

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

**Judith Maxwell**

**A paper prepared for the  
Panel on the Role of Government**

**September 2003**



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# Contents

<b>Foreword.....</b>	<b>v</b>
<b>Executive Summary .....</b>	<b>vi</b>
<b>Acknowledgements .....</b>	<b>xii</b>
<b>1. Introduction.....</b>	<b>1</b>
<b>2. New Social Patterns .....</b>	<b>4</b>
New Risks at Home .....	6
New Risks at Work .....	9
New Risks in the Community and City .....	10
Summary .....	11
<b>3. How policy structures have adapted .....</b>	<b>13</b>
Targeting .....	14
Eligibility .....	15
Benefit Levels .....	15
Summary .....	16
<b>4. Shifting the policy paradigm.....</b>	<b>18</b>
Families with Children.....	18
Adults in Low-paid Work .....	20
Ageing Canadians .....	21
What the New Paradigms Tell Us.....	23
<b>5. The Social Role of the State.....</b>	<b>25</b>
<b>6. Conclusion .....</b>	<b>27</b>
<b>References.....</b>	<b>28</b>
<b>Tables .....</b>	<b>31</b>
<b>Notes.....</b>	<b>33</b>
<b>Our Support .....</b>	<b>36</b>

**List of Figures**

1. The Responsibility Mix.....	2
2. Real Earnings of Men, by Age Group .....	5
3. Trends in Income Inequality .....	6
4. How Responsibilities for Human Development are Shared .....	18

**List of Tables**

1. Policies for Families with Children: Two Paradigms .....	31
2. Policies for the Elderly: Two Paradigms .....	32

## Foreword

The big social, economic, and demographic trends normally take place gradually. But over time, they can accumulate into radical changes in our way of life. For example, the Depression of the 1930s started with a bang in late 1929, and then dragged on for a decade and produced a massive social and economic upheaval. Looking back, it became known as the Great Depression.

Over the past 25 years or more, Canada has experienced a Great Social Transformation that has had great impact on our lives. In part, it was provoked by the economic restructuring after the first oil crisis in 1973, followed by stagflation and then the fiscal crisis which dominated the 1980s and 1990s. These economic pressures ended up changing the role of governments, and altering the way we earn our living and reshaping the patterns of income distribution.

Side by side, and often interacting with the economic shifts, deep social change was also unfolding – the size and structure of families, the roles of women and men, and the linkages across generations. From the vantage point of 2003, Canada looks and feels like a very different place from the country we celebrated at the Centennial in 1967. Society has been transformed, and yet many of our public policies are anchored in the principles established in the 1960s.

This paper was commissioned by the Panel on the Role of Government established in 2002 by the Honourable Michael Harris, then Premier of Ontario. The Panel of distinguished Ontarians is chaired by Ron Daniels, Dean of the University of Toronto Law School. I was asked to survey the changes in the Ontario social landscape over time and to highlight the key policy considerations the panel should consider in its deliberations. Parallel papers were commissioned on economic, education, and urban issues, and will be published by the Panel.

I want to thank the Panel for the opportunity to reflect on the changes in our country and the province of Ontario, and especially acknowledge the guidance of Professor Michael Trebilcock of the University of Toronto, who is Director of Research for the Panel. As always, I want to thank my CPRN colleagues from whom I learn every day.

Judith Maxwell  
September 2003

## **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.

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\* 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?

## **Acknowledgements**

I wish to acknowledge the research assistance of Caroline Beauvais of CPRN and Adam Seddon, formerly of CPRN, and to express my continuing appreciation of the wonderful team at CPRN. I also want to thank Laura Chapman, former Executive Director of the Policy Research Initiative, for her foresight in commissioning the Futures Forum Papers by Jane Jenson and Meric Gertler cited here, both of which have had a major influence on my thinking. And, finally, thanks to Karen Parent of Queen's University for her help with a number of references on care for the elderly.

## 1. Introduction

*Changes in family structures and the homes that such families are now creating clearly pose challenges for public policies designed for an earlier era. . . . The old patterns have disappeared . . . . All these changes send signals that social knowledge – about labour markets and housing markets, about who cares and who provides, about responsibility and solidarity – may have to be reconsidered. [Jenson, 2001]*

The way Ontario citizens think about the social role of government is deeply influenced by post-war patterns of living. And the way governments perform that role today still depends on structures, beliefs and processes established in the 1960s and 1970s.

