

DEMANDING MORE

1928-1951

Summary

In the 1930s, the economy collapsed and unemployment soared. The Depression showed how quickly poverty could afflict the entire country, and this made a lasting impression on Canadians.

The Old Age Pension of 1927 provided the elderly poor with some relief. The program gradually included more people, such as blind persons, but eligibility remained limited and seniors had to pass a degrading "means test"¹.

The pension became increasingly unpopular when provincial legislation was used to back up the means test:

- To qualify for assistance, parents had to prove that their children could not support them.
- Officials even encouraged some elderly parents to sue their children for maintenance.
- Recipients' eligibility could be withdrawn after they had begun receiving pension payments.
- Payments were even recovered through claims against the estate of dead recipients.

In 1939, Canada's entry into World War II put people back to work and breathed new life into the economy. These good economic times, however, were not as favourable for seniors, whose pensions were devalued because of inflation. The contrast between the prosperous and the aged poor, coupled with the memory of the Depression, inspired many people to propose a new national system of social security. Political parties, unions, seniors and social interest groups urged the elimination of the means test and the establishment of policies to protect all Canadians from extreme poverty.

¹ The "Means Test":

The "means test" was used to determine a senior's income, or means.

The test involved provincial pension authorities calculating all aspects of a senior's income (e.g., pensions, income from boarding house operations, etc.) as well as the value of "perks" they received, such as free room and board. The means test, however, did not take into account how much money a person needed to pay for food, shelter, clothing, fuel, utilities or household supplies.

If a senior's annual income, including pensions, was greater than \$365, he or she was not eligible for the Old Age Pension. The income each received determined the amount of assistance to which he or she was entitled.

The problem, however, was there was no specific way to calculate a senior's income. Provincial pension authorities had extensive discretion, so the calculations were inconsistent and varied greatly from province to province. For example, some calculations were based on the assumption of income from property when, in fact, such income did not exist. The value of free room and board varied depending on the province. Because a senior's income depended on where he or she lived, some seniors were denied assistance while others received widely varying amounts.

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Unemployment Insurance and Family Allowances were introduced in the 1940s to assist workers and families. In 1951, the Constitution was amended to allow the federal government to pass the *Old Age Security Act*. The Act, which took effect in January 1952, established a federally funded pension for **all** men and women 70 years of age and over.

Researcher's Summary

The catastrophic decline of the country's economy during the Great Depression of the 1930s, and the unprecedented unemployment that accompanied it, made a lasting impression on Canadian society, revealing that poverty could afflict anyone under certain conditions.

Destitute Canadian seniors who were prepared to endure the indignity of an intrusive means test were offered some shelter from the prevailing hardships through regular cash payments of the Old Age Pension introduced in 1927. The Department of Finance, which oversaw the pension program between 1935 and 1945, encouraged provincial and municipal officials to tighten eligibility in order to control costs, but the number of Old Age Pension recipients actually increased by the end of the 1930s.

Canada's entry into the Second World War put people back to work and breathed new life into the economy. Like the First World War, it also got people thinking about what they wanted from their government when peace returned. Canadians did not want a return to the economic insecurity and individual vulnerability to business cycles that had produced such tragic results during the Depression.

The post-war world, many believed, should see a more equitable society, with active government intervention in the economy and an expanded system of social security that would offer everyone some protection against poverty and the risks to livelihood associated with a modern industrial economy. While the federal government proceeded more cautiously than some would have liked, progress did occur in this area.

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A beginning was made during the war with the introduction of Unemployment Insurance in 1940 and Family Allowances in 1945. By the end of the 1940s, a reform of Canada's social security provisions for seniors was being advocated. More than anything else, there was a desire to see an end to the despised means test, and its replacement by a universal pension. Proposed, too, was a lowering of the qualifying age for benefits.

