WELFARE FRAUD AND THE STATE:

BRITISH COLUMBIA 1970-1977.

by

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Welfare Fraud and the State: British Columbia 1970-1977

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Abstract

This thesis constitutes a macro-sociological analysis of the British Columbia government's changing reaction to welfare fraud from 1970 to 1977. The policies and actions of three consecutive governments (Social Credit, NDP, and Social Credit) are examined. These governments shaped the current welfare fraud policies in British Columbia.

The state's reaction to welfare fraud is examined using a modified, neo-Marxist, structuralist theoretical trajectory. The analysis of the role of the state within the structure of capitalism is interwoven with an examination of the impact of human agency. Throughout the period studied, little evidence of widespread welfare abuse was found, yet the disciplinary component of the welfare system was increased. During the 1970 to 1977 period two economic recessions led to increases in the number of provincial social assistance recipients and greater provincial welfare expenditure. The increase in the policing of welfare that occurred in the period was partly a reaction to the rise in welfare costs. Moreover, increasingly coercive anti-fraud measures emerged when the governments were attempting to either establish or buttress their legitimacy. Each government's legitimacy was threatened by the activities of a variety of interest groups (human agents). The nature and sources of this pressure changed as the government in power changed.

The Social Credit party promoted a public perception of widespread abuse whether they were in power or attempting to regain power. The NDP government was forced to react to the Socred promotions because of a variety of economic and interest group pressures. The scapegoating of social assistance recipients was primarily a political tool used to erode and buttress government legitimacy. Essentially, welfare fraud became a significant social issue from 1970 to 1977 because the governments were facing contradictory pressures to ensure economic and social stability during a period of economic and social change.

Sources of evidence for the analysis include Hansard, four lower mainland newspapers, a variety of provincial and federal reports, information culled from authors who have researched British Columbia's political history, and interviews with persons connected to the provincial welfare system.

This thesis is dedicated to three literary characters: Larry Darrell, for his pursuit of knowledge; Dunstan Ramsey, because he showed me the pursuit is esoteric; and, Ignatius J. Reilly, who showed me the comedy of arrogance.

QUOTATION

There's a mighty big difference between good, sound reasons and reasons that sound good.

Burton Hillis.

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Introduction: The State and Welfare Fraud

At certain points in Canadian history, the various levels of government have asserted that welfare fraud is a serious threat to the integrity of the social assistance system. On these occasions governments have proposed and implemented a number of measures designed to eradicate welfare fraud, often with a great deal of public support. But how is the integrity of the social assistance system threatened by fraud? Are there so many social assistance recipients committing fraud that costs rise to unacceptable levels? Are there large numbers of people living on welfare when in fact they could be working at readily available jobs?

Much of the Canadian research into welfare fraud focuses on the perceived actions of welfare recipients. Such a limit on research narrows the parameters through which a specific social reaction to welfare fraud is justified. The public abhorrence of welfare fraud rises or falls depending on the perceived characteristics of the individual committing the act. Further, definitions of welfare fraud abound, confusing exactly which behaviors are being controlled. One of the best definitions of welfare fraud comes from a comprehensive review conducted for the Ontario social service system.

> We believe that [welfare] fraud should be defined as any
> intentional abuse of the social assistance system, either
> by giving false information or by omitting to give
> information that one is aware is required, if such
> misrepresentation or omission results in the receipt of

benefits that would not have been received if one's true circumstances had been known (Transitions, 1988 : 380).[1]

This apparently straightforward definition is still fraught with difficulties; especially the key phrase "intentional abuse". "Intentional" implies that a social assistance client was aware that his or her actions constituted a criminal action.[2] Discerning the intentions of a client is difficult, especially if social assistance regulations are complex and continually changing. The definition implies that if the client unknowingly breached a social assistance regulation, fraud has not been committed. More dubious is the word "abuse". While fraud implies deceit or trickery of some kind, abuse implies putting to a bad use or some kind of misapplication. Fraudulent acts are not necessarily abusive. For instance, a single mother who lies about her monthly income in order to both meet social assistance application requirements and feed her children is engaging in deceit (fraud), yet is she putting the money to a bad use (abuse)? The answer to this question involves a moral judgement. When discerning whether or not a social assistance recipient's actions are fraudulent, or abusive, the act and the motivation of the recipient are being judged. Unwittingly or not, a proposal to increase the policing of welfare fraud may be justified on the grounds that social assistance recipients are in breach of some standard of conduct, a standard that may not be expected of the rest of society.

What at first appears to be a fairly simple definition is actually quite complex. The issue of welfare fraud almost always

involves an attempt to define and deal with those who are allegedly lazy, unwilling to work and, thus, not sharing the taxpayer's "burden." A policing of welfare fraud protects the integrity of the social assistance system by ensuring that these "welfare bums" do not get money from the rest of society. The use of such a term also connotes the existence of a group of people who are taking advantage of the rest of society by not working, when in fact they could be.

Despite the supposed efforts to weed them out of the social assistance system, "welfare bums" remain fairly obscure figures, almost mythical in nature. The study of social problems that have gained mythical status has been previously undertaken (Cohen, 1980; Hall et al., 1978). Cohen's (1980) work is a revision of his earlier research into the formation of youth gangs in Britain in the 1960's, the creation of a moral panic, and the process of identifying and punishing 'folk devils'. Labelling theories were originally employed to explain the events but, in his revision, Cohen identifies and addresses a key flaw in his earlier work: the failure to explore and explain how the process of labelling behavior and groups as deviant supports a specific social and economic structure (Cohen, 1980: IX - XI). Hall et al. (1978) have presented a fascinating account of the British state's creation of, and reaction to, the social problem "mugging". The authors contend that the state's reaction was not solely a response to a particular and troublesome form of crime. The issue of mugging arose and became a matter of public interest and concern as a consequence of state actions and reactions to defuse and

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control racial and class conflicts. In both studies the authors refuse to accept the government's response as a simple reaction to a social problem, choosing instead to study the development of the social reaction to specific groups and how and why the behavior of these groups were amplified, labelled as deviant, and subjected to increased state control.

This study takes a similar approach to welfare fraud. The complexity of defining exactly when a behavior is abusive indicates that welfare fraud is not simply a 'social problem.' Far more intriguing for researchers interested in the sociological aspects of crime are the questions of why and when is welfare fraud considered a social problem? The present study is, therefore, only partly a study of welfare fraud. It is a study of the reaction to welfare fraud, the rationale for the reaction, and whether the reaction serves some purpose. Because the state makes the laws concerning welfare fraud, and implements policies to deal with the "problem" of the "welfare bum", this thesis will examine and explain fraud in terms of the myriad imperatives and influences affecting the state's changing reaction to the issue.

Empirically, the study focuses on the reaction of the British Columbia government to welfare fraud in the 1970's, particularly the period 1970 to 1976.[3] The genesis of the present legislation governing welfare fraud and the modern system of policing social assistance are deeply rooted in the 1970's. Although a study of the present system would be interesting in its own right, understanding

why the state chose the present system is a necessary precursor to any such analysis.

Chapter II examines the available literature on welfare fraud. This includes analyses of public opinion, the extent of fraud in specific jurisdictions, and proposals for reforming the welfare system through welfare policing. Research into the actions of policy makers within the Canadian welfare state, with regards to welfare fraud are also examined. Deficiencies in Canadian research are exposed, particularly the failure to examine why the state promotes the issue as a social problem. The state's reaction to welfare fraud has been studied by researchers in countries other than Canada. Generally, these researchers have found that the state's reaction is both politically and economically motivated, and that it does not serve the interests of society as a whole. Therefore, a theoretical trajectory that emphasizes political economy is proposed as the most fruitful avenue of inquiry. Since neo-Marxist state theory emphasizes the political and economic motivations for state actions, and emphasizes how state actions serve class interests over societal interests, this body of theory is selected as the preferred analytical framework. The various branches of neo-Marxist theory are reviewed, along with Canadian research that has used the tenets of neo-Marxist theory, and a modified structuralist trajectory is adopted.

Although the present system of policing is a product of legislation and programs introduced in 1976, events from 1970 to 1976

had a great influence on the development of this particular state

reaction. In Chapter III these events are examined in detail in

order to provide a more complete understanding of the changes which

occurred in 1976. The analysis focuses on the actions of the state,

and the political and economic motivations for these actions are

interpreted.

Chapter IV highlights the development of the modern system of

social assistance rules and the system of enforcement designed to

ensure the rules were followed. The state's professed rationale for

developing the policing system is contrasted with the events that led

to its development and the initial results of policing. The chapter

concludes with an analysis of the state's reaction to welfare fraud

through the six year period studied. The state's reaction is

explained by utilizing a modified neo-Marxist structuralist

trajectory and the seemingly discordant actions and reactions of the

state are clarified.

Chapter V contains a discussion of the implications of this

study for the body of knowledge pertaining to welfare fraud and for

future welfare fraud research. It contrasts the findings of this

study with the findings of previous research and makes a number of

proposals concerning future research. The chapter also examines the

implications for, and contribution to, neo-Marxist state theory,

specifically the manner in which structure and human agency

interacted in the reaction to welfare fraud in the 1970's. A number

of issues are illuminated by this research. These are illustrated in

the final section of the chapter. Various methodological issues are discussed separately in Appendix A and relevant statistical tables are presented in Appendix B.

Chapter I: Notes

1: The Transitions (1988) definition is not a legal definition, yet
it summarizes the content of the various provincial and federal
statutes that regulate fraud. For a complete listing of federal and
provincial statutes that govern welfare fraud see, Wallace, McCall
and Hornick (1987).

2: Interpretations of the words 'intentional', 'fraud' and 'abuse'
were culled from the Collins Paperback English Dictionary (1986).

3: In Canada the provision of social assistance comes under
provincial jurisdiction. Welfare fraud is, therefore, a provincial
responsibility, defined and dealt with through provincial
legislation. However, Wallace et al. (1987) point out that while
provision for prosecution is provided under provincial and
territorial statutes, charges are often laid pursuant to section 338
of the Criminal Code (R.S.C. 1970, c. C-34). The author proposes
that this in part reflects the seriousness with which fraud is
regarded by the social assistance system. It also reflects a
procedural problem because provincial offenses usually require that
charges be laid within six months of the beginning of an
investigation (currently in British Columbia the limit is 18 months).
Charges laid under the Criminal Code are not generally subject to
such time limitations. Another reason that charges are laid under
the Criminal Code is that sentences include a variety of options such
as restitution or compensation, which are not usually available
otherwise.

Welfare Fraud and State Control: Perspectives

The phenomenon of welfare fraud has been examined in a number of ways. Some analysts have explored methods of improving the policing and detection of welfare fraud (Hutton, 1985; Greenberg, Wolf and Pfiester 1986; Bernstein, 1986; Gardiner and Lyman, 1984). Others have criticized repressive policing techniques (Franey, 1983). Generally, researchers have demonstrated that social assistance delivery systems are susceptible to fraud and abuse and have proposed modifications to correct perceived deficiencies (Komisar, 1977; Handler, 1972; Anderson, 1978; Greene, 1981: Handler and Hollingsworth, 1971). Much of the research done on the welfare fraud issue fails to examine and determine why the state reacts as it does and focuses, instead, on how it has reacted, or ought to react.

The lack of state analysis is apparent in a recent extensive review of North American welfare fraud literature by Wallace, McCall, and Hornick (1987). In their view, three major types of information have been gathered.

> The first of these pertains to the "social context" of welfare fraud. This area included information on the nature, history, and extent of welfare fraud, as well as on the public attitude towards fraud.

> The second major type of information pertains to the "organizational and legal context" of welfare fraud in Canada. This information was obtained mainly through a review of Canadian legislation, and focuses on the decision-making process involved in the identification of welfare fraud and the prosecution of suspected offenders.

The third type of information reviewed pertains to welfare fraud control systems in Canada and the United States (Ibid. : 2).[1]

A fourth area of research - the factors influencing state reactions to welfare fraud - should be added to the list, although the amount of research on this topic is still quite limited.[2]

Despite their failure to address the issue of why the state reacts as it does to welfare fraud, analysts who emphasize the need for both a general reform of social assistance systems and a modification of policing techniques, have provided valuable information. They illustrate the amount of welfare fraud that may be occurring, and provide insight into popular beliefs about the systems of social benefits, allowances, and assistance, generically known as "welfare".[3]

Public Opinion and Welfare Fraud

Two facets of welfare fraud of interest to social science researchers are public perceptions of the amount of fraud that exists and estimating the extent to which fraud occurs.

The issue of public perceptions of welfare fraud predates the emergence of the modern welfare state. A long standing general public concern[4] has been identified by Deacon (1976), in his study of the Genuinely Seeking Work Test: a test administered as part of the unemployment insurance screening process in Britain in the 1920's. Rising long term unemployment exposed the deficiencies of the system of benefits that were in place, as these were meant only to be a short term

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solution while new employment was being found. The test helped to create an image that not everyone who was unemployed wished to work, even though it was a lack of jobs, not laziness, that was the real problem for those seeking employment (Ibid. : 18).

Lanphier, Portis, and Golden (1970) analysed public attitudes towards unemployment insurance (UI) in Canada in 1969. They found that when given a list of possible changes to the UI system, 65% of respondents chose the response "reduce the possibility to cheat," this was the most widely desired change, garnering 11% more support than the second most popular choice "extend to cover everybody working in Canada" (Lanphier et al. 1970: 8). Carter, Fifield and Sheilds (1973) found that, in the early 1970's, a majority of Americans, "believed that there was an ample supply of jobs available for all those who wanted to work," and a majority also believed that "welfare payments were going to able-bodied adults" (cited in Koenig, Debeck & Lowry 1977: 107). A British Columbia study in the mid 1970's (Koenig et al., 1977) found that a majority of respondents agreed with the creation of a new social assistance policing system.[5] One third gave unqualified approval, 50.3% approved if the branch saved money, and 16.3% disapproved (Ibid. : 37 – 38). Generally, the research suggests that an undercurrent of animosity towards those receiving social assistance exists, and that the public supports a tough policing policy.

The results of the surveys may, however, be misleading. Another study by Koenig et al. (1976) demonstrated that the attitude of British

Columbians towards those on welfare could be characterized as one of ambivalence rather than acrimony.

> Essentially, then, it would appear that most of the public is quite prepared to increase welfare benefits to those who are seen to be in need through no fault of their own. Consequently, the issue of welfare benefits is almost completely under the control of welfare authorities. When opinion leaders reinforce public suspicions that there is widespread welfare abuse, numerous laggards on the welfare rolls, high incidence of welfare fraud, and people moving into any given political jurisdiction to collect welfare benefits, then public opinion will be negative both towards adequate levels of welfare rates and towards welfare recipients (Ibid. : 42).

Koenig's (1976) study indicated that the state has considerable power over public perceptions of welfare abuse. Opinion leaders - in this case welfare experts, the media, and politicians - have the leeway to reinforce public suspicions about welfare abuse, or to do the opposite. Acknowledging the influence of opinion leaders reinforces the need to study both state reactions to welfare fraud and the factors that influence those reactions.

The extent to which welfare fraud is actually occurring is an issue which has attracted the attention of "experts" and researchers. For some, a negative public perception has some basis in fact. Hutton (1985) suggests that,

> This writer's experience, and the belief of most of the welfare fraud investigators with whom he has informally spoken, is that the incidence of welfare fraud in the AFDC [Aid to Families With Dependent Children] is around 50%...this is an extremely subjective estimate however....Official data shows the opposite extreme (Ibid. : 24).

Further, Anderson (1978) states:

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Perhaps the one single thing that infuriates the typical
American is the flagrant and open fraud perpetrated by a
sizeable percentage of welfare recipients...the extent of
fraud and dishonesty have been clearly and irrefutably
documented...there is no question that hundreds of millions
and probably billions, of dollars are taken from taxpayers
every year and given to people who have no right to receive
them (Ibid. : 159).

The perceptions of these American "experts" suggest that a

pervasive abuse of the welfare system is occurring. The limited

Canadian research that exists on this subject does not support these

views. Adams et al. (1971) note the results of a 1970 study conducted

by the Canadian Welfare Council Special Committee on Poverty. This

committee examined 300 rural and 200 urban 'poor' families, and found

that "shiftlessness" was almost nonexistent. Shiftlessness was defined

as a situation where an individual was able to work but chose not to.

It is interesting that: (i) laziness among social assistance recipients

was considered a valid concern for the Canadian Welfare Council, but

(ii) this concern was unwarranted. The abusive behavior - laziness -

was almost nonexistent. Whether the Committee considered laziness

fraudulent is not addressed. However, the two issues appear to be

interwoven.

Hasson (1981) reviewed some statistics on prosecutions and

convictions for welfare fraud in Canadian provinces between 1977 and

1980. There were under 400 prosecutions per year (Ibid. : 129). Every

report and investigation does not result in conviction,[6] and not all

offenders are caught. The study suggests that, relative to the number

of people receiving social assistance, the number committing fraud

serious enough to warrant criminal prosecution is quite small.
Nevertheless, the statistics may also be an indication that welfare
fraud is not policed strongly enough.

A study conducted by the Alberta Department of Social Services and
Community Health (1979) in the late 1970's clarifies Hasson's findings.
The study found, in a review of 1,368 cases, that 9.1% involved fraud
(Ibid. : 5). The researchers also reported that this statistic was not
an indication of the severity of the problem, "since many frauds and
errors involve small or no financial losses" (Ibid. : 6). In other
words, though 9.1% of cases involve fraud, the case percentage does not
reflect the economic costs of welfare fraud. Peat, Marwick & Partners
(1987) reviewed statistical analyses of welfare fraud in Canada and
found that "reliable estimates of welfare fraud vary between less than
1% and almost 10% of all welfare cases" (Ibid. : 20). The variation is
due to the nature of welfare fraud. There has been little reliable
research conducted and due to the prevailing negative attitudes towards
welfare recipients the perceived incidence of welfare fraud is often
overstated (Ibid.: 19).

Other Canadian studies analyze welfare fraud control systems,
especially the effects of policing and the methods by which policing can
be made more "rational" or effective. Hasson (1980) contrasts social
security abuse with tax fraud and notes that the former is more
actively prosecuted even though tax fraud costs the state far more
money. Hasson concludes that this is because society regards "tax
evaders as productive people, whereas we see people who are on welfare

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as being 'nonproductive'" (Ibid. : 108). In a follow-up study, Hasson (1981) argues that the major effects of the "war against welfare abuse" waged by the state are to, (i) influence public opinion to facilitate cutbacks in social services and thereby increase tolerance of abuse of clients; (ii) discourage claimants from seeking benefits to avoid the stigma of the "scrounger" label; and, (iii) decrease or deter a scrutiny of those areas of welfare law which infringe upon individual rights. The problem in the social security system, according to Hasson, is not that a great deal of welfare abuse occurs, but that the "social security recipient is all too often abused by harsh and atavistic rules or is abused by receiving inadequate benefits" (Ibid. : 116).

Hasson (1981) makes an important contribution to understanding state reactions to welfare fraud by arguing that the prosecution of fraud is used by the state to deflect attention away from cutbacks in social services. Public intolerance is fostered by labelling social assistance recipients as scroungers. Thus, fraud is more than an issue of deceit; it is also an issue that emphasizes, or imputes the disreputable motivations of recipients. Unfortunately, Hasson does not analyze the conditions that impel the state to periodically increase public awareness of the "seriousness" of the welfare abuse issue.

Gutierrez (1987) concentrates on the interaction of criminal law and social services in Ontario. She notes the unpopularity of prosecuting welfare fraud on the part of those in both the social service system and the legal community. Gutierrez recommends streamlining the social service system by setting up a centralized

policing unit, defining the specific dimensions that investigations
should take, and clarifying eligibility criteria so that an extensive
investigation of individual recipients would be unnecessary.

Peat, Marwick and Partners (1987) propose a solution to the fraud
problem based on reforming the social assistance delivery system. To
protect the integrity of the system, improvements in areas of
prevention, detection, and recovery must be implemented. Changes in
these areas will improve the image of the system, which in turn will
improve the public perception of welfare recipients.

A study by the Ontario Social Assistance Review Committee (OSARC)
(Transitions, 1988) drew a number of interesting conclusions about
welfare fraud which help to clarify the problems involved with equating
increased policing with increased system integrity. Relying on the work
of researchers such as Hasson, Gutierrez, and Peat, Marwick and
Partners, the report concludes that the main types of welfare fraud are:

> Unreported "spouse in the house" providing support
> (approximately 60% of all fraud); unreported income
> (approximately 20% of all fraud); and undisclosed liquid
> assets in excess of allowable limits, unreported changes in
> circumstances, or cashing duplicate cheques (approximately
> 20% of all fraud) (Ibid. : 381).

More importantly, OSARC recognizes that "the public is often reinforced
in the belief that extensive fraud exists by incomplete media reports or
government announcements" (loc. cit.). Despite this recognition, the
study does not propose an analysis of the rationale behind the
government announcements.

The Review Committee offers the following conclusion about

measures to reduce fraud.

> One of the questions the committee had to answer in deciding
> upon appropriate measures to reduce fraud was the extent to
> which we were prepared to violate our other stated
> principles. Measures that are highly intrusive and
> stigmatizing or that constitute major violations of
> individual rights are never justifiable. However, lesser
> interferences with our principles might be justifiable if it
> is clear that the technique adopted is effective in reducing
> fraud (Ibid. : 382 - 383).

Simply stated, OSARC agrees to breach its principles if the harm caused

is not too great. The acceptance of policing is recommended, even

though tax fraud is not pursued as vigorously as welfare fraud. The

study justifies this difference in the following way:

> We have no evidence to suggest that fraud in the social
> assistance system is greater than it is in the tax system or
> the unemployment system. Nevertheless, because public
> confidence in the social assistance system depends in large
> part on the belief that the funds are being well spent and
> that abuse is being kept to a minimum, we accept that some
> of the measures adopted to control social assistance fraud
> may need to be more extensive than they are in other systems
> (Ibid. : 384).

This rationalization for policing strains the credibility of the

study. Is the public not also concerned that its tax dollars are being

well spent? Why does public confidence depend upon policing, rather

than the results of welfare programs? What is the perceived difference

between tax abusers and social assistance abusers? It may be, as Hasson

(1980) suggests, that tax abusers are considered to be productive, while

social assistance abusers are considered to be scroungers. While OSARC

expresses concern over stigmatization, and intrusion into personal

rights, it fails to explain how policing will address either of these

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concerns. Policing may increase stigmatization; an issue that is not examined in the study.

There appears to be an overall acceptance of reforming the social assistance system in the pluralist sense critiqued by Ericson (1987). Reform is linked with the idea of progress, "changing imperfections, faults, errors, abuse, or malpractice" (Ibid. : 21). Limited changes or adjustments to the system already in place would suggest that the system is somehow deficient, and that the primary deficiency is a paradoxical weakness in both policing techniques and protection of individual rights. There is no attempt to study the conditions that lead to increased policing. Although analysts for Peat, Marwick & Partners (1987) suggest that "the definition and perceived incidence of welfare fraud are largely affected by public sentiments" (Ibid. : 15), public sentiments towards fraud, as Koenig et al. (1976) pointed out, are influenced by "opinion leaders." The prevailing public animosity towards fraud – despite the evidence that the actual amount occurring is small – suggests that public concerns surrounding fraud and laziness among welfare recipients have been actively promoted by persons or groups with the power to influence public opinion. If what Hasson (1981) proposes is correct, and an increase in the policing of fraud facilitates cuts in social services, then an understanding of the preconditions for this state action is necessary. Stating, as Peat, Marwick & Partners do, that public opinion affects government policy, oversimplifies the relationship between the state and the populace. It appears that public opinion is ambivalent and fairly malleable,

influenced by "experts/opinion leaders" in the field of welfare abuse.

Summarily, as Ericson (1987) suggests, reforms must be seen in broader

terms than immediate problem solving. Therefore researchers must ask:

> Where do reforms come from? How are they transmitted in
> governmental, scientific and mass media? What is the nature
> of the evidence used? What are the rhetorical and fictive
> features of the discourse? What are the social, political,
> economic, and cultural processes by which the reforms are
> accepted or rejected? Whose interests are served (Ibid. :
> 34)?

The State and the Myth of Welfare Fraud.

Some analysts have examined the actions of the Canadian state in

regard to welfare fraud (Leman, 1980; Adams et al., 1971). Leman (1980)

compares the social service industries in the United States and Canada,

and suggests that welfare fraud is not a national issue in Canada. He

focuses upon the way public opinion shapes social policy, and argues

that Canadian policymakers have not responded as vigorously in the

prosecution of fraud as their American counterparts because they ignored

a profound backlash against those on welfare in the 1970's.

