



Canadian Economic and Social Policy: North American OR Mid-Atlantic?

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Background

- This presentation was a plenary luncheon address for Statistics Canada Economic Conference 2003, *Canada in the North American Context*.
- The conference was held in Ottawa on May 12, 2003.

Wanted: Social Policy for a New Economy and Society

- The new economy:
 - New skills needed
 - ➔ Calls for investments in people, including children
 - New challenges: adaptability, flexibility
 - ➔ An emphasis on life-long learning, job mobility
 - New risks: polarization of job structures
 - ➔ It takes two incomes to keep a family in the mainstream of society
 - ➔ Vulnerable workers (part-time, temporary, etc.)

Wanted: Social Policy for a New Economy and Society

- The new society:
 - A society with high rates of female labour force participation
 - ➔ New challenges for balancing work and family
 - New social risks - social exclusion from information society, low-incomes for one-earner families
 - ➔ Need for strategies for preventing poverty
 - ➔ Need for strategies for social inclusion

What was the Old Social Policy?

Social policies after 1945 made assumptions about the labour market:

- assumed one salary was sufficient
- assumed one salary was the norm
- assumed formal education provided sufficient training
- assumed there was a clear boundary between “in” and “out” of the labour market

Social policy goals

- focussed on social protection
- focussed on those “out” of labour market by providing a “safety net”

The Issue: Identifying a Social Policy Redesign to Respond to the Risks and Meet the Challenges

In Canada, answers have been emerging in:

- children's policies - the National Child Benefit (NCB); Early Childhood Development Initiatives; Quebec's Early Childhood Centres (*Centres de la petite enfance*)
- in the *Knowledge Matters: Skills and Learning for Canadians* and *Achieving Excellence: Investing in People, Knowledge and Opportunity*
- as well as in reforms to Employment Insurance and social assistance

Embedded in These Initiatives, There are Still Choices to be Made

Which model will we choose?

- “The enabling state”
 - The model developed in the USA to “end welfare as we knew it”
- “Social investment state”
 - The model developed in the European Union to make sure “social policy is a productive factor”

The differences are in the vision of the relationship between social and economic policy.

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The “Enabling State”

- Enable individuals to take responsibility for themselves and their families
- Change the incentive structure so work is more attractive than social assistance
- Require participation in work experience programs by social assistance recipients - workfare
- Provide in-work benefits to supplement income from low-paying jobs
- Provide employment supports: child care, transportation, job counselling, etc.

The “Enabling State” is Expensive

In 1999, low and moderate-income families in the USA were eligible for \$52 billion in assistance from a range of programs. Before welfare reform, the comparable amount for these programs was \$6 bil.

- Earned Income Tax Credit (EITC)
- Child Tax Credit
- Child care subsidies
- Minimum wage
- In-work benefits from the states
- Food stamps
- Medicaid for poor children

This is Redesign, Not “Cutbacks”

- Accent is on “work first”
- Eligibility for the most important of these (ETIC and Child Tax Credit) depends on having earned income
- Canada has instituted many similar programs:
 - the Canada Child Tax Benefit, which functions for many as an earnings supplement; provincial child benefits as well
 - the National Child Benefit, designed “to make work pay”

Is This Enough?

- To answer this, we need to think about the new economy and new society
- These measures respond in part to the new society:
 - Income supplements for one-earner families, especially **lone parents**
 - Help in **balancing work and family**
 - Moving some families above - the USA - **poverty** line (i.e., for a woman with 3 children earning \$7 an hour, these supplements would move her from \$13,000 to \$19,000 annually)

What are the Economic Consequences of the Enabling State?

- The major economic consequence: employment rates increase

BUT

- Where are the supports for the new economy from the enabling state?
 - Because of the *focus on individuals*, this social model leaves the economy to itself and the labour market alone to generate jobs

The New Economy Needs More

- Therefore, social policy communities elsewhere (including Canada) are turning to **social investment strategies**
- These treat **quality social policy** as a necessary support for the new economy

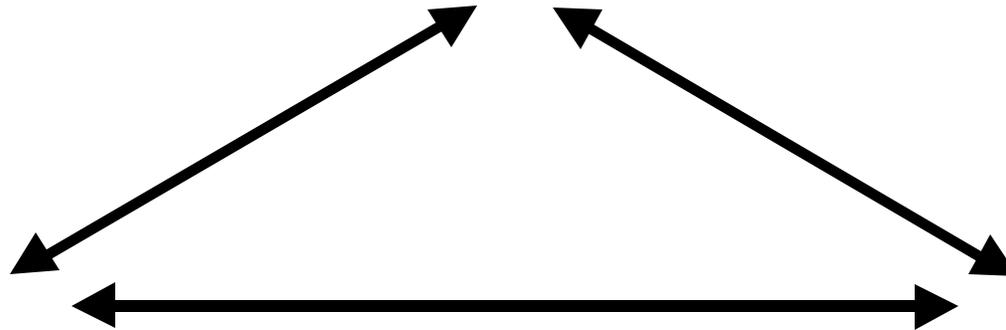
Social Policy in a “Social Investment State”

- Policies for an **active society**, including, therefore, to make work pay and shift incentives
- **But it goes beyond**
- Well-designed social policy **promotes quality**:
 - supports adaptability, via life-long learning
 - improves job quality, even for vulnerable workers
 - seeks to foster social inclusion into ICT
 - invests in children, via quality services as well as higher incomes

Quality Social Policy Promotes a Strong Economy

Social Policy

Social Quality / Social Cohesion



Economic Policy

Competitiveness/
Dynamism

Employment Policy

Full Employment/
Quality of Work

Canada Faces this Choice

- Will it “walk the talk” of the Innovation Strategy by innovating with quality social policy?

For example:

- provide quality early childhood education rather than just “day care”
- protect vulnerable workers so that they too can enjoy job quality
- invest in training and life-long learning rather than “work first” strategies
- induce employers to invest in their workers and create quality work
- maintain quality services in health, education, cities, and so on

For additional information:

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