Social Policy and Constitutional Reform: The Case of Canada’s Family Allowance Program in the 1970s

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ABSTRACT

Family allowances were one of the few programs shared by all Canadian families from 1945 to 1992, and one of the few means of building social cohesion across Canada. Family allowances became embroiled in the minefield of Canadian intergovernmental relations and the political crisis created by the growing demands from Quebec for greater autonomy from the federal government in the early 1970s. Ottawa initially dismissed Quebec’s demands for control over social programs generally, and family allowances in particular. However, Prime Minister Pierre Trudeau reformed the family allowances program as a means of enticing Quebec Premier Robert Bourassa to amend the *British North America Act*. The government’s priority was constitutional reform, and the prime minister used social policy as a bargaining chip to achieve his policy objectives in that area. This study shows that public policy decisions made with regard to social policy were not motivated by the pressing desire to make more effective policies for children and families, but as a way to deal with other government priorities.
Family allowances were one of the most important social programs in Canada for nearly half a century. They began as a universal social program under Prime Minister William Lyon Mackenzie King and paid benefits to all families with children between 1945 and 1992. Since then, scholars have attempted to explain why the Canadian government adopted this particular program rather than some other social policy initiative. It has long been argued that the government introduced family allowances to maintain its strict wage control system that was put in place to control inflation at the beginning of the Second World War. Family allowances provided a means to increase family incomes without removing wage controls.\(^1\) Others have argued that the King government embraced family allowances solely to stifle the growing political threat on the left from the Co-operative Commonwealth Federation (CCF).\(^2\) Marxist and neo-Marxist scholars contend that family allowances were a way to maintain industrial harmony in Canada. Taking as their starting point the conflict between capital and labour, they maintain that programs such as family allowances have been used by the state – with the support of big business – to ensure social control, to buy peace with labour, and to legitimise the capitalist social structure.\(^3\) Feminist and gender scholars, while embracing some of the tenets of Marxists, have used the welfare state to explain sexual inequalities and the disadvantaged place of women in Canadian society. They contend that social policies such as family allowances were designed to force women and children to remain dependent on the primary male bread-winner and perpetuate the traditional role of women as mothers and caregivers.\(^4\) Other scholars have recognized the role of the state itself in the creation of progressive social welfare policies and family allowances were one such program.\(^5\) And, in a diverse and increasingly multinational state such as Canada, where the lines of regional and ethnic cleavages have been particularly strong, others have argued that the social security system that paid citizens a monthly benefit for their children has been one way of maintaining national unity.\(^6\)

A few scholars have considered the role federalism plays in the origins and development of social programs in Canada, but they have largely ignored the impact of specific federal-provincial conflict on policy outcomes in specific program areas.\(^7\) Canadian scholars are divided on the impact of the federal system on social policy. Some have suggested that federalism has had a negative impact on the development of the welfare state as it represents a form of institutional fragmentation;\(^8\) others have argued that federalism actually encourages the growth of the welfare state as innovative policies adopted in one jurisdiction are copied by others within the federation.\(^9\)

Despite the heavy expenditure on social security since the end of the Second World War, it was clear by the 1960s that Canada’s social security system had not delivered the intended results. A series of investigations from governmental and non-governmental agencies reported that poverty continued to be a serious problem in Canadian society. In fact, there was a new-found consciousness of poverty throughout North America. Not unexpectedly, questions were raised about the efficacy of government expenditure on social security, especially among those in the policy branches of the Department of National Health and Welfare.

At the same time there emerged considerable pressure on Ottawa, particularly from the province of Quebec, to align social spending to develop an integrated strategy to fighting poverty. Politicians, such as Quebec’s welfare minister René Lévesque, believed
that poverty could only be addressed adequately through an approach that integrated all of the social spending within Quebec regardless of the source of the expenditure. Moreover, this approach should, he believed, combine provincial and federal financial resources. A nationalist Quebec believed that it knew better than Ottawa what the province needed. Quebec demanded that Ottawa withdraw from the social policy field, including family allowances, and instead transfer monies expended on such programs to the provinces.

This paper considers how the federal system and intergovernmental relations influenced the development of social policy in Canada from the mid-1960s to the early 1970s. At that time, social policy was one of the most pressing public policy issues of the day much as health care has been for the past few years. Not surprisingly then, family allowances eventually moved from the realm of sectoral politics or “low politics” to “high politics” and became intricately involved in the minefield of Canadian intergovernmental relations and constitutionalism which was largely a first ministers’ agenda. Family allowances had rarely been the stuff of high politics after they were introduced, but in the 1970s they became something of a political football. At that time, they were a central issue in Canadian constitutionalism when the program was used by the federal government to try and resolve the tensions with Quebec for greater autonomy with the Canadian federation.

Yet, family allowances were one of the few programs shared by all Canadian families and, as such, they were one of the means of building social cohesion across Canada and maintaining the links between the Canadian state and its citizenry. Ottawa was not about to allow the provinces any control over such an important national program and, initially, refused the entreaties from Quebec for greater provincial control. By the early 1970s, however, Prime Minister Pierre Trudeau was willing to make changes to the family allowances program as a means of enticing Quebec Premier Robert Bourassa to amend the British North America Act and allow the prime minister to achieve his constitutional objective. Although Bourassa eventually rejected the proposed constitutional changes hammered out at the Victoria Constitutional Conference, the Trudeau cabinet authorized additional funding for family allowances, as well as ceding a large measure of provincial control over the program, in order to have Quebec sign on to the changes proposed at Victoria in June 1971. Still, Trudeau’s government, like that of Mackenzie King a generation earlier, insisted that family allowances had to reinforce the linkages between the federal government and individual Canadian citizens in various regions but, most importantly, in Quebec. In the end, Bourassa did not support the constitutional amendments, but Quebec received a measure of control that it had long desired over family allowances. The federal government maintained the control to disburse family allowance cheques, ensuring that “Government of Canada/Gouvernement du Canada” was embossed on each cheque sent to families each month in Quebec and throughout the rest of the country. Even a reformed family allowance benefit would remain a tool of nation-building by the federal government to help foster a pan-Canadian citizenship and attachment to the federal government.
The jurisdictional question had been an issue since Ottawa announced its plan in 1944 for family allowances when both Quebec and Ontario argued that Ottawa had exceeded its constitutional reach with the introduction of family allowances. However, with a strong central government clearly in the ascendancy, Prime Minister King dismissed those who challenged Ottawa’s constitutional authority to make payments to individual Canadians, a right confirmed by the Exchequer Court in Angers vs. the Minister of National Revenue. In 1957 it ruled that the Family Allowances Act was within Parliament’s general power to legislate for the “peace, order and good government.”

By the 1960s, however, support for the centralizing tendencies of the immediate post-war period had waned as a new province-building era began. Quebec led the charge for major changes in the operation of the federation, as it challenged Ottawa’s right – and its effectiveness – in the delivery of many federal programs, particularly those in the area of social policy. When Canada established its contributory pension plan in 1966, Quebec opted for its own pension plan. Not surprisingly, well-established social programs, notably family allowances, came to play an important role in the Canadian minefield of federal-provincial relations throughout this period.