Perhaps the best account of the Canadian state's involvement in

the cultivation of the "fallacy of fraud"[7] has been offered by Adams et

al. (1971). These authors provide an analysis of the function of the

myth of the "welfare bum." In their view, generally those working

within the welfare system believe that a large population of potential

"layabouts" exist and that the system must deter these people from

receiving assistance. Stigmatizing the welfare system keeps the

undeserving off welfare rolls, thus minimizing welfare costs. In order

to keep costs down, the system must "tyrannize the truly needy in order to discourage those who are not needy at all" (Ibid. : 170). The beliefs of those in the welfare system, as expressed by Adams et al., shows that the fraud issue is not only an issue of deceit, it is also an issue that distorts the motivation of welfare recipients. The authors argue, as does Hasson (1981), that the fraud issue is related to a state desire to minimize costs. This study is also similar to Hasson's because it lacks an analysis of the exact conditions that would lead the state to take this path.

Without minimizing the value of Canadian studies of welfare fraud, research undertaken by analysts in other countries has better addressed the issue of state reactions to welfare fraud. These studies focus on the government's motivations for promoting the welfare fraud myth, and they provide insight into the reasons why some governments foster negative public opinion concerning the phenomenon.

For Piven and Cloward (1971) the importance of welfare fraud prosecution in the United States can be traced to the degradation of recipients who surrender commonly accepted rights. Degradation is important, not only for controlling the unemployed, but to control the laboring poor who are still in the labour market. This is accomplished by creating the stigma of state dependency, even though payments are guaranteed by law.

> That the working poor are ready to forfeit such substantial
> sums is powerful testimony to the force with which the
> ideology of work and success, together with the abhorrence
> of the dole, has been driven home to those who have the
> least to gain from their labour (Ibid. : 175).

This is part of a larger capitalist ideology which encompasses a belief
that opportunities in the social and economic system are open, and that
success is a result of _personal_ initiative: "the ritual degradation of
the pariahs of society symbolizes a demarcation between the adequately
and inadequately motivated" (Ibid. : 148 - 149).

Field (1979), writing on the British experience of instituting
Poor Laws, makes a similar argument. Field proposes it is important to
show the poor as "workshy" so the real cause of unemployment, the
structure of capitalism, is concealed. According to Field, uncovering
the real cause of unemployment would expose the penalizing of the
unemployed as an irrational or unjust act.

Deacon (1976) analyses the introduction of the _Genuinely Seeking_
Work Test in Britain in the 1920's and argues that the Test represented
an increase in the control aspect of social services. It was
implemented after a significant rise in unemployment threatened the
developing social service system: a system which was intended only to
provide _short_ _term_ sustenance while new work was being found. Short
term unemployment insurance was found to be unrealistic in light of
Britain's worsening unemployment picture. Combined with the declining
economy was an increase in the number of demonstrations by the
unemployed against their living conditions. Labour violence led to the
state granting major concessions to the unemployed in the field of
social assistance. As a result, state _expenditures_ increased while,
because of the declining economy, state _revenue_ was decreasing. The
introduction of the Test was a calculated response to the economic and

political situation. It became important to find ways to decrease the burden on the state caused by increasing social assistance expenditures and the promotion of the idea that "scrounging" was a serious problem was one way of accomplishing this goal. The Test decreased the burden on the state by minimizing the number of people who could actually receive benefits. The reduction of benefits paid by the state to those most affected by the declining British economy was generally accepted by the public because the Test helped created an image, "that not everyone wished to work" (Ibid. : 18).

Deacon and Bradshaw (1983) investigated the re-emergence of means testing in Britain in the 1970's. This re-emergence occurred in response to the growing percentage of state expenditure directed towards social spending. On the surface, the increase in testing made sense because it appeared to serve the purpose of channelling money to the neediest families. It nevertheless represented an erosion of welfare recipients' rights. The ultimate value of the test, according to Deacon and Bradshaw, came not from controlling abuse but from giving the state a method by which it could further control state expenditure (Ibid. : 188 - 189).

The relationship between social assistance policy and economic change has been examined by Novak (1984), who linked the increased prosecution of welfare fraud in Britain, after 1970, to changing economic conditions. Novak argues that the two conditions which led to the increase in the policing of fraud were the rising costs of social services caused by long term unemployment, and a coincidental spread in

the ideology that dependence on the state was indicative of some personal shortcoming. For the state, the value of policing comes from stopping those who, because they wish to avoid harassment and the stigma of the 'scrounger' label, do not make their entitled claims. An impression is also created that workers are productive and deserving, while non-workers are lazy and able bodied. This divisive effect is advantageous to the capitalist class. It breaks down traditional class ties, increasing intra-class competition and decreasing the power of the working class in forcing concessions from the dominant class.

Loney (1986) has related the increase in the policing of the disadvantaged to the British state's commitment to monetarist economic goals. Loney argues that since the public would have opposed an overt dismantling of the welfare system, the state embarked on a piecemeal attack; changing entitlement rights and increasing stigmatization of the poor. These changes stemmed from a belief that there was government overstaffing, inefficiency, and abuse of the system. The increase in policing was, in Loney's words, "a triumph of ideology over common sense" since the goal of supporting the disadvantaged during economic downturns was subverted (Ibid. : 86). This "triumph" fits with the larger goal of "pricing the poor into work", by removing the minimum levels of income created by government subsistence (loc. cit.).

In the 1970's, the Australian government became coercive in forcing the poor to accept their disadvantaged position (Bright, 1979; Windschuttle, 1979). Windschuttle identifies the mechanism used by the state to spread a concern for welfare fraud, highlighting the role the

media played in creating the myth of the "dole bludger."[8]   In

Windshuttle's view, the campaign waged by the media against 'dole

bludgers' transformed public sympathy for the plight of the unemployed

to animosity. Windschuttle argues that there were two, interlocking

reasons for this campaign. First, a labour shortage in Australia in the

early 1970's led to complaints from business interests that it was

impossible to find workers. Second, the reporting of the problem helped

to sell newspapers. Windschuttle concludes that the prospect of

accepting assistance from the state is stigmatized through the

conferring of a, perhaps, unwarranted label of laziness and criminality

on those who seek and secure their assistance entitlements.

   Bright (1978) analyses the role of the poor in an economically

stratified society as victims of an economically induced social crisis.

Bright compares two types of fraud – tax and social welfare – and

concludes that "tax dodgers" gain status by their actions, while "dole

bludgers" are stigmatized. One major reason for this is that tax

dodgers are generally perceived to be contributing to society while dole

bludgers are not. Bright perceives welfare fraud as a form of "blaming

the victim", the effects of which are: (i) unemployment is perceived as

a failure of the individual due to personal characteristics, which saves

the state from critical assessment; and, (ii) by labelling the

unemployed as 'bludgers', the potential for developing an understanding

of the predicament of the unemployed, in relation to the social order,

is severely restricted.

Unlike the previously mentioned Canadian studies of welfare fraud, research from other countries demonstrate that a fuller understanding of the issue requires an examination of state actions. Generally, it appears that in order to minimize expenditures during times of economic recession, the state attempts to limit the number of people who will apply for social assistance. The apparent absurdity of limiting assistance when it is most needed must be obscured in order for the state to legitimize the decrease in expenditures. One method of preserving legitimacy while minimizing expenditures is to redefine the unemployed as the cause of their own misfortune, rather than as victims of larger economic problems or changes. Repeatedly, proposals to increase policing were rationalized by stating or intimating that welfare recipients were unmotivated or lazy. It appears that the issue of fraud is both an issue of deceitfulness and laziness. It also appears that state attempts to minimize social assistance expenditures will be enhanced if recipients are portrayed as lazy or living off the efforts of the working population. This portrayal, if successful, will allow the state to minimize social spending without encountering widespread public dissent.

The state's actions concerning welfare fraud have political and economic motivations. The reaction is economic because the state, during times of recession, faces a situation in which its revenues decrease while, at the same time, its expenditures increase in order to sustain and compensate those most affected by the economic changes. In order to control expenditure the state embarks on a campaign to minimize

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social welfare costs. This campaign is legitimated politically by redefining those who receive assistance as "scroungers."

A framework for an analysis of state reactions to welfare fraud in Canada will need to account for this "political economy" explanation. Of equal importance is an analytical framework that identifies the differential ability of particular groups to influence government policy. It appears from the previous analyses that the most important factor is economic power. A political-economy framework is the basis for neo-Marxist state theory. Neo-Marxist state theories are also distinguished from their more pluralist counterparts in their insistence on the class basis of capitalist societies and the differential ability of the various classes to influence state decision making. These two characteristics make neo-Marxist state theory the preferred analytical framework. Neo-Marxist analyses of the Canadian state have been undertaken and they constitute a distinctive field of inquiry in Canadian sociology and criminology.

Neo-Marxist State Theory: Canadian Research

A wide range of studies of the nature, role, and practices of the federal and provincial levels of the Canadian state have been undertaken by neo-Marxist analysts (Panitch, 1977; Stevenson, 1983; Mishra, 1984; Knuttila, 1987). These include studies of the criminal law and aspects of the criminal justice system (Ratner & McMullan, 1988; Fleming, 1985; MacLean, 1986) as well as studies of the evolution of the health care system (Swartz, 1977; 1987), educational reform (Schecter, 1977), the

financing of the arts (Endres, 1977), the development of public policy (Mahon, 1977), and the development of economic policy (Wolfe, 1977). The social welfare component of the "welfare state" has also been analysed and this work is of direct relevance to an understanding of the state's response to welfare fraud.

Drover (1981) has examined the efforts of the federal government to redistribute national income on a more equitable basis after the advent of the Canadian welfare state. He concludes that these efforts failed because they did not address the basic structural inequality of the Canadian social and economic system. As evidence of the failure of redistributive efforts, Drover studied the percentage of gross national product (GNP) received by different economic quintiles in Canadian society. The proportion of the GNP received by each quintile had remained largely static over the preceding 40 years. The bottom 20% of income earners took home about four percent of national income, while the top 20% took home about 42%.

Young (1981) has analysed another 'redistributive' effort on the part of the state: taxation policies. He concludes that the system is regressive for those with the lowest earnings, and that the state takes a smaller proportion of the incomes of the highest earners in Canadian society.

These studies indicate that the Canadian state has not acted to decrease social inequality. Rather, state actions have legitimated the existing system, thereby reinforcing social inequality. Still, the

welfare state does more than attempt to redistribute income. The federal and provincial governments have developed a vast array of programs that, on the surface, improve the lives of the disadvantaged.

Morton and Copp (1980) have provided a history of labour in Canada. Although their text is not overtly neo-Marxist in its explanation of the development of the Canadian labour movement, it does explain the development of the Canadian welfare state in terms of interest group pressure and political expediency. The authors describe how events such as the Great Depression politicized the Canadian labour movement, and how World War II increased Labour's ability to demand a greater sharing of Canada's wealth. The authors describe, in detail, the manner in which the federal government responded to labour and business pressure to serve their divergent interests. It can be seen[9] that the development of the Canadian welfare state occurred as Keynesian economic policies were adopted, and more importantly, as the postwar political and economic climate threatened the stability of the Liberal government headed by Mackenzie King. Labour unions and their political representatives in the Communist and CCF parties had long been pushing for an expanded welfare system in the country. Federal governments had traditionally ignored and repressed these efforts[10].

In Morton and Copp (1980) it appears the Marsh Report (1943), written by a committee of wartime civil servants, represented a kind of blueprint for social security. It was presented to the federal government in 1943 and proposed national health insurance, old age pensions, maternity allowances and family allowances (Ibid. : 181 –

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182). This report, and two others that had resulted from inquiries into
"Labour Relations and Wage Conditions in Canada" proved to be
embarrassing for the King government because they proposed schemes which
had been previously opposed by the government (Ibid. : 183). The
government repressed much of the information in these reports, hoping to
maintain the status quo. It was a series of government by-election
defeats in 1943 to Labour sympathetic parties that led King to begin
implementing the recommendations in the reports (loc. cit). King feared
a mass defection of his own party to the ranks of the CCF if he did not
take action (loc. cit.).

Finkel (1977) also examined the genesis of the welfare state in
Canada. His effort differs from the work of Morton and Copp (1980) in
that he explains the development of the Canadian welfare state in a neo-
Marxist framework. Finkel also argues that the system did not develop
because the state became more benevolent during the period. Instead,
the Canadian welfare state was constructed because the working class and
their political representatives were perceived as threatening the
profits of capitalist interests, and because the limited system of
benefits already in place was strained beyond capacity. The welfare
state was developed largely as a means of placating the masses and
neutralizing the perceived threat to the economic system. Finkel argues
that the welfare state is essentially contradictory. On the one hand it
provides assistance to many people; on the other hand, its development
can be seen as a victory for the capitalist class over the working
class. The welfare state served to legitimate the existing economic

system and thereby dissipated the threat to capitalist political and economic hegemony, which emerged during the early part of the twentieth century.

Moscovitch and Drover (1981), have also argued against the conventional view of the Canadian welfare state as a set of institutions formed to care for the disadvantaged and ameliorate social inequality. Instead, the authors suggest that the Canadian state reproduces and reinforces unequal social relations. One example the authors use to support this argument is the actions of the federal government when faced with an economic crisis in the early 1970's. The state's expenditures began to outstrip revenues at this time, because of an economic downturn and the expansion of social service programs first developed in the 1960's. The downturn resulted in many social problems such as rising unemployment, and a growth in union militancy. While one might expect the state to ease the burden caused by unemployment, this did not occur. Instead, the state decreased public expenditures, reduced social programs, expanded the prison system, and, of direct relevance to this thesis, reaffirmed "the ideology of blaming the victim for economic and political conditions less favorable to capital accumulation" (Ibid. : 19).

Moscovitch and Albert (1987) have also challenged conventional accounts of the emergence and purposes of the welfare state. The latter was constructed as a way of legitimating a capitalist social and economic system, and hence social inequality. In their view,

> When social expenditures rise, there is no evidence they
> change the fundamental structure of Canadian society...While
> government increasingly assumes the costs of reproducing
> labour, the welfare state does not appreciably redistribute
> income from rich to poor, guarantee full employment, or
> assure equality in health, education and social services
> (Ibid. : 37).

Buchbinder's (1981) research on the social welfare component of

the welfare state addresses the stigmatization of social assistance

recipients.

> There is a social stigma attached to those who receive
> relief of any kind. The media publish articles about those
> who receive 'handouts'. Low-paid workers rail against the
> 'laziness' of public welfare recipients who receive
> financial assistance and other benefits thereby affording
> them a position of somewhat more security than these
> marginally employed workers (Ibid. : 355).

The exact manner in which the stigma and perception of laziness have

been attached to social assistance recipients in Canada is not examined.

Buchbinder adopts the argument presented by Piven and Cloward (1971) to

explain the reason recipients are stigmatized. The loathing of

recipients is rooted in market ideology: the capitalist economic system

is open and success is a matter of merit, therefore those who fail are

somehow defective (loc. cit.).

Analyses of the state reaction to welfare fraud in countries other

than Canada suggest that the stigmatization of social assistance and the

myth of the welfare bum are of central importance for an understanding

of welfare fraud. The state is concerned with minimizing welfare

expenditures within an economic system that is unable to employ all who

wish to work. Rising unemployment and a concomitant increase in social

assistance costs are caused by problems and changes in the economy. In order to legitimate high levels of unemployment, while minimizing the costs of compensating those affected most harshly by economic changes, and ensure the continued legitimation of the economic system, those affected by economic declines are redefined as "lazy scroungers." Arguably, the state stands to gain more by scapegoating social assistance recipients than by attempting to place these people in jobs that do not exist.

It is proposed, therefore, that the state's reaction to welfare fraud is motivated by political and economic factors, and that a neo-Marxist analysis of welfare fraud is a potentially fruitful avenue of theoretical inquiry. Neo-Marxist scholars have commenced an examination of many facets of the Canadian welfare state. A study of the welfare fraud issue contributes to the growing body of knowledge.

Neo-Marxist State Theory

The use of neo-Marxist state theory as an analytical framework poses a number of problems, one of which stems from the variety of neo-Marxist theories that have been developed. Four principal theoretical trajectories exist: instrumentalism; structuralism; capital logic; and, Gramscian or class conflict theory (Knuttila, 1987; Carnoy, 1984; Ratner et al., 1987).

Ratner, McMullan, and Burtch (1987) provide a critique of the various state theories and their application to an understanding of the Canadian state. Briefly, the authors insist on "the primacy of class as

a coherent expression of specific social, legal and political relations"
(Ibid. : 90). This insistence directs analysis away from a pluralist
conception of the state[11] and towards neo-Marxist state theory. The
authors find fault with the various types of neo-Marxist state theory,
rejecting outright the instrumental neo-Marxist [12] position because of
its "economism and reductionism " (Ibid. : 99); essentially, a criticism
of the instrumentalist conception of the state as a tool of the ruling
class. "Little autonomy accrues to the state since it is regarded as a
structure of manipulation and not a site of class conflict" (loc. cit.).

Ratner and his associates argue that the class conflict[13] and
capital logic[14] perspectives are also inadequate as explanations of
state actions. The class conflict perspective is theoretically
deficient because:

> In attempting to rescue an understanding of criminal justice
> and law from economic reductionism and determinism, the
> class conflict position underemphasizes the process of
> capital accumulation and the ways in which economic forces
> set limits on coercive and ideological practices.
> Consequently, until an incorporation of structural
> constraints is conceived, a systematic theory of the state
> is unlikely to emerge out of this perspective (Ibid. : 96).

The primary problem with the capital logic perspective lies with its
economic reductionism. This concept should be elaborated. Capital
logic expresses that the functions of the state are derived directly
from the needs of capital, and the state performs these functions
because it would be impossible for an individual capitalist interest to
do so (Knuttila, 1987). "The state, its forms and functions are to be
clearly derived from capital's logic and problems" (Altavater, cited in

Knuttila, 1987 : 127). Jessop (1982) criticizes capital logic theory

for not adequately explaining how this transformation, or "form

derivation," takes place (Jessop, cited in Knuttila, 1987 : 127). The

problem with reducing the state to a logical self expression of the

capitalist system is clarified by Ratner et al. (1987).

> Theoretical incorporation of crises and class struggle do
> not change the fact that "the needs of capital" remain as
> the only explanatory principle for state interventions, and
> law is reduced to an effect of the logical self-realization
> of capital...the perspective tends to deny law any autonomy
> of its own, since law is treated as a form with a hidden
> economic context (Ibid. : 98).

Ratner et al. (1987) conclude their analysis and critique by

arguing for a modified structuralist approach.

> We are led to conclude that even our rudimentary
> observations of the autonomy of the Canadian state signal
> the promise of structuralist inquiries when they are
> unhinged from overly functionalist theoretical moorings
> (Ibid. : 117).

The structuralist position gained prominence through the writings

of Poulantzas (see: Knuttila, 1987) and O'Connor (1973). According to

O'Connor (1973), the functions of the state within the structure of

capitalism are twofold: first, to ensure a continuation of the

conditions necessary for capital accumulation; and, second, to

legitimate the unequal social relations that occur in the capitalist

economic order.

> The state must try to maintain or create the conditions in
> which profitable capital accumulation is possible. However,
> the state must also try to maintain or create the conditions
> for social harmony (Ibid. : 6).

Panitch (1977), writing on the Canadian state, generally concurs with O'Connor's account of the functions of the state but adds a third: the maintenance of social order through state coercion. O'Connor's argument is also endorsed by Gough (1979), who has undertaken a structuralist analysis of the role and function of the welfare state in Britain.

Gough (1979) defines the welfare state as "the use of state power to modify the reproduction of labour power and to maintain the non-working population in capitalist societies" (Ibid. : 45). Labour power is the capacity to perform labour (Ibid. : 20). In a capitalist society it is a commodity which is sold in return for a wage or salary. Determining the value of labour power is a complex task because it is not produced as other commodities are. For instance, the value of labour must not only produce a worker but also reproduce the next generation of workers. Also,

> The level of consumption of the family, and hence the value
> of labour power is not a fixed amount given by biological or
> other factors...the value of labour power was [is]
> determined by 'historical and moral' factors, that varied
> between countries and between different periods of time...it
> would also be influenced by the degree of class struggle
> between workers and capitalists. Thus there is an essential
> flexibility in the value of this crucial commodity....the
> role of the welfare state is closely related to the problems
> of reproducing labour power and determining its value (Ibid.
> : 22).

The non-working population includes children, the elderly, the sick and disabled, and the mentally handicapped (Ibid. : 47). The boundaries between the working and non-working population are not fixed and the legitimation role of the welfare state cannot be sharply distinguished from the reproduction role. For instance, some non-

working groups (e.g. the unemployed) are still potentially able to work. The maintenance of the unemployed therefore comes under the heading of labour power reproduction (Ibid. : 48).

Gough (1979) explains how and why the state acts as it does. He argues that the state performs an economic and a social function. The economic function is to ensure the production and reproduction of the conditions necessary for capital accumulation. The social function is to legitimate policies that serve the general interests of capital, so that these are perceived as being in the interests of society as a whole. State expenditures correspond to these two functions and are abstractly understood as "social capital and social expenses" (Ibid. : 51). Social capital is further divided into 'investment' and 'consumption' expenditures, so that state expenditure falls into three categories: social investment (which increases the productivity of labour); social consumption (which decreases the reproductive costs of labour); and, social expenses (which maintain social harmony and fulfill the legitimation function of the state). Social investment and consumption augment the rate of profit and accumulation in society. The functions can overlap; that is, an expenditure can have more than one function. Therefore, a state activity such as providing social assistance might in one instance be understood as a social expense: however, since many of those receiving social assistance are potentially part of the workforce their maintenance can also be understood as part of the state's role in the modification of the production of labour power. For instance, if the state increased social assistance payments

to a level higher than the wage received in many jobs, one consequence might be that wages would be forced upwards above the social assistance levels in order to induce people to remain in the workforce.

For Gough (1979), the state's functions are better understood as 'tendencies.' Denoting them this way allows for considerable autonomy on the part of the state. (Ibid. : 50). Also, by denoting structuralist functions as 'tendencies,' Gough allows for considerable influence on state actions from factions other than the capitalist class.

According to Gough (1979), three influences on state action must be recognized, as these help explain the state's functions. First, the personnel located at the pinnacle of power within the state apparatus have tended to belong to classes that have dominated "economic and cultural" structures. These people share common "ideological and political positions, values, and perspectives" (Ibid. : 42). Second, the capitalist class holds an imbalance of power which it wields over the state. In this way, the capitalist class acts generally as a powerful interest group. Third, and most important, is the influence of structural constraints:

> The capitalist economy has its own rationality to which any
> government or state must sooner or later submit to, and
> usually sooner (loc. cit.).

The personnel of the state may change and the power of the capitalist class can be countered by the power of the labouring classes. However,

> Any single nation state cannot entirely ignore the
> requirements of capital accumulation and reproduction. To

do so would invite the flight of capital to other, more promising centers of accumulation. This is one major reason why the nation state, short of a revolutionary change, will not contravene the long term imperative of capital accumulation (Ibid. : 43).

Acceptance of an unequal system is necessary for the system to continue and Gough (1979) illuminates the manner in which the population comes to accept this capitalist domination. Generally, this acceptance is fostered when the state carries out its functions and buttresses its actions with a legitimating ideology, "the set of ideas about a society generated by that society" (Ibid. : 24).

Subjecting social assistance recipients to welfare fraud campaigns may fortify capitalist ideology. One component of capitalist ideology - individualism - refers to:

> The fact that all subjects are formally free and equal to pursue their own ends....In its turn representative democracy becomes a most powerful ideology (grounded in reality), consisting of a belief by the population that they 'exercise ultimate self determination' through the state (Ibid. : 40).

Melossi (1979) further discusses the importance of ideology, quoting Gramsci to underline its importance.

> Life in industry demands a general apprenticeship, a process of psycho-physical adaptation to specific conditions of work, nutrition, housing, customs, etc. This is not something 'natural' or innate, but has to be acquired (Ibid. : 95).

Melossi argues that removing workers from the workplace potentially threatens the mode of production because ideological constructs are not as easily reinforced away from the factory environment. According to

Melossi, there are tendencies in modern society which counteract the erosion of capitalist ideology.

> The underlying principle is no longer that of enclosing the individual but of following him to where he is normally enclosed: outside the factory in localities. The structure of propaganda and the mass media, a new and more effective system of policing and social surveillance, are the carriers of neo-capitalist social control (Ibid. : 95).

Social assistance (a social expense) is implemented when potential laborers are removed from the workplace. A welfare fraud scare fostered by statements from government officials can be understood as one process for the dispersement of capitalist ideology throughout society. Part of the capitalist ideology being legitimated through welfare fraud campaigns is the belief in individual responsibility for success and failure.