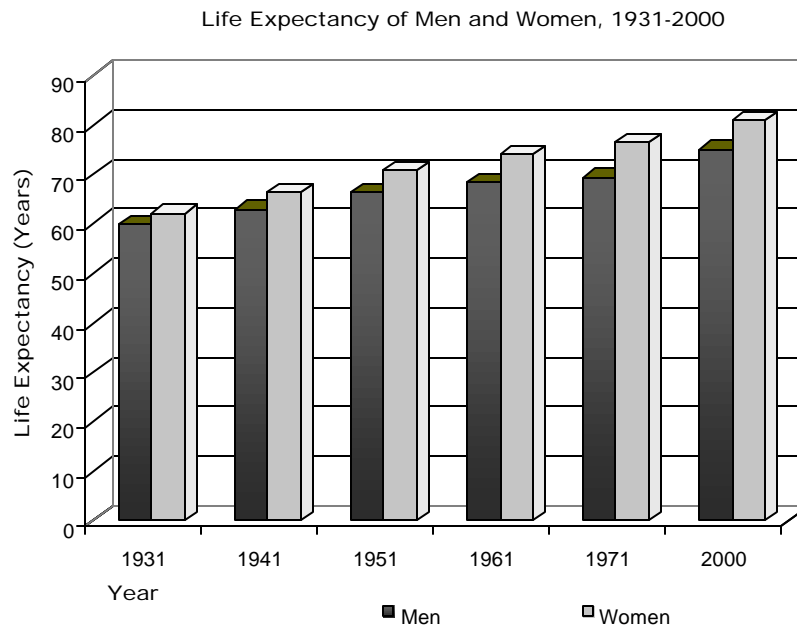
The Canadian Congress of Labour and the Cooperative Commonwealth Federation were very active in seeking pension improvements, but a reform of the system also had the support of federal civil servants and all political parties. In 1951, the constitution was amended to allow the federal government to pass the *Old Age Security Act*, establishing a federally-funded, flat-rate pension for men and women 70 years of age and over. To this was added the *Old Age Assistance Act*, providing a cost-shared, income-tested allowance for people between the ages of 65 and 69.

Daily Life

The period between 1928 and 1951 was characterized by severe economic changes caused by the Great Depression and the Second World War. The Depression years showed people how quickly poverty could affect the entire country. As a result, when the war came to an end in 1945 more Canadians than ever came to favour a government that would improve Canada's social welfare system so that social security could become a basic entitlement for all.

Shortly after the passage of the *Old Age Pensions Act* in 1927, Canada was plunged into the worst economic crisis in modern history, the Great Depression. Severe, nationwide unemployment and poverty resulted. To save money, many people waited longer to get married and had fewer children. This caused the number of young people to decline, so that the percentage of older people in Canadian society grew. At the same time, these older people lived longer because of improvements in hygiene and health care. The life expectancy of men and women improved steadily after the Great Depression, in large part due to the improvement in medical technology.

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F. H. Leacy, ed., *Historical Statistics of Canada*, 2nd Edition (Ottawa, 1983) Series B65-75

As unemployment grew and wages fell, the Depression also took away many people's ability to save money for retirement. After the economy recovered, many older people who had lost their jobs in the 1930s found themselves with no money to supplement their Old Age Pension benefits. Even many farmers lacked security. By this time, large numbers of farms had been converted to produce only cash crops in an effort to make them more profitable. This left the farm families dependent on the money made from selling their goods and unable to grow their own food.

While seniors continued to suffer financially into the 1940s, the outbreak of the Second World War helped the Canadian economy to recover significantly. The severe unemployment of the Depression years was replaced with almost full employment, and in many industries workers became increasingly difficult to find. Increases in income and prices at this time led to an increase in inflation. For seniors who relied on the fixed amounts of money provided by the Old Age Pension, private pensions or government annuities, inflation was very harmful as it reduced the real value of their pensions.