Quebec’s Family and Social Welfare Minister René Lévesque – who, in 1961, had led the province’s nationalization of the hydroelectric power companies – announced in November 1965 that he wanted to control all federal social security programs in his province and limit federal involvement in funding the programs. He maintained that Quebec City knew better than Ottawa the particular needs of his province, a claim initially made in the 1963 Rapport de la Quebec Comité d’Etude sur l’Assistance Publique (the Boucher Report), which had recommended that the federal government withdraw from a variety of joint programs and simply provide the province with the financial resources it expended on these programs. Quebec believed that only through an integrated social security program could it deal effectively with poverty, and that could not happen if Ottawa continued to manage such programs as family allowances. Lévesque’s own plan for social security reform depended, in large measure, on getting his hands on the $180 million that the family allowance program paid to families in Quebec. At a federal-provincial meeting of welfare ministers in Ottawa January 7-8, 1966, Lévesque demanded that Ottawa either radically reform the family allowance program to meet the priorities of Quebec or, barring that, transfer funds for the program to the provinces. He insisted on using the word “repatriation” to describe the transfer, suggesting that the transfer could be justified on constitutional grounds. Of course, the reforms that Lévesque enunciated followed closely the “masters-in-our-own-house” rhetoric of a more autonomous Quebec. While the province had opted out of several federal-provincial programs throughout the 1960s, most notably the Canadian Pension Plan and Youth Allowances, the withdrawal from family allowances would mark the first separation of Quebec from the trio of longstanding national programs – old age pensions, unemployment insurance, and family allowances – that Ottawa had established as purely federal initiatives to create a national social security program during and immediately following the end of the Second World War. If Quebec opted out of family allowances – a program seen, in part, by federal political leaders as an important aspect of Canadian citizenship – it would represent the strengthening of provincialism, particularly in Quebec, and an erosion of the strong central government that had emerged in post-war Canada.
Lévesque’s request surprised Ottawa, though Judy LaMarsh, the federal Minister of National Health and Welfare, and some of her colleagues in Lester B. Pearson’s minority government had become quite concerned over Quebec’s propensity to “opt-out” of national initiatives and demand cash transfers to establish its own parallel programs. In her view, Lévesque was becoming more and more aggressively anti-Ottawa. She contends in her autobiography that the government had decided that it would take a firm position with Lévesque on family allowances. Ottawa indicated to him that it had no intention of surrendering its control over family allowances. Allan MacEachern, who replaced LaMarsh as minister in 1966, reportedly commented: “We are in the family allowances field and we don’t contemplate any withdrawal.” The defeat of the provincial Liberal government in Quebec in June 1966 did little to halt the province’s desire for greater control of federal social security measures, however.

Although officials in the Department of National Health and Welfare, the department responsible for the administration of family allowances, had been concerned for some time that the universal family allowance program was not able to provide the level of assistance that low income families required, Quebec demands for control of the program accelerated the reform impetus that was slowly taking root in Ottawa. Several of the provincial governments, notably Quebec, were already showing some interest in making social programs selective rather than universal. The election of Pierre Elliott Trudeau as Liberal leader and prime minister in 1968 gave additional impetus to those in National Health and Welfare who had already decided that the universality of the family allowance program limited its effectiveness as an anti-poverty measure. Trudeau told the leadership convention that “in the field of social welfare programs it is my belief that we have enough of this free stuff…We have to put a damper on this revolution of rising expectations…We must not be afraid of this bogeyman, the means test. We must be more selective, to help those who live on uneconomic land or in city slums.” John Munro, the Minister of National Health and Welfare in Trudeau’s first administration, shared his leader’s sentiments.

**SOCIAL SECURITY REFORM AND THE CONSTITUTIONAL AGENDA**

Trudeau’s government also committed itself to constitutional reform in 1968. It launched a series of constitutional conferences with the provinces in February 1968 that culminated with the Victoria Constitutional Conference in June 1971. At one of these constitutional meetings in December 1969, Ottawa attempted to bring some clarity to the question of jurisdiction in such matters as income security and social policy. Earlier attempts by Ottawa to introduce old age pensions and unemployment insurance had proven difficult because of the constitutional uncertainties surrounding jurisdiction. Greater clarity in the social policy field could be established if the Constitution were reformed. Most of the provinces accepted the principle that both the federal parliament and the provincial legislatures had, and should continue to have, powers to make general income support payments to individuals. Others agreed that it might be best if the federal government alone controlled basic income support and income security programs. Quebec stood alone, however, in insisting that the provinces should have exclusive jurisdiction in these fields. Constitutional reform and social policy reform subsequently became fused.
Ottawa had begun work on a white paper on social security to assess each of its social security programs, consider the constitutional implications of each, and propose a series of initiatives and reforms that might lead to a more effective social security system for Canada. Family allowances became part of this wider reconsideration of social policy, and when Munro tabled the White Paper on Income Security for Canadians in Parliament on November 30, 1970, it included a proposal to restructure the existing family allowances in favour of a Family Income Security Plan (FISP) to deal particularly with low income families. It set out a preferred course of action that embodied four steps: first, income tax exemptions for dependent children would be retained; second, family allowances for families with incomes exceeding $10,000 would be terminated; third, family allowances were to be taxable and considered a part of the income of the parent who claimed the exemption for any dependent children; and fourth, the amounts earned from taxing family allowances and the savings from withholding payments to higher income families were to be used to significantly increase the benefits for children in families with up to $4,500 of family income, and provide graduated benefits to families with incomes between $4,500 and $10,000. The new graduated benefits would provide $16 each month for each child under 16 in families with incomes up to $4,500. For families with incomes between $4,500 and $10,000, it was proposed that monthly benefits would be reduced by $1 per child for each $500 of income above $4,500 and benefits would cease once incomes reached $10,000. The FISP would have more than doubled the amount paid to families living below the poverty line, but it would have eliminated benefits for 1.2 million or 39 per cent of Canadian families.

While the reforms were aimed in large part at satisfying the demands of Quebec, the Government of Canada had chosen to act unilaterally. Although Munro travelled to Quebec City immediately after he tabled the White Paper to meet Quebec’s Social Affairs Minister Claude Castonguay and invited him to present his comments at the annual Federal-Provincial Welfare Ministers’ Conference scheduled for January 1971, the federal approach only served to confirm for Castonguay how unresponsive Ottawa was to Quebec’s legitimate concerns. Ottawa had announced its plans for social security just weeks before Quebec released its study of social welfare with the Report of the Commission of Inquiry on Health and Social Welfare (the Castonguay-Nepveu Commission). The Report made four points: first, it accused the federal government of fragmenting social and income security policies; second, it insisted that a policy approach geared to providing a guaranteed income commensurate with essential needs was the only means of alleviating the consequences of poverty; third, it claimed that such a policy required a complete harmonization and coordination of federal and provincial programs in the field of social policy; and fourth, it insisted that an integrated approach was possible only if the provinces were given overriding responsibility for the social policy framework and objectives. Castonguay described FISP as “piecemeal” and insisted, Munro told his colleagues, that Quebec have primary responsibility in social policy. Only then could Quebec implement an effective social security system to help its citizens, particularly the working poor. Castonguay told the federal-provincial conference in January 1971 that:

The Government of Quebec considers as essential the primary responsibility in the conception of its social policy and of all its components…We mean, by primary responsibility in the conception of social policy, the primary of

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the power to legislate, or even in certain cases, the exclusivity of such power. This does not necessarily entail, however, the primacy of financing and administration of the various legislative measures.²⁷

Quebec dismissed the proposals contained in the White Paper. So, too, did many in the middle class that would have seen their benefits eliminated.²⁸ Even though Munro and his Department had realized quickly that there were serious problems with the reforms they had proposed in the White Paper, they would not have the opportunity to respond to those criticisms as family allowances reform became inextricably linked to constitutional change. When that happened, Munro saw his authority on the subject disappear as responsibility for reforming the family allowances program moved to the prime minister’s office.

Although Trudeau had high hopes for constitutional reform, he failed to appreciate that there were fundamental differences between Ottawa and the English-speaking provinces on the one hand, and Quebec on the other. While Trudeau and the English-speaking premiers sought fairly modest changes to protect linguistic and cultural rights and entrench a modest charter of human rights, they did not envision any fundamental change to the relationship between the two levels of governments. They wanted to modernize the British North America Act by removing certain articles that had fallen into disuse and patriate the constitution with a new amending formula. Quebec had much more aggressive constitutional aspirations. It wanted to clarify and enlarge the legislative and fiscal autonomy of the provinces with the goal of creating a “national” government in Quebec City. This was no more evident than in the area of social policy as outlined in the Castonguay-Nepveu Report. It recommended a new and radical approach to social policy, and it provided Quebec with further ammunition to insist that provincial legislative primacy in the area of income security had to be enshrined in the constitution. This would allow Quebec the power to design its own social security programs.²⁹

