

***The Great Social Transformation:
Implications for the Social Role of
Government in Ontario***

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Executive Summary

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Executive Summary

This paper was commissioned in the Spring of 2002 by the Panel on the Role of Government, chaired by Ron Daniels, Dean of the University of Toronto Law School. It was one of a number of papers designed to set the scene for the Panel's research program and consultations with the people of Ontario. It therefore provides a very broad survey of the way in which the patterns of family, work and community life of the people of Ontario have been transformed in recent decades.

The conclusion is that the social policy principles developed in the 1960s and 1970s no longer provide adequately for the needs of these citizens. However, the seeds of social policy reform have begun to emerge. The new thinking on social policy rejects the pre-occupation with short-term efficiency which dominated policy development in the 1990s, and shifts the focus to social investments which generate longer range paybacks in human development and productivity growth.

New Patterns Mean New Risks

In the early years of the 21st century, families face many new challenges and risks.

- Men's and women's lives are converging in their family responsibilities and in patterns of work and study.
- Men and women, parents and non-parents face a serious time crunch as they balance work, study, and family responsibilities.
- Families and individuals are being asked to carry more risk on their own shoulders. They must finance more of their own (and their children's) learning, finance a greater share of their own benefits and pensions, cover the costs of frequent job change, and face the risk of being trapped in a low-paid job.
- Even young people who invest in education have no guarantee they can find a career job.
- Restrictions on public spending* have shifted more of the responsibility for providing or financing health and social services onto family members.
- Where spending cuts have impinged on the liveability of cities, citizens have been left without access to the shared public services they need to manage their daily patterns of family and work life efficiently.
- There is growing evidence of an emerging underclass, living on the margins of society who do not enjoy either the rights or the responsibilities of citizenship (Jenson, 2000). The people facing the highest risks of marginalization are visible minorities, new immigrants, Aboriginal people, and those with disabilities.
- Almost all of these marginalized people have the potential to contribute to productivity growth in the next few decades.

* Gross social expenditure by Canadian governments declined from 22.5 percent of GDP in 1995 to 20.7 percent in 1997. These are the only two years for which estimates are available. (Adema, Table A2.1 and Table 6.)

Public policy in 2002 imposes conflicting logic. Everyone should work, but families are still expected to carry the lion's share of the caregiving for children, frail elders, and other dependents. As the baby boomers enter their late 70s and their health becomes frail, this tension between work and caregiving could become intolerable for many Canadians.

As markets have gained importance and government policies have retrenched, families and individuals have become exposed to more risk, and the systems for sharing risk have been weakened or simply failed to adapt to changing circumstances. These risks tend to be cumulative over a lifetime. For example, the main reason that elderly people are poor today is that they have been poor all their lives.

In a world where much wealth is being created, people in the right place at the right time and with the right skills can advance their careers, raise living standards, and create great wealth. On the other hand, the individualization of risk means that people experiencing ill health, job loss, racial discrimination or low skill can face downward spirals, such that even middle class entrepreneurs and professionals can end up in poverty.

The search for greater efficiency in social spending often comes into conflict with the goal of equity, as governments redefine their own roles and transfer responsibility back to families and communities or back to markets (as in the case of social housing). Not surprisingly, there are gaps in programming which leaves families stranded. In Ontario, child care services have not been expanded, for example, and there has been a dramatic rise in homelessness – a clear sign of broken services and broken families.

This drive for efficiency has focused more on rewriting the eligibility rules than taking a more thoughtful look at the emerging needs of families and individuals at this stage in the great social transformation. The programming may be costing taxpayers less, but there is growing evidence that the changes have created new costs for families, communities, and even governments themselves. In general, the modifications in social protection policies do not yet respond to key aspects of the great social transformation in the patterns of life of the people of Ontario. That is the task for coming years.

Well-being and the Responsibility Mix

The fact that life in Ontario has transformed does not mean that everything must be done differently in future. Instead, it means that Ontario needs to find the new linking logics that map the activities of governments to the actual patterns of living today.

The role of government is to protect and promote the well-being of its citizens – all citizens, including future generations. Well-being encompasses health, social, economic, and political dimensions. Research, by Canadian Policy Research Networks over the years, shows that the key ingredients of well-being for both adults and children are:

- Adequate family income (to purchase food, clothing and shelter, etc.),
- Close personal networks, especially strong family relationships,

- Supportive communities (personal safety, child care, recreation, and leisure resources); and
- Effective public services (schools, health care, transportation, etc.).

These essential ingredients are provided by a mix of family, community, state, and markets. While governments have a special role because of their ability to tax and regulate each of the other three actors, there is an interdependence of roles among these four policy actors, which is called the responsibility mix. This interdependence is displayed in the figure below where the double X shows which policy actor has the primary responsibility.

How Responsibilities for Human Development are Shared

	Adequate Income	Close Personal Networks	Supportive Communities	Effective Public Services
Family	X	XX		
Community		XX	XX	X
Market/ Workplace	XX	X*	X*	X
Government	X			XX

* Workplace

In every case, the responsibility for creating these ingredients falls on more than one institution or policy actor. The family has dominant responsibility for close personal networks, for example, but neighbours in the community and colleagues in the workplace also provide personal supports. Most people earn their income through wages from the labour market, but others depend on family sources or on government transfers.