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The contrast between the general economic prosperity of the war years and the declining economic status of the aged grew to trouble many people. As the government assumed control of the economy during the war in order to meet the needs of the war effort (as it had done in the First World War), many social advocates across the country began to call for greater public support for seniors. This grew as older Canadians continued to suffer the effects of high prices in the aftermath of the war.

Increased public sympathy and respect for those no longer able to work could be seen in the growing unpopularity, as expressed in newspapers and other public arenas, of the means test imposed on old age pensioners. It was also in 1946 that the title “senior citizens” was proposed by the provincial legislature of British Columbia to underline the importance of viewing older people as citizens with all the same rights as other Canadians.² This support contributed to the government’s decision to reform the pension system in 1951 by introducing Old Age Security and Old Age Assistance to replace the Old Age Pension.

Political Events

The economic crisis of the 1930s urgently brought the issue of poverty into the national political arena. As the Depression deepened, provincial and local governments called on the federal government to help fund relief programs for the unemployed. More assistance was also given to war veterans in 1930 through the *War Veterans Allowance Act*. The majority of Canadians readily accepted the increased involvement of the federal government in social welfare issues.

As the First World War had done, the outbreak of the Second World War led many people to discuss the possibility of fundamental social change. The memory of the Depression encouraged both the general population and the government to advocate a national system of social security that would protect all Canadians from extreme poverty. In this spirit, a Committee of Reconstruction was established. A number of reports dealing with social issues were written for this committee, one of which was the 1943 *Report on Social Security for Canada* by Dr. Leonard C. Marsh. In it, Marsh called for a comprehensive national system of social security, including insurance for sickness, old age, disability and maternity, along with basic assistance for those who could not use the insurance program.

² James G. Snell, *The Citizen’s Wage: The State and the Elderly in Canada, 1900-1951* (Toronto, 1996), 210-211.

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The *Marsh Report* became very popular across Canada. However, many parliamentarians objected to it, some because they feared the economy might not continue to grow to support such a program, and others because they continued to view poverty as largely a matter of personal and family responsibility. Marsh's proposals were therefore not acted upon during the war. Instead, two new national social programs were introduced: Unemployment Insurance in 1940, to protect workers from temporary loss of work, and Family Allowances in 1945, to supplement the incomes of families with children. These programs were available to all Canadians since neither one included a means test. New veterans' pensions were also created.

The 1930s and 1940s also saw the emergence of new political parties and interest groups that supported social reform. In the 1930s, the newly formed Cooperative Commonwealth Federation (CCF) became an especially outspoken advocate of fundamental social reform, but by the early 1940s all the national political parties included social security issues in their platforms. In addition, the dramatic increase in union membership during the war resulted in much more powerful unions that lobbied for better social welfare benefits for their members. New seniors' and pensioners' groups added yet another level to this pressure for reform from across the country.

After the war, in accordance with public pressure, various changes were made to help the aged. In 1948, the year Prime Minister Louis St. Laurent replaced William Lyon Mackenzie King, an income tax exemption was given to everyone aged 65 and over. Furthermore, the amount of the tax deduction workers were allowed to claim for contributions they made to private pension plans was increased, thus encouraging them to contribute.

In 1950, a Joint Parliamentary Committee was appointed to look into old age provisions in Canada and other countries and to make recommendations to the government. The committee, which was composed of members of the Senate and all parties in the House, recommended that there should be a program of flat-rate benefits for everyone aged 70 and over, subject only to residence requirements.

But the biggest change came in 1951 with the enactment of the national and universal pension paid under the *Old Age Security Act*, supplemented by the means-tested, cost-shared benefits made available under the *Old Age Assistance Act*. These two acts replaced the 1927 *Old Age Pension Act* and came into force on January 1, 1952.

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Because a national, universal pension program was considered at that time to be beyond the statutory powers of the federal government, a Constitutional amendment was required before the *Old Age Security Act* was introduced, adding section 94A to the *British North American Acts* list of federal powers. This was only the second Constitutional amendment adopted in Canada's history concerning division of powers. Interestingly, the first Constitutional amendment was required in 1940 to give the federal government the power to legislate Unemployment Insurance, illustrating how important social welfare legislation was considered to be by this time.