Looking back over the past 25 years, however, it is clear that patterns of home, work, and community life have altered significantly in response to demography, technology, markets and other forces to be described in the other papers commissioned by the Panel on the Role of Government. I call this change the great social transformation – not because I can show it is the greatest transformation in our history but because it is certainly one of the greatest, and it is the one policy actors must now confront.

The fact that life in Ontario has transformed does not mean that all the old patterns have disappeared, nor does it mean that everything must be done differently in future. Instead, it means that Ontario needs to find the new linking logics that map actual patterns of living today to the activities of governments. Thus, the Panel on the Role of Government needs a new diagnostic – an updated synthesis of social knowledge – in order to identify the choices facing governments in Ontario over the next decade or more.

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.<sup>1</sup> Research by Canadian Policy Research Networks over the years shows that the essential ingredients of well-being for both adults and children are:

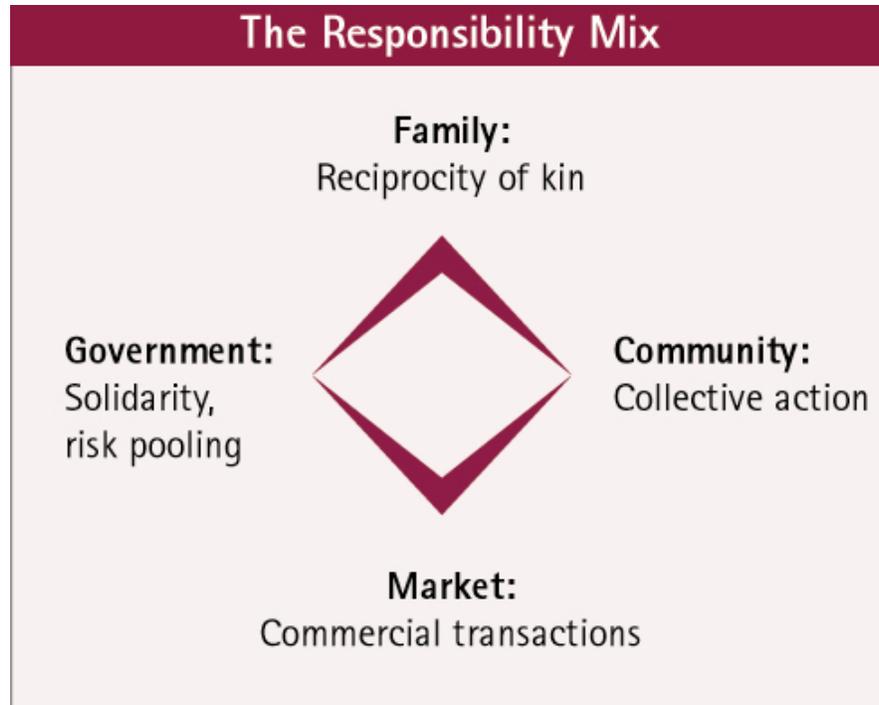
- Adequate family income (to purchase food, clothing and shelter, etc.),
- Close personal networks, especially strong family relationships,
- Supportive communities (personal safety, child care, recreation, and leisure resources); and
- Effective public services (schools, health care, transportation, etc.).

These four ingredients above are provided by family, community, state, and markets. While governments have a special role because of their ability to tax, they also regulate the other three actors. The four actors together form the responsibility mix. Thus, a program of research on the role of government needs to examine the interdependencies of market, state, community and family.

Figure 1 provides a schematic view of the responsibility mix. At the apex are families and individuals. The way they perform their many roles with respect to well-being is guided by the reciprocity among kin. At the bottom of the diamond are markets.

Citizens participate in markets as investors, workers, and consumers, and decisions made in this domain are based on commercial transactions. To the right, are communities, where citizens form associations and social networks with the goal of collective action. And finally, on the left are the governments, whose guiding principles are solidarity and risk pooling.