It is this web of responsibilities that we need to consider as we look for the right ideas (or paradigms) for a healthy society in the future. The paper considers the new ideas emerging in three areas of public policy: families with children; adults earning low wages; and ageing Canadians. Six themes emerge from this analysis:

1. The emerging paradigms recognize the *interdependence between economic conditions (the market) and individual outcomes*. When two incomes are required to support a family, the choices families then make about work effort have profound impacts on their ability to provide care and support to the children, elders and other dependants in the family.
2. They demonstrate the *path dependency of the life course*. Elderly people are poor because they have always been poor. Children living in poor families face greater risks to their life chances. As much as we believe in bootstrapping, the fact remains that what happens in childhood influences the school, work, marital choices, and lifetime income chances for many citizens.

3. The new paradigms respond to the *growing interdependence between income and public or community services*, across the life course. Even the families who can pay from their own pockets can face serious challenges in finding good child care, affordable housing, appropriate elder care supports, and/or efficient transportation for family members to and from work.
4. They show *how far Canada has to go to meet its goals of gender equality*. Women are seriously over-represented in the ranks of low-paid work, just as they are over-represented among the poor in both their adult and elder years. This tension between the rights, aspirations and productive contribution of women, on the one hand, and the need for the nurture, care, support and sheer stamina that women bring to their families and their workplaces is not being addressed in Ontario.
5. They reflect *the interdependence of the caregiver and the recipient of care*, whether the relationship is a parent with a young child or an elder with her caregiver, or a person with disabilities. “Services have to be organized in such a way as to complement family care. They should treat those care-givers who provide the greatest amounts of care as clients in their own right.” (Jenson and Jacobzone, p. 34)
6. The new paradigms *all require social investments which will generate higher rates of productivity growth in the future* – in early childhood services, in compensation for low-paid jobs, and in social supports for elderly and disabled people. Making low-paid work pay seems to produce a quick payback, as workers immediately do more and better work. But investments in early childhood and elder care also lead to a more efficient allocation of resources and thus greater productive capacity.

The social role of the state can be defined as providing the mix of incentives, services, and income supports to enable citizens to be the best they can be in their work and in their family and community endeavours. As population growth slows in coming decades, Ontario will have to decide how best to allocate its human capital in order to serve the twin goals of economic prosperity and social well-being. Ontario will have to consider:

- What mix of public goods and services will produce the highest quality of life and the strongest productivity payback, and
- Whether the wage structure is one that produces the optimal work effort.

The Social Role of the State

There is no single model for the social role of the state. Each society must construct its own, based on prevailing values, fiscal capacity, and the social needs of citizens. There is no evidence that Canada or Ontario is overspending on social protection. Indeed, when costs were compared in an even-handed way in an OECD study, it is clear that the United States as a whole spends more than Canada does across the spectrum of health, education, and social spending. Moreover, it is also clear that the outcomes are better in Canada – in the sense that people are healthier, doing better in school, providing better for the elderly, and experiencing less income inequality.

Statistics like these are, of course, strongly influenced by the investments made over the past 50 years. The question is how to build on past success in order to sustain and enhance the well-being of citizens over the next several decades. The key will be to establish the optimal mix of responsibilities among state, market, families, and communities.

This paper does not argue for a return to the 1960s. Rather it argues that the great social transformation of recent decades has profoundly altered the needs of Canadians, and will continue to do so. Families have established new ways of balancing work and family responsibilities; younger generations have, for the most part, absorbed the message of the knowledge-based society, and have made significant commitments to education. Elderly people with the means to do so are providing for new forms of care and support. Yet, social policy in Ontario has not kept pace with evolving needs. It is still falling short.

The nub of future social and economic well-being lies in the capacity of advanced industrial societies to anticipate and respond to the needs of citizens across the life-course. As baby boomers reach their “older elderly” years, their needs can only be met if the society is able to produce rising living standards at a time of slower growth in the labour force. This requires investment (from today) in children, youth, and young families to the point where they can be effective in their work, family, and civil society roles. It also requires a pay structure which offers a living wage to all the people in Ontario who provide services and supports for the daily care of the elderly population.

This reciprocity between young and old is fundamental to the well-being of Ontario citizens in coming decades. Good, affordable childcare should be on the agenda, as should be a living wage strategy, and a more comprehensive social model to support the elderly.

Conclusions

Ontario is now compelled to re-examine the future roles of state, market, community, and family in supporting healthy human development and productivity growth. The post-war notion of family responsibility for caregiving across the generations is not up to the task ahead without significant modifications. The new linking logics to guide public policy must be built on the evolving values and principles of Ontario and its people. And that policy must serve the needs of a more unequal, diverse, and longer living population which faces longer periods of dependency in both the early and later stages of life. This is a stark contrast to the post-war period, when people started working full time in their late teens and died relatively soon after retirement.

In the 1990s, Ontario experienced a severe fiscal deficit which forced the government to undertake cost saving measures across a wide spectrum of policy areas. The fiscal imperative and the desire to reduce taxes trumped social priorities. The spending and tax choices made in the 1990s focused on creating “efficiency gains.” But efficiency was defined in a one-dimensional fashion – reducing public spending and taxation. Not

enough consideration was given to the spillover effects on human development and future productivity growth described in this paper.

The emerging models of social policy are likely to require more social investment from the public sector and better compensation for workers in low-paid jobs. These new approaches to social policy will support human development and productivity growth over the medium to long term. That is why Ontario must begin to deliberate on the responsibility mix. What will be the appropriate balance of responsibilities among market, community, family, and state in 21st century Ontario?