in 2006 compared to \$269 per person in 1995. (See Table 2, page 17.)

This 2006 amount is the lowest level of federal cash investment in social services in the past 20 years – 0.33 percent of GDP in 2006 compared to a high of 1.08 percent in 1993. (See Table 3, page 17.)

Until the March 2007 budget the federal government argued that it also provided direct support to Canada's social service sector through a transfer of "tax points" to the provinces. It argued that while the cash portion of transfers had fallen, the value of tax points transferred to the provinces had increased.

The reality is that tax points, which form a part of the CST, were transferred to the provinces for use in post-secondary education in 1977 with the introduction of EPF. Tax points never covered social services because those services were always funded by CAP, the federal cost-sharing arrangement, until 1996. The March 2007 federal budget also recognized this by removing the value of the tax points from the amount of the CST and converted it to a straightforward equal per capita cash transfer.

The 2007 federal budget also announced that the federal government will now earmark 75 percent of CST funds for social services and social assistance. However, without national standards or conditions attached to the CST, the new formula will have no real effect in ensuring increased funding for social services. This is especially obvious given the budget provided \$1 billion in new funds to the CST, of which the federal government dedicated 80 percent to post-secondary education. In reality, there is no accountability for the increase of \$1 billion a year in the CST. And it did not take long for Quebec Premier Jean Charest, seeking re-election, to declare he would use the increased federal CST transfers to fund a \$700 million tax cut.

It is worth mentioning that this analysis does not likely represent the worst-case scenario for federal cuts to social service spending during the past 12 years. Unlike CAP, the federal CST (and its forerunner, the CHST) places no obligations on the provinces to direct the funds toward the costs of providing social assistance and social services. Provinces are free to spend the money as they see fit. One of the impacts of lumping federal funding for social services, health care and post-secondary education into a block funding arrangement is that it has created a public hierarchy amongst the three sectors.

Our public health care system is a touchstone for Canadians because it has an impact on each of us. Everyone at some point will utilize the health care system and it is not surprising that health spending has

**TABLE 1**

**Estimated Federal Cash Transfers for Provincial Social Service and Social Assistance Programs 1995-96 to 2006-07 (\$,000)**

	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07
<b>CAP</b>	7,885	---	---	---	---	---	---	---	---	---	---	---
<b>Total CHST Cash Transfer</b>	---	14,742	12,500	12,500	14,500	15,000	18,300	19,100	20,825	---	---	---
<b>26.8% of CHST Cash Transfer</b>	---	3,950	3,350	3,350	3,886	4,020	4,904	5,118	5,581	---	---	---
<b>Total CST Cash Transfer</b>	---	---	---	---	---	---	---	---	---	8,280	8,415	8,500
<b>56.0% of CST Cash Transfer</b>	---	---	---	---	---	---	---	---	---	4,636	4,712	4,760
<b>Cumulative Loss since 95-96</b>	---	3,935	8,470	13,005	17,004	20,869	23,850	26,617	28,921	32,170	35,343	38,468

**Notes Table 1:**

For the year 1995-96, the amount noted above is the actual amount of expenditures under the previous federal Canada Assistance Plan (CAP) program.

For the years 1996-97 to 2003-04, the amount noted above represents 26.8% of the total expenditure of the previous federal Canada Health and Social Transfer (CHST) program. This percentage is the same as the total CAP spending in the last year of CAP (1995-96) expressed as a percentage of overall federal CHST spending on health, social services and post-secondary education.

For the years 2004-05 to 2006-07, the amount noted above represents 56% of the total expenditure of the current federal Canada Social Transfer (CST) program. This percentage is the same