Djao (1983) elaborates on this theme. Individualism is a partial truth; that is, some members of the working class do increase their socio-economic status in a capitalist society. Their success contributes to the belief that success and failure are the result of individual effort. The social system appears to be,

> Open to social mobility, upward or downward...those who fail to move upward [are regarded] as necessarily inadequate, unmotivated, or lazy (Ibid. : 170).

Inequality is viewed as a product of the lack of individual effort, rather than the,

> structural arrangements of the community or of the society. In the process, the underclass and the poorer members of the working class are made the scapegoats of an economic system more concerned with profits than with the needs of people (loc. cit. : 170).

Djao (1983), proposes the societal belief in individualism allows a form of "blaming the victim"[15] to occur in the social welfare system. Inequality is legitimated by the very government interventions designed to eradicate it. A typical intervention proceeds with the assumption that inequality is a product of individual deviance, and then attempts to eradicate inequality by eradicating the deviance. This focus on changing the individual prevents criticism of the social and economic composition of society.

In summary, a campaign against welfare fraud can serve more than one purpose. According to the arguments of Melossi (1979) such a campaign will reach unemployed laborers, it will confer on these people a label of unworthiness, while also reinforcing the superiority of work to unemployment. According to Djao (1983), such a campaign would limit government interventions to changing the undesirable characteristics in the individual, saving the economic system from scrutiny. A welfare fraud campaign may be used for a number of other reasons: to legitimate a government's failures in the social policy field; to distance a particular government from the victims of these failures, and as a justification for minimizing the support offered to those relying on the state for their existence.

The neo-Marxist structuralist emphasis upon an examination of socio-historical determinants will help to unravel the factors that influenced British Columbia governments to increase the policing of welfare fraud in the 1970's. The structuralist contention that the state's policies should be understood primarily as attempts to

legitimate the existing social structure or as attempts to ensure the continuation of the conditions under which capital accumulation will occur is of value, particularly since it draws attention to all the factors which influence the state. Analysis penetrates the epiphenomena of reform and state policy-making and points to the importance of examining the ways in which economic and political forces have an impact on human decision making. To argue that a specific policy developed as a passive response to various capitalist pressures and objective structural socio-historical determinants is wholly inadequate. Such an explanation of state actions reduces the role of human actors to that of passive reactors to their environment. As Thompson (1977) asserts:

> People are not as stupid as some structuralist philosophers suppose them to be. If the law [or social policy] is evidently partial and unjust, then it will legitimize nothing, contribute nothing to any classes' hegemony (Ibid. : 262-263).

Thompson is arguing that people do not passively react to their environment. People interpret their social circumstances, the law, and social policy, and react according to their interpretations.

Indeed, criticisms of structuralist accounts of the state usually focus on its "left functionalist" tendencies. (Milliband 1969, Jacobs 1980, Mishra 1984). Jacobs (1980) criticizes the irrefutability of the structuralist perspective: "theoretical efforts which are stated so that they are insulated from empirical falsification cannot be of much explanatory significance." (Ibid. : 468). Similarly, Mishra (1984) argues that the neo-Marxist theory fails when the state is viewed as

always working to meet the 'needs of capital,' because this <u>post hoc</u> explanation can be used to explain away all state actions.

Another weakness is the failure to account for class struggles through which gains are made by classes not in control of the means of production: gains which may be contrary to the needs of capitalist development. The weakness comes from overemphasizing the functions of the state, and failing to take account of specific historical circumstances in which a particular state action occurs. Gough (1979) comments:

> The fact that some function is required for the accumulation or reproduction of capital tells us nothing about whether or not the state meets those requirements or the manner in which it responds to them. This involves a study of the way these requirements are translated into political demands and policies (Ibid. : 51).

Ratner et al. (1987) offer a modification of structuralist theory, and propose a route of inquiry which will account for structural necessity, while avoiding the functionalist dilemma. The authors argue that a synthesis of the three more sophisticated neo-Marxist perspectives will ideally allow for an account of the <u>dialectical</u> interplay between human agency and structural factors (Ibid. : 118). In particular, the contention of the class conflict perspective that the functions of the state, "may be established only by analyzing specific historical places and times and unravelling the conflicts, balances, and alliances of power as they are played out" (Ibid. : 95) appears to be important. The authors criticized the class conflict approach because it underemphasizes the process of capital accumulation and the limits it

sets on coercive and ideological practices, yet if the structural

constraints related to the needs of capitalism are acknowledged, and

dialectically interwoven with human agency and political conflict a

"freeing up" of structural neo-Marxism will occur.

This approach addresses what Giddens (1979) proposes is the

central problem with social theory: "the opposition between volunteerism

and determinism" (Ibid. : 2). Giddens' solution is to develop the

theory of structuration which relates to "the fundamentally recursive

character of social life, and expresses the mutual dependence of

structure and agency" (Ibid. : 69). He expresses this dependency by

claiming "rules are drawn up through interaction but are reconstituted

by that interaction" (Ibid. : 71). In Giddens (1984) it appears that he

accepts the contradictory nature of the state and the class basis to

society (see: 314 - 317). While Giddens is concerned with a broader

spectrum than is addressed in this thesis (his concern is social theory

in general), in regards to State Theory he is not inconsistent with the

perspective proposed in this work; that is, an interweaving of human

agency and structure.

The proposed trajectory will allow the state a degree of autonomy

from the needs of capital, while still placing the actions of the state

within an economic framework. Perceived structural necessity will lead

the state to take action, but the exact nature of the state's response

will be influenced by any number of factors and, through an uncovering

of these influences, the actions of the state will be better understood.

Summary

The study of the state's actions and reactions is of importance
for a more complete understanding of the phenomenon of welfare fraud.
Canadian research into welfare fraud has focused on a number of issues.
This research has generally proposed modifications of policing
techniques and clarification of eligibility requirements as methods
through which system deficiencies can be corrected. Some Canadian
research has touched on the complicated manner in which the phenomenon
of welfare fraud is publicly perceived and dealt with. Other research
proposes that the state is reacting to public opinion when it increases
policing. This contradicts other research that argues that the public's
perception that the welfare system is being abused is based on
(mis)information garnered from "opinion leaders." The fact that opinion
leaders can influence the decision to police fraud more stringently
highlights the need for an analysis of state reactions to fraud.

Research into welfare fraud in other countries has shown that when
the state makes a decision to act coercively by policing welfare fraud
more stringently it is reacting primarily to political and economic
conditions. The fraud issue is used by the state to legitimate cutbacks
in welfare expenditures, which have risen because of economic decline.
This is the very time at which the state might be expected to compensate
those most harshly affected by a declining economy. The state's ability
to adequately compensate those affected by unemployment is, however,
severely restricted by declining revenues. The state, therefore,
embarks on a campaign of redefining those on welfare as the cause of

their own circumstances rather than as victims of the economy. The welfare fraud issue is used in this process to define many of those on welfare as lazy, and abusers of the system of benefits. This redefinition of welfare recipients allows the state to minimize its welfare expenditures, while also minimizing the political costs of cutting back social benefits.

These findings are of importance for an understanding of the phenomenon of welfare fraud in Canada. Political and economic conditions that affect the definition and prosecution of welfare fraud must be outlined, and be guided by a complementary interpretive framework. Neo-Marxist theorists have examined a number of areas, including the Canadian welfare state and its social welfare system. These studies indicate that the welfare state assists those in need, but also perpetuates and legitimates unequal social relations in the interests of capitalism as a whole. Research undertaken in other countries indicates that the state uses the issue of welfare fraud to defuse a threat to capital accumulation and public dissent. An analysis of the welfare fraud phenomenon in British Columbia may contribute to an understanding of the legitimation and other functions of the state within the structure of capitalism.

The analytical framework requires an historically informed analysis of state practices which includes an examination of the dialectical relationship between structural factors (e.g., economic problems and changes) and human agency (e.g., conflicts, balances, and alliances of power in the political arena). This approach is adopted in

the following two chapters: an analysis of the reactions to welfare

fraud by three consecutive British Columbia governments during the

1970's.

1: This includes the variety of policing methods used in Canada and the United States. Particular interest is paid to the use of computer matching techniques used by some U.S. agencies and the growth of welfare fraud police agencies.

2: Perhaps a fifth area of research could be added to the research paradigm. This would pertain to the circumstances of offenders and their explanations for specific actions.

3: Unemployment insurance schemes are distinct from provincial social assistance programmes, yet the benefits are still part of the welfare net. Unemployment insurance is also the type of support offered by the federal government when work is lost; social assistance is offered by the provinces when unemployment insurance benefits expire or are unavailable. The two schemes are complementary. Analyses of unemployment insurance fraud are, therefore, included in this literature review.

4: Although Deacon (1976) identifies the concern in terms of the general public, he proposes that public animosity was fostered by various government officials and economic experts. The welfare fraud issue might properly be understood as an interest group concern.

5: The Inspectors Program in the Ministry of Human Resources. The emergence of this program is analysed in chapters III and IV.

6: Many cases of fraud do not reach the trial stage. Instead, benefits are cut off.

7: This is a phrase coined by Adams et al. (1971)

8: "Dole bludger" is slang for a person who chooses to receive social assistance rather than accept employment. It is the Australian equivalent of the "welfare bum."

9: See particularly Morton and Copp (1980) chapters 18 and 19.

10: Morton and Copp (1980) describe several instances of repression. See, for instance: Bienfait miners strike, 144; Winnipeg general strike, 119 - 125; development of relief camps, chapter 14.

11: Liberal Pluralist state theory rests on the claim that there are competing interest groups in society, all attempting to influence the state to meet their particular needs. It does not recognize any class basis to these interest groups and proposes that each group will have an equal opportunity to influence state policy making. There is no recognition of power elites in society. The state is perceived as a neutral arbiter between competing interest groups. It attempts to

achieve consensus in the interests of society as a whole, rather than to further the goals of one particular group over another (Knuttila, 1987).

12: In the Instrumentalist view, the state is regarded as an instrument or tool of the capitalist (i.e. ruling) class. Individual actions are limited by class relations and the interests of the ruling class are assumed to be homogeneous. Economic power is interpreted as easily translated into state power; that is, the state has little autonomy from the economic process, and those who occupy positions of state power are overtly similar (i.e. ethically, educationally) to those who hold economic power (Knuttila, 1987).

13: Gordon (1988) summarizes the class conflict perspective in the following way:
Neo-Gramscian theorists argue that the state is a class force with a vital role in: the organization of class domination; securing the long term interests and cohesion of the capitalist class; and, facilitating concessions from the subordinate classes. Most importantly, the state must secure the active consent of the governed. The state is an integrated form composed of 'political society' (government and its apparatus) and 'civil society', the latter being the seat of popular consensus where social relations and institutions serve to sustain and challenge hegemony (Ibid. : 214).

14: Gordon (1988) summarizes the capital logic theory in the following way:
Capital logic theorists argue that the form and functions of the capitalist state can be systematically derived from abstract principles of political economy. Since the state is an integral part of the process of capital accumulation it reflects and reproduces both the basic 'laws' (or logic) and the contradictions of capitalism. At the same time it is necessary to explore the social relations of capital and the limits placed on the actions of both the state and capital which arise from class struggles (loc. cit. : 214).

15: Ryan (1971) developed the 'blaming the victim' thesis.

Chapter III

THE POLITICS OF WELFARE FRAUD IN BRITISH COLUMBIA:

1970 to 1975

Major changes in the definition and policing of welfare fraud
occurred in British Columbia in 1976. New legislation increased
fines and prison sentences for fraud, eligibility rules for social
assistance were tightened, and the Ministry Inspectors Program was
introduced. These changes were part of a process that had started
six years earlier.

This chapter examines this process of the state response to
welfare fraud through two British Columbia governments in the
1970's. Beginning at the end of 1969, the analysis progresses to the
provincial election on December 10, 1975. The emergence of the issue
of welfare fraud is traced from its beginnings as a minor political
episode in 1970 to its elevation into an important election issue in
1975.

The Socred Government and Welfare Fraud: 1970 to 1972

In 1971, the annual report of the Department of Rehabilitation
and Social Improvement (DRSI)[1] indicated that welfare fraud was
becoming a serious problem in British Columbia. "Fraud, which has
never been a great problem for us, became more organized and
widespread."[2] In the report, the Department connected a proposed
increase in the policing of fraud to both increased public concern

and rising social welfare costs. It did not, however, justify

increased vigilance by reference to an analysis of the actual amount

of fraud that was occurring. In fact, the Department admitted that

fraud was perpetrated by a small number of recipients.

> Though it was perpetuated by a very small proportion of
> those receiving assistance, it was of greater public
> concern during a period of rising costs.[3]

The welfare fraud problem had been brought to the public's

attention earlier in the fiscal year by the Minister responsible for

the DRSI, Phil Gaglardi. He claimed that a Social Credit (Socred)

government probe had shown that a fraud wave was sweeping British

Columbia, and that the rates of abuse were up 20% over the six

preceding months.[4]

After the Opposition in the Victoria Legislature confronted

Gaglardi on his "fraud wave" statements, he admitted that he had no

proof for his assertion.[5] Reportedly, Gaglardi based his claim on a

decision by the Municipality of Surrey to hire a welfare fraud

investigator. This investigator had uncovered a fraud "wave"

consisting of one case of four adults who had defrauded several

social services offices in Alberta and B.C.[6] Despite the lack of

other evidence, Gaglardi continued to campaign against welfare fraud.

Gaglardi asked the public to report any suspicious activities by

welfare recipients to the DRSI.[7]

It is unlikely that Gaglardi's desire to increase the policing

of welfare fraud arose solely from the exposure of a small fraud ring

in Surrey. Although the desire of a minister to obtain favorable media attention should not be discounted as one reason for Gaglardi's statements, a fuller explanation can be derived by examining both the economic climate in British Columbia in 1970-71, and the failure of the DRSI's attempts to alleviate some of the problems which arose from the ailing economy. By examining these conditions, Gaglardi's statements appear to be an attempt to buttress his own legitimacy and that of the Socred government, rather than a concern with clear evidence of increased social assistance abuse.

In 1970, and following ten years of continued growth, the Canadian economy entered a recession.[8] This had an impact in the provinces and British Columbia was no exception. The government's budget speech in February 1971 summarized the difficult economic situation that had been developing in the province.

> National and international economic conditions, aggravated by management labour differences within important sectors of our industry, restrained the usual buoyancy of the B.C. economy over the past year. Contrary policies of the Federal Government, which concurrently support high interest rates, inflation and high unemployment have compounded the problem in the province.[9]

The "restrained" economic buoyancy was felt in a number of ways. For instance, the annual growth rate of the province dropped from 7.2% in 1969 to 2.6% in 1970;[10] unemployment in the province rose from 5.0% in 1969 to 7.6% in 1970.[11] This represented an increase of 25,000 people receiving unemployment insurance benefits in the province.

The economic problems had an impact on the DRSI, including a

dramatic rise in the number of people receiving social assistance.[12]

In 1969/70, the average number of British Columbia residents

receiving social assistance each month was 97,606. In 1970/71 the

number of social assistance recipients increased by 39%, an increase

of 38,547 people, bringing the British Columbia total to 136,153

monthly recipients. DRSI expenditures rose substantially from $104.5

million in 1969/70 to $147.5 million in 1970/71, an increase of $43

million or 40%.[13]   The rise in DRSI expenditures represented an

increase in total provincial percentage expenditure from 9% to

12%.[14]. The recession thus forced DRSI costs upward and the

government embarked on a campaign to address the problem.

One policy initiated by the Socred government was the

development of a make work program known as the Provincial Alliance

of Businessmen (PAB). The PAB had been introduced just prior to the

economic recession. Its goal was to use the private sector to

alleviate the provincial unemployment problem.

> Many of our most abrasive, persistent, and costly
> problems would disappear if people had jobs--decently
> paying, productive jobs, jobs with a future. It's as
> simple as that.
>
> The Provincial Alliance of Businessmen, born under the
> leadership of the Honorable P.A. Gaglardi, set out on
> July 1 1969, to do just that--find jobs![15]

The PAB operated by canvassing businesses to persuade them to

provide employment for the "socially and economically

disadvantaged."[16] The objective was not to create new jobs, but to

encourage employers to fill existing vacancies with employable social assistance recipients.

On the surface, the goals of the PAB were laudable. Nevertheless, the government assumed much about the workings of the provincial economic and social structure. It was assumed that the business community would be willing to absorb social assistance recipients onto their payrolls and that, through this action, the social and economic "disadvantages" would disappear. Working from two premises that the business community was concerned more with the issue of full employment than profits, and that social and economic disadvantages could be eradicated by finding work, the program was implemented.

The philanthropy and need of the business community did not materialize. The PAB proved to be controversial, ultimately failing to achieve its goal of employing the disadvantaged. The PAB was criticized for a number of reasons. First, it was set up by Gaglardi outside the regular civil service channels, leading to Opposition accusations of political patronage.[17] Gaglardi was also criticized for his inaccurate use of statistics when reporting the 'success' of the PAB. According to Gaglardi's statements, the PAB had found more jobs in the first six months of operation than it had in the first nine months. Also, Gaglardi claimed that the PAB had saved the state $150,000 in the first six months of its existence. The only way this could have been possible was if the several thousand jobs found by the PAB had been found on the first day.[18]

The PAB purportedly placed 13,382 persons in new employment between 1969 and 1972.[19] The statistics offered by the PAB do not indicate what pay was offered in the employment opportunities, nor the length of the employment offered. The PAB was also criticized for offering jobs at welfare rates, even for well trained people. There was concern that the PAB was duplicating services already offered by Canada Manpower.[20] Finally, the state was criticized for intimating that those who turned down these jobs were "lazy deadbeats."[21]

That the program failed to live up to expectations is not surprising.[22] In addition to the various criticisms on the development and operation of the PAB, the provincial economic climate worsened in the last two years of the PAB's existence. The number of those out of work rose so dramatically that even a well planned job finding project would have encountered difficulties in placing all those desiring employment. A reasonable response for the government, at the point where it became apparent that employment opportunities were not readily available, would have been to increase social assistance payments, at least until the recession ended. Instead, the Socred government was pressured to decrease social assistance costs. This pressure contributed to an increased provincial concern with welfare fraud, which was translated into an attempt to stigmatize some social assistance recipients.

The rising costs of operating the DRSI were felt by the British Columbia municipalities.[23] For municipalities other than Vancouver,

from 1967 to 1971 the percentage of total expenditure devoted to
welfare payments had risen from about 11% to about 17%. In
Vancouver, over the same time period, the percentage of expenditure
devoted to welfare rose from about 15% to about 22%.[24] In 1970,
British Columbia mayors responded critically to a Socred government
proposal to increase the welfare premiums charged to municipalities.
According to Bill Vander Zalm, then Mayor of Surrey, increasing
provincial social welfare costs to the municipalities was unfair,
particularly in light of municipal budgeting practices. The
municipalities had factored an earlier, lower cost sharing estimate
into their budgets. [25]

At a Mayor's conference in October 1970, a proposal for
curtailing welfare costs was tabled. One part of the proposal was
tighter policing of welfare, and more intense screening of welfare
recipients. The Mayor of Victoria, Courtney Haddock, indicated that
he would meet with Gaglardi after the conference and discuss ways of
screening welfare recipients.[26]

Only after the mayors publicly criticized the provincial
government for rising welfare costs did Gaglardi propose the
crackdown on fraud. Gaglardi's later admission that there was no
evidence of increased welfare abuse, and the mayors' overriding
concern with decreasing municipal welfare costs suggests that the
proposal to increase screening of social assistance recipients arose
not from evidence of abuse, but as a result of rising welfare
budgets. Increased policing and screening of recipients was

perceived as a legitimate method of decreasing the costs of social assistance.

Lost in the rhetoric of abuse were the effects which the downturn in the economy had on the economically disadvantaged. The poverty issue had gained considerable public attention in the late 1960's and early 1970's. Guest (1985) calls this renewed interest the "rediscovery of poverty". The rediscovery was fostered by a number of reports such as the Fifth Annual Review of the Economic Council of Canada (1967); the Canadian Welfare Council's Social Policies for Canada, Part I (1969); the Special Senate Committee's Poverty in Canada (1971); The Real Poverty Report (1971); and, The Report of the Royal Commission on the Status of Women in Canada (Information Canada, 1970). According to Guest (1985), these reports brought Canadian social policy makers face to face with the contradictory nature of the welfare system.

> That is, the conflict between the protective, standard raising, life enhancing functions of social security and its role in disciplining the labour force, more specifically as a mechanism for compelling people to adapt to low or intermittent wages (Ibid. : 168).

Table 1 shows the economic hardship that living on social assistance in British Columbia entailed. Social assistance rates in British Columbia were consistently far lower than the Statistics Canada Updated Poverty Lines. Government intimations that social assistance recipients were lazy and abusing the social assistance system obscured how the low rates of assistance were a form of abuse

because they did not allow recipients to live with a certain degree

of dignity.

Table 1.

British Columbia Monthly Social Assistance Rates for Singles and Canadian Poverty Lines For Singles: 1970 to 1973

Year	Assistance Rates * 12 months	Canada Poverty Lines Per Annum
1965-70	$75*12=$900.00	
1970	$80*12=$960.00	$1,958.00
1971	$80*12=$960.00	$2,014.00
1972	$102*12=$1224.00	$2,111.00
1973	$140*12=$1680.00	$2,269.00

Source: Poverty lines: Canadian Fact Book on Poverty, (1979).
Donald M. Caskie. Ottawa: Canadian Council on Social Development.
Monthly Assistance Rates: Ministry of Social Services and Housing,
Library and Training Centre.

The data also indicate that, while the poverty line rose slightly in

1970 and 1971, the monthly assistance rates remained the same.

Inflation put those on social assistance in a worsening position.

The apparently inadequate social assistance rates in British

Columbia, and the plethora of studies that criticized the Canadian

welfare system, put pressure on the federal and provincial

governments to address the problems of existing on welfare. In

British Columbia, this pressure contradicted the municipalities'

criticism that welfare costs were too high.

The welfare fraud issue can be seen as an attempt by the government to deflect criticism from its failed social policy initiatives (for example the PAB), and to address the contradictory need to help the poor and minimize welfare costs. Gaglardi did not make his "fraud wave" statements until after the following conditions were in place. First, the province was in a recession, which led to increased unemployment and more social assistance recipients. One attempt to alleviate the consequences of the recession was proving to be unsuccessful (the PAB). Next, a political interest group - the provincial mayors - were applying pressure on the government to decrease welfare costs. Finally, the inadequacies of the Canadian welfare system in general were being exposed by a number of studies, bringing the issue of poverty and poverty relief into the public limelight.

Faced with these problems, Gaglardi seemed to seize an opportunity to place the blame for rising DRSI costs on a marginal group: those receiving assistance illegally. The rhetoric of abuse appears to have been employed by the government in an attempt to deflect criticism from failing social policy initiatives; to legitimate Socred government efforts to minimize welfare costs in the midst of a recession; and to justify the largely static provincial social assistance rates in the face of mounting evidence that the Canadian welfare system was inadequate.

The NDP Government and Welfare Fraud: 1972 to 1975

Premier W.A.C. Bennett called an election for August 30, 1972.
The welfare fraud issue died out during the election campaign. In
light of the concerns raised in the campaign, attempts to legitimate
Socred government failures, by blaming those affected by them, may
have ultimately been an unsuccessful strategy. The main concerns
that emerged in the election were the age of the premier (which
translated into an old government) and the Socreds' responsiveness to
the needs of the public.[27]

The Socred government was perceived as out of touch with the
will of the people. Their previously successful campaign rhetoric,
which portrayed the NDP as,

> Godless socialists, the Marxist-socialists, the
> professional union bosses, the New Depression Party - all
> terrifyingly ready to govern (Kavic and Nixon, 1978: 21)

was not successful in the 1972 election. The NDP, under the guidance
of a new leader, Dave Barrett, effectively countered the Socred
rhetoric.

> As he gradually rejuvenated the party, Barrett began to
> present a new image for the NDP--it became the party that
> cares, a party that listens. Time and time again during
> the 1970-72 period, the twelve members of the party
> caucus travelled the province to hear what the people had
> to say. On countless occasions, a seemingly tireless
> party leader showed his easy rapport with 'ordinary folk'
> in meetings with small groups of party supporters and
> ever larger groups of discontented voters
> (Ibid. : 21).

The NDP combined this responsiveness to the concerns of "ordinary folk" with a campaign that played down the more contentious aspects of their socialist ideology. The tactic proved successful and the NDP won 37 of the 55 seats in the Legislature.

Whereas the previous Socred government had been sympathetic to capitalist interests, the NDP did not regard big business as a strong ally. Part of the NDP's strategy as a government was to enter realms formerly controlled by private industry. They did not attack capitalism, opting instead for a strategy that would minimize the probability of resistance from capitalist interests.