The required Constitutional amendment was struck, notwithstanding several meetings and consultations between Ottawa and the provinces. However, it was at the insistence of Quebec Premier Maurice Duplessis that the provincial paramountcy sub-clause, which ensured that the Canada Pension Plan (CPP) would not affect any provincial old age pension program, was left in the wording. By May 1951, the federal government and all ten provinces had agreed on the following wording:

"It is hereby declared that the Parliament of Canada may from time to time make laws in relation to old age pensions in Canada, but no law made 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."

World Events

The Great Depression of the 1930s was felt over most of the world. Both Canada and the United States lacked adequate social welfare programs to deal with such a severe crisis. In comparison, much of Europe faced an even larger crisis as the effects of the Depression were worsened because of the huge losses of young people in the First World War. This sharp decrease in the youth population caused the proportion of older people in European society to increase greatly. The attempts of foreign governments to deal with these problems were followed with interest in Canada throughout the 1930s and 1940s.

Until the 1930s, the economic policies of most Western democracies placed great emphasis on financial austerity and keeping the nation's budget balanced. By the mid-1930s, however, it had become clear that such practices were not effective in the face of the Depression, and a number of governments adopted a new set of ideas, most famously stated by the British economist John Maynard Keynes in his 1936 book, *The General Theory of Employment, Interest and Money*.

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Keynes argued that the only solution to such a large crisis lay in a new role for government. Governments had to become actively involved in directing the economies of their countries, and to do this they would have to borrow money as required to stimulate their economies through grants, loans, and social programs.

One of the first countries to attempt a large-scale initiative of this kind was the United States. In 1935, a *Social Security Act* was passed as part of President Franklin D. Roosevelt's New Deal. The Act introduced two provisions for old age: a non-contributory pension similar to Canada's Old Age Pension and an old age "insurance" plan that was contributory. The idea of this program became very popular in Canada. Prime Minister R.B. Bennett tried to set up a similar social security plan for Canada in 1935 within his Canadian New Deal, but national contributory pensions were deemed unconstitutional by the Supreme Court and the program failed.

The Second World War sparked economic recovery in much of the West, but it also brought widespread social upheaval to Europe, much as the First World War did a generation earlier. As a result, early in the war many people began to call for fundamental social reform that had not occurred following the Great War. In response, governments began to develop plans to avoid a similar economic decline. The Depression had removed the stigma attached to unemployment and poverty, and many governments worked towards creating social security networks that, in peacetime, would not only protect their citizens from destitution but would guarantee them a basic level of economic security as a right of citizenship.

A proposal that proved most influential in Canada was a report released in Britain in 1942 called *Social Insurance and Allied Services*, also known as the Beveridge Report. Its author, Sir William Beveridge, called for a comprehensive system of social security that would ultimately end all poverty. The system would include national medical care, pensions and employment programs. Many of these proposals were adopted by the British Labour government after 1945. These innovations, combined with the model of the new American social security system, presented possibilities which the Canadian government sought to emulate.

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In addition to ideas offered by foreign governments, the link between social security and social stability, which was at the heart of the American and British programs, came to be recognized in international institutions. Greater regulation of the global economy was established when the International Monetary Fund and World Bank were created in 1944, and greater social security measures were advocated by the International Labour Organization. In 1948, with the support of the newly formed United Nations, the International Labour Organization passed a convention asserting people's right to organize and form unions, which would enable them to lobby for greater social benefits.

Influential People

The Great Depression exposed many weaknesses of modern, industrialized society. In the war years, memories of the poverty and unemployment of the Depression inspired many people to propose new social welfare policies that would soften the effects of severe economic problems in the future.