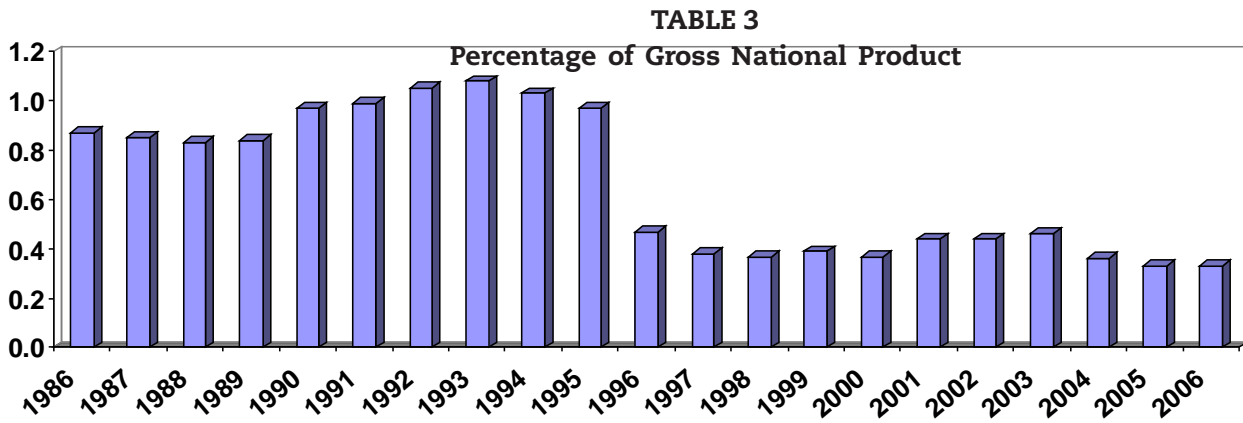
as the total CAP spending in the last year of CAP (1995-96) expressed as a percentage of overall federal CST spending on social services and post-secondary education.

**Source:** For the year 1994-95, Table 434 – Canada Assistance Plan, Total Federal Payments by Provinces and for Canada, Fiscal Years 1978-79 to 1999-2000, Cost-Shared Programs Division, Human Resources Investment Branch, Human Resources Development Canada

For the years 1995-96 to 2006-07, Federal Transfers to Provinces and Territories (May 2006), Department of Finance Canada

**Estimated Federal Cash Transfers for  
Provincial Social Service and Social Assistance Programs 1986 to 2006**

**TABLE 2  
Per Capita Spending**



dominated public debate in Canada since 1995. As a result, the sector has received by far the highest proportion of federal and provincial expenditures in recent years. Spending on post-secondary education has also captured public attention, as Canadians become increasingly concerned about their financial ability, and our country's overall capacity, to provide our children with the necessary skills and training they will need to participate in a knowledge-based economy.

Canada's social service sector has not fared well in gaining the awareness that it deserves. For most Canadians fortunate enough not to have to rely on Canada's social safety net, it's "out of sight, out of mind". In the intense competition for federal funding to the three sectors, social service has been left behind. It is shortsighted not to recognize the positive economic and social impact that accompanies our investing in the social well-being of all Canadians.

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## REBUILDING

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### OUR CAPACITY

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#### TO CARE

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Canada's community-based social service sector is more than a collection of 19,000 organizations delivering support and services to over a million Canadians. It is also a national support network that provides the foundation of a civil society. Its aim is to protect and strengthen the quality of life for all.

This critical network has been seriously eroded by years of chronic underfunding, a lack of national standards and the absence of a national debate on how we support our most vulnerable citizens and raise their standard of living. Poverty and inequality continue to grow in Canada despite strong economic growth in recent years. The gap between rich and poor is growing too, as more poor and vulnerable people are being left behind.

This situation is not characteristic of the sharing and caring Canada that generations before us have built with hard work and great pride. Our country is recognized around the world as an inclusive society that promotes equality and social justice. It's time we live up to our international reputation, as well as our commitment to each other as citizens.

It's time that we engage in a national debate, examining the impact that the erosion of our social safety net has had on social justice and economic prosperity for all.

We must develop a national plan to eliminate poverty in Canada. The foundation of that plan can only be built on a commitment to adequate, secure and stable funding for quality social supports and services based on a set of national standards.

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## RECOMMENDATIONS

The following series of recommendations is aimed at providing a process of funding renewal, as well as increased accountability for our

national network of social services and programs.

Many of these recommendations are not new but have been proposed by various national social policy organizations and advocacy groups over the past decade or more.<sup>14</sup>

They are presented here in an attempt to provide a cohesive national policy framework to rebuild Canada's capacity to care.

### General Principles

- *Increased funding* – Immediate increased funding from the federal, provincial and territorial governments is long overdue for the community-based social service sector. It is vital for the retention of staff and quality services, both of which are increasingly jeopardized.
- *Stable funding* – Stability of funding needs to be enhanced in order to support the capacity of the community sector and its contribution to the development of inclusive communities.
- *Accountability and transparency* – There needs to be more effective accountability and transparency mechanisms attached to funds earmarked for social services as they are transferred from one level of government to another and to social service agencies.