**Figure 1**



These responsibilities have been shifting over the past 25 years to give markets and non-profit organizations a greater role in delivering social programs. This obviously reduces the role of the state, but it also changes the ways in which citizens can gain access to representation and to the services they need (Jenson, 2002). If the market provides the service, citizens require the purchasing power; if non-profits provide the service, they must demonstrate their need to a different group of players. They may also need to purchase the service from the non-profit. For families with limited purchasing power, this change may force reallocations within the family – e.g. a doubling up of tasks, or a decision to stop working in order to stay home to provide key services to dependants.

It is important to recognize that there is a strong interaction among these four domains. As markets have gained strength in recent decades, they have imposed constraints on governments and communities, and have altered the nature of work and pay structures in ways that have shifted more risk to families and individuals. As governments have re-defined their roles and responsibilities and struggled with excessive public debt, they have taken actions which have individualized risk, and placed new responsibilities on families, communities and even markets. Thus, there is no fixed formula for the role of each of these domains, and the overall responsibility mix has changed considerably since the post-war era.<sup>2</sup> A key question in the work of the Panel on the Role of Government is how the balance of responsibilities should change in the next 10 to 15 years.

When the responsibility mix changes, the impacts on families and individuals are uneven. Some citizens will be well-insulated from the change, others will be highly exposed. Over the past decade, for example, Canada has created a remarkable amount of new wealth. According to the *Globe and Mail*, Canada now has 165,000 millionaires. At the same time, however, real after-tax incomes have stagnated or fallen for a large cross-section of low and modest income households. This is mainly because of widening differentials in earnings for people who work full-time, but also reflects the high rates of unemployment through the early and mid-1990s.

In general, however, the changes in the past 25 years have had a bigger impact on people who are alone, whatever their age and on younger generations. Ironically, at the dawn of the knowledge era, the most highly educated generation in Canada's history has had difficulty in establishing economic and family independence. This paradox of the younger generations is enough to force a re-think of what it takes to protect and promote the well-being of citizens.

The two central threads in this paper will be the pressures on the younger generation, and the growing diversity of living patterns among families and individuals of all ages. Both have major consequences for the social role of government.

The paper is divided into five sections. Section 2 will map the evolving patterns of people's lives in Ontario, Section 3 will describe the way that policies have adapted so far. Section 4 then outlines emerging policy strategies with respect to three population groups – families with children, low-paid workers, and the frail elderly. Section 5 restates the social role of the state, and Section 6 provides a short conclusion.

## 2. New Social Patterns

This section will examine the changes in social structures of the past quarter century, contrasting old assumptions with the new patterns of life and particularly the new risks citizens face over the life course. The main theme here is that patterns of home, work, and community life have become more diverse, less predictable, and therefore more complex from the point of view of policy prescription.

The post-war social contract was founded on two core assumptions – breadwinner families and full employment.