> The main spending priorities of the government over the
> three years were to lie in the social rather than
> economic fields...I do not mean to suggest that the NDP
> should have diverted large amounts from these areas to
> finance, for example, the takeovers of large
> corporations...the NDP preferred the line of least
> resistance, seeking to make capitalism more liveable
> through social expenditures, rather than attacking
> capitalism head on...Friction with big business became
> inevitable (Resnick, 1977 : 10-11).

Whether the chosen policy route was a deliberate strategy designed to alter the role of the state in private affairs, or born of a genuine concern for the disadvantaged, is debatable. Kavic and Nixon (1978) perceive the NDP's focus differently than Resnick.

> The condition of the sick, the handicapped and the poor
> had long been a prime concern of the NDP. They had long
> expressed dissatisfaction with Socred performance in
> these areas and, particularly, with the Social Credit
> Ministers of both Health and Welfare--Ralph Loffmark and
> Phil Gaglardi, respectively (Ibid. : 193).

Resnick's (1977) contention that "friction with big business was inevitable" is correct. This "friction" made the last half of the NDP term a time of contradiction and compromise in the Department of Human Resources (DHR).[28]

The NDP, critical of Socred social policy while in Opposition, set out to correct many Socred "failures" in the welfare arena. Under the guidance of the NDP, the DHR underwent a restructuring to expand its services and increase compensation to the handicapped, the elderly, and the unemployed. The NDP undertook a media campaign, where social assistance recipients were portrayed as similar to the rest of society rather than "inferior" or "lazy."

Initially, the NDP criticized the previous Socred government's harsh policy towards welfare fraud. Norm Levi, the new Minister responsible for the DRSI, stated that the NDP would not continue the previous administration's policy of seeking out welfare fraud. Levi also stated that normal precautions were sufficient for deterring fraud and that anything else would probably cost more in the long run than the few "rip off artists" who might be operating.[29] The press explored the attitude of the new government and found that a coercive welfare policy could prove detrimental to those receiving social assistance. For example, one report recounted the suffering of a woman charged and acquitted of welfare fraud.[30]

In 1973, Levi again addressed the issue of welfare fraud. In an interview,[31] Levi questioned the previous administration's

"fascination with welfare fraud" and the myth of the "welfare bum".
He criticized the idea of increasing surveillance of welfare when,
"there are people on all levels of society who beat the system," and
when the number of people committing fraud in the welfare system was
not high enough to justify increased policing.[32]

The new government's public proclamations suggest that the
fraud problem may not have been as serious as Gaglardi had claimed.
The NDP espoused a different attitude to welfare fraud than their
predecessors, offered as part of a criticism of the previous
administration's social policies. The ways in which the NDP
government presented the issue of welfare abuse show that fraud was
more than an issue of abuse; it was also an issue around which
political ideals could be presented.

The NDP decision against increasing the policing of welfare
fraud was arrived at through a combination of the beliefs of the new
government and political savy. The conditions under which they
espoused this policy were much different than those faced by the
previous Socred government. The Canadian economic recession had
ended when the NDP came into power[33] and, in British Columbia, the
economy was growing at an increased rate: 6.9% in 1972 and 9% in
1973.[34] The number of people receiving social assistance fell from
126,385 in 1971/72 to 108,201 recipients in 1972/73, and was almost
unchanged in 1973/74 (108,825 recipients).[35] The decrease in the
numbers of social assistance recipients can be partly attributed to
the more buoyant economy and the development of the Mincome program,

which provided financial assistance for persons over age 60. Additionally, on January 2, 1972, the "initiation of new Federal Unemployment Insurance measures (UI) that broadened eligibility and improved benefits,"[36] took place. These measures changed universal coverage provisions for those who were unemployed. One change in the new UI legislation affected eligibility requirements.

> In the 1955 Act a variety of claimant actions and rules in the legislation resulted in disqualification from benefits for up six weeks. In the 1971 Act...the period of disqualification was reduced to a maximum of three weeks (Dingledine, 1981 : 67).

Prior to the new legislation, disqualified applicants would apply for provincial social assistance while waiting for their UI payments to start. The reduction of the disqualification period meant that the potential time spent receiving provincial social assistance, before moving to unemployment insurance, was decreased.[37]

Another factor that allowed Levi to take a stance against any increase in the policing of social assistance recipients was a disorganized Opposition. The main priorities of the Socred opposition during the first half of the NDP administration were to reorganize themselves after the unexpected election loss, and to replace W.A.C Bennett, who resigned his seat as M.L.A. for South Okanagan on June 5, 1973. The Socred's effectiveness as an opposition party was eroded by these circumstances, and few criticisms of NDP policies regarding welfare fraud were reported.

Contrary to this state of affairs, the previous Socred administration had faced a recession, interest group pressure, failed social policy initiatives in the DRSI, and a public perception that they were not addressing the needs of all the people (e.g. social assistance recipients) during the period in which they proposed increased policing of fraud. Although the change in state attitudes toward welfare fraud may have arisen out of the social policy concerns of the NDP, the improved economic climate and the lack of an effective Opposition allowed the NDP to express these concerns without much dispute. The NDP's policies towards those receiving social assistance changed in 1974-75, a period of renewed economic recession and a refurbished Opposition.

Until 1974, the actions of governments against welfare fraud had been largely symbolic in nature. No substantive legislative changes or fraud prevention programs had been implemented. From 1948 to 1974 the Social Assistance Act – the provincial statute and associated Regulations governing welfare fraud – remained essentially unchanged.[38] An examination of the provisions that defined fraud, set out the eligibility requirements for social assistance, and specified the responsibilities of social assistance recipients, shows that, starting in 1974, the state became increasingly concerned with abuse of the social assistance system and began increasing the disciplinary component of its social assistance legislation.

The penalties for fraud included fines of up to $200 and imprisonment for up to three months[39] and these penalties remained

unchanged. However, in September 1974, the Social Assistance Act
Regulations were rescinded and replaced by new regulations that
reflected a stronger stand against welfare fraud.[40] In 1974, for the
first time, overpayments and fraud were addressed. The Regulations
now formally stipulated the conditions under which payment of
assistance could be considered improper. These included a
recipient's, nondisclosure of facts, misrepresentation of facts, or
any other cause. The government was also given the explicit power to
recover overpayments from recipients or former recipients, or from
their estates, by reducing or suspending payments, or through legal
proceedings. The addition of this provision represented an increase,
if not in coerciveness, at least in an awareness of welfare fraud.
In 1975, the Regulations were clarified in that recovery due to
"error" was specifically addressed.[41] Although the Regulations did
not state that error was a fraudulent act, the term was listed with
actions which, if committed, could be construed as fraudulent. The
methods by which funds could be recovered were the same, regardless
of intent. The inclusion of the term "error" essentially broadened
the definition of fraud to encompass actions other than those
involving an intentional abuse of the social assistance system.

The duties of the social assistance recipient are also
important for an understanding of the state's reaction to welfare
fraud. An increase in recipient responsibilities will generally lead
to an increase in actions that could be deemed abusive. Client
actions that might at one time be considered benign could, at other

times, be considered a form of abuse - possibly resulting in

disqualification from assistance. The Social Assistance Act itself

was not altered prior to 1976. The relevant section in the Social

Assistance Act briefly addressed the need for the beneficiary to

report income and resources and stated that a failure to report

changes was a criminal offence.[42] The duties of recipients were also

addressed in the Social Assistance Act Regulations (which again

represented the primary source of change). Until 1974 these duties

were fairly limited. The recipient was required to report any

changes in his or her financial position or that of his or her

dependents, and any changes in marital status or residence. If any

dependents left home or school this was to be reported.[43] The duties

of the recipient were expanded considerably in the 1974 Social

Assistance Act Regulations. The new regulations included separate

sections dealing with the conditions necessary for continuing

eligibility,[44] and new responsibilities for recipients to gain

employment.[45] Although the two issues are related they will, because

of their complexity, be examined separately.

In 1974, the continuing eligibility of recipients became

dependent partly on the recipient completing and sending forms to the

administering authority. In 1975, the Regulations concerning

continuing eligibility were changed and reflected an increased

government desire to restrict access to social assistance. The 1974

conditions were kept, but a proviso requiring recipients not to

forego income or assets in order to qualify for assistance was added

to the Regulations.[46] This requirement might be seen as a measure

necessary to persuade people to accept available employment. Again,

the added responsibility could be seen as an attempt to force

individuals to accept employment that paid less than industry

standards. Arguably, the state was siding with low paying employers

when it added provisions that forced the individual to take offered

employment under the threat of a loss of social assistance benefits.

The responsibilities of employable persons to obtain employment

were not addressed prior to 1974, and their inclusion in the 1974

Regulations further expanded the conditions under which a recipient

could be considered to be abusing the system. In the 1974 Social

Assistance Act Regulations, employable recipients were made

explicitly responsible for becoming self supporting. The Regulation

also stated that the administering authority would assist recipients

in gaining self sufficiency.[47] These requirements were made more

precise in 1975.[48] The 1975 changes disqualified potential

recipients who quit work or did not accept offered employment

opportunities, and the state threatened to terminate assistance if

efforts to gain employment were not deemed to be strong enough.

Potentially abusive actions of recipients were clarified.

Starting in 1975, leaving a job, or refusing employment, and

subsequently receiving social assistance were considered an abuse of

the social assistance system. Through the inclusion of these

conditions the NDP government increased its ability to control the

numbers of people applying for assistance. There were no riders in

the section recognizing that employment might be refused for legitimate reasons (e.g. not paying industry standards, or requiring work under harsh conditions). The section is also vague in that it does not define what would constitute a strong "effort to gain employment". Assistance levels could be controlled by restricting or easing such requirements.

These changes represented a shift in focus that illuminates the contradictory role of the social welfare system. The social assistance system appears to be, and indeed acts as, a support system: a "safety net" protecting people from the adverse effects of changing economic conditions. The changes introduced by the NDP government in 1974 and 1975 reflected an emphasis on the disciplinary function of the system. The changes focused largely on increasing individual responsibilities to gain employment, and also increased the state's ability to control social assistance expenditure. These changes were not made haphazardly. Two other significant policy changes occurred that supported and reflected the shift to disciplinary management.

First, as the data in Table 2 show, when the NDP came into power in 1972 they increased social assistance rates, which fit with their promise to correct the failures of the Socreds. This trend continued into 1973-74, but stopped in 1975: the last year of the NDP government. The decision not to continue to increase assistance rates almost certainly acted as an impetus to remain in the workforce, or take any offered employment.

Table 2

British Columbia Monthly Social Assistance Rates for
Singles: 1970 to 1976

Year   Assistance Rates
              * 12 months

1970 $80*12=$960.00

1971 $80*12=$960.00

1972 $102*12=$1224.00

1973 $140*12=$1680.00

1974 $160*12=$1920.00

1975 $160*12=$1920.00

1976 $160*12=$1920.00

Source: Ministry of Social Services and Housing, Library and
Training Centre.

The other significant shift in the NDP's social assistance

policy was a less sympathetic government portrayal of recipients.

Until 1974, the NDP portrayal had been fairly sympathetic. In the

Fall of 1974 a new government policy affecting single employables was

divulged on an open-line show, and summarized in the press.[49]   The

goal of this new policy was to restrict welfare payments to those

single employables who chose to live in "backwoods" areas. Levi was

quoted as stating, "our stand is - and always has been - that if

there is work you cannot forego work or any other opportunity to stay

on welfare."[50] The exact connection between living in the backwoods

and avoiding work was not made. There had been other accusations

that young males were moving to areas of high unemployment in order to qualify for social assistance.

Previously, the NDP had stated they were against an increased monitoring of welfare. However, in October 1974, Levi announced that social workers would make more home visits as part of a program for increasing the monitoring of recipients, and that employables would be asked to collect their cheques in person so they could be interviewed at welfare offices.[51]

The legislative changes, the decision not to increase social assistance levels, and the change in the tone of public proclamations about the seriousness of welfare abuse, indicates that the motivation of social assistance recipients was being questioned, and that welfare abuse had, once again, become a government concern.

Apparently, there was a perception that social assistance recipients would rather claim assistance than work and that these people were, consequently abusing the system. The government addressed this issue by introducing measures designed to encourage employables to seek and accept work, holding down assistance rates, and exhibiting an intention to 'get tough on laziness'; that is, to discipline recipients. Welfare abuse had become a cause for concern for Levi and the NDP government and it is significant that, in addition to the legislative and policy changes, the NDP government commissioned a series of reports that assessed public attitudes

towards welfare, work and social services in the province (Koenig et al., 1976; 1977).

The new found interest in public opinion and the shifts in policy did not arise out of any new studies or other evidence that showed a rise in welfare fraud or social assistance abuse. Instead, they appear to have been the product of an attempt by the NDP to recoup legitimacy that was eroded by the tumultuous events of 1974-75; a period when public confidence in the NDP decreased considerably.

After the Socred defeat in the 1972 election the concern among some capitalist factions was that no one party would be able to defeat the NDP, because the vote which was sympathetic to capitalist interests would be split against the socialist vote (Kristianson, 1977). This led to,

> Exhortations to party loyalists to put aside their traditional differences in favour of a united stand against the NDP...most interest centered on the desirability of combining the three opposition parties into a single force against the NDP. This, the argument ran, would ensure a "free enterprise" 60 per cent majority against the NDP's 40 per cent (Ibid. : 14, 15).

Initially, an organization known as the 'Majority Movement' was organized with the goal of defeating the NDP through 'non-partisan politics'. Although the Majority Movement was never recognized as a completely viable alternative to the mainstream political parties, and was criticized by the media and political parties alike, the idea of a united front against the NDP did come to fruition. A Socred

leadership convention held in November, 1973 elected Bill Bennett, who had won the by-election in the South Okanagan in September, 1973, as leader of the party. The reorganization of the Socred party and the failure of the Majority Movement led several high profile members of the Conservative and Liberal parties to move to the Socred party. The Socreds became the "business" alternative to the NDP (loc. cit.).

From mid-1974 to the election in December 1975, the reorganized Socreds challenged the costs of the NDP social welfare programs and the results of increased spending in the DHR. Challenging the costs of the NDP's social welfare programs was a project easily substantiated by the rising expenditures in the department.[52] The Socreds claimed that DHR costs were rising because of increases in the payment of social assistance to undeserving individuals. This claim was never supported, but it subsequently proved to be an important feature of the election campaign in the Fall of 1975.

One important critic of NDP social policy was Bill Vander Zalm, who changed allegiances from the Liberals to the Socreds in May 1974. As Mayor of Surrey, and one time detractor of former DRSI Minister Gaglardi's "lax" policy on the policing of welfare fraud, Vander Zalm gained great notoriety for his tough stand against welfare abuse. Confrontations between Levi and Vander Zalm started almost immediately.

On June 28, 1974, and shortly after his defection to the Socreds, Vander Zalm threatened to close welfare offices in Surrey.

A Surrey council vote on May 27 had put into effect a measure that would cut off assistance to single unemployed people between the ages of 19 and 45. The rationale given by Vander Zalm for this action was to decrease social welfare costs to the municipality. Levi's response to the Surrey initiative was a threat to cut off all welfare payments to the municipality unless this policy was dropped.[53]

Vander Zalm's rationale is questionable. In 1973, municipalities other than Vancouver had directed about 13% of their budgets to social service expenditures, while in Vancouver about 22% of its budget went to these services. In 1974, the percentages had fallen to 9% and 5% respectively.[54] Vander Zalm's rationale was inconsistent with the falling percentage of municipal expenditure going to welfare. An alternative explanation for the action taken in Surrey is that Vander Zalm was attempting to erode the legitimacy of the NDP government. Support for this claim comes from other Vander Zalm actions that made the NDP government appear harsh in the welfare arena, a perception that was inconsistent with their liberal social policies.

At a press conference in September 1974, Premier Dave Barrett announced that the DHR was going to overrun its $264.5 million budget by over $100 million. [55] The press and the Opposition accused the NDP of mismanaging the Department. Several articles appeared in lower mainland newspapers questioning the financial abilities of the government, and other articles called for the resignation of Levi as Minister of the DHR.

Soon after the announcement of the overrun, Vander Zalm informed the media of the new NDP policy concerning the eligibility of single employables for social assistance. This policy change reached the press through statements made by Vander Zalm at the 1974 Socred party convention. He disclosed at the conference that the province had given municipalities the power to cut off people on welfare who were not able to demonstrate that they were seeking employment.[56] The timing of the announcement was important as the government now appeared to be reacting harshly to the overrun. In fact, some members of the media perceived the NDP changes in social policy that restricted social assistance payments and cut off assistance for those refusing to seek employment, as government attempts to recoup its legitimacy.[57] Other reports[58] suggested that Levi was making the poor pay for his blunders as Human Resource Minister, and called for his resignation. Both the 1974 changes to the Social Assistance Act and Levi's tougher stance on fraud occurred in the midst of the furor surrounding the overrun, indicating that these changes were, indeed, a response to the criticism the government encountered.

The government responded by doing more than adopting a new, tougher policy aimed at combatting welfare abuse: a government press release defended the liberal social policy initiatives, and addressed the charges of mismanagement and government cruelty.[59] In the release, Levi pointed out that the cost overrun of $100 million was actually projected expenditures which represented initial

underbudgeting for 1974/75. According to Levi, the overrun was due to two main factors: the implementation of Mincome, Special Services to Children, and Pharmacare; and, increases in benefits provided through social allowances and the maintenance of foster children, which became necessary because of inflation.

Table 3

British Columbia Department of Human Resources
Summary of Supplemental Estimates: 1974-75

Programme	Original Estimate	Supplementary Estimate	Revised Total Estimate
Mincome	$80,120,000	$22,880,000	$103,000,000
Medical/Pharmacare	19,801,000	2,551,000	22,352,000
Day Care	10,000,000	3,860,000	13,860,000
Community Grants	4,200,000	4,865,000	9,065,000
Child Maintenance	29,431,000	13,130,000	42,561,000
Adult Care	8,900,000	4,790,000	13,690,000
Homemaker and Special Allowance Services	1,943,000	3,229,000	5,172,000
Social Allowances	110,081,000	44,919,000	155,000,000
General Admin. Costs	15,245,989	2,354,000	17,599,589

Source: Press Release, (September 2, 1974). Department of Human Resources.

Indeed, the increasing costs of the DHR were the result of NDP attempts to raise standards in a number of social programs. Table 3 provides a breakdown of the programs that led to the overrun. As the data in the Table indicate, the sources of the budget overrun were spread over a number of programs, and many of these provided assistance to groups and individuals who were obviously disadvantaged (i.e. the handicapped, elderly). This was consistent with the NDP's concern for the myriad of groups unable to establish an adequate standard of living in British Columbia. It is apparent from Table 3 that the largest source of the overrun was the increasing costs of social allowances, yet this increase was not solely a product of the increasing numbers of persons receiving assistance.

The data in Table 2 had indicated that prior to the overrun, the NDP had consistently increased basic allowance rates. The NDP government's decision to increase social assistance payments by 50% over two years demonstrates that the NDP were aware of the costs of living in British Columbia, and social assistance benefits were increased to compensate for these costs.

Levi also pointed out that his predecessor, Phil Gaglardi, had consistently run deficits in the Department. The data in Table 4 indicate that Levi's assertion was well founded. The Table shows that both the NDP and the Socreds had been consistently unable to accurately estimate the costs of the DHR. In fact, the highest percentage overrun in the years 1966/67 to 1974/75 occurred in

1970/71 when the Socreds were in power. Clearly, the Socreds had been no better at managing the Department than the NDP. The policies of the particular government in power were not the cause of the overruns, rather there was a long standing Department inability to accurately forecast costs.

TABLE 4

Department of Human Resources
Statement of Estimated and Actual Expenditures:
1966/67-1974/75

Year	Estimated Expenditure	Actual Expenditure	% Overrun
1966/67	66.775	72.554	8.7
1967/68	72.559	76.874	5.9
1968/69	75.276	93.747	24.5
1969/70	87.771	104.125	18.6
1970/71	108.113	147.074	36.0
1971/72	136.615	148.504	8.7
1972/73	138.841	171.680	23.7
1973/74	229.070	261.957	14.4
1974/75	284.820	382.577	34.3

Note: Amounts are all expressed in millions of dollars.
Source: Public Accounts of British Columbia,
1966 to 1975. Victoria: Department of Finance.

The changes to the Social Assistance Act Regulations introduced in 1974, and Levi's tougher stance on fraud might be explained as simply a reaction to the overrun. The further disciplinary changes and the decision not to increase assistance rates in 1975 are best explained by examining the political and economic events of that year.

From 1974, until the election in 1975, the Opposition focused

its criticism of the DHR on two issues, both of which would be likely

to appeal to the public: costs and abuse. The NDP's wide ranging

reforms in the DHR were threatened by both the overrun of 1974, and

the increasing Socred criticism in 1975. In an effort to retain

legitimacy, the government increased its tough stand against welfare

abuse and recipient laziness. If the NDP government had reduced

expenditures on any of its initiatives that helped obviously

disadvantaged groups, the criticism would have likely been even more

intense. Similarly, a Socred attack on the obviously disadvantaged

would have been more easily deflected by the NDP, and would not have

received the public support that their attack on fraud garnered. The

predicament of employables receiving social assistance was not easily

understood or empathized with. The attack on both welfare fraud and

the behavior of employables is, therefore, understandable as a sound

political tactic.

The Socred attack on the NDP government's social policy was not

an isolated strategy. It arose at a time when some of the NDP's most

controversial economic policies were being implemented, and the

criticism of social policy was part of a larger strategy aimed at

reducing the legitimacy of a government that threatened capitalist

interests.

The NDP government introduced several controversial economic

policies and, as the scope and impact of the changes became apparent,

it came under increasing criticism from capitalist interests in the

province. Many of the legislative and policy changes have been

analysed (see e.g., Harris, 1987; Taylor, 1982; Persky, 1979; Payne,

1979; Kavic and Nixon, 1978; Resnick, 1977; Hurmuses, 1976) but, of

the many initiatives that the NDP implemented, three were subjected

to severe criticism: The Insurance Corporation of British Columbia

(I.C.B.C.); land use control legislation; and, mineral royalties

legislation. These initiatives infringed upon capitalist run

industries, and the detractors of these policies were quick to offer

condemnation.

The establishment of I.C.B.C. forced 183 private insurance

companies out of the automobile insurance business in the province

(Harris, 1987; Kavic and Nixon, 1978). This government move evoked a

mixed response. There had long been antipathy to private insurance

companies because they profited from an "essential service" and

because the public believed there was no real competition between

private insurance companies (Kavic and Nixon, 1978). On the other

hand, some members of the Opposition were opposed to the development

of the I.C.B.C. because it represented the "philosophy of communism"

(Ibid.). The reaction from capitalist factions opposed to the

development of a government auto insurance system was somewhat muted

by the popularity of the scheme. However, the development of

I.C.B.C. became, for the Opposition, another indicator of the NDP's

incompetence.

> The general perception created by I.C.B.C. was one of
> claims abuses, mistakes in appraisal, and repairable cars
> ending up in the junkyard thanks to an "overly generous"
> public corporation. By February 1975, when the

> government was forced to admit that I.C.B.C. had a
> staggering $34.5 million deficit, the die was cast. In
> the minds of many, the NDP had precipitously jumped into
> a former preserve of the private sector and had seriously
> mismanaged it (Harris, 1987: 13).

The development of I.C.B.C. and the apparent initial failure of the

government to account for the complexity of running such an endeavor

is important, not only because it replaced a capitalist run industry

with a state run endeavor, but because it became a symbol, also used

in the 1975 election, of the NDP's inability to manage the province.

While the establishment of I.C.B.C. attracted some popular

support, other NDP initiatives did not. They had an adverse impact

upon capitalist interests and evoked a strong negative reaction from

these interests. The Lands Commission Act had the primary purpose of

preserving farmland in the Fraser Valley (Harris, 1987). The

function of the Act was carried out through a province wide zoning

scheme which conferred on the Land Commission adjudicative

responsibility for the zoning of land.

> Much of the criticism of the proposed Act took the form
> of general outcries against the tyrannies of government
> and demands for compensation by landowners who stood to
> lose financially by virtue of this zoning process (Ibid.
> : 10).

The Land Commissions Act was criticized by some speculators who

feared the loss of the chance to turn farmland into more profitable

residential property. The Act actually had an unexpected

consequence.

> Removal of lands from the marketplace for residential use
> would push up the price of unaffected land....Prices of

lots in Vancouver and Victoria began to rise rapidly, far
exceeding the realtor's predictions as they reached
heights 300 and 400 per cent above pre-freeze levels
(Kavic and Nixon, 1978: 99-100).