### Role of the Federal Government

- *A separate Social Service Transfer* – In order to renew and strengthen Canada's social safety net, the federal government, in an open and transparent consultation with the provinces and territories, must establish clearly demarcated funding mechanisms for post-secondary education and for social services in combination with social assistance. The Canada Social Transfer, as it is currently constructed, lumps social programs and post-secondary education together in a block fund. There is a relationship between social programs and education, but blurring transfers does not build links across sectors. This practice obscures how much funding is going where. A separate Social Service Transfer would ensure predictability and stability of funding for social services and increase accountability and transparency for those specific expenditures.
- *Predictable and stable federal funding* – The federal government must also begin to rebuild transfers for social assistance and social services and work with the provinces and territories to establish a new formula that provides sufficient, stable and sustainable funding. Canada's social service sector has experienced a cumulative loss of nearly **\$38.5 billion** in federal funding in the last 12 years. Once this rebuilding is accomplished, Ottawa should no longer be allowed to unilaterally reduce funding as was done in 1995. Predictability and stability of fund-

ing are crucial to allow provinces to provide Canadians with health care and social services.

- *Restore federal funding to 1994-95 levels* – The federal cash contribution available to social services in 2006-07 was 40 percent lower than 1995-96. Federal funding should be restored to 1995-96 levels of the last year of CAP funding. Taking into account the 20 percent rise in the national inflation rate for the last decade, this would provide an immediate annual increase of approximately \$3.85 billion. This amount should be feasible given the financial health of the federal government, which has had a decade of surpluses and is expected to be in a surplus situation in the coming years.
- *Canada Social Services Act* – To ensure greater accountability of the federal transfers, Ottawa should enact a *Canada Social Services Act*. Such legislation would set out the purposes of all monies transferred to the provinces and territories for the provision of social services and programs. It would also set out national standards similar to those established under the *Canada Assistance Plan Act*, specify the types of programs and services federal funding is intended to support, and establish monitoring and accountability procedures that are transparent to Canadians.
- *A reasonable national financing formula* – Any formula for federal funding of social services should be calcu-

lated in a way that ensures a reasonable amount of federal cash year after year to support programs run by the provinces and territories. This is not possible with the current CST formula based primarily on economic growth. There is obviously a strong link between unemployment, regional economic disparities and reliance on social services, so the formula should take this into account, along with inflation. The overriding objective of any formula must be to relate federal funding to the actual needs of people at the time.

### **Role of Provincial and Territorial Governments**

- *Funding the full cost of services* – Provincial and territorial governments, when contracting with a community agency to deliver a service, should pay the full costs of service provision, including the agency's actual operating costs of service delivery.
- *Moving to global budgeting* – Provincial and territorial governments should implement a transparent and accountable global budgeting approach, where they approve a total budget amount and allow service providers to determine how best to spend the funds within their service delivery mandate. Governments need to focus on accountability measures such as service delivery and outcomes, not the day-to-day management of programs.

- *Dedicated funding to improve salaries and benefits* – Provincial and territorial governments should provide annual funding to community-based social service agencies to upgrade salaries and benefits of workers to the level of their counterparts employed in health care, post-secondary education and municipal and direct government sectors. This would ensure a more stable and qualified workforce.
- *Coordinated approach to labour relations* – As a means to improve quality of services and ensure stable and qualified staffing, provincial and territorial governments should promote a positive labour relations environment by encouraging employers and unions with representation in the sector to participate in coordinated bargaining with the view of negotiating sector-wide collective agreements.
- *Labour market strategy* – In order to ensure an adequate supply of skilled and qualified staff within the sector, provincial and territorial governments should work with employers and unions with representation in the sector to develop a long-term labour market strategy.
- *Funding to support organizational capacity* – Provincial and territorial governments should provide undesignated funding that agencies can apply for to assist in building their service and program capacity to meet local needs.
- *Limits on fundraising and donations* – Provincial and territorial governments, as a condition of receiving funding, should ensure that workers responsible for the delivery of supports and services to individuals, not be required to fundraise. Money raised through fundraising should be used by the community agencies to enhance support and services as they see fit and should not impact government funding.

## CONCLUSION

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One of the major themes in then Finance Minister Paul Martin's 1995 budget was "*securing social programs for the future*". Twelve years later Canada's social safety net is tattered. The current and future of social services and programs is far from secure. Ironically, the 1995 budget actually destroyed the legislative and financial base necessary to secure a strong national system of social services and programs in Canada.