Throughout his life, Sir William Henry Beveridge (1879-1963) worked on issues surrounding poverty. As a young man he worked in a housing development for the poor. After a period of work in the government, he later became Director of the London School of Economics before moving to Oxford University in 1937, where he wrote his most famous report, *Social Insurance and Allied Services*, or the Beveridge Report (1942). In the report, Beveridge identified three particular problems involved in the provision of social security. Within these, age was isolated as the largest issue, and the main solution he proposed was a contributory pension plan. Beveridge's report received world-wide recognition upon its release, and served as a blueprint for progressive social policy-making around the world:

"... age, as a cause of inability to earn after childhood is past, exceeds in importance all the other causes of such inability ... The cost of pensions relatively to the rest of social security will increase inevitably through increases in the proportion of people of pensionable age in the population.³"

³ William Beveridge, *Social Insurance and Allied Services* (London, 1942), p. 90.

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Leonard Charles Marsh (1906-1982) began his life in England, where he studied at the London School of Economics under William Beveridge. In 1930, Marsh moved to Canada and became Director of the McGill Social Science Research Project. In addition to studying under Beveridge, Marsh had significant contact with the International Labour Organization in the war years when the organization's headquarters were temporarily moved from Geneva to Montreal. Like Beveridge, Marsh proposed the introduction of a contributory pension plan in Canada.

“Only in the case of permanent disability is it necessary to accept the fact that the earner has reached the end of his employment rail. The problems of security during old age and retirement for other reasons are therefore more closely allied with the problems of providing for permanent disability than they are with the plans for short-term security during unemployment, ill-health, accident, etc. The universality of old age automatically means that the nature of the problem concerns all peoples in all lands.”⁴

What Canadians Received

Canada's first public pension plan had been introduced in 1927 with the passing of the *Old Age Pensions Act*. That legislation established a means-tested pension for men and women 70 years of age and over who had little or no income. Benefit costs were shared equally between the provinces and the federal government until 1931, when Ottawa's portion was increased to 75 per cent. This increase was the result of an election campaign promise made by Prime Minister Bennett. In fact, he had promised that the federal government would pay the whole cost of the pensions.

The provinces joined the program gradually. British Columbia led the way in 1927. The other three western provinces joined by the end of the decade, as did Ontario. The Atlantic provinces were relative latecomers, partly because of internal political factors and partly out of concerns over the cost. These provinces were not well off financially, and they had larger than average numbers of seniors amongst their populations.

⁴ Leonard Marsh, *Report on Social Security for Canada* (Ottawa, 1943), 68.

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Prince Edward Island began participating in the Old Age Pensions program in 1933, Nova Scotia in 1934, and New Brunswick in 1936. Nova Scotia was helped in meeting its pension payments by the revenues from government-owned liquor outlets opened after the ending of Prohibition in the province.

Quebec entered the program shortly after New Brunswick in 1936. By this time enduring traditional attitudes to poor relief that saw responsibility resting with municipalities and charities, not with the state, had been overcome by political figures and labour groups in the province.

Over time, amendments to the *Old Age Pensions Act* relaxed some of the eligibility criteria and opened the program to greater inclusiveness. In 1937, benefits for blind people over the age of 40 were provided, and in 1947 the British citizenship and five year provincial residence requirements were removed, while the age of qualification for blind pensioners was reduced to 21. Incidentally, 1947 was also the year that Canadian citizenship first became possible, by virtue of the new *Canadian Citizenship Act*. It is interesting to note the implications that this had for women. The Old Age Pension legislation had made a point of allowing widows who had been British subjects before marriage to a non-British subject to continue to qualify for a pension under the program like other British subjects. This had to be clarified since, before the 1947 citizenship legislation, a married woman was usually seen to share the nationality of her husband. Now she was able to hold citizenship in her own right.

While the most recent Old Age Pensions scheme was an improvement on earlier relief practices, official efforts to minimize public costs and enforce family responsibility for the care of seniors made it increasingly unpopular. The means test, for example, was justified by the fact that the provinces formally obliged adult children to support their aged parents if they were able to do so.