Quebec wanted the best of both worlds when it came to income security. It insisted that provincial legislatures had paramountcy (or primary constitutional authority) to legislate in the field of social policy and income security, but that both levels of government shared the responsibility and the power to finance and operate programs within the policy objectives and priorities established by the provinces. Clearly, the federal government was uncomfortable with such an approach, but it realized, too, that any confrontation with Quebec over the control of social policy would prevent it from patriating and amending the British North America Act—a policy objective on which Trudeau had placed considerable importance and urgency. Moreover, any confrontation with Quebec surely would have serious implications for Canadian unity. Such were the concerns over Quebec’s stand on social policy that Mitchell Sharp, the Secretary of State for External Affairs, recommended to the cabinet that the federal delegation avoid the subject of social policy in the constitutional conference scheduled for February 8-9, 1971.³⁰ That was quite unlikely, however, given that the Bourassa government had made social security reform one of its major priorities. Many in the province approved of the clause in the 1970 manifesto from the Front de Libération du Québec that attacked the inequities of the capitalist system.³¹ Castonguay, one of the most powerful members of Bourassa’s cabinet, had made it clear on numerous occasions that the existing constitutional division on social policy in Canada was unacceptable.
All of this became evident at the February 1971 federal-provincial constitutional meeting. R. Gordon Robertson, the Clerk of the Privy Council and Cabinet Secretary in Ottawa, communicated regularly by telephone with his counterpart in Quebec City, Julien Chouinard, and four days before the conference, Robertson briefed Prime Minister Trudeau. He told the prime minister that if Ottawa was willing to give Quebec what it thought it needed to meet their objectives as laid out in the Castonguay-Nepveu Report, then social policy might be kept separate from the constitutional file. That would be unlikely given the position of many of the senior officials in the government. Robertson had R.B. Bryce, his predecessor at the Privy Council Office, convene a meeting of the government’s senior officials, including A. W. Johnson and Simon Reisman from the Department of Finance and J.W. Willard from National Health and Welfare, to consider Bourassa’s proposals. They preferred a co-ordinated approach to social policy rather than an integrated one because an integrated approach with Quebec leading might mean the loss of federal control. They advised against a guaranteed income as Castonguay had recommended simply because of the expense. They recommended, too, that the prime minister reassure Bourassa that the federal government would endeavour to formulate and operate its social policies in a manner that would contribute to provincial social objectives, while permitting each province the maximum flexibility in developing its own social policies. Bryce advised Trudeau that he should be clear in private with Bourassa that Ottawa had no intention of surrendering its right to provide family allowances in Quebec nor should Bourassa expect a guaranteed income as it would necessitate an unacceptable increase in the level of taxation. As Bryce wrote in his memorandum to the prime minister, “They [Bourassa and Castonguay] should not expect us to tax other provinces...in order to provide them with the funds necessary to finance a more advanced social program than we are able and prepared to finance in other provinces.”

As the federal government had anticipated, Bourassa made it clear at the third working session of the constitutional conference on February 8-9, 1971 that social policy was a major issue for Quebec and had to be included on the agenda for the conference scheduled for Victoria in June. The communiqué from the meeting acknowledged the impasse between the federal and provincial governments: social policy was fundamental to any constitutional change for Quebec, however, as Ottawa offered only a co-ordinated approach that would permit each province the necessary scope to achieve priorities in social policies. New Brunswick Premier Richard Hatfield insisted that it was crucial that Ottawa maintain its spending power in social policy to protect the national interest, but Saskatchewan Premier Ross Thatcher made it clear that if Quebec secured greater powers it would mean the end of Ottawa’s authority to deal with national problems. Thatcher was quite blunt in his assessment, noting that, “If Quebec persists with the demands she is making today, perhaps she should become a separate nation.” Despite the gulf between Quebec and the other governments, social policy was on the agenda for the conference scheduled for Victoria in June 1971.

For the Trudeau cabinet, then, the question became one of working out a mutually acceptable approach with Quebec as it kept in mind the interests of the other provinces. The cabinet had decided some time earlier that it would continue to make direct payments to individuals. Yet, Quebec had proposed an income security system that would see the existing programs – federal as well as provincial – folded into a unified structure, and had insisted that the provinces had priority in the conception of Quebec wanted the best of both worlds when it came to income security. It insisted that provincial legislatures had paramountcy (or primary constitutional authority) to legislate in the field of social policy and income security, but that both levels of government shared the responsibility and the power to finance and operate programs within the policy objectives and priorities established by the provinces.
income security policy if not primacy in matters of determining benefits and
administration. The overwhelming concern for Trudeau became the need to satisfy the
interests of Quebec.37 The Cabinet Committee on Federal-Provincial Relations took
control of the file in early 1971, as the discussions on social policy were accelerated and
broadened. Bryce, by this time the Economic Adviser to the Prime Minister on the
Constitution and Chair of the Interdepartmental Committee on Federal-Provincial
Social Policy Issues, played the leading role. He realized that the success achieved in the
discussions on social policy would likely have an important bearing on Quebec’s
willingness to approve the proposals for constitutional revision that Ottawa was
preparing for the First Ministers’ Constitutional Conference scheduled for June. Still,
Bryce reminded the cabinet, Quebec was dependent on federal financing for many of
the programs for which it demanded primary responsibility, and that fact alone was
perhaps enough to prevent it from saying “that [its] approval of the present
constitutional proposals is definitely contingent upon agreement on the constitution or
other particular changes in this field.” Yet, he reminded ministers, Quebec had two
objectives: one was ostensibly political – to stand up to the federal government and
gain something of substance out of the constitutional discussions; the other was
essentially one of policy – to make the most out of the resources available to the
province to allow it to develop a program along the lines suggested in the Castonguay-
Nepveu Commission to deal with the persistent problem of widespread poverty in the
province.38

To allow Quebec to save face, Bryce said it may be necessary to consider some
modest provision in the Constitution relating to social measures that would not impair
the powers of Parliament to make payments to individuals. At the same time, Bryce
spelled out the approach that Munro should adopt for a meeting with Castonguay on
March 29. Bryce effectively told Munro what to say: he suggested that the Minister
should first indicate sympathetic interest in Quebec’s proposal to have family
allowances address the requirements of large families, and second, find out what
Castonguay really desired with his income security policies. Munro offered to make a
number of changes in FISP to conform to the principles underlying the family
allowance recommendations in the Castonguay-Nepveu Report.39 Bryce subsequently
reported to the cabinet on the meeting between Munro and Castonguay. The
atmosphere at the meeting was tense, he told the cabinet, even though Munro offered
to modify his proposals for family allowances in light of the Castonguay-Nepveu
Report. This was not enough for the Quebec Minister, who told Munro that he wanted
family allowances to become completely a Quebec program, both in structure and
administration. He also wanted Ottawa to transfer to Quebec the financial equivalent
of the family allowance benefits it would pay directly in Quebec under a federal
program. Castonguay said the Constitution should give the federal Parliament the
to legislate in a field of social policy only if Quebec did not; if Quebec chose to
legislate in the field, its legislation would have precedence, and any subsequent federal
initiative would not apply in Quebec, except to the extent permitted by Quebec law.
In such an event, the federal government had to compensate Quebec for the amount
that would have been spent in the province if the federal laws had been applicable.
Castonguay then provided Munro with a preliminary draft text of a constitutional
section that would satisfy Quebec.40
This was more than Ottawa was willing to concede. By April 1971, just two months before the Victoria Conference, Ottawa adopted a different approach by deciding to inject more money into the family allowance program. Cabinet authorized an additional $150 million for the family allowance program, bringing expenditure for the program to $800 million. Interestingly, just months earlier the cabinet had steadfastly refused to allocate extra funds to increase benefits for families living in poverty, and the $150 million was the amount that a detailed study of the 1971-72 estimates for the Committee on Priorities and Planning had set as the ceiling that could be added to the 1971-72 budget for “all forms” of social security.41 Now, all of it was being used to try and bring Quebec on side. Cabinet was able to justify the new expenditure for family allowances on the grounds that it would go some way to meet the demands of Quebec and address some of the criticisms levied at the proposals contained in the White Paper on Social Security. Ottawa wanted to direct additional funds to large families and drop the proposal to tax family benefits. While federal officials realized that these two measures would not put any more money into the hands of low-income families, they would, however, go some distance to satisfying Quebec and answering the critics of the White Paper.42 Cabinet approved these changes on April 16, 1971, but insisted that Quebec not be told about the additional funds until an appropriate or opportune time.43