Rebuilding that base will be no easy task, but it is necessary if we are to continue to be a civil society with a civil economy that tempers the failings of the market. We must repair the economic and social damage created by persistent and extreme inequalities of income and opportunity in Canada. Both of these enormous tasks – striving for a civil society and a civil economy – can only be accomplished through the provi-

sion of a strong national system of social support and services.

Out of every crisis comes opportunity, and we must seize on the current crisis in Canada's system of social services as an opportunity to rebuild our capacity as a nation that cares deeply about the well-being of its people. Canadians must engage in a broad and inclusive national debate on the future security of social services and programs. As we learned in 1995, this debate should not take place in the context of preparing for a federal or provincial budget. Budgets are not the best vehicle for developing long-term social policy.

The debate must involve all levels of government. Equally important, it must also include the millions of Canadians who rely on social services and the thousands of workers who deliver those services.

## APPENDIX I

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Brief History of Federal Transfers to Provinces and Territories for Social Support and Services (1966 to 2004)

**1966 Canada Assistance Plan (CAP)** introduced, creating a cost-sharing arrangement for social assistance programs. Federal government agrees to reimburse provinces and territories 50 percent of the costs of expenditures on social assistance and social services. Six conditions attached to federal funding: accessibility, adequacy, universality, accountability, right of appeal and right to refuse work.

**1977 Established Programs Financing (EPF)** introduced, with federal block funding for health and post-secondary education to be provided in equal parts through a tax transfer and a cash transfer. Provinces received 13.5 percentage points of personal income tax (PIT) and one percentage point of corporate income tax (CIT), including some points carried over from the previous post-secondary education program.

**1990** Federal budget limited growth in CAP transfers for three non-equalization provinces (Ontario, Alberta and B.C.) to five percent annually for 1990-91 and 1991-92.

**1991** Federal budget extended the CAP growth limit, introduced in 1990-91, for three more years to 1994-95.

**1994** Federal budget announced that total CAP transfers in 1996-97 to be no higher than in 1993-94.

**1995** Federal budget announced that, starting in 1996, EPF and CAP programs to be replaced by **Canada Health and Social Transfer (CHST)** block fund to cover federal costs of health, post-secondary education and social services. The six federal conditions for CAP funding were not transferred to the CHST. CHST cash transfer for 1996-97 was \$14.74 billion. CHST for 1996-97 to be allocated among provinces in the same proportion as combined EPF and CAP entitlements for 1995-96 resulting in social services receiving \$3.95 billion, a reduction of \$3.9 billion from the previous year of CAP spending.

**1996** Federal budget announced a five-year CHST funding arrangement (1998-99 to 2002-03) and provided a cash floor of \$11 billion per year.

**1998** CHST legislation put in place a \$12.5 billion cash floor beginning in 1997-98. Cash floor gradually increased each year until 2003-04 when it reached \$20.82 billion as a result of several rounds of federal / provincial negotiations, which resulted in agreements for extra cash transfers for health, post-secondary education and early learning and child care. None of the increases were designated for social services.

**2004** The federal government separated the CHST into two different funds — the **Canada Health Transfer (CHT)** and the **Canada Social Transfer (CST)**. The CHT provides federal funding for

health care and the CST provides federal funding to the provinces for post-secondary education, social assistance and social services. The CST, however, remains as a block fund with the provinces having complete authority for determining how the federal CST funds are distributed.

**Source:** Department of Finance, Canada  
[www.fin.gc.ca/FEDPROV/hise.html](http://www.fin.gc.ca/FEDPROV/hise.html)

## APPENDIX II

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National Union publications dealing with restructuring of social services in Canada

**Volunteers: When is providing a community service hurting the community?** (March 2001) – All areas of the public sector have felt the pinch of cutbacks and job loss. In a related manner the number of people volunteering in the public sector has expanded greatly, with the strong encouragement of various levels of government. This paper examines what the proper role for volunteers should be in the public sector.

**Workfare: A low-wage strategy for the Canadian economy** (June 2000) – The experience of work-for-welfare programs in Canada has now sufficiently progressed to say that many of the critiques originally made by the National Union have been borne out.

This paper provides a general overview of workfare programs in Canada, provides a critique and looks at future trends.

**Self-managed Care and Individualized Funding: Not the Same thing!** (May 2000) – This paper looks at the growing demand for people with disabilities to exercise control over the forms of support and care they receive and the rise in government policies aimed at individually funding service users to purchase their own care. Strongly endorsing the right for people with disabilities to direct their own care, the National Union feels that the policy option of individual funding presents a number of problems and risks for the provision of social services.

