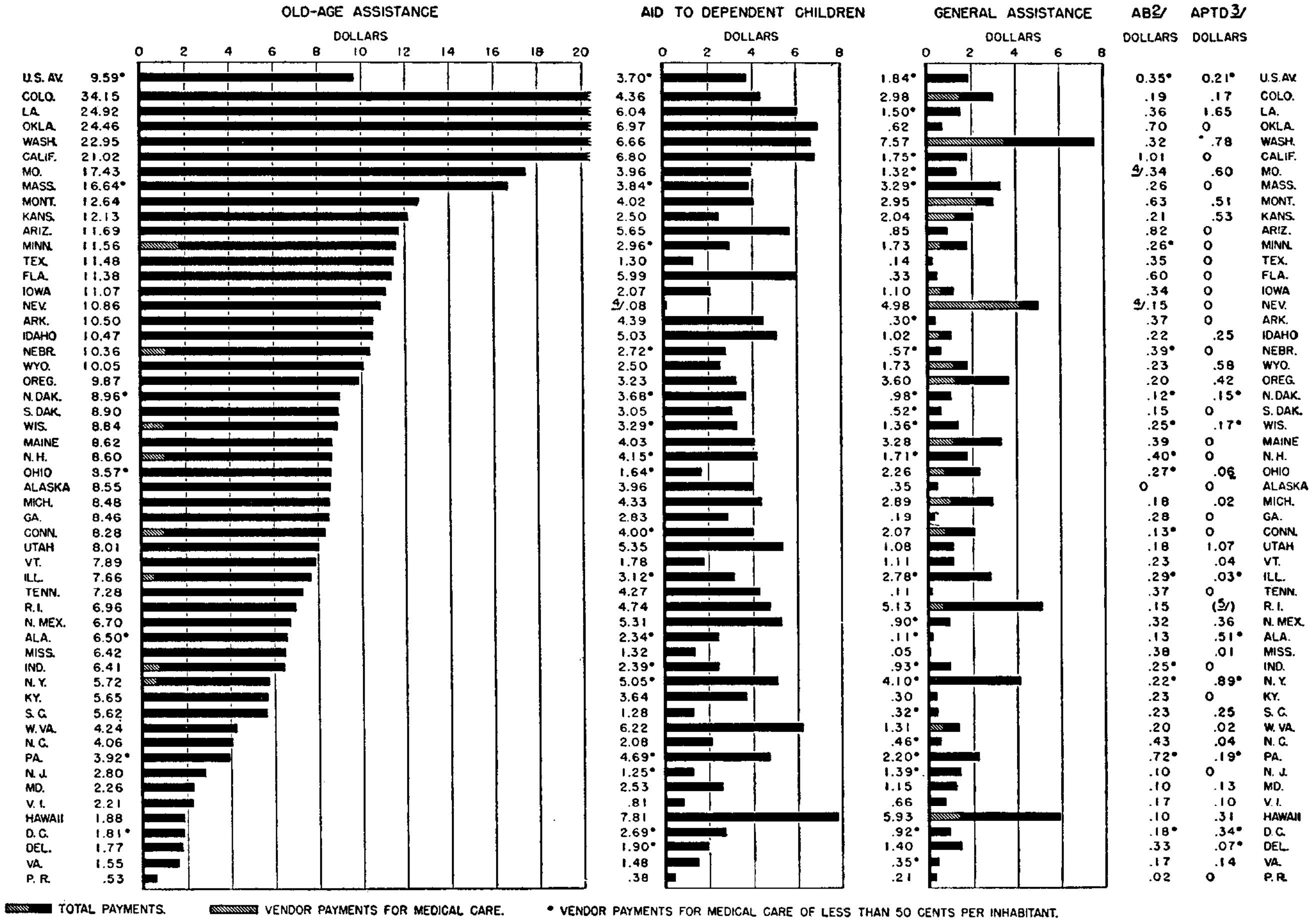
Amount expended per inhabitant [1] for assistance payments, including vendor payments for medical care, fiscal year 1950–51



[1] Based on population figures, excluding Armed Forces overseas, from the April 1950 enumeration made by the Bureau of the Census.
[2] Aid to the blind.
[3] Aid to the permanently and totally disabled.
[4] Program administered under State law without Federal participation.
[5] Less than ½ cent.

less than 5 percent—35 cents and 20 cents, respectively—for aid to the blind and aid to the permanently and totally disabled.