Applicants had to prove that their children could not support them in order to be considered for a pension. Officials even encouraged some elderly parents to sue their children for maintenance so that the state could be relieved of responsibility or, at the very least, benefits could be reduced.

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Equally distasteful was the provision in the Old Age Pensions program that enabled the government to recover the total amount of benefits paid out through claims against the estates of deceased recipients. By the end of the 1940s, the Old Age Pension system was in disrepute. There was popular demand for reform that would do away with the degrading means test and lower the qualifying age to help workers who found themselves out of the workplace before reaching the age of 70.

By 1951, maximum Old Age Pension payments were \$40 per month and 308,825 people were participating in the program. The latter figure amounted to about 47 per cent of Canadians 70 years of age or over. In comparison, more than 3.5 million people in Canada received the maximum Old Age Security pension in 2000. According to Statistics Canada's data this represents 93 per cent of the population aged 65 and over, with the majority of non-recipients being newcomers to Canada who had not met the minimum residence requirements.

In 1951, the *Old Age Pensions Act* of 1927 was replaced by the *Old Age Security Act* and the *Old Age Assistance Act*. The new programs generated by this legislation went into effect on January 1, 1952 under the administration of the federal Department of National Health and Welfare.

The *Old Age Security Act* introduced a universal, flat-rate pension for people 70 and over, with 20 years residence in Canada immediately prior to the approval of an application as sufficient qualification. People who had been absent in that time could still receive payments if they had been a resident prior to the 20 years for twice the length of time away, provided the last year had been spent in Canada.

Benefits would be \$40 per month as they had been since 1949 under the *Old Age Pensions Act*, an amount that would be equivalent to \$266 in the year 2000. The program would be managed by the federal government alone. Old Age Security pensions would be financed through a small (two per cent) increase in personal income and corporate taxes and the earmarking of a portion (again, two per cent) of manufacturer's sales taxes for this purpose. Application forms for the new pensions could be picked up at the post office and once enrolled in the program, everyone received the full amount. Pensioners who went to live abroad forfeited their benefits, but an absence of six months or less entitled them to receive payment for three of those months upon their return.

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The number of Canadians receiving old age pensions more than doubled with the introduction of the new program, and this time status North American Indians were included. Blind people, formerly receiving benefits under the *Old Age Pensions Act*, were provided with their own program under the *Blind Persons Act* passed in 1951. By March 1952, Old Age Security was being paid to over 643,000 people. Over the next full fiscal year, that figure would rise steadily and expenditures would reach \$323 million, or about seven per cent of the total federal budget. In comparison, combined Old Age Security and Canada Pension Plan payments totalled \$42 billion in 2000 and represented about 25 per cent of federal spending in Canada.

To complement the new Old Age Security program, the *Old Age Assistance Act* established a cost-shared, income-tested allowance for people between the ages of 65 and 69. The provinces would administer the Old Age Assistance program and the federal government would reimburse them for 50 per cent of their benefit costs through grants-in-aid from the Consolidated Revenue Fund, made up of general revenues. When recipients reached 70, they would transfer to the Old Age Security pension.

Eligibility was confined to people between 65 and 69 whose income fell below a certain threshold. Maximum benefits were set at \$40 per month, but as outside income approached the threshold, the \$40 figure would be reduced. Residency rules were the same as for Old Age Security, except that it was not necessary to have lived in the country for the year immediately prior to the start of payments. Old Age Assistance would not be paid for absences from Canada.

There was no citizenship requirement, and North American Indians were eligible for this program as well, but exclusions included people who were in receipt of war veterans or blind persons allowances. Significantly, the federal government no longer insisted that provinces make recovery attempts against pensioners' estates. A little over a year after Old Age Assistance went into effect on March 31, 1953, approximately 20 per cent of the population between the ages of 65 and 69 were receiving these benefits.