The Mineral Royalties Act received the strongest opposition

from corporate interests in the province. The Act was intended to

remedy a situation of rising prices and profits in the mining

industry but continuing small returns to the province. Briefly, the

NDP was attempting to address what it saw as an inconsistency in that

the province did not receive substantial royalties or returns from

the mining industry, when this was the norm in the forestry, coal,

and oil industries. (Kavic and Nixon, 1978). The Act provided for a

2.5% royalty on metals, for a sliding scale of up to 5% for

succeeding years based on a five year average price, and a 50% 'super

royalty' on prices that were over 20% higher than the previous five

year average (Ibid.). As Harris (1987) points out,

> The reaction of the mining industry to the mineral
> royalties legislation was sharp and swift. The industry
> issued dire warnings of the economic consequences of such
> legislation claiming that it would all but destroy the
> province's mining sector. It undertook intensive
> publicity and lobbying campaigns utilizing radio,
> television, and the written press to refine and dramatize
> its contention that mining was threatened in B.C. (Ibid.
> : 14).

Although it is has been argued that the NDP did not attempt to

fulfill a socialist mandate (see e.g., Resnick, 1977), some NDP

initiatives threatened to disturb the conditions under which capital

accumulation could occur. The policies of the NDP led some

capitalist interests and the capitalist backed Opposition to propose

that the NDP government had to be replaced as the government in order

for the province to remain prosperous (see, e.g. Harris, 1987;

Kristianson, 1977; and, Kavic and Nixon, 1978). Such was the

pressure on the government that they were forced to alter many of

their initiatives. For example, in the economic sphere, the Mineral

Royalties Act was changed.

> And though the main feature of Bill 31 [Mineral Royalties
> Act] was a tax on windfall profits, hardly likely to
> apply in periods of relative stagnation, the NDP somewhat
> backtracked on its policies by 1975. Indeed, shortly
> before being voted out of office, the new Minister of
> Mines, Gary Lauk, had announced a two cent a pound
> subsidy for an $80 million copper mine...Such are the
> constraints of the "mixed economy" and of B.C.'s position
> within a larger capitalist economy (Resnick, 1977: 12).

The process of eroding the legitimacy of the NDP government

surfaced outside the economic sphere: the pressure was also evident

in the social welfare arena. Indeed, the NDP's continuing tough

stand against welfare fraud in 1975 is best understood as a reaction

to the attempts of certain capitalist factions and their allies in

the Opposition to create a major legitimation problem, if not a

crisis, for the government.

The legitimacy of the NDP government came under increasing

scrutiny during 1975. Indeed, the perceived magnitude of the NDP's

incompetence, expressed through various Department "blunders" along

with a "runaway economy, past spending extravagances, and a

horrendous summer of labour strife" (Kavic and Nixon, 1978: 222) did

not give Barrett a very sound footing on which to reassure the public

of the NDP's competence. Nevertheless, he called an election in only

the third year of the NDP's term. During the campaign, the Opposition mobilized the issue of welfare abuse as an important indicator of the government's incompetence.

The Socreds fostered public apprehension about the NDP by running a campaign based largely on the lack of economic leadership offered by the government.[60] The press carried a number of Socred criticisms of the NDP's policies,[61] and the Socred's also purchased full page advertisements in the lower mainland press that identified unemployment as the most serious issue of the election. It was claimed that Barrett's restrictive economic policy was the cause of high unemployment rates.[62]

The NDP government was, indeed, facing economic problems. The country experienced another recession from mid 1974 to mid 1975,[63] and 1975 was proving to be an economically difficult year in British Columbia. Although the final costs of the DHR could not be calculated during the election campaign, when finally tabulated they showed that the economy had actually shrunk by 1.8% in 1975;[64] and, the number of people receiving social assistance had jumped from a monthly rate of 111,693 in 1974/75, to 127,551 in 1975/76.[65] Unemployment in the province also rose substantially from 6.0% in 1974 to 8.5% in 1975. This represented 28,000 additional people receiving UI in the province.[66] Finally, the proportion of provincial expenditure devoted to Human Resources had grown from a six year low of 9% in 1969/70 to 15% in 1975/76. The "restrictive" economic policies of the NDP government were not alone responsible

for these significant increases. The provincial economy was affected
by larger economic problems and the government was at the mercy of
forces which it could not control. The Socreds used the economic
situation to their advantage.

During the election campaign, capitalist factions operated as a
pressure group and overtly took the side of the Socred party.[67] For
instance, the president of Canadian Investment stated that his
brokerage house would move its head office to Calgary if the NDP was
returned to power in the election.[68] Also, critics of the government
in the mining industry had begun calling the Minerals Royalty Act the
"Yukon development act" (Kavic and Nixon, 1978), an indication that
the Act was forcing capitalist investment into other markets.
Finally, political contributions paid to the Socred party by
corporate interests rose substantially when it became apparent that
they would be the primary opposition to the NDP (Kristianson, 1977:
29).

The election was run on many issues.[69] Of primary concern were
the charisma of the main party leaders, Bill Bennett and Dave
Barrett, and the larger issue of economics and lack of managerial
skills. There was a perception that British Columbia had changed;
conditions were better socially, but worse economically.[70] Some
political commentators felt that it was the misfortune of the NDP to
be caught in the forces of national and international recession in
the midst of a social revolution.[71]

Because the Socreds had decided to focus on the NDP's inability to manage the government, they criticized portfolios where mismanagement was evident. NDP social policy, a supposed strength for the party, became a liability, particularly in light of the previous year's cost overrun, and the policies were vigorously attacked.

Prior to his nomination as Socred candidate for Surrey in November 1975, Bill Vander Zalm stepped up his battle against welfare fraud. Levi's actions to curb abuse were not strong enough for the Surrey Mayor and, in September 1975, he recommended that the number of job finders and fraud investigators in Surrey be doubled or tripled. He based this recommendation on the success of the single Surrey investigator in uncovering fraud. Vander Zalm admitted that he had no statistics on the number of frauds occurring, but claimed this was due to the illness and absence of Surrey's single investigator.[72] Vander Zalm also unveiled a make-work plan. The plan had two main features: (i) a job opportunity program, where work not otherwise performed by the existing workforce would be performed by those on welfare at lower than union rates; and, (ii) the Human Resources and the Attorney General's office would provide a welfare fraud investigator in every local area, and a prosecutor would be made available to process those charged with fraud quickly.[73]

Some sectors of the media supported Vander Zalm's call for an increased investigation and prosecution of fraud. One report found that only 52 persons had been charged with welfare fraud in 1974, and

this was attributed to the government's failure to establish a "fraud squad": special investigators charged with the task of searching for cases of abuse.[74]

The reasons for the "low" numbers of welfare fraud convictions were investigated in an interview with Norm Levi just prior to the election. Levi defended the adequacy of the province's policing techniques and he detailed how fraud was pursued.[75] Levi's defense of the Department's policing techniques was weakened by the style of the Socred criticisms of social policy. By fostering a perception of rampant abuse the Socreds further exposed the weakness of the NDP's benevolent stance towards social assistance recipients.

For example, Herb Capozzi, Socred candidate for Vancouver Centre, criticized all of Levi's welfare policies, particularly those concerning the prosecution of welfare fraud. Capozzi accused the provincial resource boards of not cooperating with police departments in prosecuting fraud, resulting in millions of dollars of extra costs. Capozzi related this "uncooperative attitude" to the youth crime problem in Vancouver:

> In Vancouver, misguided young people are killing
> themselves with welfare money, where quick as a flash on
> a street corner, easy welfare becomes easy
> drugs...there's fraud all around us. Disgusting
> intolerable fraud of a government that doesn't care or
> prefers to hide the story. [76]

Levi's explanation and defense of welfare policing policies paled in the light of accusations that youth crime and drug abuse were caused by welfare abuse and the government's failure to address the problem.

In a less colorful rebuttal, the Vancouver Police and Norm Levi claimed there was no problem between the ministry and the Vancouver police and that the ministry was cooperating with the police in fraud related matters.[77] It was a defense that did little to reverse the declining popularity of the NDP as it entered the election.

The actions of the NDP over the 1974-75 period - tightening qualifying conditions, augmenting recipient responsibilities, and increasing the awareness of fraud - were inconsistent with the NDP claim that fraud was not a serious problem in the province. In fact, such changes may have supported Socred claims that social assistance recipients were unmotivated and abuse was widespread. The criticisms made by various Socreds, and the concurrent support they gained in the media occurred after the DHR overrun in 1974. There was no statistical or other evidence available to support the charges of widespread abuse, but the claims that widespread abuse was occurring make sense when understood as part of a larger strategy aimed at eroding the legitimacy of the NDP government: a government that threatened capitalist interests. It is evident from the various Socred criticisms of the DHR, and the support they garnered, that the fraud issue had become more than an issue of abuse. It had become an indicator of the NDP's "incompetence" in managing the province, and a tool that could help the Socreds and their capitalist supporters to regain political power in the province.

Summary

        The welfare abuse issue arose as a political concern in British

Columbia in 1971. The Socred government connected an increased

awareness of welfare fraud to increasing public concern and rising

welfare costs. The issue had been brought to the public's attention

in 1970 by the minister responsible for the DRSI, Phil Gaglardi, who

claimed that widespread abuse was occurring and asked the public to

assist the government in catching those who cheated the system.

There was no evidence to show that abuse was increasing and Gaglardi

subsequently admitted that he had no proof for his assertions. The

provincial government's increased concern with social assistance

abuse can be traced to a number of contradictory forces that

pressured the government to take action in the welfare arena. These

were, pressure to minimize DRSI costs which were rising during an

economic recession, and pressure to address the inadequacies of the

Canadian social welfare system; inadequacies that were exposed in a

plethora of national studies. The government's increased concern

with abuse was an attempt to resolve these contradictory pressures by

decreasing the government's responsibility for those on social

assistance. This attempt at "blaming the victim" failed. The

Socreds lost the 1972 provincial election largely because their

legitimacy had been eroded: they were perceived to be out of touch

with the will of the people.

        The NDP were far more liberal in their approach to social

assistance and they dramatically expanded the services offered by the

DHR. Part of the original NDP social welfare policy was not to increase the policing of abuse in the social assistance system. They stated that to do so would be a waste of resources and would mean subjecting social assistance recipients to unnecessary scrutiny.

Starting in 1974 and continuing through to the end of their term in 1975, the NDP's stance on welfare abuse became far tougher. They tightened the eligibility requirements for assistance, increased the scope of fraud legislation, refused to increase social assistance rates, and embarked on a get tough on fraud and laziness campaign in the media. These changes did not arise out of any new studies indicating that fraud was becoming a serious problem in the province, and this apparent reversal in the NDP's social policy cannot be explained as an attempt to improve the social assistance delivery system. Instead, the changes were a response to the political and economic situation in the province.

The changes can be initially traced to the DHR budget overrun in 1974. This overrun coincided with the refurbishment of the primary political opposition in the province. The Socreds used the overrun as evidence of government incompetence. However, the tougher stand on abuse continued into 1975 as forces opposed to the NDP government - capitalist interests and the Socred Opposition - increased their criticism of the NDP government. They attempted to erode the legitimacy of a government that threatened to disrupt the process of capital accumulation by introducing new economic policies.

Socred and business group criticism focused primarily on the
government's inability to manage the economy.

The Socreds criticized ministries where mismanagement was
evident and the DHR became one of the targets because of the 1974
overrun. The most far reaching social policies instituted by the NDP
- MINCOME, Pharmacare, and Special Services for Children - were
largely left uncriticized. The beneficiaries of these programs were
obviously disadvantaged groups, but one group receiving assistance
from the state was vulnerable to criticism: out of work employables.
This group was not as obviously disadvantaged, and it was portrayed
by the Opposition as taking advantage of the state's incompetence.
The issue of welfare fraud grew in significance primarily because it
indicated that the NDP was not in control of spending in the DHR.
The disciplinary measures introduced by the NDP in the social
assistance arena, the decision not to increase social assistance
rates, and the "get tough on laziness" campaign emerged as Opposition
criticism of their social policies became more intense. The
legislative and policy changes appear to have been primarily a
response to the criticism the government was facing and were intended
to buttress the government's waning legitimacy.

The NDP may have strengthened fraud legislation in order to
counteract claims that its social policy was misguided yet, in doing
so, the prevailing social and economic system was legitimated and the
idea that the social assistance system was being abused gained
credibility. The political use of the welfare fraud issue by the

Socreds, and the failure of the NDP to adequately counter Socred

accusations, contributed to the NDP's "failure" in the social policy

field.

The re-election of a Socred government sympathetic to

capitalist interests did not mean that the issue of welfare fraud

would fade from the political limelight. Indeed, the opposite

occurred. The movement of the Socreds back into the seat of

political power was accompanied by an even more substantial state

reaction to welfare fraud. The increases in welfare policing

initiated by the Socreds in 1976, the rationale for them, and the

initial results of these changes are the focus of the next chapter.

Chapter III: Notes

1: From 1970 to 1972 this was the name of the department responsible
for the provision of social assistance.

2: British Columbia. (1971). Annual Report of the Department of
Rehabilitation and Social Improvement. p.9 - 10. Victoria: Queen's
Printer.

3: British Columbia. (1971). Annual Report of the Department of
Rehabilitation and Social Improvement. p.9 - 10. Victoria: Queen's
Printer.

4: "Probe Shows Fraud Wave." (1971, March 31) Victoria Colonist, p.
1.

5: Yemen, B. & McNelly, P. (1971, April 1). "Gaglardi Admits
Ignorance of Rates." Victoria Daily Times, p. 7.

6: Ibid.

7: McNelly, P. (1971, May 21) "Welfare Vigilantes Aid Phil."
Victoria Daily Times, p. 21.

8: See Appendix B: Table 5.

9: British Columbia. (1971). Ministry of Finance, British
Columbia Budget. Victoria: Ministry of Finance p.7.

10: See Appendix B: Table 4.

11: See Appendix B: Table 2.

12: See Appendix B: Table 1.

13: See Appendix B: Table 4.

14: See Appendix B: Table 3.

15: British Columbia. (1970). Annual Report of the Department of
Rehabilitation and Social Improvement. p.54. Victoria: Queen's
Printer.

16: Ibid p. 48.

17: Standard practice was to hire employees through the civil
service. Gaglardi was free to hire without using this channel.

18: Editorial (1970, April 17) The Victoria Colonist, p. 4.

19: British Columbia. (1972). Annual Report of the Department of Rehabilitation and Social Improvement. p. 104. Victoria: Queen's Printer.

20: "Duplication of services said job agency problem." (July 11, 1969). Victoria Daily Times, p. 17.

21: "Gaglardi's alliance roasted." (1970, January 20) Victoria Colonist, p. 15

22: The PAB was phased out by the provincial NDP government in 1972. It was seen by the NDP as an operation run by Gaglardi for political gain, rather than to benefit the disadvantaged.

23: The Federal and Provincial governments shared many welfare costs. This agreement was usually a fifty percent split between the governments. The Provincial government further reduced its costs by charging various municipalities a percentage premium for benefits received through the DRSI.

24: British Columbia. (1967-1971). Annual Report of the Department of Municipal Affairs and Housing Victoria: Queen's Printer.

25: "Surrey Won't Pay Hike in Welfare." (1970, October 5) Vancouver Sun, p. 1.

26: Ibid.

27: "Socreds old, tired, asserts Anderson." (July 25, 1972) Vancouver Province, p. 1.

28: The name of the department responsible for social assistance changed from the Department of Rehabilitation and Social Improvement to the Department of Human Resources in 1973.

29: "Guaranteed Minimum Income is the Baby of Norm Levi." (1972, October 5). Vancouver Province, p. 5.

30: Dunsmuir, A. (1972, January 9). "Welfare Fraud: Costly." Victoria Daily Times, p. 14.

31: Harding, W. (1973, April 11). "Welfare Bums: so few of them they're not worth the hassle." Victoria Daily Times, p. 15.

32: Ibid p. 15.

33: See Appendix B: Table 5.

34: See Appendix B: Table 4.

35: See Appendix B: Table 1.

36: British Columbia. (1972). Annual Report of the Department of Rehabilitation and Social Improvement. p. 28. Victoria: Queen's Printer.

37: Statistics on the numbers moving from one form of assistance to another are not available.

38: The Act which governed social assistance from 1948 to 1976 was the Social Assistance Act. The Act was further clarified by a set of regulations known as the Social Assistance Act Regulations.

39: The sections of the Social Assistance Act (R.S.B.C. 1948, c. 310) that governed welfare fraud until 1976 were:

   9. Any person who by fraud obtains or attempts to obtain or aids or abets any person to obtain social assistance under this Act to which he is not entitled is guilty of an offence against this Act.

   10. Every person who is guilty of an offense against this Act is liable, on summary conviction, to a fine of not more than two hundred dollars or to imprisonment for not more than three months, or to both such a fine and imprisonment.

40: The following section (30) shows the changes concerning fraud made in the 1974 Social Assistance Act Regulations. (B.C. Reg. 420/74)

   30. Notwithstanding any other section of the Social Assistance Act or Social Assistance Regulations, where social assistance has been improperly paid to a recipient by way of a nondisclosure of facts, a misrepresentation of facts, or any other causes, the Director may recover such overpayment from the recipient or former recipient, or from his estate, by reducing or suspending any allowance payable to the recipient or by proceedings to recover such sum as a debt, due to the Crown in any court of competent jurisdiction.

41: On June 1, 1975 a new set of Regulations were introduced. Section 30 governed fraud and was very similar to the section it replaced (B.C. Reg. 259/75).

   30. Notwithstanding any other section of the Social Assistance Act or Social Assistance Regulations, where social assistance has been granted to a recipient due to a nondisclosure of facts, a misrepresentation of facts, an error or any other causes, the Director may recover such overpayment from the recipient or former recipient, or from his or her estate, by reducing or suspending any allowance payable to the recipient or by proceedings to recover such sum as debt due to the Crown in any court of competent jurisdiction.

42: The following sections of the Social Assistance Act (R.S.B.C. 1948, c. 310) covered continuing eligibility requirements until 1974:

6. (1) If at any time during the continuance of social assistance the recipient there of becomes possessed of income or resources in excess of the amount previously reported by him on an application form for assistance, it is his duty to notify the authority providing assistance of this fact immediately on the receipt of possession of additional income or resources.

(2) If any person fails to notify as required by subsection (1) he is guilty of an offence against this Act.

43: Duties of recipients were further elaborated in the following section of the Social Assistance Act Regulations (B.C. Reg. 145/71).

12. A recipient of social assistance shall notify the authority providing such assistance of any change that may occur in the financial position of himself and his dependents or any change in his married status, residence, or number of his dependents, or if any of his dependents remove from his home, or if any of his children for which he is receiving an allowance cease to attend school.

44: Continuing eligibility was covered in section 5 of the 1974 Social Assistance Act Regulations (B.C. Reg. 420/74).

5. (1) A recipient's continuing eligibility to receive social assistance shall be conditional upon the recipient's completing and returning to the administering authority such forms properly completed as the Director may prescribe

45: The following regulation shows the increasing responsibility of recipients to gain employment as of 1974 (B.C. Reg. 420/74).

31. Employable recipients of social assistance are responsible for becoming self-supporting. The administering authority will utilize as appropriate, employment, training and counselling resources to assist recipients to achieve financial self sufficiency.

46: Continuing eligibility was covered in section 6 of the 1975 Social Assistance Regulations. Subsections 1 and 5 are the most relevant to this analysis (B.C. Reg. 259/75).

6. (1) A recipient's eligibility to continue to receive social assistance shall be conditional upon the recipient's providing the administering authority with such information as may be required by the Director and in such form as may be required by the Director.

(5) A person shall not forego income and/or assets in order to qualify for social assistance benefits.

47: See footnote 45, (B.C. Reg. 420/74).

48: The following section (9) shows how individual responsibilities were increased further in 1975 (B.C. Reg. 259/75).

9. (1) An employable person shall not quit work nor forego any employment opportunities in order to qualify for social assistance, and an employable person in receipt of social assistance is required

as a condition of continuing social assistance eligibility to make
reasonable efforts to secure employment or otherwise to become self-
supporting.

(2) Not withstanding any other section of the Social
Assistance Act, the Social Assistance Regulations and Schedules,
failure on the part of the social assistance applicant or recipient
to demonstrate that he or she has made reasonable efforts to secure
employment or to accept offers of employment, may result in social
assistance being terminated or denied.

49: Kavic and Nixon (1978) report that, although the initiative was
passed it was not put into practice. They also argue that the
initiative showed the mounting public sensitivity to welfare issues.

50: "Backwoods bums for welfare cut." (1974, October 8). Victoria
Daily Times, p. 15.

51: "Home visits to 'monitor' welfare." (1974, October 9).
Vancouver Province, p. 7.

52: See Appendix B: Table 3.

53: "Welfare to close." (1974, June 28). The Vancouver Sun, p. 35.

54: British Columbia. (1973-1974). Annual Report of the Department
of Municipal Affairs and Housing Victoria: Queen's Printer.

55: McClintock, B. (1974, September 18). Vancouver Province, p. 1.

56: "Welfare cuts O.K'd in government directive." (1974, September
25). Vancouver Sun, p. 41.

57: Hughes, L. (1974, September 26). "Work or no welfare in new
B.C. job plan." Victoria Daily Times, p. 1.

58: Editorial, (1974, October 9). Vancouver Province, p. 4.

59: Human Resources Department budget overrun. (1974, September 23).
Press Release, Minister of Human Resources.

60: "Issue will be economics, says Bennett." (1975, November 4).
Vancouver Province, p. 6.

61: For instance: "Bennett labels policies of N.D.P. 'assault and
Barrettry' on economy." (1975, November 20). Vancouver Sun, p. 60.
"Bennett assails stagnant economy." (1975, November 18). Vancouver
Sun, p. 10. "Provincial prosperity Socred aim." (1975, November
29). Vancouver Province, p. 6.

62: "100,000 out of work: can we afford the Barrett way?" (1975,
November 24). The Vancouver Sun, p. 9.

63: See Appendix B: Table 5.

64: See Appendix B: Table 4.

65: See Appendix B: Table 1.

66: See Appendix B: Table 2.

67: Former NDP Forestry Minister Bob Williams, commented that during this period there was indeed what he called a "capital strike" in the resource industry. (Personal Interview, Bob Williams, October 21, 1989).

68: "Broker says he'll leave if NDP returned." (1975, November 25). Vancouver Sun, p. 33.

69: For example, see Lynch, C. (1975, December 10). "Most issue oriented election I have ever observed." Vancouver Province, p. 10.

70: Ibid.

71: Ibid.

72: "More welfare investigators needed in Surrey--Mayor." (1975, August 21). Vancouver Province, p. 8.

73: "Make work plan unveiled by Vander Zalm." (1975, September 6). Vancouver Province, p. 44.

74: "B.C. welfare frauds hard to catch." (1975, September 19) Vancouver Province, p. 8.

75: Hughes, L. (1975, September 18). "Welfare fraud: only 52 nabbed." Victoria Daily Times, p. 1.
The following is Levi's summary of policing techniques detailed in the above article.
(1) Each person is asked to produce two types of I.D. when applying for assistance
(2) Each applicant is asked if they have a bank account, where it is, and where they live.
(3) UIC is consulted to see if the applicant is already receiving assistance.
(4) The assigned worker makes home visits, and verifies information.
(5) Suspicious persons or cases are referred to the police.

76: "Mr. Levi Is An Evil Misguided Santa Claus." (1975, December 6). Victoria Colonist, p. 1.

77: "Welfare revamp sought." (1975, December 6). Victoria Colonist, p. 1.

The Social Credit Government:

Social Assistance "Reform," and the Policing of Welfare

Following its election in December 1975, the new Socred
government was obliged to address the welfare fraud "problem."
Criticism of NDP fiscal mismanagement had carried the Socreds to
victory. The fraud issue had been used as an indicator of NDP
mismanagement in the welfare arena. In order to remain consistent
with their pre-election rhetoric, the Socreds chose to introduce
anti-fraud measures. Briefly, these included more changes to social
assistance legislation that further limited eligibility, increases in
the penalties for fraud, and the introduction of a Ministry program
intended to improve the policing of the social assistance system.

This chapter contains an analysis of the political and economic
circumstances surrounding the introduction of these measures and a
review of the initial work and impact of the Ministry of Human
Resources (MHR)[1] Inspectors Program. It concludes with an
explanation for the introduction of the new welfare fraud and abuse
measures, which takes into account the events of 1970 to 1976.

The Socred Government and Welfare Fraud: 1976-77

In order to legitimate the claims that the NDP had been
incapable of managing the economy, the new Socred government had to
appear to be a better manager of the various ministries than its
predecessors. Better management was translated, in the context of

the MHR, into a policy of fiscal restraint. The election campaign

indicated there was evidence of public support for fiscal restraint,

especially in light of the NDP's 1974 DHR budget overrun. The period

1976 to 1977 still proved to be a difficult time for the MHR, as the

means by which the Ministry would attempt to accomplish its goal

became public knowledge. The Socred restraint policies were so

controversial that Bill Vander Zalm - the Minister responsible for

the MHR - was replaced in 1978. According to Twigg (1986), Premier

Bill Bennett feared that if Vander Zalm was still in charge of the

Ministry, the Socreds might lose the next election.

