

DISMANTLING SOCIAL WELFARE:

Chronology of federal govt. cutbacks, 1985-1995

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The idea of a "welfare state" went through a metamorphosis during the bleak years of the Mulroney government. The progressive notion that the state should be responsible for how well its citizens fare has degenerated to a sense that "welfare means government handouts to the unfortunate." With depressing uniformity, governments in Canada have rejected a sense that collectively providing services is good for everybody and that social institutions are necessary so that people are in a position to care for themselves. Providing universal medical care, education, pensions, inexpensive transportation and communication systems, affordable housing, work at reasonable wages, and adequate child care are the things that make a decent life possible and keep a large number of people out of poverty.

During the past 10 years, even the programs which seemed secure because of their popularity have been either eliminated or weakened so badly that they are in danger of withering away. We have seen a steady erosion of programs and institutions, achieved through a thousand little budget cuts, tax changes, and hard-to-explain technical manipulations to existing legislation. Together, the changes have been significant and are related to an ideological shift to the right which has swept the entire continent.

The following is a list of the changes our federal government has introduced since 1985, which have made the tax system more favourable to the wealthy; cut government programs and employment; and increased the power of the private sector by privatizing social and economic activities. The first term of the Mulroney government began the process of deconstructing Canada's social welfare systems, a process which was accelerated dramatically after their 1988 re-election.

The election of a Liberal government in 1993, despite its election promises, did not change the downward plunge. The 1995 budget indicated the determination of the federal government to speed up the move toward minimalist government.

1985

BUDGET CUTS

- Canadian Mortgage and Housing Corporation budget reduced by \$26 million
- Steady cut of funding for affordable housing. [Between 1980 and 1984 government spent 1.7% of the budget on housing. This dropped to 1.4% on average in years after 1984.]
- Announced that 15,000 civil service jobs would be cut by 1990
- Announced initiatives to limit public sector pensions to those comparable to the private sector
- Official Development Assistance reduced by \$50m
- Closed Glace Bay and Port Hawkesbury heavy water plants

TAX CHANGES

- Partial de-indexing of family allowance (indexing for infla-

tion established by the average rate of inflation minus 3%)

- Announced partial de-indexing of Old Age Security (this was resisted by seniors and not accomplished until 1989)
- Capital Gains exemption of \$500,000 announced to be phased in over six years with \$20,000 exemption in 1985, 50,000 in 1986, and 100,000 additional each subsequent year until 1990. This was later amended in 1988 to limit the exemption levels to \$100,000.1
- Federal sales tax general increase of 1% effective Jan. 1, 1986 plus expanded list of taxable items to include candy and confectionery, soft drinks, pet foods, certain goods related to energy efficiency, beauty and health goods
- RRSP contributions to be increased each year from 1986 to 1990

PRIVATIZATION

Northern Transportation Company
Nanisivik Mines

Announced privatization plans for the Canadian Development Corporation, plus 13 other entities.

1986

BUDGET CUTS

- Established Programs Financing limited to GNP minus 2% (2% cut)
- \$500 million reduction in nonstatutory spending
- First 5,000 civil service jobs eliminated (of 15,000 announced in 1985 budget)
- Canada's Aid Program reduced by \$1.6 billion over next 5 years.

Reduced funding to:

Via Rail, Canada Mortgage and Housing Corporation, CN Marine, and the CBC

TAX CHANGES

- Announcement of corporate tax rate reduction from 36% to 33% of taxable income by 1989.
- Increase in sales tax of 1% for April 1, 1986
- Manufacturing companies to experience continued tax reductions from 30% to 26% by 1989. Tax rate for small business to fall from 15% to 13%
- Surtax of 3% on all personal incomes and corporations
- Partial de-indexation of personal tax exemptions, including child benefits [exemptions would be indexed only for the rate of inflation minus 3%]

PRIVATIZATION

CN Route, Canadair, Canadian Arsenals, de Havilland, Pecheries Canada Inc., Canada Development Corporation, Northern Transportation Company, and Eldorado Nuclear

A decade of decline in public programs

1987

- Changes to the Drug Patent Act (Bill C-22) to increase the monopoly power of drug companies and limit the availability of generic drugs

PRIVATIZATION

Northern Canada Power Commission (Yukon), Teleglobe Canada, Fishery Products International, Varsity Corporation

- Post office privatization:
 - parcels and registered mail pick up moved to privately operated sub-post offices
 - cleaning and trucking contracted out
 - announced plans to close all 734 city and town post offices and stations

1988

BUDGET CUTS

- 300 rural post offices closed
- Federal cap on contribution to federal provincial cost sharing for programs under the Young Offenders Act
- Announcement of \$300 million decrease in federal budget for "non statutory" items.