As cabinet prepared to sweeten its offer to Quebec, it maintained that a constitutional amendment to include family allowances in section 94A of the British North America Act, as Castonguay insisted, was unnecessary. Quebec was already in the provincial field and Ottawa was providing family allowances under its use of the federal spending power. If Ottawa agreed to Quebec’s request for an amendment, it would be put in the impossible situation of implicitly agreeing that its longstanding use of the federal spending power to pay family allowances was constitutionally suspect. The best strategy, Ottawa thought, was to offer Quebec an administrative arrangement for coordinating family allowances in that province.44 John Turner, the Minister of Justice, warned the cabinet on May 4, 1971, however, that a deal with Quebec was unlikely without a constitutional amendment. The Quebec government, Turner warned cabinet, could not possibly agree to the proposed constitutional charter to be presented in Victoria without a constitutional amendment regarding social policy if it hoped to secure the approval of any change in the Quebec Assembly. Bourassa had said at the constitutional conference in April that family allowances must be included in section 94A of the Constitution so that it would read:

The Parliament of Canada may make laws in relation to old age pensions and supplementary benefits, including survivors’ and disability benefits irrespective of age, and in relation to family allowances, but no such law shall affect the operation of any law present or future of a provincial legislature in relation to any such matters. [emphasis added]

Ottawa had to decide what to do about Bourassa’s proposal. The Department of Justice did not see any serious problem in accepting it from a legal perspective. However, Turner warned that there were risks to federal-provincial relations as well as political implications in doing so. The most serious, of course, was that Quebec might insist that the change was an important one, and it might eventually demand that Ottawa withdraw from the fields in which the province enacted legislation. Turner was

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worried that if Quebec exaggerated the meaning and implications of the amendment, some of the other provinces, particularly in Atlantic Canada and the West, might oppose any substantial weakening of the federal power in social policy. Turner recommended accepting Quebec's proposal to include family allowances in section 94A but only if Bourassa and Castonguay understood fully Ottawa's position. Even so, Turner reminded cabinet that they should inform Quebec of their decision just before the ministerial meeting on the Constitution on May 31 and June 1 because if the issue were settled too early, Quebec might be encouraged to seek something else before June 14.45

**Victoria Conference**

When he opened the constitution conference in Victoria on June 14, Trudeau said repatriation and an amending formula had been the main objective of the conference, but social policy had emerged as a major issue. He acknowledged that Quebec had proposed that the provincial legislatures be given the authority to limit the power of Parliament to make income security payments such as family allowances in the provinces. If Canada acceded to the demands of Quebec to divert federal spending for social policy to the provincial treasuries to allow each province to determine how it spent the funds, it would not only lead to the erosion of the federal presence in such areas but might undermine Ottawa's ability to collect taxes in the affluent provinces to support provincial programs in the have-not provinces.46

The conference concluded at midnight on June 16 with a Canadian constitutional charter. The Victoria Charter addressed a variety of issues, including political and language rights, the appointment of Supreme Court judges, and an amending formula, but the major issue at the conference came down to the issue of jurisdiction over social policy, which, as some commentators noted, was a microcosm of the larger issue of the division of legislative and taxing powers.47 As we saw above, the federal government was willing to go only part way to meet Quebec's demands for legislative primacy in social policy. Trudeau insisted that Ottawa would not surrender its power to make direct payment to individuals, but he agreed that federal legislation in social policy areas could "dovetail with their [Quebec] legislation in social areas and if there is a conflict, ours [federal legislation] will have to adjust to theirs."48 The federal government agreed to amend section 94, but the proposed amendment did not satisfy Quebec. While it recognized provincial paramountcy in the fields of family allowances and other income security measures, it did not prohibit Ottawa from participating in income support programs, nor did it offer to provide financial compensation to the provinces if they chose not to participate in a new federal initiative.49 The final communiqué from the conference, which promised that the premiers would meet shortly to discuss all aspects of the federal-provincial fiscal arrangements, did not give Quebec the decentralized federalism that it sought. Although Bourassa agreed to consider the Victoria Charter, he realized that there was little support for it – which was labelled "La Charte á Trudeau" – in Quebec. Peter Meekison, who attended the conference as part of the Alberta delegation, contends that the Quebec representatives had decided before they left Victoria that they would not ratify the Charter.50 As Bourassa perhaps expected, the opposition in Quebec was fierce; Claude Ryan, the editor of the *Le Devoir* wondered in an influential editorial on June 22 why Bourassa has accepted a document “qui tend á consolider la preponderance du gouvernement
central dans les affaires canadiennes et à ramener le Québec au rang de province comme les autres.”51 The Parti Québécois saw Bourassa’s acceptance of the Charter as an act of treason against the people of Quebec. The premiers had agreed that before June 28 they would indicate to Ottawa whether or not they would take the Charter to their legislatures for ratification.

Even as Bourassa considered the Victoria Charter, Ottawa continued to search for ways to solve the impasse over social policy with Quebec. It was R.B. Bryce again who suggested a way forward. He recommended a solution that would “assist” Quebec without additional cost to the federal treasury, without loss of ultimate control of future federal programs, and without creating the impression that Trudeau was doing anything special for Quebec. He proposed that Ottawa allow all provinces – not just Quebec – the option of determining how the federal benefit for each recipient would be made within their province. The federal government would continue to administer the program and send cheques directly to the parents, thus maintaining family allowances as a nation-building tool that had been present since their inception. Bryce’s plan would allow Quebec, for example, to determine how its envelope of funds was distributed in that province; it could decide the amount of the benefit paid to each child. It could, for instance, increase benefits for the fourth and subsequent children in a family at the cost of some reduction in the scale of payments for other children. The added incentive for Ottawa, Bryce suggested, was that only Quebec was likely to be interested in such an option.52 Bryce’s plan clearly conformed to Trudeau’s vision of federalism that was determined to reverse the trend towards special status for Quebec by allowing all provinces to make special arrangements with Ottawa in the delivery of social programs.53

Bryce noted in his memorandum that the proposals should be put to Premier Bourassa on June 23 “if it appears that such action is needed and has a good chance of success in gaining Quebec’s approval to the Charter.” Bryce added that there seems to be a “reasonable chance of reaching a conclusion on this proposal by Monday, June 28, the deadline for governments to approve the Charter.” Cabinet liked the proposal, but it made it clear that Ottawa’s intention should be kept secret from Quebec until after the Quebec cabinet had met on the evening of June 21. It did not think that Bourassa would make a decision on Victoria at that meeting, and it wanted to be prepared with additional incentives if Quebec wavered on the constitutional proposal. The Trudeau cabinet was clear in its objectives as the record of cabinet decisions shows: concessions of family allowance could be an important bargaining chip with Quebec Ministers.54 A few days later, on June 22, the federal cabinet agreed that “if the action was needed and had a good chance of making possible Quebec’s acceptance of the Canadian Constitutional Charter” then the prime minister should inform Premier Bourassa of Ottawa’s willingness to change the Family Income Security Plan (FISP) to accord broadly with changes proposed by Quebec and “enrich” the plan by the allocation of an additional $150 million. Cabinet knew the game it was playing with social policy and the record of cabinet decisions for June 22 noted that “it would be preferable to make no such offer unless it was essential to success on the Constitutional issue and it was clear that it would lead to Quebec’s approval of the Charter.”55

The next day, Bourassa formally rejected the Victoria Charter. Ottawa had counted on Bourassa waiting until the deadline of June 28 before he rendered a final decision; his announcement caught Ottawa by surprise and pre-empted Ottawa’s strategy. Trudeau’s proposed amendment to the *British North America Act* “to