Variations among the States in per capita expenditures for the four federally supported programs were large, but not nearly so large as those for general assistance, which is financed entirely from State and local funds. Per capita expenditures in the State with the highest expenditures were, for general assistance, 150 times those in the State making the lowest per capita expenditures; but for aid to dependent children the ratio was 98 to 1, and for old-age assistance it was 64 to 1. More was spent for old-age assistance, however, than for any other public assistance program in all but six States; in these six, expenditures for aid to dependent children were largest.

New Canadian Programs for the Aged

Canadian income maintenance programs for the aged took a new form in January 1952, when payments were first made under two Federal laws passed in 1951. The Old Age Assistance Act provides for needy persons between the ages of 65 and 70; the Old Age Security Act provides pensions to all Dominion residents aged 70 and over, regardless of their need.

In this new and broad pattern the Canadian program achieves objectives first proposed about 1945. In 1943, the Marsh Report [1] had envisioned a contributory system of old-age, invalidity, and survivors insurance with a flat-rate benefit. Other proposals by Canadian authorities had emphasized, respectively, social insurance [2] and social assistance,[3] but in neither case was the new program foreseen.

At the Dominion-Provincial Conference of 1945, however, Govern-

[1] L. C. Marsh, *Report on Social Security for Canada.* Prepared for the Advisory Committee on Reconstruction, House of Commons Special Committee on Social Security, Sess. 1943. Ottawa, King's Printer, 1943.

[2] Harry M. Cassidy, *Social Security and Reconstruction in Canada,* Toronto, Ryerson Press, 1943.

[3] Charlotte Whitton, *The Dawn of Ampler Life,* Toronto, Macmillan Co., 1943.

ment authorities put forth a proposal very much like the new system, including provision of universal old-age pensions without a means test. Some years later a Joint Committee of the Senate and House of Commons on Old Age Security spent 3 months studying the systems of Canada and several other countries. Its report in June 1950[4] recommended a nationally financed and administered system of universal pensions for all persons aged 70 and over with 20 years' residence and assistance for persons between the ages of 65 and 70, to be administered by the Provinces but jointly financed from Federal and Provincial funds.

After negotiations with the Provincial governments had led to agreement on terminology, a constitutional resolution was adopted in May 1951 that amended the British North America Act of 1867 to give Parliament the power to legislate concerning old-age pensions. It included the proviso that "no law by the Parliament of Canada in relation to old age pensions shall affect the operation of any law, present or future, of a provincial legislature in relation to old age pensions." This amendment removed any possible constitutional obstructions to the enactment of a purely Federal pension measure, and Parliament then adopted the laws needed to transform the old-age security system.

Old-age assistance.—As adopted in June 1951, the Old Age Assistance Act is similar in broad outline to the former old-age pension legislation, which for nearly 25 years—1927–52—provided the basis for a Federal-Provincial system of pensions subject to an income test. The new law has a lower eligibility age than the old system, allows the claimant somewhat larger income in addition to his pension, and divides Federal-Provincial funds according to a new formula. Like the former laws, it represents what the Dominion Government is willing to incorporate in its agreement with the individual Provinces, and the conditions that must be accepted by the Provinces in order to receive Federal funds. By February 1, 1952, five Provinces—Alberta, British Columbia, New Brunswick, Quebec, and Saskatchewan—had formally completed agreements with the Federal Government, and the other five Provinces and the Northwest Territories were expected to do so.