TAX CHANGES

- Massive change in the personal income tax structure by reducing ten tax brackets to three and substantially lowering the tax rate for the top income tax brackets. (Before this change the ten tax brackets had ranged from 6% to 34%. After the change the rates were 17%, 27%, and 29%.)
- Child care income tax expense deduction increased from \$2,000 to \$4,000. Also instituted an increase in the child care tax credit [These measures replaced the promised National Child Care Program.]

PRIVATIZATION

CN Hotels, Northern Canada Power Commission (NWT), Northwestel Incorporated, Terra Nova Telecommunications, and Air Canada

1989

- Canada-U.S. Free Trade Agreement

BUDGET CUTS

- Eliminated the rental rehabilitation assistance program used by many municipal non profit housing groups to maintain low cost rental housing and rooming houses. Also funding cuts for co-operative housing
- Announced dropping of child care program of \$4 billion promised to provinces which would have provided 200,000 new child care spaces over seven years
- Regional Development Programs cut by \$400 million per year for four years
- Cuts to Foreign Aid of \$400 million per year for four years
- Established Programs Financing cuts of 1%. Announced an additional \$2 billion to be cut during the following three years
- Cuts in grants to advocacy groups of \$10 million including

\$2 million cut from women's groups

\$3 million cut from native groups

\$2 million cut from visible minority groups

- Cuts in Environmental Programs:
 - National Conservation and Alternative Energy Initiative phased out in 1990-91
 - 12 regional conservation and renewable energy office closed (saving \$10 million in 1989-90)
- Cuts to Health & Safety Training \$10 million cut annually from the Canadian Centre for Occupational Health and Safety in an attempt to end all public funding to this body by 1992
- Cuts in Agriculture Support:
 - Crop Insurance System cut by \$90 million in 1989-90, then \$110 million in 1990-91
 - the Railway Branchline Rehabilitation program to be cut by \$48 million and ended one year early
 - interest subsidy on grain payments cut by \$27 million
 - dairy special export program cut by \$7 million annually
 - end to subsidized farm loans
 - skim milk powder programs cut by \$7 million
- Postal subsidies to Canadian publishers cut by \$10 million in 1989-90 and \$45 million in each subsequent year until it is eliminated
- Cuts to Via Rail \$100 million each year for five years
- Cuts to CBC of \$20 million in first year and \$10 million in next three years, totaling \$50 million

TAX CHANGES

- Claw-back of Family Allowance and Old Age Security for recipients with taxable incomes of more than \$50,000 per year
- Goods and Services Tax announced (to be effective 1991)
- Personal Income Tax surtax increase from 3% to 5%
- Increased sales taxes on gas, alcohol, tobacco, communications, construction materials
- Large Corporation Tax of 0.175% in corporate capital in excess of \$10 million [affected only 4% of corporations]

PRIVATIZATION

- Announced intention to privatize airports in Vancouver, Calgary, Edmonton, Montreal

UNEMPLOYMENT INSURANCE CHANGES:

- Complete federal government withdrawal from funding arrangements amounting to \$2.9 billion annually. Future funding to be provided by employers and employees only.
- \$800 million diverted from U.I. fund for retraining programs
- changes to qualifying periods of work, shifting from 10 to 14 weeks minimum work (depending on regional unemployment rates to 14-20 weeks in most cases).
- Reduce minimum duration of benefits to 17 weeks from 20 weeks with a decrease in decrease in benefits (from 46 to 35-50 weeks)
- Disqualifying period for "voluntary job leavers" extended and benefits reduced