The Victoria Charter addressed a variety of issues, including political and language rights, the appointment of Supreme Court judges, and an amending formula, but the major issue at the conference came down to the issue of jurisdiction over social policy, which, as some commentators noted, was a microcosm of the larger issue of the division of legislative and taxing powers.
guarantee prior consultation of the provinces before changing federal income security measures and to protect provincial social allowance plans from interference by parallel federal programs” was too little to satisfy Quebec.56 A statement issued by Bourassa’s office gave a measure of hope to Ottawa; it was enough to ensure that family allowances would remain at the top of the federal-provincial agenda. Bourassa insisted that “Federalism constitutes for Quebecers the best way of attaining their economic, social and cultural objectives” and noted the failure of the constitutional reforms to deal adequately with social policy. “The texts dealing with income security,” the statement noted, “leave an uncertainty that meshes badly with the objectives inherent in any idea of constitutional revision. If this uncertainty were eliminated, our conclusions could be different.” He and Trudeau had decided to meet in a week or so, but Bourassa had made it clear to the prime minister that success was contingent on new powers for Quebec in the social security field. Trudeau also told the House of Commons on June 25 that further negotiations with Quebec were likely, pointing out that Bourassa had said that “ambiguities” in language were the source of difficulty with the Victoria Charter.57

While Bourassa may have been simply misleading the Liberal government in Ottawa and English-Canadians generally with what it would take for Quebec to agree to constitutional reform, Ottawa certainly believed that an agreement could be reached with Quebec. Bourassa’s insistence on social policy reform continued to have a major impact on policy-making in Ottawa. Cabinet decided on June 25 to push ahead with the proposals for the FISP that it had previously approved. Ottawa could not withdraw the $150 million it had committed to luring Quebec to signing the Victoria Charter: to do so would have caused a split in the cabinet and, above all, shown how the Trudeau government had attempted to use social policy to manipulate the constitutional agenda. However, the federal government dropped its proposal to allow provinces to play a greater role in family allowances; it alone would determine the structure of the benefits, perhaps in retaliation for Quebec’s rejection of the Victoria Charter. The failure of the central agencies to deliver on the Constitution allowed Health and Welfare Minister John Munro to regain a little of his power in cabinet. He told the House on June 29, 1971, that he had revised the White Paper to ensure that the federal plan would fit into provincial priorities and social policies. Munro insisted that the plan embraced the anti-poverty concept of selectivity by placing substantially larger benefits in the hands of low-income mothers, while preserving a measure of protection for middle-income families. Moreover, an improved FISP, he said, can be dovetailed with the proposed Quebec social allowance plan without interfering with its operations.58 The new scheme was to begin in May 1972. Don Jamieson, the Newfoundland representative in the cabinet, commented in his memoirs that many believed that “what was at first a bargaining position involving give and take on both sides became a matter of Quebec taking while still uncommitted to give on the constitutional issue.”59

As the federal government prepared the necessary legislation and worked out the technical details to make payments under FISP, the issue of Quebec continued to influence Ottawa. As Munro told cabinet on July 22, 1971, Quebec might attempt to frustrate Ottawa by introducing its own family allowance legislation to “occupy” the income security field, leaving Ottawa to duplicate the program with its new legislation. Even if Quebec introduced a similar program with very low benefits it could then claim that Ottawa was merely supplementing the Quebec plan with its FISP. Cabinet wanted
to prevent Quebec from such manoeuvring and initiated a publicity campaign in Quebec to explain Ottawa's new social policy approach directly to the people of that province. Cabinet also agreed to proceed in early September with the legislation to replace family allowances with the FISP, but it agreed that Trudeau had to provide Premier Bourassa with a draft of the legislation, inviting him to propose changes to the federal plan. There is no evidence that the other premiers were given any such consideration or received notification of the impending legislation.

The strategy forced Premier Bourassa to respond. On September 2, 1971, he wrote Trudeau that he hoped to find a way of “averting conflict” in the area of family allowances. Bourassa continued to insist that the province required supremacy in the design of social security programs to meet its own social policy priorities. He wanted the proposed federal legislation to conform to any existing terms, conditions, and regulations of the family allowance legislation in Quebec. He also wanted the province to have control over designating the recipients, the nature and the amount of the allowances, the scale of benefits, and the total amount payable to the citizens in that province. Trudeau was optimistic that Bourassa had intimated that it was possible to find a legislative solution to the social policy question rather than a constitutional one, which had derailed the Victoria Conference earlier that summer. When Bourassa referred in his letter to family allowances distributed by the Government of Canada, Trudeau and his officials assumed that Bourassa had come to accept a federal role in the program, even though the nature and scope of the benefits in each province could be determined by provincial priorities. Given that, Trudeau suggested that federal and provincial representatives meet to discuss the Quebec proposal. However, the government had already decided to table the new FISP in the Parliament on September 13, 1971, but Trudeau told the House that a letter from Bourassa had arrived too late for the federal government to change the legislation it had already prepared. Amendments would be introduced in due course.

There was no legislative action taken on Bill C-264 after it received first reading, as Ottawa struggled to meet Quebec's demands. The federal government had good reason to be patient because Premier Bourassa had told the Le Devoir in late September that after Quebec found a workable solution with Ottawa on family allowances it would begin new constitutional discussions: “Mais…je ne veux pas m’engager, et je l’ai dit clairement au premier minister du Canada que je ne veux du Québec qui déterminera le moment opportun de reprendre le débat constitutional.” Quebec’s ultimate goal was to obtain sole jurisdiction over all social policy, or legislative primacy, although it appeared at times to be willing to contemplate something less. Quebec’s preferred approach was to have a provincially designed basic plan for children under 18 with a supplement for larger families included in a single plan. While it was agreeable to having the federal government issue the cheques, it wanted the province to play an important role which would include the following: having income statements verified by the province; identifying the province on the application forms, on all literature relating to the program and, most importantly, on the cheques issued to parents; and having the province determine final benefit amounts using the provincial definition of income. This was essentially a proposal that Bryce had discussed earlier in the year. Various federal departments, notably Finance, Supply and Services, Health and Welfare, and the Privy Council Office, had discussed and considered Quebec’s position through the fall of 1971. By December, the departments agreed that the Quebec plan obscured federal expenditure on the program while maximizing provincial identification, noting that the proposal would inevitably lead to duplication, administrative inefficiency, and public confusion.
identification, noting that the proposal would inevitably lead to duplication, administrative inefficiency, and public confusion. Even so, the officials realized that the proposal would meet Quebec’s social policy objective by achieving the streamlined, integrated approach that it had emphasized; any other option would be seen in that province as further frustration of its aspirations. Yet, the federal authorities also wanted to ensure that it was not too easy for provinces to redesign the FISP program. Ottawa insisted that each province that wanted to modify the federal plan contribute at least 20 per cent of federal expenditures to the redesigned program. If the negotiations with Quebec failed, Munro suggested that Ottawa proceed with Bill C-264 as it stood, but the government allowed the legislation to lapse with the termination of the third session of the 28th Parliament on February 16, 1972, only to announce its continued commitment to the FISP and its intention to reintroduce legislation covering the plan in the Speech from the Throne on February 17, 1972, that opened the fourth and final Session of the 28th Parliament.

**Family Allowance Reforms**

On March 9, 1972, in response to Quebec’s demands for a redesigned, more flexible FISP which would allow them to meet their own provincial social policy objectives, Prime Minister Trudeau offered each province the right to redesign FISP for operation within the province, subject to certain minimum federal standards. This had been proposed in the period leading to the Victoria Constitutional Conference. In a letter to Premier Bourassa, Trudeau wrote that “[a]cceptance of a plan along these lines would represent, as you will appreciate, a very important change so far as the federal government is concerned.” For the first time, a federally financed and administered program, legislated by Parliament, would be subject to modification by the provinces even though the amount of financial participation by the province would be small in comparison with that of the federal government. Provinces with family allowances programs, providing a supplement amounting to at least 15 per cent (not 20 per cent as the federal interdepartmental committee had recommended) of the total spent on family allowances in that province, would be given the right to alter the monthly benefit rate, the reduction rate, and the income threshold for FISP, provided that total federal spending on FISP did not exceed the amount that would have been spent had this right not been exercised. The benefits per child could not be set below 80 per cent of the national benefit rate, the threshold could not be set below the income tax exemption level, and provincial definitions of residence could not be more restrictive than the federal definition. Trudeau insisted that the federal definition of income would have to be used for the purpose of federal payments. He also said that the literature describing the program would indicate clearly that the plan in each province had been designed in accordance with provincial legislation, and there would be recognition of provincial financial participation. Trudeau also told Bourassa and the other premiers that the federal government would proceed with the FISP legislation in the current session, but the Bill that would be presented to Parliament would not include the provision for the kind of flexibility he now suggested. He reassured Bourassa, however, that Ottawa would amend the Bill to do so as soon as the provinces agreed to his proposal. What must have been encouraging, particularly for Bourassa, was Trudeau’s suggestion that “the principles involved [with FISP] are clearly capable
of extension to other income support programs” and might pave the way for constitutional change in matters relating to social security. “While the difficulties are considerable, the federal government would be prepared to consider this kind of extension of the principles I am proposing if a satisfactory constitutional basis can be found and if it solved the problem of social security which remained to be cleared up to permit further progress in the process of constitutional review.”66 Bourassa telexed the prime minister on March 19, expressing his satisfaction with the proposal, telling Trudeau that “I have a conviction that we shall soon arrive at developing a successful formula for family allowances.”67 Constitutional reform was clearly on Trudeau’s mind.