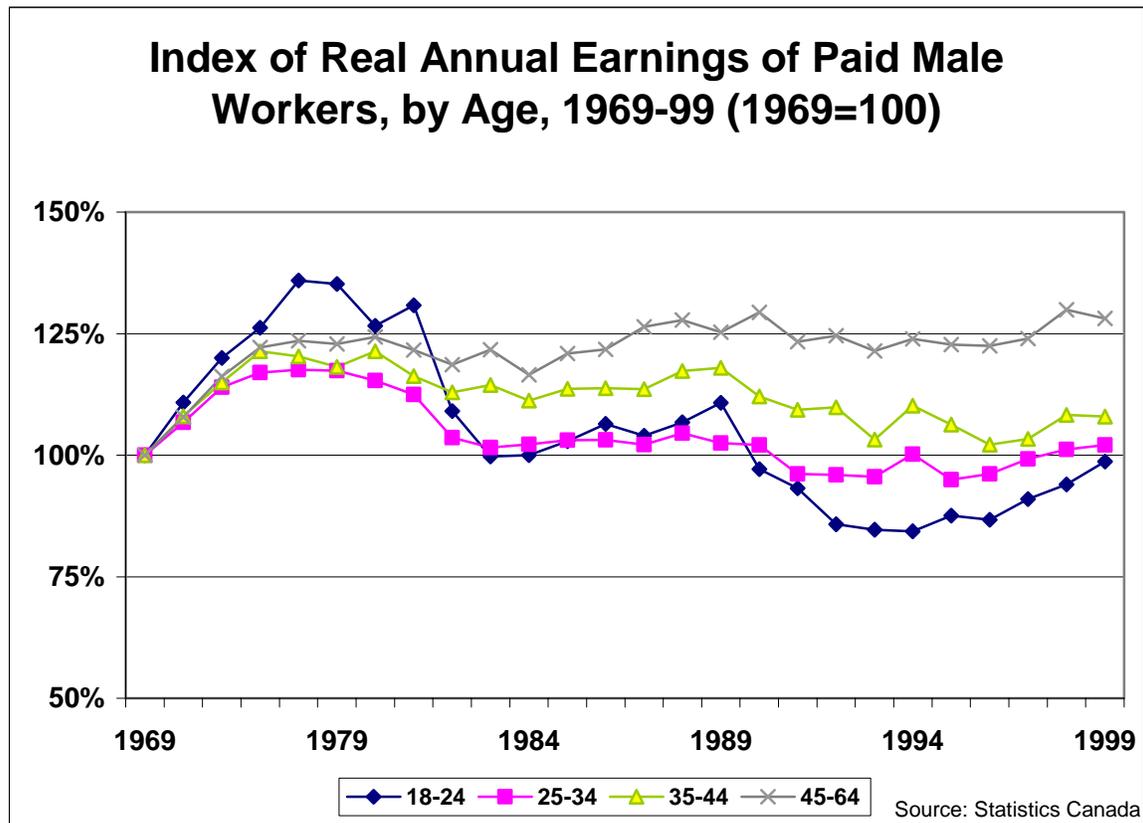
Most people lived in *breadwinner families*, where the mother worked in the home, without pay. These homes often included extended family members in the household or nearby. The typical life course involved 18 to 20 years of childhood and study, early marriage and child-bearing, with 40 plus years of work for the breadwinner, often for the same employer, and a short retirement. And most marriages lasted until one of the partners died.

The implicit social contract was that people would work and pay their taxes. In return, governments would use the taxes to provide basic public services, as well as protection against key social risks, through programs such as public education, old age security, temporary unemployment insurance, and later, pensions and health insurance.

The second assumption was *full employment*. The economic environment was expected to produce sustained and stable employment possibilities. And that worked exceptionally well for at least three decades. While there were wars and recessions in the 1950s and 1960s, growth was strong, interest rates were low and stable, real earnings rose dramatically and Canadians prospered. (The national unemployment rate averaged about 4 percent in the 1950s, less than 6 percent in the 1960s, and then about 7 percent in the 1970s.) In these conditions, the middle class expanded, home ownership became the norm in most regions, and children from modest income families began to attend post-secondary education.

Since the 1970s, however, macro-economic conditions have been unstable and unpredictable. New technologies and new market structures have disrupted traditional patterns of employment, women's roles in the economy and society have changed, and market earnings have polarized. Note, in Figure 2 on the next page, how the real earnings of men in the younger age groups have diverged from the pattern for more mature men, in contrast to the 1970s, when the earnings of all age groups followed the same growth path.

Figure 2



Looking at broad income trends, Figure 3 on the next page, shows the increasing role of the social safety net and the growing trend toward inequality in market incomes (before taxes and transfers) since the late 1970s. Thus, the public sector transfer programs serve as a bulwark against inequality.<sup>3</sup> However, the widening gap between the pre-tax and post tax-transfer lines shows that the cost of the safety net rose steadily until the mid-1990s. At that time, the safety net began to lose ground and the chart shows an increase in inequality in after-tax income during the latter part of the decade.

It now looks as though the remarkable prosperity and sense of stability of the three decades from 1945 to 1975 were a unique time in Canada's history. Yet, as we shall see later, many of the existing policy structures in Canada were founded in the 1960s, based on the patterns of life typical of that unique time.<sup>4</sup>

Now, let's fast forward to 2002 and look at the homes, workplaces, and communities of today, along with the new social risks.

Figure 3



### New Risks at Home

Homes and families are the site of care, nurture, and mutual support across generations. A vast array of research literature over the past few decades demonstrates how important these factors are for healthy child and youth development as well as for the resilience and well-being of adults, especially the elderly (Stroick and Jenson; McCain and Mustard; Hébert).