1990

BUDGET CUTS

- Cuts in grants to advocacy groups of \$16 million, including ^a

The death of a thousand budget cuts

cut of \$1.6 million to Secretary of State Women's Programs about 80 women's centres in Nfld., N.S., the Yukon and B.C. lost all operation funding
39 women's centres in Quebec lost federal core grants
four national women's organizations lost 100% of their funding, including three feminist periodicals

- Cuts to funding for native groups' programs, including Secretary of State removal of core funding for all twelve First Nations newspapers. The budgets of native radio and TV outlets severely reduced. Cuts to the native communications programs amounted to \$9.8 million
Aboriginal languages funding in the Northern Territories cut by \$800,000
Funds to 28 native organizations cut, including core funds for native friendship centres, women's groups, and other native associations totaling \$8 million.
Social housing capped at \$90m in 90-91 and \$86 million in 91-92, representing a 15% decrease in spending
- Cap on Canada Assistance Plan. [Increases in funding to wealthiest provinces (Ontario, Alberta and British Columbia) limited to 5% regardless of size in growth of population and numbers needing social assistance]
- Established Program Financing to be frozen between 1990 and 1995. [This reduced the per capita amount to smallest amount since EPF was first established in 1977]
- Cuts to Open House Canada (a youth exchange program) with funding reduced from \$9.8 million to \$3.3 million.
- Health and Welfare cut \$12.2 million from grants and contribution program to citizens' groups.
- Seniors' Initiatives Program reduced by \$3.5 million.
- Child Care Initiatives Program reduced by \$1.75 million.

1991

BUDGET CUTS

- Court Challenges Program eliminated
- Canada Assistance Plan 5% cap for Alberta, Ontario, and B.C. due to expire in 1991, extended three years
- Established Program Financing freeze due to expire in 1991 extended another three years
- Canada Jobs Strategy cut \$100 million
- Grants to popular sector groups cut by \$75 million in 1991 and \$125 million in 1992. [Native and Inuit programs were exempted.]
- Green Plan cut by 20%
- Operating and salary budgets for all government departments frozen for 91-92.
any wage increases to be offset by layoffs
in following two years, wages to be constrained by a cap of 3
- government announces plans to contract out more work
- Social Housing cut from already announced levels by 15%, for a total of \$411 million cut over five years
- Science and Technology and ODA spending reduced to 3% growth
- Canada Film Development Corporation and Export Development Corporation funds frozen

TAXES

- Implementation of Goods and Services Tax of 7% on all purchases except groceries, drugs, and some medical devices
- UI premiums increase by 24%, with workers' contribution rising to \$.55 per \$100 of earnings

PRIVATIZATION

Cameco, Nordian International, Petro Canada (42 million shares), Telesat Canada, CN Exploration, Canada Oil and Gas Lands Administration, and Petro Canada International Assistance

1992

BUDGET CUTS

Government organizations eliminated:

Science Council of Canada, Economic Council of Canada, Canadian institute for international Peace and Security, Law Reform Commission, International Centre for Ocean Development, Veterans' Land Administration, Petroleum Monitoring Agency Agricultural Products Board, Demographic Review Secretariat, CN Steamships Limited, Pay Research Bureau, Canadian Environmental Advisory Council, International Aviation Advisory Task Force and Committee, The National Advisory Committee on Development Education, Advisory Committee on La francophonie, Advisory Committee on le Musee de la Nouvelle France, Montreal Science and Technology Museum Advisory Committee, Advisory Committee for le musée des arts et du spectacle vivant, Marine Advisory Board on Research and Development, Canada Employment and Immigration Advisory Council, and the Advisory Council on Lay Members of the Competition Tribunal

TAXES

- RRSP withdrawal of up to \$20,000 tax free for house purchase.
- Capital cost allowance for manufacturing and processing machinery increased to 30% from 25%
- \$230 million tax incentives to encourage research and development
- Small business financing program to provide loans at a lower interest rate and the ceiling on loans doubles to \$200,000
- Manufacturing and processing tax rate drops to 22% from 23% in 1993 and to 21% in 1994.

PRIVATIZATION

- The Co-operative Energy Corp (held the federal government's 32.5% share in Co-Enerco, a publicly traded energy company.)
- The Dosimetry Services United (part of the Health Department that provided radiation monitoring services to workers across the country.)