Under the measure, all persons who are between the ages of 65 and 70 and who have insufficient means for their support are eligible for assistance. At age 70, an individual may begin to receive his old-age security pension. The claimant for assistance must have been a Canadian resident for the 20 years immediately preceding the application or, if not a resident during the entire 20 years, he must earlier have been present in Canada for a period equal to twice the total time absent during the 20 years.

The amount of assistance payable to the individual may be determined by the Provinces in their own legislation, but the Federal act fixes $40 a month as the maximum payment toward which Federal matching grants will be made. The Provinces are generally expected to adopt the $40 maximum, which is the same as under the repealed legislation. Before the act took effect, however, a single person was allowed income of $50 a month, including the $40 pension. By raising the total allowable income for one person from $600 to $720 annually, the new law permits payment of full pensions to persons receiving $20 a month in outside income. Additional income of $20 a month is also allowed couples, who may now—if both are over age 65—receive a total of $1,200 annually instead of the $1,080 formerly permitted.

Half the funds for the assistance program are provided by the Federal Government and half by the Provinces. Although the Provincial share is higher than the former contribution of 25 percent, the total cost to the Provinces is expected to be no greater than before. During 1951, for example, the Provinces paid one-fourth of approximately $145 million on behalf of about 309,000 pensioners. It is estimated that only about 145,000 persons in the 65–69 age group are eligible for the assistance payments. The total cost of assistance is expected to amount to $64 million annually when the program has been operating a few years. Many of the potential claimants, especially those in the higher ages who will shortly be eligible for a pension without a means test, are not making application, so that the actual number of persons receiving aid may for some time be less than the original estimates.

Administrative responsibility for the program is vested in the Provinces; their plans for administration must be approved by the Governor in Council and cannot be changed except with his consent. Assistance payments are made by the Provinces, with Federal reimbursement made through the Department of National Health and Welfare. The Old Age Assistance Division of that Department administers the Federal aspects of the program. In contrast to the procedure in the United States, the Federal Government pays no part of the administrative costs incurred by the Provinces.

Blind Persons Act.—Up to 1952 the same act governed pensions for the aged and the blind, but the Blind Persons Act adopted in June 1951 provides, subject to a means test, payments for blind persons aged 21–69. The terms continue to be somewhat more liberal than those for old-age pensioners. The pension for the blind is $40 a month, but the total of the annual pension plus other income allowed a single person is raised from $720 to $840 and, if he has dependents, from $920 to $1,040. For married couples the total allowable income is increased from $1,200 to $1,320 (or if both are blind, from $1,320 to $1,440). At age 70 the old-age security benefit becomes payable. Pensions are paid to blind persons after residence for 10 years instead of 20 years as formerly required.

Old-age security.—The terms of the Canadian law are simple and somewhat more generous, once the retirement age has been reached, than those of any other universal pension program.

All residents of the country are eligible who (1) are 70 years of age, (2) meet the same 20-year residence test required of assistance claimants,

[4] *Report . . . June 28, 1950,* Ottawa, King's Printer, 1950.

and (3) have been living in Canada for 1 year immediately preceding the claim. If the pensioner is absent from Canada his payment is suspended. If he returns within 6 months, however, the pension may be paid for the time he was away, up to a maximum of 3 months' benefit in any one calendar year.

Income is no bar to receiving the pensions, so that beneficiaries under various private and public pension plans are eligible. The effect of the new universal pension on other income maintenance programs, such as pensions and allowances for veterans and relief (a Provincial matter), had not been determined when the law was passed.

Payment of the pensions is made from the Consolidated Revenue Fund and charged to the Old Age Security Fund account. Three taxes finance the old-age security program: (1) An individual income tax equal to 2 percent of taxable income, but not more than $60 a year; (2) a corporation tax of 2 percent on taxable corporate income, with no ceiling specified; and (3) one-fifth of the existing manufacturers' sales tax of 10 percent. The individual income tax of 2 percent may be offset in 1952 by another change in the tax system, eliminating an existing surcharge on individual incomes. Revenue from the three sources is estimated to be $305 million in a full tax year—$145 million from the sales tax, $95 million from the individual income tax; and $65 million from the corporation tax. Since the individual income tax does not become effective until July 1, 1952, the Government will appropriate approximately $70 million from general revenue during 1952. This will be a temporary loan, to be repaid from the Old Age Security Fund when the Minister of Finance so directs.