Vander Zalm was appointed Minister of Human Resources early in

1976. Before his appointment was made official he demonstrated that

the NDP government's social policy had been "wasteful." There was

speculation that Vander Zalm had originally hoped to become Minister

of Municipal Affairs[2], and his appointment as Minister of Human

Resources evoked both surprised and cynical responses from various

social service agencies.

> Except for his hard nosed attitude towards welfare abuse,
> Vander Zalm has displayed no particular empathy for the
> portfolio. Many social agency spokesmen expressed
> surprise at his appointment. Others recalled Bennett got
> the biggest cheers on the campaign trail when he
> criticized welfare abuse-therefore Vander Zalm is the
> logical choice.[3]

The task ahead of the new Human Resources Minister was a

difficult one. In 1975, the disqualification period for UI was

increased from three to six weeks. Unemployed people would now have

to wait longer for UI payments, and the number of applicants for interim provincial social assistance would rise.

> Experience had shown that the number of disqualifications for voluntary quits had been running at a high rate....despite relatively high unemployment. This supported the conclusion that the three week period was not effective and that greater discouragement was needed (Dingledine, 1981: 79).

The federal government introduced a policy of fiscal restraint. Highlights from the June 23rd, 1975 budget show that:

> The government has rejected categorically the imposition of severe measures of fiscal restraint. Such [an] action would deliberately increase unemployment to whatever level was required to bring inflation to a halt.[4]

The federal government chose to introduce measures gradually, to create a "climate of restraint." A further excerpt from the Budget Highlights (1975) shows the government was attempting to lead the country in a policy of restraint.

> The government has chosen to create the climate and set the example to meet the problems before the country....It is taking measures to establish strict control over its current activities and programs and to reduce their growth over the longer run....Reductions and postponements will be applied to almost all government departments and many agencies.[5]

The economic recession of 1975,[6] the available data on MHR expenditures for 1974,[7] the dramatic increases in the numbers of people on social assistance in 1975/76,[8] and the actions of the federal government indicated that the task of reducing MHR costs would be difficult. Twigg (1986) shows that for Vander Zalm, "success" was the result of personal initiative. The forthcoming

attack welfare fraud was to be an attack on waste and mismanagement, and an attack on those who were unwilling to work hard.

> As an immigrant in the Fraser Valley, as a businessman, and as mayor of Surrey, Bill Vander Zalm had felt the best cure for poverty in the province of British Columbia was simply hard work. He would ride the white horse of restraint and save the taxpayers over $100 million. But where to start? Where could he look for extravagance (Ibid. : 70)?

After the swearing in of the new government in December 1975, articles appeared in lower mainland daily newspapers, quoting statements made by Vander Zalm. He asserted that everyone who was able to work would have a job, and that he was prepared to hire more inspectors to police the system. "We must make available whatever manpower is available to track down abuse or abuse will increase."[9] Vander Zalm argued that the welfare rolls were filled with people who could be working if they showed more initiative.

> If anybody is able to work, but refuses to pick up the shovel, we will find ways of dealing with him.[10]

Vander Zalm stated that he would refocus welfare spending on more appropriate expenditures. He delineated two groups: those deserving of assistance (the handicapped and the elderly); and, those undeserving of assistance (employables who refused to work).[11]

Vander Zalm's comments at the swearing in party evoked critical responses from a number of sources. Alderperson Darlene Marzari, vice-chairperson of the Vancouver Resources Board, commented on Vander Zalm's "shovel" statements by rhetorically asking if Vander Zalm was going to build, "internment camps for single employable

males."[12]   As this comment shows, in some quarters, the Socred
strategy was perceived as a type of penalty.   The Vancouver Downtown
Eastside Residents Association organized a march on the Victoria
Legislature to demand the jobs that Vander Zalm had said were
available.[13]   The protest, on January 15, 1976, resulted in a cabinet
meeting being stormed by 175 marchers carrying shovels, and placards
bearing slogans such as "Vander-Nazi", and "Social Fascist Party."[14]

The protest and storming of the meeting surprised the Socred
government, but Vander Zalm took no steps to defuse the situation.
After the march on the Legislature, Vander Zalm played up the shovel
controversy.

> Bill Vander Zalm ordered hundreds of tiny sterling silver
> shovel shaped lapel pins. He sprayed short handled
> shovels with gold paint. He proceeded to auction these
> "shovel packages" to add to the Social Credit coffers.
> The shovel would become his emblem, his totem (Twigg,
> 1986 : 72).

Vander Zalm was not alone in his attack on welfare fraud and
abuse. Fighting welfare abuse had gained such favor with the new
Socred government that it appeared in the opening of the budget
speech of 1976.

> Mr. Speaker, no one political movement can lay exclusive
> claim to serving the interests of the people. This
> government, even before approaching office, was concerned
> for the welfare of all groups in society, both the people
> who are able to contribute to our economic growth and
> those who through no fault of their own are unable to do
> so -- the elderly, the sick, the underprivileged, the
> handicapped and the unemployable. This latter group,
> above all others, needs compassionate help from
> governments at all levels to provide them with hope and
> free them from the indignities they may suffer...we want
> to make it clear we will not provide an atmosphere in our

province which encourages the so called "free rider" --
those who are able but unwilling to play their part in
building for the future economic security of all.[15]

The speech constitutes a clear statement of the new government's

attitude towards social assistance and highlights the political

saliency of the issue of welfare abuse. While those who deserved

"compassionate help" (the underprivileged, handicapped, and

unemployable) would be assisted, the undeserving (those unwilling to

work) were to be the focus of increased policing.

The studies by Koenig and his colleagues on British Columbian

perceptions of and attitudes towards welfare, originally commissioned

by the NDP government in 1974, became available to the government (in

summary form) shortly before the 1975 election. Although the new

Socred government showed little interest in the studies,[16] the

government's social assistance policy was remarkably consistent with

prevailing public opinion about the role of social assistance in the

province. According to the Koenig (1976) survey, the majority of

British Columbia residents favoured the payment of social assistance

to those who could not be expected to care for themselves, but not to

those who could be working (Ibid. : 37-46). The new government's

social policy initiatives, and the rhetoric surrounding these

initiatives, attempted to capitalize on the apparent public disdain

for the "welfare bum."

It should be noted that although the government seemed to

capitalize on the prevailing public opinions towards social

assistance, it did not implement many of the recommendations made in the reports. The government failed to raise assistance rates to at least the poverty level, increase rates automatically at fixed intervals as guided by an objective economic indicator, and undertake an educational campaign to acquaint the public with the realities of the welfare system, including the limited amount of abuse occurring in the system. The government utilized those aspects of the Koenig reports pertaining to public opinion, and ignored many of the recommendations that would make welfare in British Columbia more "humane." This suggests that the goal was to enhance the legitimacy of a new social assistance policy which was consistent with fiscal restraint, rather than to make the social assistance system fairer.

Evidence that the Socred government was attempting to capitalize on public animosity towards those who could be working comes from a number of statements made by Vander Zalm in the first half of 1976. In March, Vander Zalm claimed that "millions of dollars, possibly as much as 80 million dollars each year is [was] being taken fraudulently in welfare payments each year in B.C."[17] Vander Zalm admitted that his data were based on figures given to him by "people" in the social service investigation field.[18] Vander Zalm stated that fraud was being committed by between 20% and 39% of welfare recipients, and that a crack down on abuse would allow the province to divert the savings to help the truly needy.[19]

In March 1976, the Minister introduced a new set of regulations governing employables on social assistance. Regional social welfare

department heads were advised that employable persons who declined to conform to suitable dress and grooming standards should be refused social assistance. Vander Zalm's explanation for the policy was:

> If you are a guy and you want to let your hair grow down your backside that's fine, but you're not going to get social assistance if you can't get a job that way.[20]

Vander Zalm also announced cuts in social assistance to welfare recipients living in remote areas. These policy changes were aimed at those who had "dropped out" of society, and who were choosing to live in areas of low employment. The benefit period for those waiting for UI was also reduced to two weeks and benefits were to be denied to those who left their jobs to go on welfare.[21] Vander Zalm reiterated that the social assistance system was being taken advantage of by those who could be working: "the abuse comes in so many forms you wouldn't believe it."[22]

Criticism of Vander Zalm's policies was prolific. Commentary focussed on the harshness of Socred policy and how it placed the poor at the mercy of economic forces over which they had no control.

> Poverty dictates that people be subjected to government whim. Curried and combed they shall be led to officially designated areas and await the pleasure of private industry's recovery.[23]

Nevertheless, the measures had some popular support and were the subject of media curiosity, particularly in light of the apparent costs of abuse. It was pointed out:

> B.C. will spend 218 million dollars on welfare this year, less than 1% of the 3.6 billion dollar budget. The best educated guess puts it (fraud) at 5% of the number of

people on welfare. The numbers bear no relationship to
the political potency the issue packs [emphasis added].[24]

Vigorous policing of fraud was legitimate, in part, because welfare
abuse symbolized government waste in general: "welfare abuse is on
the street, in the community where people can relate to it."[25]

Media criticism of the government's policy was countered with
regular government reports of welfare fraud, on the "reality" of
abuse. These reports were largely anecdotal. No statistical or
other significant evidence of welfare abuse was produced. One case
concerned a former social worker who was jailed for collecting money
in the names of several fictitious clients she had created while
working for the MHR.[26] Another report provided an account of three
different cases before the courts, involving allegations that a total
of $7,406.00 had been collected fraudulently.[27]

The Socred government also introduced a "make work" program to
help social assistance recipients find employment. This measure
softened the government's emerging anti-fraud policies. The
Provincial Rehabilitation and Employment Program (PREP) was
introduced in May 1976. As Twigg (1986) points out, one of the "make
work" proposals put forward by PREP involved,

> 1,500 welfare recipients in the schools from sunset to
> sunrise, 40 hours a week. Single clients would receive
> $650 a month, those with families would get $100 extra
> (Ibid. : 73).

The director of PREP, Ron Stew, stated that everyone in British
Columbia would benefit from the PREP job creation program, and the

program would save the province enormous amounts of money. For

instance, use of welfare recipients as school nightwatchmen would

ostensibly save the province $80 million through decreasing vandalism

and employing welfare recipients (loc. cit.). In the 1976 annual

report, the MHR made the following claims about the program.

> In terms of financial savings, its direct and indirect
> impact is great. In terms of humanitarian values, to
> combat feelings of unemployment depression,
> worthlessness, attraction to crime, etc., and replace
> them with hope, renewal of self esteem and contributing
> to a better society for all British Columbians, the PREP
> program can hardly be over-estimated. [28]

Criticism of the program focussed on two issues, the

manipulation of data on PREP's success and the duplication of

services. The task of finding work for employables was proving to be

difficult. One commentator [29] reported that British Columbia had

24,000 employables on social assistance, and 110,000 people

collecting UIC at the time of PREP's initiation. Canada Manpower had

only 6,327 jobs listed at this time.[30]

Rather than admit its inability to find jobs, the government

resorted to an intentional misrepresentation of the success of PREP.

Reports emerged claiming that the program was proving to be

unsuccessful. In order to boost its job finding statistics, PREP had

solicited Canada Manpower to transfer some of its job listings in

order to boost the PREP statistics and credibility as a job finder.[31]

Other tactics were employed.

> An internal government memo surfaced. It urged that jobs
> on road crews be given first to welfare recipients in
> order to swell PREP statistics (Twigg, 1986: 74).

Generally, the problems encountered by PREP mirrored the earlier PAB job finding program. The rising numbers of social assistance recipients was not the result of "laziness", but of an economic system unsuited to full employment.

The contradiction of implementing a program intended to help employables, when government rhetoric had focussed almost exclusively on the need to punish those who could be working, makes more sense in the context of a legitimation strategy. The government's proposed crackdown on abuse was receiving quite intense criticism. The PREP program showed the government was trying to help unemployed employables. The manipulation of the data indicating the success of PREP, in order to show that employment was readily available, provided further justification for another program designed to detect, prosecute and punish those who refused to work. PREP was a necessary adjunct to the development of the MHR's Inspectors Program: it was a way in which the government could show employment was available in the province and thus justify increased policing.

MHR minister Vander Zalm strengthened the Socred attack on social assistance abuse in the Fall of 1976. The Social Assistance Act and its Regulations were repealed, and replaced with the Guaranteed Available Income for Need Act (GAIN, S.B.C. 1976, c. 19). The GAIN Act did not address fraud in its Regulations as the Social Assistance Act had; instead, fraud control measures were covered in the Act itself. Section 20 specifically addressed fraud.

Every person who, by false representation, obtains income
assistance or social services to which he is not entitled
is guilty of an offense and liable to a fine not
exceeding $2000.00 or to imprisonment not exceeding 6
months, or to both, and in addition the court may order
him to pay to the Minister of Finance a penalty not
exceeding double the amount of the money obtained or the
cost of the social services received.

Although the section governing fraud in the GAIN Act was

similar to the provisions in the previous statute, the maximum fine

and prison sentence for fraud were substantially increased from three

months imprisonment and a $200 fine, to six months imprisonment and a

$2,000 fine.

Continuing eligibility to receive assistance and

responsibilities to gain employment were combined in the GAIN Act.[32]

The Social Assistance Act had provided for two grounds for refusing

social assistance: refusal to accept employment; and, a failure to

make reasonable efforts to gain employment. The GAIN Act maintained

these conditions but added a third: potential recipients could be

denied assistance if they lost their job through misconduct.

The GAIN Act was also similar to the Social Assistance Act in

that it required recipients to inform the Ministry of changes in

employment circumstance or income. Failure to comply with this

requirement was a criminal offence in the Social Assistance Act. The

GAIN Act provided that those who contravened the requirements could

be liable for a fine of up to $500 and a jail sentence of up to 30

days.

These increased penalties for fraud in the GAIN Act reflected

the new government's policy of being 'tough' on fraud. To ensure

that the new legislation and regulations were enforced, the

government introduced one final, but crucial measure: a small welfare

'police force' known as the MHR Inspectors Program.

Originally, Vander Zalm proposed that the new inspectors be

given powers of search and arrest, and be allowed to carry firearms.

Vander Zalm explained that such powers would cut down on unnecessary

duplication of services when suspects were transferred to police

custody.[33] This proposal was strongly criticized by the Opposition

and by Police Commission Chairman John Hogarth,[34] and Vander Zalm

withdrew it. The chief investigator was subsequently dismissed and

Vander Zalm claimed there had been differences of opinion on the

proposed role of the new program. The chief investigator was blamed

for the controversial proposals, and Vander Zalm stated that he saw

no need for such overt police powers in the Program.[35] Whether or

not the firing occurred in order to protect the Minister from

criticism is a matter for speculation.

In the Fall of 1976, after a four day personnel training

course,[36] the Inspectors Program was established. The professed

goal of the program was,

> to assist line workers in the responsibility for
> investigation and follow-up of all matters pertaining to
> suspected or alleged fraud or overpayment of Financial
> Assistance Benefits.[37]

The program started by hiring 10 inspectors. The inspectors were to work under the direct supervision of the MHR regional managers and were to relieve field workers of most of the burden of "investigating reports and suspicions of alleged fraud,"[38] while allowing the client-worker relationship to be maintained. An emphasis would be placed on the prevention of fraudulent acts by attending to weaknesses in the system which lent themselves to abuse.[39]

Because the Inspectors Program was started so late in the year the statistics for 1976 are not a good indication of the work of the new "welfare police". Starting in 1977, some performance statistics were maintained and these are summarized in Tables 5 and 6.

Table 5

MHR Inspectors Program Available Statistics:
1977 to 1980

Year	1977	1978	1979	1980
Total No. of Cases Reported for Investigation.	3645	3816	3852	4713
Charges Laid.	345	268	207	229
Value of recoveries made, ordered, or agreed to in $Thousands.	379	420	459	725

Source: British Columbia, MHR Annual Reports, 1977-1980.

The data in Table 5 indicate that in each year of operation the Inspectors Program appeared, in some ways, to increase in efficiency.

The number of cases reported for investigation and the value of recoveries rose each year between 1977 and 1980. Over the same period, the number of charges laid dropped from a 1977 high of 345 to a 1980 level of 229.

Table 6 provides a breakdown of the charges and convictions for welfare fraud over the 1969-80 period. Unfortunately, the statistics are incomplete because the government did not keep official data on fraud prior to 1976.[40] These data suggest that the Inspectors Program had some success. A weak basis for comparison exists for the number of charges and convictions before and after the implementation of the program. Drawing any substantive conclusions about the increased efficiency of policing due to the implementation of the Inspectors Program is unwarranted. The data reveal that far more people were charged and convicted for fraud after the implementation of the Inspectors Program,[41] and the number of charges and convictions increased between 1976 and 1978. This was the period in which welfare fraud was a public issue and the period of Bill Vander Zalm's tenure as Minister of the MHR. After the Minister was removed in 1978, the number of charges and convictions began to drop slightly, perhaps because fewer people were committing fraud, but also perhaps because of the continuous criticism the government was facing for its welfare fraud policy.

Table 6

Compendium of Charges and Convictions for Welfare Fraud in British Columbia. 1969 to 1980.

YEAR	CHARGES LAID	CONVICTIONS	% CONVICTED
1969	63	47	75%
1970	75	56	75%
1971	N/A	N/A	N/A
1972	N/A	N/A	N/A
1973	N/A	72	N/A
1974	N/A	59	N/A
1975	N/A	74	N/A
1976	142	67	47%
1976/77	154	89	58%
1977/78	308	158	51%
1978/79	235	133	57%
1979/80	212	135	64%

Sources: 1969, 1970, 1976, British Columbia Legislative Assembly.
1976/77-1979/80, British Columbia Association of Social Workers
Newsletter, Vol. XV No.3, September, 1982.
1973-75, Twigg (1986).
Note: The lack of available statistics necessitated a change from calendar year to fiscal year in order to compile the data for this Table.

The lowest number of convictions (47) occurred in 1969, and the highest was in 1977/78 (158), but these statistics are misleading without a comparison with the number of people receiving assistance during the years studied. In 1969/70, the average monthly number of recipients was 97,606. Using this figure as the most conservative estimate of the number of people receiving social assistance during the 1969/70, 47 convictions represents 0.04% of the number of people who actually received assistance.[42] In 1977/78 the average number of

persons receiving assistance each month was 113,939. Again using

this figure as a conservative estimate of the annual total, 158

convictions in 1977/78 represents .13% of the total number of

recipients.[43] A larger number and proportion of recipients were

convicted of fraud after the implementation of the Inspectors Program

but they, nevertheless, represented a very small proportion of all

those receiving social assistance. Vander Zalm's fears and claims of

widespread abuse appeared to have little basis in fact. Instituting

a policing program so that less than 1% of those on welfare could be

convicted of fraud was, arguably, a waste of resources and personnel.

The waste is even more apparent when the costs of the program

are compared to the savings made. Table 7 provides a breakdown of

the number of persons charged and convicted, the costs of the

program, and the savings made through convictions. These data

indicate that from the end of the fiscal year 1976/77 onwards, the

program cost more than it saved through convictions. In 1976/77 the

program saved about two dollars for every dollar spent in the

program. This ratio was reversed during the following five years and

the program spent about two dollars for every dollar saved through

fraud conviction. Vander Zalm's claim that the province would save

up to $80 million through an increase in the policing of welfare

fraud is not supported by the data. In fact, the results of the

program directly contradict the Socred election promise to control

MHR spending on social assistance.

Table 7

Number of People Charged and Convicted
of Welfare Fraud
and the Costs and Savings
Accrued Through the Process: 1976 to 1980.

Year	1976-77	1977-78	1978-79	1979-80
Number Charged	154	308	235	212
Number Convicted	89	158	133	135
Total Savings through Convictions	$318,105	$352,239	$343,530	$351,269
Total Program Costs	$176,652	$601,208	$618,100	$653,243

Note: These totals do not exactly correspond with those in Table 5. Please note the use of fiscal years in Table 6 and calendar years in Table 5.
Source: British Columbia Association of Social Workers Newsletter, Vol. XV No.3, September, 1982.

As the data suggest, overall, the Inspectors Program produced mixed results. The program did charge and convict more social assistance recipients. More importantly, the data suggest that abuse was not widespread, or if it was, the Inspectors Program was not finding it. These conclusions must be tempered with the knowledge that social assistance regulations had consistently become more restrictive: the regulations were tightened, and the definition of fraud was broadened to encompass a wider range of activities. This, in itself, could have led to an even greater rate of conviction for fraud, regardless of the implementation of the Inspectors Program. The Inspectors Program also negotiated a large number of out of court settlements. Data on the savings negotiated from out of court

settlements became available in 1978/79. In 1978/79, $335,209.46 (from 436 cases) was saved. This amounted to an average per case saving of $768.35. In 1979/1980, $475,078.05 (from 579 cases) was saved. This amounted to an average per case saving of $820.38.[44] The reported savings and the numbers of persons "guilty" of fraud would increase if these cases were included in the analysis. To blindly include these cases in the savings picture would be to assume guilt without the application of due process, and that every person denied assistance through the efforts of the Inspectors Program had actually committed fraud.[45]

The crackdown on fraud was predicated on the idea that vast sums of money could be saved through increased policing and removing the undeserving from the welfare rolls. Indeed, in early 1977, Vander Zalm reported savings of over $100 million in the MHR for 1976. The savings represented the "trump card" for the Socreds because many of their controversial social policy decisions could be justified on the basis that they saved the province money. In a brief explanation of the savings, Vander Zalm attributed them to a solid administration policy, increased accountability in social welfare, and the PREP job finding program.[46] Vander Zalm's contention that PREP was a success is not supported by analyses of the program. More importantly, Vander Zalm did not refer specifically to the savings made through the increased policing of welfare fraud. This oversight can be attributed to the fact that the Inspectors Program was new and the lack of available statistics

indicating its success. The oversight might also be attributed to the waning popularity of the Socred's harsh stance in the welfare arena. The Socreds attempted to vindicate all of their social policy initiatives - including the controversial Inspectors Program - based on the money they saved.

The manner in which savings were achieved by the government in the area of Human Resources was more complicated than Vander Zalm indicated. In 1976, the economy improved,[47] and this led to a reduction in the demand for social assistance. The number of people receiving social assistance dropped from the decade high of 127,551 in 1975/76, to 112,938 people in 1976/77.[48] The percentage of provincial expenditure going to the MHR also dropped slightly from 15% of government expenditure in 1975/76 to 14% in 1976/77.[49] Unemployment in the province levelled off in 1976 at 8.6%, and began to fall in 1977.[50] The timing of the economic recovery could not have been better. Vander Zalm attempted to justify the Socred policies by pointing to their success in saving money in the Ministry, when in fact, the improved economy was largely responsible.

The MHR was subjected to restraint measures that contradicted the statements made in the 1976 budget speech and by the government's chief representative in the social assistance field - Bill Vander Zalm. The government had clearly stated that savings would not come from decreasing services to those who were truly needy (i.e. the handicapped and the elderly). They were to come from the increased vigilance against fraud and through increased accountability in the

Ministry. Indeed, budgets for a number of programs were increased, an indication that the deserving would not suffer under the Socreds. At the end of the fiscal year (1976-1977), a decrease in expenditure was reported in a number of areas. For instance, community services, family and child services, services for senior citizens and the handicapped, community programs, and special programs for the retarded, all fell short of their budgets in 1975/76 and 1976/77.[51]

The claims of fiscal responsibility become more tenuous when the budgeting practices of the Ministry are analysed. In 1975/76 the MHR budget was estimated at $516 million. Expenditures were actually nine percent less than this estimate ($475 million). Despite this budget underrun, the 1976/1977 budget estimate for the Ministry was over $100 million dollars higher ($589 million) than the previous year's estimate. The 1976/77 expenditures were $481 million, which represented a budget underrun of approximately 22%.[52] The government had publicly committed itself to better accountability and management in the MHR. However, the ability to predict costs in the Ministry still seemed beyond the accounting abilities of the government. It appears that any "reasonable" number would have served as a budget estimate.