1993

- Changes to the Drug Patent legislation (C 91) to extend the monopoly patent period for brand name drugs to 20 years

Liberals speed up move toward minimal govt.

1995

BUDGET CUTS

- Social housing funding cut by \$660 million from 1993 through to 1997/8
- Elimination of the six month post graduate interest subsidy on student loans
- Cuts to Student Employment Program of \$61.3 million. [The funding for this program was cut five times between 1985 and 1993.1
- Phase out cash portion of Established Program Financing

TAXATION

- Elimination of family allowance, replaced with a restructuring of child benefits to income-tested benefit called Child Tax Benefit

UNEMPLOYMENT INSURANCE

- "voluntary" job leavers and those fired for misconduct cut off from UI benefits
- benefits reduced from 60% to 57% of insurable earnings

1994

- North American Free Trade Agreement

BUDGET CUTS

- Salary freezes of federal government employees extended to the end of 1997
freeze extended to all Crown corporations
no increments based on progression through a pay range
- Funding cuts to women's groups and all non-government organizations of 5%
- Cuts to overseas development assistance of 2%
- Cuts in transfers to provinces of \$1.5 billion each year

TAXES

- \$100,000 lifetime capital gains exemption to be eliminated (for gains after 1994)
25% of capital gains still exempt from taxes, as well as \$500,000 for small business and farm capital gains
- First \$25,000 of employers' contribution to life insurance included in the taxable income of the worker
- Age credit eliminated for people with incomes over \$49,100

UNEMPLOYMENT INSURANCE CHANGES

- Cut \$725 million in first year and reduce budget by \$2.4m for the following years
- Minimum qualifying period raised from 10 to 12 weeks
- Cuts in regional benefits from 32 to 26 weeks
- Move to two-tiered benefits: benefits drop from 57% to 55% of insurable earnings, except for low-income claimants whose benefits will be 60% of insurable earnings
- UI premiums cut from \$3.07 to \$3.00

BUDGET CUTS

- Unprecedented cuts of \$29 billion to occur over three years, including the following:
- Cuts to Transfer payments to provinces through a new transfer system, the Canada Health and Social Transfer. Reductions of \$2.5 billion in 1996-97 and a further reduction in 1997-98 of \$4.5 billion.
- 45,000 jobs in the public sector (14%)
- 19% cuts for government departments: \$550 million for international Assistance, \$600 million at Natural Resources, \$900 million at Human Resources Development, \$200 million at Fisheries, \$900 million at Industry, \$550 million at the Regional Agencies, \$450 million at Agriculture, \$1.6 billion at Defense, \$ 1.4 billion at Transport
- Elimination of the Western Grain Transportation Act (act to assist grain handling and transportation in effect since 1897)
- Elimination of Atlantic freight subsidies

TAXATION

- \$950 fee for immigration applications (refugees will be offered repayable loans)
- Minor increase in corporate taxes to raise \$300 million
- Interest on taxes owed to be increased by 2%
- Temporary tax (until October 1996) on banks to raise \$100 million
- Gasoline tax increased 1.5 cents a litre
- RRSP reductions in allowable contributions for one year, then increases so that the maximum contribution will be increased by \$1,000 in 1998.

UNEMPLOYMENT INSURANCE

- 10% minimum cut in size of program announced
- Legislation to further reduce UI program to come later in year

PRIVATIZATION

Petro-Canada share (70%) owned by the government to be sold; Canadian National Railways to be sold; all airports to be commercialized; Air Navigation System (ANS) to be commercialized; Canada Communication Group (formerly the Queen's Printer) to be privatized

Other opportunities for privatization to be pursued include part or all of the following government services:

National Capital Commission, Natural Resources Canada, Environment Canada's weather services, the inspection and regulation activities of the Department of Agriculture, the management of capacity, licensing and compliance activities of the Department of Fisheries and Oceans, Canada Space Agency, the Department of National Defence, Canadian food inspection systems of the Department of Health, and Agriculture, Fisheries and Oceans and Industry.

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Sources: Federal Budgets 1985 to 1995; Canadian Council on Social Development, Canada's Social Programs are in Trouble, (Ottawa 1989); Stephen McBride and John Shields, Dismantling a Nation: Canada and the New World Order (Halifax: Fernwood, 1993), Table 2.4.