Most families manage these responsibilities well, despite the growing diversity of family structures and life course experiences. But within that diversity, there are families who cannot meet all the responsibilities thrown at them in 21st century living, as well as many individuals who lack the close family networks to provide care and support when it is needed.

Here are some of the key characteristics of families and homes today.

#### Family structure

- Breadwinner families, where one spouse stays at home to provide care and support for family members, are no longer the norm. (They declined from 60 percent of all families in 1951 to 21 percent in 1999.) Increasingly these breadwinner homes are either well-to-do or very poor.

- Most families have two earners, whether or not there are children present. (They rose from 32 percent in 1951 to 64 percent in 1999).
- 70 percent of women with preschool children are working; as are 80 percent of those with school-aged children (Vanier Institute). Yet the supply of affordable high quality developmental child care has not improved to keep pace with the need in Ontario. Regulated care spaces have the capacity to take care of about 30 percent of the pre-school children whose mothers work full-time. (HRDC)
- The proportion of children living with married parents dropped from 84 percent in 1981 to 68 percent in 2001. The share of children living with common-law parents from 3 percent to 13 percent over the same period. Most of the remainder lived with a lone parent.
- Many marriages and especially common-law relationships do not last a lifetime. As a result, kinship ties have weakened. A study based on the *National Longitudinal Survey of Children and Youth* shows that the percentage of four year olds who experienced parental separation rose from 8.6 percent for the children born in 1983-84 to 12.1 percent for the four year olds born in 1989-90. (Marcil-Gratton)
- About 14 percent of all families are led by a lone-parent, usually a woman, up from 9 percent in 1971. Almost 60 percent are poor.
- Family structures are much more diverse, involving same-sex couples, blended families, and so on.
- There are many more one-person households, who remained single, or are separated, divorced, or widowed (over 25 percent in 2001 compared to 7 percent in 1951.)

#### Family patterns of work and study

- Some homes have become workplaces where one or more parents earn their living by tele-commuting, or self-employment.
- Young people stay in school longer, but dropout rates in Ontario are much higher for young men (11 percent) than for young women (7.5 percent).
- After high school, 30 percent of graduates attend college and 40 percent of middle and high income graduates go to university. However, only 20 percent of graduates from low income households attend university.
- Longer periods of education mean that young people stay at home longer, and/or need more help to establish their independence.
- Family members are geographically mobile, creating long distances between adult children and their parents. This also weakens social supports, even if kinship ties remain strong.
- People retire sometime between the ages of 50 and 70. Some retire involuntarily, others seize the opportunity and promptly start a new career or way of life. Some have built up large pension entitlements, and some have none except the Canada Pension Plan.
- People are working longer hours and weeks, so most of their lifetime leisure is concentrated in the years after retirement.
- People are living longer and live a healthier old age. Indeed, “old age” starts at 75 rather than 65 for those who are healthy and active.

### Family and community

- Growing income inequality means that social needs and social perspectives differ even for families with similar structures.
- Growing ethnic and cultural diversity adds yet another layer of differentiation. Visible minorities accounted for 37 percent of the Toronto population in 2001, up from 17 percent in 1986. (The average for all of Canada in 1996 was 13 percent.)
- The lack of affordable housing for families with children across large and small cities forces many families to choose between healthy diet and healthy homes, and forces others into unsafe housing, shelters or onto the streets.

Clearly, there is no single model of family, study, and retirement around which governments can base social policies and programs. Even where families are strong and children have made the necessary investments in education, notable differences in outcomes can occur because of changes in the macro-economic environment. The transitions from school to work and from family of origin to independence are times of great vulnerability in human development. When no trajectory has been established, young men and women can find themselves at the mercy of markets, the design of government programs, or loss of support from the family of origin. Macro social and economic change can strongly influence the trajectory of a whole cohort of young people. Thus, the university graduates of 1991 walked into a labour market where no one was hiring at the entry level.<sup>5</sup>

Parents of those graduates in 1991, for example, were dismayed at the lack of momentum in the lives of their children. These young people had followed the rules – they invested in education – but why were they languishing in unemployment or in low-paid work?