In Trudeau’s view, he had conceded little to Quebec. The federal government claimed that it did not recognize in the changes to FISP any provincial supremacy in this particular social program, as it retained the undiluted right to make direct payments to individuals anywhere in Canada. Trudeau and his advisors had realized much earlier that there was considerable division within the Quebec cabinet over social security policy. Trudeau knew, however, that Bourassa was his best chance for finding a solution within the current framework of Confederation. Trudeau’s offer, in his view, had simply allowed Bourassa to claim victory. The Premier had described it as a “great step forward.” As Trudeau said in an interview with TVA television news, there were many people in Quebec who did not want to see any agreements between the federal and provincial governments. Trudeau certainly must have realized that the agreement on family allowances would show that Confederation continued to work, and he certainly would have expected a more co-operative attitude from Premier Bourassa in the future on other important national issues.68

Trudeau’s letter to the other premiers outlining the proposed changes had a different introduction than the one he sent to Bourassa. In his letter to the nine English-speaking premiers, Trudeau briefly reviewed the course of events following the Victoria Constitutional Conference where Quebec had insisted on a provision in the Constitution allowing provinces to have some measure of control over federal programs, particularly family allowances, to suit the needs of each province. Trudeau pointed out that the conference had tried to meet the needs of Quebec by providing for an amendment to section 94A of the British North America Act, but that the Government of Quebec subsequently decided that it could not accept the approach on income security included in the Victoria Charter. He noted, however, that in September 1971, Premier Bourassa had suggested to him that an administrative arrangement through the federal and provincial legislatures might achieve Quebec’s objectives in the area of income support if it was proving impossible to do so constitutionally. Since that time, Trudeau wrote, Quebec and federal officials had held discussions on the matter, but at all times Ottawa had insisted that any arrangements which might appear feasible would have to be the subject of a discussion with all provincial governments and would have to be equally available to all. The federal government was now prepared to modify the application of the federal FISP he told the premiers.69

Many of the newspapers hailed these developments, which Trudeau made public in an interview on the Reseau TVA French station on Sunday, March 12, as a victory for Quebec. On March 13, the Ottawa Journal claimed that “Quebec gets control over baby bonus,” while Le Devoir saw it as “Un triple gain pour le Quebec.” This triple victory, as reported by many newspapers, was that Ottawa agreed to most of Quebec’s

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proposals in the social security field; Ottawa agreed to consider a similar approach in other sectors of social welfare jurisdiction; and, Ottawa would consider family allowances as a separate issue from the other aspects of social welfare jurisdiction. The Toronto Globe and Mail saw Trudeau’s offer of the jurisdiction Quebec demanded as a major policy shift in federal-provincial affairs. The Windsor Star went so far as to suggest that the “constitutional road [was] now open again.” La Presse, too, hinted that the Victoria talks would soon continue, but some of the other newspapers in Quebec expressed considerable doubt on federal sincerity in allowing the provinces to take over family allowances: Le Devoir wrote “Québec scrute la teneur de la réponse d’Ottawa.” Yet, as Le Droit reported “Bourassa se dit staisfaite de al Proposition Trudeau.”

As federal and provincial officials met to plan for the arrangements necessary to give effect to the federal proposals, Ottawa nearly scuppered the deal when it announced in the federal budget on May 8, 1972, significant improvements to the Old Age Security pensions and the Guaranteed Income Supplement as well as the special income tax exemption for the aged from $650 to $1,000. Although there had been considerable pressure on Ottawa to enrich support for seniors, Quebec denounced Ottawa’s unilateral action on another income security program. The announcement threatened to undo the deal between Quebec and Ottawa. Castonguay was livid, and unleashed a bitter attack on Ottawa, calling the proposal for the aged a “low blow” to Quebec’s efforts to establish an integrated approach to all social benefit spending. Ottawa had acted without any prior consultation with or warning to the provinces. To him, Trudeau’s budget had demonstrated that Ottawa could not be trusted and any hope that they had that the deal over family allowances marked the beginning of a new era that gave the provinces a measure of control over social policy was shattered. The Toronto Star reported that Castonguay said that the administrative arrangements proposed by Trudeau and reluctantly agreed to by Bourassa could not work. Quebec needed full jurisdiction over all aspects of social security to implement an integrated social policy. Castonguay told the annual conference of Canada’s Learned Societies in Montreal on June 7 that “[i]t is pointless to expect sufficient consultation to ensure a unified conception of the programs concerning guaranteed income-social aid,” adding that amiable, non-formal arrangements could not give sufficient guarantees. He went on to say that without constitutional change giving Quebec legislative primacy in social policy, the Canadian federation was in danger.

Not surprisingly, federal-provincial negotiations over family allowances stalled. On June 9, 1972, Prime Minister Trudeau reminded Bourassa that a great deal of progress had been made by the two sides over the past few months, and the federal government had conceded on all of Quebec’s demands. In a veiled threat, Trudeau reminded Bourassa of the tight time frame for the enactment of the legislation and told him that it was necessary for Quebec to decide quickly whether or not to proceed with the provincial option amendment to Bill C-170. He gave Bourassa a week to make his decision. Bourassa apparently had to contend with Castonguay who continued to argue that the only way for Quebec to control its social policy and implement an integrated policy on income security was through a constitutional process that addressed the division of powers in the field of social security. The Montreal Gazette reported that Castonguay had threatened to resign after Ottawa unilaterally announced increases to Old Age Security, but reluctantly decided to stay after Premier Bourassa assured him that Quebec would take a stronger stand with Ottawa. The delay killed
the legislation. Bill C-170 died on July 7, 1972, the last day of the Session, when it failed by one vote to receive unanimous consent on third reading before Parliament was adjourned. Parliament did not meet again before the federal election on October 30, 1972.

In that election, Canadians sent Prime Minister Trudeau and his governing Liberals a strong message that they were not impressed with his handling of affairs and returned them with a slim minority government. In the unsettled period following the election, Trudeau re-organized his priorities to win support from the NDP by promising action on social policy and a program to increase the presence of the state in the national economy. These changes kept the Liberal government in office until May 8, 1974, but the compromise with the NDP effectively stymied any fundamental change to the family allowances program that targeted low-income families through selective measures contained in the FISP. Yet, Trudeau must have been appalled that his important constitutional plans had foundered on something as unimportant (to him) as social policy, and he handed the National Health and Welfare portfolio to Marc Lalonde, his former private secretary and constitutional advisor, to fix the social policy problem with Quebec. Trudeau had made it clear to Lalonde that he wanted a major review of Canada’s social security system to integrate federal and provincial social security policies, and reform the various programs based on a number of specific principles around which a national consensus of opinion might be formulated. This approach was designed to avoid the constitutional impasse that had derailed the earlier constitutional agreement in 1971. In the January 1973 throne speech, the federal government promised “that Canada’s total social security system – including both federal and provincial elements – must be reconsidered and reorganized, and made more sensitive to the needs of people in different parts of the country.” Castonguay could have written the words himself, and it showed that Canada had entered a new period of harmonic federalism on social policy, at least.