**Andersen Consulting: Living High on the Hog on the Backs of Ontario's Poor** (April 2000) – This publication exposes Andersen Consulting's favourite ways to profit from social security reform and clearly analyzes the sweetheart deal signed between the Ontario government and Andersen Consulting and why that deal was slammed by the Ontario Auditor General. The publication also reveals Andersen Consulting's top 10 major screw-ups around the world.

**The Hard Truth About Individualized Funding** (May 1999) – A National Union position paper with respect to the use of the individualized funding (IF) model in the provision of developmental services for persons with disabilities, children's services, home

care for seniors and education through the use of vouchers.

**Legal Analysis of Individualized Funding: The Gray and Stanford Case in Newfoundland** (December 1998) – An overview of the legal case surrounding two individuals, both of whom had severe mental disabilities and were deemed employers for purposes of certification. This document is a summary of how the case was decided at the Labour Relations Board, as well as at the Newfoundland and Labrador Supreme Court.

**No More! Cap-in-hand: Social Services in a Post-CAP Era** (May 1996) – A report of the National Union's February 1996 national social service conference, which provided a comprehensive account of the changes taking place in the social service sector across the country.

**Divided We Fall** (March 1996) – A comprehensive analysis of the impact of the CHST block funding scheme on health care, social services and post-secondary education across the country.

**Social Service Workers Survey** (April 1995) – A national survey providing a brief description of the various delivery models across the country for different categories of social services, a description of the type and number of social service workers that the National Union represents and an analysis of the extent of unionization of social service workers in each province.

**Restructuring Social Services** (March 1995) – A report of two working sessions on social service restructuring the National Union sponsored in April 1994 and January 1995, which provided a province-by-province review of the changes taking place in the social service sector.

**Social Security Reform: Proposed Framework and Recommendations** (October 1994) – A national study on the reform of Canada's social security system in response to the federal government's January 1994 *Discussion Paper on Social Security Reform*.

## NOTES

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<sup>1</sup> For a list of publications the National Union has produced dealing with restructuring of social services in Canada, see Appendix II.

<sup>2</sup> Cathy Barr, Barbara Brownlee, David Lasby & Glenn Gumulka. *Understanding the Capacity of Social Services Organizations: A Synthesis of Findings from the National Survey of Non-Profit and Voluntary Organizations and the National Survey of Giving, Volunteering and Participating*. Imagine Canada (Toronto: 2005) page 8.

<sup>3</sup> *Funding Matters: The Impact of Canada's New Funding Regime on Non-Profit and Voluntary Sector Organizations*. Canadian Council on Social Development (Ottawa: June 2003).

<sup>4</sup> Same source.

<sup>5</sup> *Community Capacity Draining: The Impact of Current Funding Practices on Non-Profit Community Organizations*. Community Social Planning Council of Toronto (Toronto: May 2004).

<sup>6</sup> Cathy Barr, Barbara Brownlee, David Lasby & Glenn Gumulka. *Understanding the Capacity of Social Services Organizations: A Synthesis of Findings from the National Survey of Non-Profit and Voluntary Organizations and the National Survey of Giving, Volunteering and Participating*. Imagine Canada (Toronto: 2005).

<sup>7</sup> Community Social Planning Council and Family Service Association of Toronto. *On the Front Lines of Toronto's*

*Community Service Sector: Improving Working Conditions and Ensuring Quality Services* (Toronto: July 2006).

<sup>8</sup> Same source.

<sup>9</sup> Donna Baines, Karen Hadley, Bonnie Slade, Krissa Fay, Shoshana Pollack, Ann Sylvia Brooker, Susan Preston, Wayne Lewchuk, Dima Dimitrova *Improving Work Organization to Reduce Injury and Illness: Social Services, Stress, Violence and Workload – Final Report*. Institute for Work in a Global Society (McMaster University, Hamilton ON: 2002)

<sup>10</sup> See Appendix II – Brief History of Federal Transfers to Provinces and Territories for Social Support and Services (1966-2004)

<sup>11</sup> National Council of Welfare, *The 1995 Budget and Block Funding* (Ottawa: Spring 1995) p. 26.

<sup>12</sup> Same source, page 14.

<sup>13</sup> Same source, pages 14-15.

<sup>14</sup> National social policy and/or advocacy organizations which have made similar funding recommendations to several of those contained in this paper are: the National Anti-Poverty Organization, the Canadian Council on Social Development, the National Council of Welfare, Canadian Feminist Alliance for International Action and Community Social Planning Council of Toronto.