These external events can be just as disruptive for the established trajectories of mature workers in industries forced to restructure by global market pressures. The lucky ones have early retirement packages, while the less fortunate ones risk losing their homes and cars to creditors. Other disruptors for mature generations can be periods of illness or the loss or disability of family members. These people can find themselves in a downward spiral from a middle class life to poverty and distress.

Within all the diversities described in this section, the people who are most vulnerable are those who have limited education or skill, especially those who are alone, those who have immigrated to Canada, people of colour, of disability, and of Aboriginal origin. Thus, in the midst of all the new wealth of the past decade, the risk of a downward spiral into poverty and isolation is real for many Ontario citizens.

## **New Risks at Work**

Two assumptions summarize the old ways of work. The first was that a young person could leave high school, take an entry-level position, and begin a long-term relationship with an employer or an occupation. In the post war era, a blue collar worker of limited education could earn a steady wage which would not only support the family but enable the family to buy a home and educate the children. The second was that employment patterns were stable, as employers had a standard list of products and services and production processes changed fairly slowly.

Since the 1981-82 recession, however, employers in the private and public sectors have gone through radical structural change. Work has become more mobile internationally (even high-skilled jobs are now being contracted out to analysts in Asia), and organizational change is constant and highly disruptive. Work is more mobile than people.

The new world of work is different in many ways.

### Skills and technology

- Rising skill requirements for almost all jobs means that large initial investments in education are essential, and that frequent upgrading is needed. While some employers invest heavily in training, they tend to train their most educated workers. People who work for small employers and in low skill jobs have little or no access to workplace training. (Betcherman et al., 1996)
- Wage differentials have widened dramatically, mainly on the basis of skill, but also occupation and type of employer.
- New technologies and global market pressures lead to rapid organizational change which often displaces workers.
- Technologies flatten hierarchies and also displace workers from jobs that are less skilled.
- And technologies tend to intensify workloads – with longer hours and expectations of faster turnaround, which show up as stresses on health and on work-life balance.<sup>6</sup> (Duxbury and Higgins)

### Work and economic security

- As employers strive to make payroll costs more flexible and to meet the demands of 7/24 living, many more jobs are filled on a short-term, shift, casual, or contract basis. Thus work has become episodic, and jobs have become more precarious. This can make it difficult for workers to put enough jobs together to make full-time employment. One in seven adult Ontario workers earns \$10 an hour or less. (Maxwell). A full-time worker who works a full year at this wage would earn \$21,000.
- Work is highly segmented by skill level. The typical low-wage jobs available to young people do not serve as entry-level positions because there are few bridges to higher pay and more responsibility. These low-wage jobs offer no benefits, no training, and do not pay enough to support a family.<sup>7</sup> Over the past 25 years, the

number of men in low-paid work has increased, as has the duration of their time in this kind of work. (Morissette and Bérubé)

- Self-employment has grown rapidly as displaced workers make their own jobs and as professionals opt for the flexibility of being their own boss, and avoid the inflexibility of working for others. By definition, they take responsibility for financing their own pensions and benefits.
- Only 54 percent of the employed workforce in 1999 was engaged in full time employment that had lasted more than six months. (Lowe et al., p. 5)

The net effect of all of these changes is *the individualization of risk*. Risks that used to be carried by the employer are now shifted to the employee, the contract worker, and the self-employed. Some workers adapt to these new work arrangements easily, others cannot. Again, the people who are vulnerable are those with limited skill, those who are alone, those who have immigrated to Canada, people of colour, of disability, and of Aboriginal origin.

### **New Risks in the Community and City**

In the post war era, policies did not pay a lot of attention to place. Economic and social policies were conceived in a national context. The focus was on nation-building in a world context, and on forging a national identity to which Canadians of all origins could attach. Later, as the nation became more prosperous, and provinces became a greater political force, there was a focus on regional disparities and promoting regional economic development. However, cities and communities were regarded mainly as dots on the map within this national/regional context. (Jenson, 2001) During this period, much of Ontario's wealth came from the resource base in forests, agriculture and mining, so that a high proportion of the population could live and work in rural settings. Now these industries continue to produce wealth but they employ far fewer people, pushing many to move to the cities.