Administration of the program is carried out by the National Director of Old Age Security of the Department of National Health and Welfare, through 10 regional offices, one in each Provincial capital.

Cost of old-age security and other programs.—The Minister of Health and Welfare has estimated that the total annual cost of the programs for the aged and for the blind will be about $411 million—more than a quarter of a billion dollars above the 1951 expenditures of $145 million.[5] The estimated increase in the number of beneficiaries is also large, as shown in the tabulation that follows.

Type of beneficiary	Old system [1]	New system [2]
	Number	
All pensioners	320,000	853,000
Aged 70 and over	309,000	700,000
Aged 65–69	0	145,000
Blind	11,000	8,000
	Annual benefit expenditures (in millions)	
Total	$144	$411
For those aged 70 and over:		
Federal	104	343
Provincial [3]	35	0
For those aged 65–69:		
Federal	0	32
Provincial	0	32
For blind persons:		
Federal	4	3
Provincial	1	1

[1] Based on data for July–Sept. 1951 (latest available) from *Labour Gazette*, December 1951, p. 1622.
[2] Provisional estimates for the period following the early years of the new program.
[3] Excludes supplementary amounts paid under provisions, the exact nature of which is not known, outside the Federal-Provincial agreements and financed entirely by the Provinces concerned. Some Provinces paid such supplementary amounts under the old system, and certain Provinces have indicated that under the new system similar supplements will be paid.

One result of the new legislation will be to make pension expenditures rather than family allowances the largest expenditures for Canadian social welfare. In the year ended March 31, 1951, expenditures under the family allowance program were $309.5 million. The Deputy Minister of National Welfare stated early in 1951[6] that Canada was spending "somewhere between $1 billion and $1¼ billion annually at the present time" for health and social security. This amount includes Federal, Provincial, and local expenditures. In 1952, with increased old-age assistance, old-age security, and higher veterans' pensions (enacted in December 1951), expenditures will probably be about $1.5 billion. Canada's national income in 1951 was $17.1 billion.

[5] Paul Martin, *Text of Address . . . on the Resolution to Introduce Old Age Security Legislation, House of Commons, Thursday, October 25, 1951.*

[6] *Canadian Welfare*, March 1, 1951, pp. 3–4.

Trust Fund Operations, 1951

Financial operations under the old-age and survivors insurance program are handled through the Federal old-age and survivors insurance trust fund. Sums equivalent to 100 percent of taxes collected under the Federal Insurance Contributions Act are transferred under permanent appropriation to the trust fund on the basis of estimates made by the Secretary of the Treasury. Proper adjustments are made periodically to the extent that the estimates are subsequently found to differ from the actual amounts of contributions payable. Contributions received under voluntary agreements with States for the coverage of State and local government employees are deposited directly into the trust fund.

In the calendar year 1951, contributions amounting to $3,363 million were appropriated to and deposited in the Federal old-age and survivors insurance trust fund. The trust fund also received $417 million in interest on investments and $3.7 million in appropriations from the general fund as reimbursement for costs incurred previously for benefit payments to survivors of certain World War II veterans under the Social Security Act Amendments of 1946. The 1950 amendments continued this survivorship protection, but the cost is to be met from the trust fund. Expenditures for old-age and survivors insurance benefits in 1951 totaled $1,885 million, and administrative expenses amounted to $81 million. The fund's assets showed a net increase of $1,818 million for 1951 and totaled $15,540 million at the end of the year.

The unemployment trust fund is composed of the State accounts and the railroad unemployment insurance account. In 1951, deposits in the State accounts amounted to $1,495 million and interest credited was $217 million. Withdrawals for benefit payments totaled $845 million, and the net balance in the State accounts increased $866 million. The railroad unemployment insurance ac-