The review of Canada’s social security system began when Lalonde tabled the Working Paper on Social Security (the Orange Paper) in the House of Commons on April 18, 1973. The Working Paper was the federal government’s contribution towards a joint federal-provincial review of Canada’s social security system, and the provinces all agreed to participate in the exercise. Cabinet wanted to avoid putting a series of proposals on the table that would clash with the objectives of the provincial governments, particularly those of Quebec, but wanted a concrete family allowance proposal put before the provinces at the April meeting of welfare ministers. This would reassure Canadians that the Liberal government was committed to substantial and immediate benefits through universal family allowances as well as provide tangible evidence that the government was indeed serious about meaningful social reform. It was also clear that the principle of universality in social programs would not be threatened, especially as long as the Liberals remained in a minority position in Parliament.

The Working Paper proposed that family allowances be increased from their average of $7.21 per child per month to an average of $20 per child, and be made taxable. The 1970 White Paper recommendation to eliminate the universality of family allowances had obviously fallen victim to the political pressures of keeping the minority government in office and the need for provincial approval. Further evidence of the political practicalities was Lalonde’s proposal that the level of benefit be reviewed periodically in relation to changes in the Consumer Price Index (as Old Age Security had been several months earlier). Lalonde suggested, subject to a national minimum
and assuming the development of a consensus regarding provincial flexibility and national norms, the precise amount paid for individual children would be left to the provinces, as with the proposed FISP. Provinces could choose to vary the amount paid either by the age of the child or the size of the family. With an obvious reference to Quebec, Lalonde noted that it was a major constitutional innovation to permit the provinces to determine the benefits paid to individual Canadians by the Government of Canada, within the limits set by Parliament. This flexibility allowed provinces to design their own income support and supplementation programs for families and would mark the introduction of a new – yet much discussed and anticipated – approach to federal-provincial relations in the social security field. When Ottawa accepted a provincial role in a national program such as family allowances after spending more than a generation defending its sole prerogative to legislate in the field, it ensured itself a role in this area for some years to come. Quebec newspapers saw the change as a decisive step and a major breakthrough for Quebec. La Presse wrote: “Fasse le ciel que l’esprit de conciliation dont fait prevue M. Lalonde contribute à mettre un terme aux différents constitutionnels qui ont trop longtemps paralyse l’évolution constitutionnelle du Canada.” The English Canadian media saw the legislation simply as an increase in family allowances benefits.

In July 16, 1973, Marc Lalonde introduced in Parliament the new reforms to the family allowances program, claiming it represented a new formula for federal-provincial co-operation in the area of social security. Only three provinces took advantage of the federal offer that provinces be allowed to determine benefits. Not surprisingly, Quebec was one; Alberta and Prince Edward Island were the others. When Premier Robert Bourassa announced Quebec’s plan on September 19, 1973 – just days before the provincial election – he said that it “constituted an admirable example of a type of federalism which is both flexible and beneficial for Quebec.” It was Social Welfare Minister Claude Castonguay who championed the new Quebec family allowances program that would cover all children up to the age of 17, thus eliminating Quebec’s schooling allowances that had been created when the province opted out of the federal youth allowance program. The province set the benefits according to the number and age of the children, as provided under the provisions of the Bill before Parliament. Federal monthly allowances were pegged at $12 for the first child, $18 for the second, $28 for the third, and $31 for the fourth child and all other children in the family. Additionally, the basic allowance was supplemented by an “age premium” of $5, paid for children between the age of 12 and 17 years. The Quebec government would administer and finance a separate Quebec scheme which provided additional monthly allowances of $3 for the first child, $4 for the second, $5 for the third, and $6 for each child after the third. The Quebec benefits were administered through the Quebec Pension Board that was already in charge of family and school allowances in the province. Further, the Quebec government decided to make its family allowances tax-free because it felt that middle-income families would have to carry too great a burden if family allowances were taxed, though the federal portion would be subject to federal income tax. Castonguay noted that Quebec had sufficient freedom of action to establish a structure of its own under the proposed federal legislation, and he claimed that the new family allowances program took into consideration the special needs and circumstances of Quebec families – particularly those of large families in the middle and low income bracket – whose interest had not been sufficiently considered under the earlier federal schemes. A short time later, Castonguay resigned from the Quebec legislature and became a consultant to Mr. Lalonde. His mission was accomplished.
The legislation passed third reading in November 1973, and parents saw the increases in their family allowances cheques that arrived in January 1974. Lalonde had inserted a message into the cheques going to Quebec, explaining the main features of the new program. He wanted to make it clear that, while the provincial government asked Ottawa to vary federal payments based on the age and number of children in a family, the Canadian government paid an average of $20 to each child in Quebec. Clearly, Lalonde wanted to show that the federal government was still largely responsible for the payment of family allowances in the province. It was a month later before parents in the other provinces received a similar note from the Minister.

CONCLUSION

The example of the family allowances program in the 1970s suggests that Canada’s federal system had an important impact on the development of family allowances, especially as the two orders of government were attempting to resolve outstanding constitutional issues. When a nationalist Quebec government demanded that Ottawa withdraw from the social policy field and transfer monies expended on such programs to the provinces, family allowances became intricately involved in the minefield of Canadian intergovernmental relations. Because family allowances were one of the few programs shared by all Canadian families and one of the means of building social cohesion across Canada, the federal government initially refused to allow any provincial involvement in the program. By the early 1970s, however, family allowances were elevated from sectoral or “low politics” to the realm of “high politics.”

Family allowances had rarely been the concern of the first ministers except when the program was introduced in 1945, but, during the constitutional negotiations during 1970 and 1971, they moved to the centre of Canadian politics. Prime Minister Pierre Trudeau proved willing to make changes to the family allowances program as a means of enticing Quebec Premier Robert Bourassa to amend the British North America Act. In those intergovernmental negotiations to patriate the Constitution, family allowances played an instrumental role. Ottawa promised certain reforms to the program to satisfy some of Quebec’s social and constitutional objectives and its demands for greater autonomy within the Canadian federation as a way to move the constitutional file to a conclusion. The changes that were made to family allowances to allow the provinces to determine how the benefits were allocated to parents came as a result of the political manoeuvring with Quebec. Even so, Trudeau realized – as Mackenzie King had much earlier – that family allowances served as a link between the federal government and individual Canadian citizens in various regions and especially in Quebec. Even as the program was being reformed, the federal government made certain that family allowances would remain a nation-building tool to help foster a pan-Canadian citizenship and attachment to the Government of Canada. The federal government, it might be concluded, designed some of their family allowance reforms to counter the province-building project in which the Quebec provincial government was so heavily involved.

What is equally clear is that the Department of National Health and Welfare which had pushed for selectivity over universality in family allowances to get additional funds into the hands of parents in greatest need failed in the 1970s, even though the Liberal government of Pierre Trudeau had initially agreed with that approach.
However, when constitutional reform and intergovernmental conflict moved to centre stage in the early 1970s, family allowance reform became a surrogate for the broader political issues of the day. When that happened, family allowance reform became for Ottawa essentially a bargaining chip to be used with Quebec which demanded greater provincial control over the program. Ottawa hoped that by accommodating Quebec on social policy it might clear the way for Trudeau's constitutional renewal and reform. Subsequently, Ottawa permitted the provinces greater control over the federal family allowance program and in the process lost sight of its original objectives in its initial family allowance reform package. Still, Ottawa managed to reinforce the nation-building intent of the program even as it made concessions to the Quebec. Targeted social spending would have to wait.


16. Quebec had pioneered the idea of youth allowances in 1961, a demogrant program that Canada adopted for the whole country in 1964. A demogrant is a pure lump-sum transfer based on demographic characteristics, such as sex or age, and is paid to an individual irrespective of her/his income or wealth.


19. In Canada, many commentators and academics have associated “selectivity” with cutbacks in social spending and an attempt to dismantle the welfare state. As an example see, Allan Moscovitch, “The Welfare State Since 1975,” *Journal of Canadian Studies*, Volume 21 No 2 Summer 1986: 83, when he wrote “One means of eroding social welfare has been through the use of more selectivity, or means testing benefits.”


27. National Health and Welfare, vol. 1937, file R234/100, “Summary of the Steps that have been taken to Accommodate Quebec’s Point of View,” 15 June 1972 [Point of View].

28. Munro later disbanded a secretariat he had created in the department to answer questions about the plan because of the lack of queries it had received. *Winnipeg Free Press*, 20 September 1972.