Despite expenditures of $475 million in 1975/76 and a year-end budget underrun of nine percent, the 1976/77 budget estimate was increased $100 million. By budgeting for this excessively high expenditure and then actually spending less, the government could appear to be more responsible. In fact, it was misleading the public

by overbudgeting costs in the first place. Vander Zalm's claim of a $100 million saving was based on the Ministry's budget estimate. When compared to the actual MHR expenditures for 1975/76 ($474.8 million) the Ministry actually spent more in 1976/77 ($481 million).[53]

Analysis of the actions of the government in reporting MHR expenditure indicate that, at best, the Socreds stabilized costs in the Ministry.[54] Clague et al. (1984) comment that the significance of the saving was not lost on anyone, that the NDP had overrun the 1974 DHR budget by the same amount the Socreds had saved. The underrun was significant not only because it indicated that the government was fiscally responsible, but also because it was the most noteworthy evidence that the Socreds were better at managing the MHR than their predecessors.

Vander Zalm was replaced as Minister responsible for the MHR in 1978. Twigg (1986) argues that Vander Zalm, in his short tenure as Minister of Human Resources had "made himself without doubt the most hated man in British Columbia" (Ibid. : 82). His replacement is evidence that although the various social policy initiatives were justified under the banner of fiscal restraint, the government was even more concerned with maintaining its legitimacy. The crackdown on fraud had initially been supported in some quarters, and soundly criticized in others. As the Socreds introduced concrete anti-fraud policies and other changes to the MHR, their support waned considerably. For instance, Clague et al. (1984) analysed the

development of the Provincial Resource Boards and the controversy
that surrounded their demise. The Resource Boards had been developed
by the NDP in an attempt to decentralize social service planning in
the province. The Socreds abolished the boards and this led to
public criticism (see: Persky, 1979; Twigg, 1986; Clague, et al.
1984, for summaries of the media coverage of the abolishment).
Further criticism of Bill Vander Zalm occurred when he invoked the
wrath of the media by suing a political cartoonist who had drawn a
cartoon portrayal of him pulling the wings off flies.

The removal of Vander Zalm as Minister responsible for the MHR
was therefore politically necessary. The initial attempt to maintain
and even strengthen the legitimacy of the new government by appearing
fiscally responsible (i.e. tough on fraud and waste in the MHR) had
been unsuccessful. The Socreds failed to balance this "tough" image
with another that indicated they were still genuinely concerned with
the welfare of all British Columbians. Interested parties
capitalized on this unbalanced image, criticizing the unnecessary
harshness of the Socred's social policy route. Other attempts were
made to balance the "tough" image, specifically, social assistance
payment levels for single people were raised in 1977, the first time
since 1974. Attempts to balance the image of the government through
programs such as PREP and by raising social assistance payments were
futile because the "architect" of the harsh social policies still
remained. The tough image generated by the government through the
institution of the Inspectors Program, the dismantling of the

Resource Boards, and the placement of a vocal anti-fraud advocate as Minister of Human Resources, actually resulted in a loss of political legitimacy. Vander Zalm's removal did not arise as the result of some new social awakening on the part of the government: the policies were retained. It occurred because the Premier was afraid the government would fall in the next election if the minister remained in office.

Summary of Events: 1976 and 1977

The Socred government's crackdown on fraud occurred partly as a means of maintaining consistency with 1975 election promises. The newly elected government's stance on abuse was evidence of their policy of fiscal responsibility. The Socreds maintained that the increasing costs of the MHR were the result of NDP mismanagement and welfare abuse. The government promised that an increase in the policing of fraud, while maintaining programs that helped those genuinely in need, would lead to large savings for the Ministry, and a rationalized and just welfare system. The first indication that curtailing abuse would be a foundation for the new government's social policy came with the appointment of the most vocal, anti-fraud MLA as Minister of Human Resources. The Socreds increased the penalties for fraud and further restricted the conditions under which assistance could be received. The MHR Inspectors Program was introduced. Its major focus was on the prevention and detection of fraud in the social assistance system. The crusade to stamp out fraud produced mixed results. The numbers of charges and convictions

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for fraud rose, but evidence of widespread abuse was less than 1% of those receiving assistance were convicted of fraud. Furthermore, after initially making modest savings, the program actually cost more than it saved through convictions.

The government was not wholly punitive in the welfare arena. As had been the case in the late 1960's, a job creation program for employables receiving social assistance - the group targeted for the fraud crackdown - was created. The results of this program are unclear. Although the government claimed PREP was a great accomplishment, it appears that the results of the program were manipulated in order to create an appearance of success. The government also adjusted its original plans for the MHR Inspectors Program. Plans to give Inspectors powers of arrest and the right to carry firearms were abandoned. Finally, the Socreds might be applauded for the actual savings made in the MHR in fiscal 1976/77. The manner in which savings were made indicates that the government manipulated the MHR budget to increase the "appearance" of savings, when in fact they had only succeeded in stabilizing MHR expenditure.

The actions of the Socred government in the social assistance field were quite complicated. They were, nevertheless, internally consistent and this consistency becomes clearer when the reaction to welfare fraud is understood as a response not to a social problem but to larger economic and political pressures.

Welfare Fraud and the Legitimacy of the State.

As the forgoing analysis demonstrates, the creation of the new
system of welfare policing in 1976 was an integral part of a
restructuring of the provincial social assistance system, and the
product of a series of political and economic events that had little
to do with welfare fraud and abuse as serious and concrete problems
warranting state action. In the six years prior to the restructuring
and the creation of the "welfare police," there was no research or
other reliable evidence demonstrating the presence of widespread
abuse, and a consequent undermining of the integrity of the social
assistance system. Indeed, the only "evidence" came in the form of
anecdotes offered by Socred politicians attempting to either
discredit the political party with control of the state (i.e., the
NDP) or defend their own "anti-fraud" measures from criticism. The
nature and scope of the fraud problem surfaced only after the
Ministry Inspectors Program was introduced and the definition of
fraudulent actions had been expanded. Even though a special "fraud
squad" had been created, it failed to uncover widespread abuses.

Why then did the state, in the form of two Socred governments
and one NDP government respond to abuse as though it were a serious
social problem? The key to understanding the changes which occurred
in 1976, and the developments in the area over the preceding six
years lies with legitimation problems which confronted the different

governments: problems that were, in part, rooted in the state's role in the production and reproduction of the conditions necessary for continued capital accumulation. The welfare fraud issue was a tool used primarily by a political party aligned with capitalist interests - Social Credit - during their terms in office and during the period when this party formed the provincial Opposition. The fraud issue was used both to buttress the legitimacy of the Socred governments and erode the legitimacy of the NDP during its term in office: a period when the state was in the hands of a government that threatened to disrupt, rather than facilitate, continued capital accumulation. This is not to suggest that each government was simply responding, or being "forced" to respond, to one structural imperative: creating the conditions necessary for capital accumulation. Governmental reaction to welfare fraud was also influenced by the exigencies of human agency: the source of legitimation problems that threatened the tenure of the government with control of the state. The media and welfare rights groups, political interest groups such as the Opposition and provincial mayors, economic interest groups in the business community, and the beliefs of those in positions of power within the state, all influenced the different governments, and contributed to the shaping of the welfare fraud issue over the 1970 to 1976 period.

A recapitulation will more clearly show the interaction of capital accumulation and legitimation tendencies in the response to welfare fraud. The first Socred government studied was initially

faced with an economic downturn. The recession put many more people out of work, and these people had to be maintained until the economy recovered. The Socred government was in a sense, and through payment of social assistance benefits to employables, ensuring the reproduction of conditions necessary for continued capital accumulation. Legitimation problems occurred because increases in welfare expenditure were not perceived as in the interests of all British Columbians. Municipalities argued that increases in social assistance costs were being unfairly passed on. A series of studies criticising Canada's welfare system were an indication that simply paying potential workers enough to survive until the recession ended was not decreasing social inequality in any substantial manner. Gaglardi was faced with the contradictory task of placating municipalities while simultaneously addressing the evidence that the welfare system was failing. The Socred government attempted to address criticism through "blaming the victims" of the recession. The criticism of the government's fraud scare by the Opposition and the media further decreased the government's legitimacy, reinforcing the growing perception that the Socreds were not in tune with the needs of all British Columbians.

The NDP took the reins of power when the provincial economy was emerging from the recession. Initially, the NDP stressed social policy reforms and were not effectively criticised while this was their primary policy thrust. Once the NDP began to institute more controversial economic policies their legitimacy began to wane.

Rather than openly supporting the capitalist system, the NDP's economic policies threatened capital accumulation. The movement of the government into the domain of private industry, the institution of royalties in the mining industry, and the development of economic policies designed to decrease the profits of land speculators, were not attempts to ensure the reproduction of the conditions necessary for capital accumulation. The interest group that stood to lose the most if the NDP continued to "socialize" the British Columbia economy was the business community. The threat to the legitimacy of the NDP arose through the efforts of this group and their political representatives in the Socred party. The attack on the NDP was multifaceted; that is, the NDP's economic policies and their acknowledged political strength - social policy - were criticised. The threat to the NDP's legitimacy arose because it disregarded the state's capital accumulation requirement. The claims of government incompetence and widespread welfare abuse occurred as part of an effort to replace the NDP government with one more supportive of capital interests in the province.

When the Socreds again assumed power in late 1975, the business community was assured that the government would attempt to carry out its role in the reproduction of the conditions necessary for capital accumulation. Nevertheless, the Socreds were unable to legitimate their social policies; that is, convince interested parties that the "tough on welfare fraud" stance was in the interests of all British Columbians. The media, the Opposition, and welfare rights groups

accentuated the deficiencies in the Socred government's social

policies, leading to legitimation problems so significant that the

Minister responsible for the MHR was replaced in 1978.

While the Socred governments were attempting to meet the

state's role in capital accumulation, the NDP were attempting to

alter this role. In all three cases, the government's actions led to

significant legitimation problems. Interest groups were the source

of the legitimation problems, and as the nature of the political

party in power changed so did the source of the interest group

pressure.

The efforts of interest groups (i.e., human agents) were

enhanced by a number of factors. The media and Opposition were

particularly effective because, by virtue of their position, they

were guaranteed a public forum for their views. Business interest

groups were particularly effective critics of the NDP, because they

could demonstrate that the government's policies were threatening

their interests, which were reified as the "interests of the

province" as a whole. The ability of interest groups under the

umbrella category of "welfare rights" groups depended partly on their

ability to secure the attention and sympathy of the media, who

provided them with a public forum, and on their critical skills; more

accurately, their ability to accentuate the weaknesses of the

policies designed to enhance the government's legitimacy. The

erratic moves towards increased policing over the period studied

indicate that, despite the variety of contradictory pressures faced

by each government, capitalist interest groups, the needs of the capitalist economic system, and the ability of the Socreds to manufacture public concern over welfare fraud as a measure designed to decrease the legitimacy of the NDP, eventually influenced the development of an increasingly disciplinary welfare fraud policy.

A resolution of the welfare fraud issue - discerning its extent, costs, causes, and a reasonable response - did not occur between 1970 and 1976. Welfare fraud was a political issue, not a serious and concrete criminal or quasi-criminal problem that warranted extensive government intervention. Ultimately, welfare fraud is best understood as a political tool, used from 1970 to 1976 both to buttress and erode the state's legitimacy. The Socreds, in attempting to ensure the production and reproduction of the conditions necessary for continued capital accumulation, used the issue to enhance their own legitimacy. When the "socialist" NDP were in power and not meeting the requirements of capital accumulation, the Socreds used the issue to erode the legitimacy of the NDP. Each government contributed, not to the resolution of the welfare fraud issue, but to a new set of political and economic conditions, in which particular human agents used the fraud issue to further their own interests.

This new understanding of welfare fraud as a political tool, rather than a social problem, has significant implications for Canadian welfare fraud research. These implications, together with

the contributions made to neo-Marxist state theory by this thesis, are discussed in the next, and final, Chapter.

Chapter IV: Notes

1: The name of the Department of Human Resources was changed to the Ministry of Human Resources (MHR) in 1976.

2: "The new cabinet." (1975, December 23). Victoria Colonist, p. 4.

3: "Vander Zalm expects all who can to work." (1975, December 23). The Vancouver Sun, pp. 1, 2.

4: Department of Finance. (1975, June 23). Federal Budget Highlights and Supplementary Information. Ottawa: Author. p. 3.

5: Ibid p. 4-5.

6: See Appendix B: table 5.

7: See Appendix B: table 3.

8: See Appendix B: table 1.

9: "Get ready to work." (1975, December 23). The Vancouver Sun, p. 1.

10: Ibid.

11: Ibid.

12: Op. cit. n.3

13: "Unemployed plan Victoria march seeking jobs." (1975, December 24). The Vancouver Sun, p. 6.

14: "Cabinet stormed in shovel protest." (1976, January 16).The Victoria Colonist, p. 1.

15: British Columbia. (1976). Ministry of Finance, British Columbia Budget. Victoria: Ministry of Finance. p. 1

16: According to Professor Koenig, the principal researcher, Vander Zalm was asked if he had any concerns which he would like addressed in these studies. He declined. Apparently, the new Socred government did not wish to be associated with research commissioned by the NDP. (personal communication with Professor Koenig, July 14, 1989)

17: "Welfare frauds taking 80 million dollars." (1976, March 13). Vancouver Province, p. 27.

18: It is unclear who these experts were. They were likely the fraud investigators Vander Zalm had hired while mayor of Surrey.

19: "Welfare frauds taking 80 million dollars." (1976, March 13). Vancouver Province, p. 27.

20: Hughes, L. (1976, April 6). "Tighter welfare rules." The Victoria Daily Times, p. 1.

21: "Remote area residents face cuts." (1976, March 11). Vancouver Sun, p. 1.

22: Ibid.

23: "Meet the architect of the new welfare ghetto." (1976, April 17). Victoria Daily Times, p. 4.

24: Russell, F. (1976, April 29). "Welfare bum, now an unstoppable myth." The Vancouver Sun, p. 26.

25: Ibid.

26: "Woman jailed in $14,500 fraud." (1976, April 22). Vancouver Province, p. 41.

27: "Welfare charges laid." (1976, July 15). Vancouver Province, p. 10.

28: British Columbia. (1976). Annual Report of the Ministry of Human Resources, Victoria: Queen's Printer. p.57-58.

29: Russell, F. (1976, May 31). "The unemployed employables." The Vancouver Sun, p. 4.

30: This is not to say that Canada Manpower (now called Canada Employment and Immigration) could know, let alone list all the available jobs in a province. Nevertheless, the statistics show that PREP was implemented in an already highly competitive job market.

31: "It's spelled fraud." (1977, May 19). Vancouver Sun, p. 4.

32: The Guaranteed Available Income for Need Act (S.B.C. 1976, c. 19) addressed continuing eligibility and recipient responsibilities in the following sections:

18. The Minister may declare ineligible for income assistance or social services or reduce the amount of income assistance or social services of an individual who
      (a) refuses to accept employment that is available and within his ability to perform, or
      (b) by his misconduct, loses his employment, or

(c) fails to demonstrate that he is making reasonable efforts to secure employment.

19. (1) Every person who is receiving income assistance or social services shall, in accordance with the regulations, notify the Minister

(a) of any change in circumstances affecting his or his dependents' eligibility, and

(b) of income or resources in excess of the amount previously reported.

(2) Every person who contravenes subsection (1) is guilty of an offence and is liable to a fine not exceeding $500 or to imprisonment not exceeding 30 days, or to both, and in addition the Minister may declare him ineligible under this Act and the regulations.

33: "Welfare fraud squad to be policemen." (September 9, 1976) Vancouver Province, p.1

34: "Need for welfare police questioned by Hogarth." (September 15, 1976) Vancouver Sun, p. 70.

35: "Fraud prober fired to save face" (October 5, 1976) Vancouver Sun, p.35.

36: British Columbia. (1976). Annual Report of the Ministry of Human Resources. Victoria: Queen's Printer. p. 22.

37: Ibid p. 22.

38: Ibid p. 22.

39: What the weaknesses in the system were was not clarified in the report.

40: In addition, the reporting method changed from calendar year to fiscal year in 1976/77. The data for 1976 is therefore, in part, reported twice. The slightly different totals found in each Table are attributed the fact that Table 5 is reported in calendar year, while Table 6 is reported in fiscal year.

41: The numerical increase may not have been so extreme if the intervening years had been included in the analysis.

42: The estimate is made by dividing the number of convicted persons (47) by the average number of monthly recipients (97,606). It is probable that the annual number of recipients was much higher than this monthly figure because over a year there would be many new recipients. The use of an annual figure would have therefore further lowered the percentage of those convicted for fraud. Because the annual number of recipients was not recorded in the MHR annual reports, the conservative monthly estimate was used.

43: The estimate is made by dividing the number of convicted persons (158) by the number of monthly recipients (113,939). It is probable that the annual number of recipients was much higher than this figure. The use of an annual figure would have further lowered the percentage of those convicted for fraud. Because the annual number of recipients was not recorded in the MHR annual reports, the conservative monthly estimate was used.

44: British Columbia. (1981-82). Annual Report of the Ministry of Human Resources. Victoria: Queen's Printer.

45: The "negotiation" process is not elaborated on in the annual reports. This does seem to be a great money saving device because court costs and police involvement would be minimized. Nevertheless, actually "negotiating" savings for actions that are not officially criminal indicates that costs were more important than decent treatment of recipients.

46: "B.C. welfare rolls dropped 20% in 1 Year." (1977, January 27) The Victoria Daily Times, p. 29.

47: See Appendix B: Table 4.

48: See Appendix B: Table 1.

49: See Appendix B: Table 3.

50: See Appendix B: Table 2.

51: See Appendix B: Table 6.

52: Public Accounts of British Columbia, 1975/76 and 1976/77. Victoria: Department of Finance.

53: See Appendix B: Table 3.

54: See Appendix B: Table 3.

Chapter V:

Conclusions and Observations.

This thesis was undertaken with the premise that the political and economic factors influencing the state's reaction to welfare fraud are important for a more complete understanding of the phenomenon. Previous Canadian researchers who have noted that the state made some "gains" from prosecuting fraud, failed to analyze the conditions that led to an increase in policing. This chapter integrates the findings made by this thesis with Canadian research into welfare fraud, and neo-Marxist state theory.

A New Understanding of Welfare Fraud.

The shortcomings of Canadian research into welfare fraud were identified in Chapter II. Peat, Marwick & Partners (1987) proposed that public opinion affects government policy, and that public animosity was one of the reasons that tough policing was needed. A study by the Ontario Social Assistance Review Committee (Transitions, 1988) concluded that the public was often reinforced in the belief that welfare fraud exists by incomplete media reports and government announcements which justified welfare policing as a means of maintaining public confidence in the welfare system. The study, however, failed to draw these conclusions together. The wisdom of justifying policing as a means of maintaining public confidence is strained because the public is misinformed about the realities (its extent and costs) of abuse in the first place. The conclusions of

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the Transitions (1988) study are, however, an indication that the assumption made by Peat, Marwick & Partners (1987) was too simplistic. Koenig et al. (1976) pointed out that public sentiments towards fraud are influenced by "opinion leaders," a further indication that the government attempts to manipulate public sentiments concerning welfare. Hasson (1981) explained why "opinion leaders," such as government officials, would reinforce negative public sentiments towards welfare. This strategy facilitates cutbacks in social services, and allows the abuse of individual rights that would not be otherwise tolerated.

Although each of these studies indicated that the government was a key player in the reaction to welfare fraud, and the work of Hasson gave an indication as to "why" the government might choose to misinform the public about the seriousness of fraud, none analysed the factors that might influence the state to undertake a particular welfare fraud policy. The rationale given by Hasson, rather than being a complete explanation of the factors influencing welfare fraud strategies, is an indication that these factors are complex and must be obscured from the public. This thesis therefore probed the factors that influenced the British Columbia government to change its welfare fraud policies from 1970 to 1976. In unravelling the complexity of the state's reaction, many of the assumptions of Canadian research were exposed as biased towards policing.

During the 1970's the Socred party, as the government and while in Opposition, asserted that welfare fraud was a serious social

problem in British Columbia. Because of criticisms made by the Socreds, the NDP government was forced to react to welfare fraud as though it was a serious issue. The actions and reactions of the three provincial governments occurred without an adequate understanding of the amount of fraud occurring in the province. The fact that the Socreds, while they were the government and while in Opposition, promoted the seriousness of the problem, and attempted to sway public opinion, falsifies any claim that the governments were simply reacting to public concern about fraud. The Socreds created that concern while they were the government and, during their time in Opposition, forced the NDP to take a harsher stand on the issue.

Other assumptions of Canadian fraud research can be challenged. One assumption is that a welfare "police force" is necessary. In British Columbia, the implementation of the Ministry Inspectors Program did not increase the integrity of the system. Instead, the process that led to the implementation of the Program was so controversial that the whole system of benefits and their meaning in British Columbian society was questioned. The establishment of the Inspectors Program refocussed social assistance issues away from concerns about the adequacy of payments and the success of programs designed to benefit recipients. Rather than protecting the integrity of the system, the focus on welfare fraud increased public awareness of stereotypes associated with living off the state, and decreased the integrity of the system.

The stereotyping of welfare recipients substantiates the initial proposal of this thesis that the fraud issue depends largely on promoting some recipients as morally inferior. The promotion of welfare fraud as a serious problem in British Columbia was also consistently connected with the motivation of welfare recipients. It was assumed that those committing fraud could be contributing to society if only they showed some initiative. When the accusations of recipient laziness gained the most attention, in 1970 and 1975 respectively, the country was in the midst of economic recessions. The recessions meant that many people who would be otherwise employed were receiving assistance. The assumption that living on assistance was indicative of laziness thus does not fit well with this finding. The connection between dependence and laziness shows that social assistance as a right for those in need is not guaranteed. Those who were ostensibly "morally inferior" (in this case, unemployed employables) were branded as untouchables and, therefore, undeserving of assistance.

The need for a "fraud squad" is also challenged when social assistance payment rates and the initial results of the Inspectors Program are analysed. The system of benefits, as they existed in British Columbia in the 1970's, were lower than established "poverty lines." Prosecuting recipients for fraud when the system almost guaranteed that fraud was a necessity was a "catch 22." The initial results of the policing system showed that, contrary to the goal of saving money, the Inspectors Program actually cost more than it

saved. The analysis of costs and savings in Chapter IV did not take into account the savings made through the deterrent effect of policing, yet the analysis also did not take into account costs incurred through court time, police person hours, and jail terms. These costs must be balanced in order to justify policing on a cost benefit basis.

The findings of research conducted in other countries was in many ways supported by this thesis, especially the findings that the state was reacting to a statistical "non-issue," and that recipients were stigmatized by increasingly coercive policing measures. Some researchers claimed that the state used the fraud issue in order to minimize social welfare costs (see e.g. Novak, 1984; Deacon and Bradshaw, 1983). In 1976, the Socreds did manage to stabilize MHR expenditures: however, there was no actual reduction in overall Ministry expenditure in any of the years studied. Reductions in social assistance expenditure from 1975/76 to 1976/77 were due to economic turnaround, not welfare fraud policies. The welfare fraud issue was more important as a political rather than a fiscal tool. Welfare fraud became an issue in British Columbia in the 1970's due to the efforts of a political party interested in regaining and retaining political power.

The conditions and factors that led British Columbia's governments to increase the policing of fraud in the 1970's had little to do with evidence of abuse and much to with a desire to retain or gain political power. Previous analyses that ignored the

state as a key player in the reaction to fraud assumed much about the workings of the state and the welfare system. Perhaps their greatest limitation is that they did not recognize that a reaction to fraud is not only important as a measure of crime control, but also as a measure which has political and economic significance far beyond the presumed actions of social assistance recipients. By ignoring this key piece in the welfare fraud puzzle, previous analyses have been, unwittingly or not, biased towards stigmatization. The belief that welfare police are necessary has allowed the larger goal of social welfare - decreasing social inequality - to be disregarded. Those analyses that proposed the state promoted specific perceptions about the seriousness of welfare fraud were reinforced by this thesis, and the factors that led to the promotion of welfare fraud as a serious social problem were exposed.

Welfare Fraud and Structural Neo-Marxism.

The proposal of Ratner et al. (1987) that structuralist inquiries into state actions hold promise if they can be freed from an overly functionalist theoretical dependency has merit. The use of Gough's (1979) structuralist analysis of the British welfare state, in a Canadian context, supports this argument. Gough's (1979) definition of the welfare state as a system which both modifies the reproduction of labour power and maintains the non-working population provides the framework for this discussion. The state's primary tendencies are: to ensure the conditions under which continued capital accumulation can occur; and, to legitimate the existing

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unequal social structure. Understanding the welfare state as an apparatus designed to fulfill these tendencies does not fully explain why and how the state acts as it does.

Gough (1979) lists three factors that influence the way the state reacts to its structurally prescribed tendencies. These can be summarized as: a similarity in the beliefs and values of those in power in both the political and economic spheres; the inordinate power of the capitalist class as a political pressure group; and, most importantly, the structure of the capitalist system which forces the state to make the social and economic climate attractive, under the threat of capital moving elsewhere.