30. Sharp, *supra* note 26. Sharp had said in the Cabinet on 7 May 1970 in a discussion on the Quebec situation and national unity that “the government had to do everything possible to assist the new Premier of Quebec [Robert Bourassa] because it might well be the last chance to solve the problems in Quebec.” LAC, Privy Council Office, vol. 6359, Cabinet Conclusions, 7 May 1970.
32. Department of National Health and Welfare, Acc 85-86/343, box 28, file 3301-3-C8, Memorandum for the Prime Minister, prepared by Gordon Robertson, 4 February 1971. The memorandum was based on Robertson's telephone conversation with Chouinard.
33. Department of National Health and Welfare, Acc 85-86/343, box 29, file 3301-3-C6, Memorandum for the Prime Minister, Re: Quebec's Proposals in Social Policy, prepared by R.B. Bryce, 5 February 1971. Bryce also reminded the prime minister that if an arrangement on social policy were worked out with Quebec and then announced to the other provinces without any prior notice, it would cause trouble in getting them to agree on a package to patriate the Constitution “which most of them believe they are doing in order to help Mr. Bourassa.”
34. Point of View, supra note 27.
35. PANB, Records of the Department of Finance, file 01-03-00, Ottawa – Conference - Constitutional, 1971, Statement of Conclusions.
36. Saywell, supra note 31 at 44.
44. Ibid.
45. Department of National Health and Welfare, vol. 1629, file 1, Memorandum to Cabinet, Quebec Proposal to Amend the Constitution Concerning Family Allowances, 4 May 1971, submitted by John Turner and accompanying Appendix A, Inclusion of Family Allowances in Section 94A.
47. Ibid. at 56.
48. Ibid. at 58-79.
49. Ibid. at 48-49, 63. The Victoria Charter can be found online at http://www.solon.org/Constitutions/Canada/English/Proposals/Victoria_Charter.html.
50. Interview of Peter Meekison by Raymond Blake, Calgary, AB, 17 October 2003.
51. Saywell & Stevens, supra note 46 at 61.
52. Department of National Health and Welfare, Acc 85-86/343, box 28, file 3301-3-C8, pt. 2, Memorandum, Re: Provincial Options to modify federal Family Income Security Plan, 20 June 1971, prepared by Bryce. Bryce noted in his memorandum that the proposals should be put to Premier Bourassa on 23 June “if it appears that such action is needed and has a good chance of success in gaining Quebec's approval to the Charter.” Bryce added that there seems to be a “reasonable chance of reaching a conclusion on this proposal by Monday, June 28, the deadline for governments to approve the Charter.”
57. Saywell & Stevens, *supra* note 46 at 63-4, 68.
61. Department of National Health and Welfare, vol. 1629, file 1, Record of Cabinet Decision, 1 September 1971. Department of National Health and Welfare, vol. 1629, file 1, Record of Cabinet Decision, 29 July 1971. Interesting, Allan J. MacEachern, the President of the Privy Council, had told John Munro on 28 July 1971 that he did not think it was possible to have the FISP legislation introduced in the Third Session as Munro wanted. MacEachern said it might be done early in the fourth session of the Parliament. See, Department of National Health and Welfare, vol. 2367, file 264-16-1, MacEachern to Munro, 28 July 1971.
62. Department of National Health and Welfare, Acc 85-86/343, box 37, file 3301-3-A16, Bourassa to Trudeau, 2 September 1971, and Trudeau to Bourassa, 17 September 1971, (Unofficial Translation of both letters); and vol. 1629, file 1, Memorandum to Cabinet, 14 October 1971. Prime Minister Trudeau tabled the letter from Premier Bourassa in the House on 15 September 1971.
63. *Ibid*.
64. Department of National Health and Welfare, Acc 85-86/343, box 28, file 3301-3-C1, Memorandum to Cabinet, 10 December 1971.
65. *Ibid*.
66. Department of National Health and Welfare, vol. 1610, file 6, Trudeau to Bourassa, 9 March 1972; and Department of National Health and Welfare, ACC 85-86/343, box 84, file 3201-3-3, pt.3, Memorandum on Policy Consideration Underlying the Design and Development of the Family Income Security Plan, 4 January 1980. Trudeau tabled the letter in the House a few days later. On the issue of the federal definition of income, Claude Castonguay had stated emphatically in September 1971, that Quebec required that the determination of income had to reside with its department of revenue. This issue was important because income levels determined the level of allowance. See *Montreal Gazette*, 16 March 1972.
67. Department of National Health and Welfare, Acc 85-86/343, box 27, file 3301-3-A16, Telex to the Prime Minister from Robert Bourassa, 17 March 1972. Bourassa wrote in the telex “I think that the proposals in your letter are in keeping with the talks we have been having on this matter for some months and that they make an appropriate framework within which we shall be able to draw up the specific terms and conditions for an agreement at further meetings.” See also, *Journal de Montréal*, 14 March 1972.
69. Department of National Health and Welfare, vol. 1610, file 6, Trudeau to premiers, 9 March 1972. This is not to suggest that the provinces other than Quebec had not been involved in the discussions over FISP: they had been. Both Munro and his officials had met with provincial ministers and their officials on numerous occasions since the release of the White Paper. See, Department of National Health and Welfare, Acc 85-86/343, box 27, file 3301-3-A16, “Consultations with the Province,” 16 March 1972.
70. A number of newspapers, including Ottawa Citizen, Ottawa Journal, Toronto Star, Globe and Mail, Windsor Star, Le Presse, Le Soleil, Le Devoir and others carried major stories and editorials on the development in the period from 13 March to 18 March 1972.


73. Toronto Globe and Mail, 8 June 1972.


79. The Joint Review of Canada’s Social Security System turned out to be a long and complicated process and its final outcome is beyond the scope of this study. The reform of Family and Youth Allowances and the decision to integrate the federal Family Allowance Program with the provincial schemes were a part of the Review but family allowance reforms were completed by the end of 1973. Family allowances did not figure prominently in the Review after that date.


83. As P.E. Bryden has argued for the Quebec and Canada Pension Plans, this shared approach to the administration of family allowances also represented a new method of negotiating with the provinces that served to enhance the role of the federal government while, at the same time, strengthening national unity. See, P.E. Bryden, Planners and Politicians: Liberal Politics and Social Policy (Kingston and Montreal: McGill-Queen’s University Press, 1997).

84. La Presse, 20 April 1973.

85. Ottawa had also bowed to the pressure to maintain the universality feature of family allowances and permitted every Canada family the privilege of receiving a monthly cheque, although introducing a measure of income redistribution through the tax system. In a period of rising living costs, the Liberal Government could boast that with its new social security legislation, it added $840 million to the incomes of mainly low and middle-income families. The total cost for family allowances was now $1.83 billion annually. See, Department of National Health and Welfare, vol. 2081, file 20-2-2, pt. 3, New Release, Minister Introduces New Family Allowance Legislation, July 1973. It was estimated that the tax recovery for the Federal Treasury would be $350 million and a further $115 million for the Provincial treasuries.

86. Department of National Health and Welfare, Acc 84-85/085, box 2m file 2106-71-6, pt. 1, Press Release, Government of Quebec, Executive Branch, 19 September 1973. Bourassa also said the there would be reform in the province’s welfare program in light of the changes in the family allowance program so that family allowances and welfare benefits were never greater than the income from employment calculated on the basis of the minimum wages so that individuals will be encouraged to work.

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Raymond B. Blake is a professor of history at the University of Regina and a former director of the Saskatchewan Institute of Public Policy. He has written and edited several books and numerous articles. His books include *Social Fabric or Patchwork Quilt? The Development of Social Welfare in Canada* (2006) with Jeff Keshen; *Canadians at Last: Canada Integrates Newfoundland as a Province* (1993 and 2004); *Beyond National Dreams? Essays on Canadian Nationalism, Citizenship, and Identity* (2007) and *Transforming the Nation: Brian Mulroney and Canada* (2007). He has just completed a manuscript on the history of family allowances in Canada that will be published as *From Rights to Needs: A History of Family Allowances in Canada, 1929-1992* by the University of British Columbia Press.
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