Despite these influences, the state still acts with relative autonomy, at times instituting policies which do not appear to fit the immediate needs of the capitalist class. While these policy decisions can be partly explained as the outcome of a political solution to conflict between various capitalist factions, or as the result of conflict between the factors that influence the state, Ratner et al. (1987) argue that the influence of human agency must be accounted for. Policy decisions may be a consequence of the actions of human agents who do not fit into one of the above categories.

Viewing the welfare state through the modified structuralist lens leads to a different understanding of the function of social assistance. It is both a social expense, or an expenditure that is necessary for the maintenance of social harmony, and, particularly in

the case of employable social assistance recipients, a tool used to modify the reproduction of labour power.

Explaining why the state increased the repressive apparatus in the provincial welfare system proved to be as interesting as describing the reaction. The least controversial explanation for the increase in the policing of welfare fraud in British Columbia would have been to explain the state's reactions in terms of a response to public opinion, or as a response to a serious and concrete social problem. It was shown that, in the 1970's, public opinion was manipulated and there was no evidence that welfare fraud was a statistically serious social problem. The structural analysis undertaken has provided an explanation far more complex and adequate than "public opinion" or "social problem" explanations could have. The state's reaction to welfare fraud was not a reaction to crime, but a reaction to political and economic conditions. The reaction was legitimated by casting a negative light on social assistance recipients.

In the case of both Socred governments studied it was shown that they were attempting to meet the perceived needs of capital, and that their legitimacy was threatened through the efforts of a variety of human agents. The difficulty comes from attempting to apply Gough's assertion that three primary factors influence the state's autonomy. In both cases the Socreds held beliefs and values consistent with the capitalist class, and the business community was their greatest ally. Gough's (1979) assertion that,

> The capitalist economy has its own rationality to which
> any government or state must sooner or later submit to,
> and usually sooner (op. cit. : 42).

assumes that a government is willing to act in a manner contrary to
the needs of capital. Because the Socreds had aligned themselves
with capital interests, it is doubtful that they would have acted
autonomously from the perceived economic needs of those interests.
The Socreds were able to act in a manner consistent with their
political philosophy and still not threaten capital accumulation.

It was also shown that the Socreds were not able to act as
instruments of capitalist interests in the province. The Socreds
were not able to easily translate capitalist interests into the
interests of the whole provincial community. This inability led to
the development of the welfare fraud issue and the PAB and PREP
programs. In 1970, non-capitalist interest group pressure eroded the
legitimacy of the government. This pressure led the government to
manufacture a "folk devil" - the welfare bum - as the cause of the
rising welfare rates in the province. The development of the PAB
supported the welfare fraud scare, because the government could claim
it was doing all it could for "adequately motivated recipients." In
1976-1977, a similar process took place. The Socreds were confronted
with legitimation problems that arose out of the efforts of non-
capitalist interest groups. Again, the government used the welfare
fraud issue and another job creation program (PREP) to buttress their
legitimacy. Thompson's (1977, 262-263) assertion that laws must
appear to be fair is supported, by the negative reaction to the

increase in coerciveness evidenced in 1977. Clearly, the measures
proposed by Vander Zalm were not supported by many people in the
province because they were judged to be harsh and punitive.

In both of these instances, it was seen that the state was
influenced by factors other than the similarity in the beliefs and
values of those in the political and economic sphere, the power of
the capitalist class as a pressure group, and the "economic
rationality" of the capitalist system. The Socred government's
inability to translate economic interests into the interests of
society as a whole gave the Opposition, the media, and welfare rights
groups, a certain degree of influence over the government.
Nevertheless, this influence may have been more illusory than real.
The manufacturing of the welfare fraud scare was a reaction to
interest group pressure, yet it was a reaction that stigmatized the
acceptance of social assistance and reinforced the notion that
individual effort leads to success. The PREP and PAB programs were
essentially designed not to create work, but to create workers; and
thereby support capitalist interests.

The limits on state autonomy and the importance of structural
constraints are evident from the actions of the NDP government.
Gough's (1979) argument that the state's autonomy is influenced by
three primary factors is partially supported. The NDP did not hold
the same beliefs and values as their predecessors or the capitalist
class. The NDP were able to act autonomously until they instituted a
number of controversial economic policies. This attempt to

restructure the economic system away from the system of private

profits made the NDP a threat to the capitalist class. The NDP came

under increasing pressure to reverse this trend, both from capital

interests and their political representatives, the Socred party. In

this instance, certain capitalist interests acted as powerful

pressure groups. Provincial mining interests claimed that the NDP's

policies were destroying the industry, land speculators complained

loudly that new NDP land policies were unfair, and corporate

interests threw their financial support solidly behind the Socred

Opposition. This support would help the Socreds, who were

sympathetic to capitalist interests, regain power.

The structure of the capitalist economic system also forced the

NDP to change its policies. The recession was blamed on the NDP, by

capitalist factions and the Socreds. Recessions generally force

governments to support private industry, or at least make the economy

more attractive to capitalist investment. The growing perception

that the NDP were economically incompetent and unsympathetic to

capitalist interests would not attract economic investment to the

province. In fact, certain industries were threatening to relocate

to more acceptable (i.e., stable and profitable) locations if the NDP

did not adjust its policies to ensure continued capital accumulation.

The pressure to change the NDP's social policies cannot be

separated from the pressure to adjust their economic policies,

because they occurred as part of a multifaceted attack on the NDP's

legitimacy. The adjustment in the social assistance system away from

the NDP's original policies testifies to the success of this attack. In this instance, it is evident that the NDP were able to act autonomously, so long as they did not threaten capitalist interests. Their autonomy was limited once they began to institute policies that threatened capital accumulation. The NDP government had autonomy, yet it was ultimately limited or "relative" to the needs of capital.

In summary, Gough's (1979) assertion that functional requirements will not necessarily be met because of the effects of political and economic circumstances has merit. By analyzing the historical circumstances within a structural framework, changes instituted by three governments that differed in personnel and in philosophy showed a consistency that was not otherwise apparent. The focus on the historical circumstances that surrounded the development of a coercive apparatus in British Columbia's social assistance system has shown that the state was reacting to an interplay between its capital accumulation and legitimation tendencies. It has also shown that within specific structural limits the state has considerable, but relative, autonomy.

Future Research

A number of questions concerning welfare fraud have yet to be addressed. The solutions to the problems faced by British Columbia's welfare system arose from two political parties with largely contradictory political philosophies. One issue that needs to be examined is the extent to which each party's ideology was manifested

in its social policies and the extent to which ideology was adjusted in the desire to retain power. This thesis focused very strongly on the political use of the welfare fraud issue. Melossi's (1979) propositions about the disbursement of capitalist ideology throughout civil society should also be studied. Although the immediate concerns of the political parties were clarified, the ideological ramifications of welfare fraud campaigns are not. Of particular interest are the uses of welfare to discipline the labour force, the process of mystification that occurs in a welfare fraud campaign, and whether such campaigns foster beliefs in individual effort as a guarantor of success.

Because this analysis focused on structural conditions it ignored the everyday functioning of the policing system. The extent to which government policies were actually implemented should also be studied, particularly since employees of the MHR may have held beliefs contrary to those policies. Djao's (1983) work is important. Does the policing system and those people working within it attempt to define social assistance recipients as deviant? What is the value of doing so? Do government interventions (policing welfare fraud) mask problems within the system? This question has been partially answered. The stigmatization of social assistance recipients hinders a complete understanding of the structural causes of poverty primarily because the process strongly focuses on the actions of individuals. The process of stigmatization and methods to counter

the process will be better understood through a combination of structural studies and studies of welfare agencies.

Although this analysis was historical, it only covered a relatively short period. There was some indication in the analysis that policing becomes an issue during economic recessions. This finding should be expanded upon. This might be done by tracing social policy changes back to the development of the welfare state and then tying these changes to "economic cycles." Next, the media's agenda in promoting and criticizing government policies should be further studied in order to expose the subtext of much of what is reported. The importance of such an analysis is underscored by the realization that most of the public's understanding of government policies and practices comes from media sources.

Because welfare fraud was essentially a political issue, it would be of value to study the state's reaction in a province with a markedly different political milieux and then compare the reactions for similarities and differences based on economic and social indices. Such a finding would be of value for any researcher studying the influences on state reactions to social problems. Most importantly, the issue of the social assistance system's dependence on a "police force" to maintain its integrity needs to be further studied. The relationship between policing and system integrity is not as straightforward as some researchers have indicated. This study indicated that the conditions surrounding the implementation of

the Inspectors Program did not increase the integrity of the social assistance system.

Generally, analysis should question whether policing is justified based on evidence of widespread abuse or because those in charge of the provision of social assistance have deemed it a politically necessary component of the social assistance system. Such questioning will expand the parameters of research to include the political and economic preconditions surrounding the development of social policy. Including a "modified" structural analysis as part of future research will show how human agency influences the reaction to structural tendencies in the development of welfare policies. The acknowledgement of complex structural influences will provide for an understanding of the state's actions and policy development that would not otherwise be forthcoming. As was seen in this instance, interweaving structure and human agency provided a more comprehensive understanding of the state's reaction to welfare fraud.

Appendix A: Methodology

The research for this thesis involved the collection of both historical and contemporary economic data. The research proceeded in four stages:

(1) A comprehensive review and analysis of the Canadian literature (academic and general) pertaining to welfare fraud and welfare fraud prevention systems.

(2) A review and analysis of research conducted in other countries pertaining to welfare fraud.

(3) A comparison and interpretation of British Columbia's changing welfare fraud policies from 1970 to 1976. This was defined as the statutes and regulations of the province, from 1960 to 1976, pertaining to welfare fraud, eligibility requirements, responsibilities to seek employment, and fines and prison sentences.

(4) The identification and analysis of factors which may have accounted for and influenced the period of reform. This analysis was guided by the key question: why did the changes in welfare fraud policy take place?

The research methods in the third stage of research involved a manual tracing of the origins, and reforms to, the pertinent legislation. The process of reform from 1960 to 1976 was then outlined, and the major period of reform, 1974 - 1976, was

determined. This research was undertaken primarily in the law library at the University of British Columbia. The statutes were analysed with the goal of determining the change in content accompanying each reform. This included:

(i) Describing the changes in procedures affecting those deemed to be engaged in fraudulent activities.

(ii) Inferring the goals and intentions of the legislators, by evaluating the general voice of the statutes as reflected in wording, terms, phrases and provisions.

The 1970 starting point for the subsequent analysis was chosen for three reasons. It was assumed that there were prior influences on the legislative reforms evidenced from 1974 to 1976. The annual reports of the DRSI made reference to the seriousness of welfare fraud phenomenon in 1971. This was the earliest official reference to the "problem" found. A year by year count of articles from the Vancouver Sun, Vancouver Province, Victoria Daily Times, and Victoria Colonist, that referred to welfare fraud or abuse in their titles was undertaken. This showed that, in 1970 and 1971, 26 title references to welfare fraud were found; from 1972 to 1974, 8 title references were found; from 1975 to 1977, 52 title references were found. This information was taken to indicate that welfare fraud rose and fell as a subject of media interest, peaking twice during the period of statutory reforms.

The institution of the Ministry Inspectors Program was chosen as a concluding point for the analysis. It was the most tangible indicator that the state had increased the policing of social assistance. The analysis carries on into the Spring of 1977, when the 1976 MHR annual report was released.

Further tracing the state's reaction to fraud was believed to be unnecessary because the key persons and events involved in the changes to the province's welfare fraud policy gained prominence in the 1970's. These persons and events had left a legislative "stamp" by 1976.

The research methods for the fourth stage of research involved the following.

(i) A search for studies and reports on the prevalence of welfare fraud, or that indicated fraud was a widespread social problem in the province.

(ii) An analysis of the British Columbia Hansard from 1970 to 1976. Hansard was searched for two items: the statutory changes rationalized in the Legislature and for "evidence" of abuse presented in the Legislature.

(iii) A review and analysis of books and articles pertaining to British Columbia's political and economic climate during the 1970's.

(iv) A review and analysis of archival sources, particularly,
the annual reports of the Ministry of Social Services and Housing
(MSSH) and its predecessors, the public accounts of the province, and
annual reports of the Department of Finance for the years 1969 to
1980. Also, a variety of Statistics Canada reports were reviewed,
specifically those which focussed on economic trends and
unemployment. These reports provided the bulk of the quantitative
data in the thesis.

(v) A review and analysis of the previously mentioned lower
mainland newspapers for the period 1969 to 1977.

This research used the facilities of four libraries. Archival
sources were accessed through the Government Publication Division of
the U.B.C. Library system. Literature searches were conducted in the
Law, Main and Social Work libraries of U.B.C. Newspapers were
searched using the U.B.C. newspaper index. The Library and
Librarians of the MSSH helped to clarify confusing statistics that
had been found elsewhere. This final source was particularly helpful
because the library had access to information from the Statistics and
Research branch of the Ministry. Information that could not be found
elsewhere was usually found here.

A number of informal interviews were conducted with personnel
who worked for, or were in some way involved with, the British
Columbia social assistance delivery system during the 1970's. This
source was helpful in the initial stages of research when data

collected appeared to make no sense. The interviews clarified the political situation in the province during the period studied. The persons interviewed included Mr. Emery Barnes (M.L.A.), Mr. Bob Williams (M.L.A.), Professor Dennis Guest of the school of social work at U.B.C. (an expert on the development of Canadian social policy), Ms. Patsy George (a social worker, who was employed by the MHR during the period of reform), Mr. Gerry Merner (temporary head of the MSSH department of statistics), and, Dr. David Schreck (former head of the Vancouver Resource Board).

In the different stages of the research a number of problems were encountered. There was one major problem in the collection of the statistical data: the continually changing accounting procedures in the MHR and its predecessors. The annual reports of the Ministry typically compare current year statistics with those of previous years. Often, the numbers originally reported would fluctuate when they were used for comparison. Usually the fluctuations were not that great. However, on one occasion a large discrepancy was found in the number of persons receiving social assistance. The annual report for 1975/76 reported that there was an average monthly total of 113,558 recipients. The 1976/77 report, when using 1975/76 for comparison, reported an average of 127,551 monthly recipients for the year, a difference of 13,993. The increase was in the category of single persons receiving social assistance in 1975/76. This anomaly was clarified by the Research and Statistics branch of the MSSH. Often the numbers reported for a current year are estimates because

the Annual Report is released before all the statistics are compiled. The writer was assured that the most accurate statistics are those found in the later reports. Therefore, when any statistical discrepancies were found in the annual reports, the most recent statistic was used when compiling the Tables found in the thesis.

Also pertaining to statistical data is the (potentially) controversial use of poverty lines. The reliance on income for formulating poverty lines may not be an indicator of social well being. There are a number of poverty lines available in Canada. The Canadian Fact Book On Poverty (1979) lists and analyses five of these. The poverty line used in Chapter II of this thesis is the Statistics Canada Updated Poverty Line. It is regarded as the most "absolute" poverty line measurement used in Canada. Absolute poverty lines are defined by Caskie (1979) in the following way.

> The absolute approach creates a poverty line that is considered the minimum requirement for an individual's or family's basic necessities of food, clothing and shelter. A poverty line created in this fashion yields an amount of money that is absolutely necessary for physical survival (Ibid. : 2).

Relative poverty lines, on the other hand, take into account community standards, and are, in Canada, higher than more absolute lines. The most "absolute" poverty line measure was chosen for comparative purposes. Contrasting the poverty line with provincial social assistance levels, showed that assistance was inadequate in comparison to a poverty line that lists only the minimal standards necessary to live.

When conducting the review of material written on the subject of "welfare fraud" one significant problem was the number of synonyms for the terms "welfare" and "fraud". This made computer searches difficult, because they typically consist of searches for key words in an article's title. Computer searches were combined with extensive manual searches, and a cross referencing of materials already known to exist using the SSCI indexes. Canadian articles on the subject of state reactions to welfare fraud were not found, while a certain amount of material from other countries was found.

The conclusion that Canadian analyses of state reactions to welfare fraud were unavailable was reinforced further after the Wallace et al. (1987) review of North American welfare fraud literature was released. The authors had also undertaken an extensive computer search, and the types of welfare fraud literature found are discussed in Chapter II. In their fairly extensive bibliography they did not list any Canadian articles that were specifically studies of state reactions to welfare fraud. Consequently, data was collected from primary sources (government reports and the aforementioned newspapers). The lack of Canadian analyses led the writer to formulate a preliminary understanding of the British Columbia government's reaction to welfare fraud based on materials from other countries.

The library search for studies, reports, or any kind of statistical analysis, that showed welfare fraud was a significant social problem during the period of policy reform proved unrewarding.

The search was conducted through the resources of the Government

Publications Division, the Social Work Library, newspapers (which

might have made reference to a study), and Hansard (for a reference

in the Legislature). The Peat, Marwick and Partners (1987) study

found only one adequate provincial study of welfare fraud. This was

the report conducted by Alberta Social Services and Community Health

(1979). Its findings are summarized in Chapter II. This indicated

that either studies did not exist, or they were not available for

public scrutiny. Attempts to garner information from the Ministry

Inspectors Program were not productive. The writer was informed that

all public information was available in the MSSH Annual Reports.

Much of the historical information in the thesis came from

newspapers and from researchers who have already studied the period.

Both of these sources introduce problems of research bias.

Newspapers were a particularly questionable source of information.

The problem was partially solved by using four different newspapers

in the analysis. Government statements concerning welfare fraud were

generally reported in all of them. At no time did any of the

newspapers stray far from the others when reporting the statements of

government officials. The major source of bias in the newspapers was

the commentary that surrounded the government statements. Whereas

the reporting of government statements was fairly consistent among

all the newspapers, the surrounding commentary ranged from supportive

to condemnatory. At one point, it was debated whether these comments

should be included in the thesis. It was decided that they were

important because they would give the reader a better understanding of the controversial nature of the welfare fraud issue in the 1970's. At no time were any of the commentaries taken to be correct. Throughout the thesis, media opinions are always reported simply as commentary.

There were occasions where proposed government policies were reported in newspapers. Sometimes the press releases that accompanied these policies were available. Often newspaper reports were the only available documentation of these policies. This was particularly the case when the documents were memos and unofficial pronouncements. Several personal communications with the MSSH Library ensued with the goal of obtaining copies of documents detailing initiatives reported by the media. Unfortunately, even though librarians remembered the circumstances surrounding many of these pronouncements, the documents themselves were not kept, leaving the media as the only source of data.

The foregoing methodology generated the data upon which this thesis rests. The principal issues and problems have been identified.

Appendix B: Tables

A number of tables are presented in this appendix. These tables are referenced throughout the thesis in order to show some of the economic and social changes that were occurring in the province during the 1970's. Tables 1 through 5 also provide information on the issue of recipient laziness. Table 1 shows the increase in the number of social assistance recipients and Table 2 shows the increase in the numbers of unemployed persons in the province. Table 3 shows that as the nonworking population grew so did provincial expenditure devoted to its maintenance.

Tables 1 and 2 show that the years 1970 and 1975 both had marked increases in the number of persons receiving either social assistance or Unemployment Insurance. Table 1 shows that between 1969 and 1971 the number of recipients rose by approximately 40,000 and then dropped approximately 10,000. The 1974-1976 period shows an increase and decrease of approximately 16,000 recipients. This finding is significant because 1970 and 1975 represent the two years in which welfare fraud was a great political concern in the province; that is, the motivation of social assistance recipients was especially questioned in these two years. Tables 4 and 5 show that 1970 and 1975 were also marked as periods of economic recession, an indication that economic downturns, rather than recipient laziness were the real threats to the social assistance system.

Table 1

British Columbia

Estimated Annual Number of Social Assistance

Recipients per Month for Fiscal Years

1968/69 to 1978/79.

Year	Number Of Recipients
1968/69	90,297
1969/70	97,606
1970/71	136,153
1971/72	126,385
1972/73	108,201
1973/74	108,825
1974/75	111,693
1975/76	127,551
1976/77	112,938
1977/78	113,939
1978/79	114,622

Source: 1969-72, British Columbia Department of Rehabilitation and Social Improvement, Annual Reports.
        1972/73-1974/75, British Columbia Department of Human Resources, Annual Reports.
        1975/76-1978/79, British Columbia Ministry of Human Resources, Annual Reports.

Table 2

Unemployment Rates for Canada

and British Columbia: 1970 to 1978

YEAR	B.C.(%)	Canada(%)	Number of Persons B.C. (X 1000)
1966	4.5	3.6	32
1967	5.1	4.1	39
1968	5.9	4.8	47
1969	5.0	4.7	42
1970	7.6	5.9	67
1971	7.0	6.4	64
1972	7.6	6.3	72
1973	6.5	5.6	65
1974	6.0	5.4	64
1975	8.5	6.9	92
1976	8.6	7.1	96
1977	8.5	8.1	97
1978	8.3	8.4	98
1979	7.6	7.4	95

Source: Labour Force Annual Averages (p.75-78) Statistics Canada:
Ministry of Industry Trade and Commerce February 1979.

Table 3

British Columbia

Growth of Social Service Expenditure

as a Percentage of Total Provincial Expenditure:

1967/68 to 1978/79

Year	Soc. Service Exp.	Prov. Exp.	% of Expenditure.
1967/68	76.874*	780.806	10%
1968/69	93.747	924.962	10%
1969/70	104.125	1154.309	9%
1970/71	147.074	1180.639	12%
1971/72	148.504	1342.912	11%
1972/73	171.680	1527.904	11%
1973/74	261.957	1832.340	14%
1974/75	382.577	2531.067	15%
1975/76	475.477	3112.453	15%
1976/77	481.011	3491.429	14%
1977/78	545.140	3895.464	14%
1978/79	558.512	4323.680	13%

Note. Expenditures are all expressed in millions of dollars.

Source: Public Accounts of British Columbia,
Victoria: Department of Finance.

Table 4

British Columbia

Gross Domestic Product

1969 to 1978

Year	Current Dollars ($Million)	Percent Change	Constant 1971 Dollars ($Million)	Percent Change
1969	8,758	13.2	9,636	7.2
1970	9,324	6.5	9,891	2.6
1971	10,484	12.4	10,484	6.0
1972	11,954	14.0	11,211	6.9
1973	14,547	21.7	12,224	9.0
1974	17,420	19.7	12,941	5.9
1975	19,319	10.9	12,702	-1.8
1976	22,729	17.7	13,451	5.9
1977	25,414	11.8	14,188	5.5
1978	27,978	10.1	14,785	4.2

Source: British Columbia Economic Activity 1979 Review And Outlook.
Ministry of Industry and Small Business Development.

Table 5

Postwar Periods of Economic

Slowdown and Recession in Canada: 1951 to 1980

Dates	Duration
June 1951/December 1951	7 months
June 1953/June 1954	13 months
February 1957/January 1958	12 months
April 1960/January 1961	10 months
February 1970/September 1970	8 months
June 1974/March 1975	10 months
November 1979/June 1980	8 months

Note: Statistics Canada requires that a decline in real Gross National Product must be felt in two consecutive quarters before a "slowdown" is designated a "recession."

Source: The Canadian Securities Coursebook (1988).

TABLE 6

British Columbia
Department of Human Resources
Estimated and Actual Expenditure by Service
1975/76 and 1976/1977.

1975/76	Estimated	Actual	Over Under (-)
Minister's Office:	116,576	120,595	4,019
Department Admin.			
& Support Services:	4,366,307	3,599,605	-966,702
Community Services:	14,400,421	14,019,327	-381,0942
Family and Child			
Services:	59,321,296	46,762,189	-12,559,107
Services for			
Senior Citizens			
& the Handicapped:	166,242,127	147,843,285	-18,398,842
Health Care			
Services:	28,548,700	30,744,687	2,195,987
Community Programs:	28,471,169	27,346,410	-1,124,759
Income Assistance:	167,198,944	171,975,574	4,776,630
Special Programs			
For the Retarded:	29,532,626	28,613,507	-919,119
Staff Reduction			
Salary Savings	N/A	N/A	0000000

Table 6: Part 2

1976/77	Estimated	Actual	Over Under (-)
Minister's Office	124,264	115,970	-8,294
Department Admin.			
& Support Services	5,365,281	4,285,328	-1,079,953
Community Services	17,171,241	16,164,546	-1,006,695
Family and Child			
Services	65,791,568	48,971,899	-16,819,669
Services for			
Senior Citizens			
& the Handicapped	187,389,883	159,264,168	-28,125,715
Health Care			
Services	33,606,573	34,820,390	1,213,817
Community Programs	30,592,423	27,995,292	-2,597,131
Income Assistance	218,800,000	157,971,558	-60,828,442
Special Programs			
For the Retarded	3,606,573	31,234,307	-2,372,266
Staff Reduction			
Salary Savings	----	-----	-3,002,713

Source: Public Accounts of British Columbia, Victoria: Department of Finance.

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