Cities are now recognized as the incubators for innovation and human development. They also provide the opportunity to build the professional and personal networks which are essential to innovation and personal success. Meric Gertler has analyzed cities according to the flows of people, the flows of capital and the flows of ideas. (2001)

Flows of people bring new dynamism and creativity to cities because of their diversity. But cultural and linguistic diversity also places new demands on communities to accept differences, and to provide the services and opportunities for new arrivals, whether they come from abroad or from other parts of Canada. In addition, Richard Florida's research shows that the quality of environment, recreation, and even the acceptance of diversity play a role in the ability of a city to attract inflows of knowledge workers. (2001)

Flows of capital move in response to global market incentives. So cities and countries must present taxation and cost structures which investors find attractive, or risk the departure of existing capital, and/or failure to attract new investment. But cities and communities in Canada rely primarily on property taxes to fund public spending. This is

a regressive tax, which grows slowly, making it difficult for cities to invest in the public infrastructure necessary to serve the public and provide the foundation for social and economic sustainability. In addition, senior government investment in city infrastructure stalled during the years of fiscal restraint, and even now continues to be announced in sporadic bursts of activity.

Flows of ideas occur through the informal social networks among people, firms, and research institutions. These flows of ideas are essential to innovation, and to the success of cities in attracting and incubating new industries. This in turn attracts the workers in search of new opportunity. Informal social networks are also essential for personal and community life. Most people find their jobs through informal networks, and they choose schools and even neighbourhoods based on the advice of friends and family. Personal networks are an essential source of pleasure, advice, and support as people work through the challenges of daily living.

Yet, for all this dynamism, cities seem to have a natural tendency to magnify the disparities in income noted above. Neighbourhoods composed of the richest of the rich can exist near neighbourhoods where the poorest of the poor congregate. (Myles et al.) The urban population in Canada grew by 7 percent in the 1990s, but urban poverty grew by 34 percent. Poverty is highly concentrated in cities, and draws people into disadvantaged settings where they face multiple disadvantages – poor housing, weak social networks, higher risks of violence and crime, weaker schools and public services.

This highlights the essential ingredient of neighbourhood and community. Families and individuals rely heavily on the assets in their communities – schools, day care and elder care, parks, safe streets, public transit, etc. – and the informal networks they establish with peers and neighbours. (Willms)

Well-functioning cities are designed to pool risks (community policing, affordable housing, community health clinics), share overheads (such as schools, day and elder care, and parks), take advantage of economies of scale (public transit, efficient highways and airports, etc.), and create public spaces where people of diverse backgrounds can meet. When cities do not perform these functions well, they place an extra burden on their citizens, and on the cost of doing business.

Smaller communities and rural areas cannot perform all these functions, and face the extra challenges of depleting resources (such as mines and forests), the shift to corporate agriculture, outmigration of young people and daily migration of commuters to work in nearby cities.

**In summary**, major new social patterns have emerged in the past 25 years. And the overall outcome is that family needs and resources and trajectories over the life course are incredibly diverse and unpredictable.

- 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.
- Restrictions on public spending have shifted more of the responsibility for providing or financing health and social services onto family members.<sup>8</sup>
- 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)

Public policy in 2002 imposes conflicting logics. First, everyone should work, but, second, 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 more frail, this tension between work and caregiving could become intolerable for many Canadians.

There is also evidence of path dependency over the life course. 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.

Finally, there are risks that young people will not find the opportunities needed to get a career started and that adults will be displaced from their jobs. They can get trapped in a low-pay equilibrium from which exit is difficult. (Maxwell)

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.

Overall, this update on the new social structures in 2002 shows that both families and individuals confront a wide array of social and economic risks now that markets have a more important role and governments have retrenched. The nature of these risks changes over the life course – older people face different challenges from youth, who are often more adaptable. But it is critical to note that the 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.

### 3. How Policy Structures Have Adapted

As recently as 1988, the Social Assistance Review Committee summarized the objective of social policy in Ontario as follows:

*“All people in Ontario are entitled to an equal assurance of life opportunities in a society that is based on fairness, shared responsibility, and personal dignity for all. The objective for social assistance therefore must be to ensure that individuals are able to make the transition from dependence to autonomy, and from exclusion on the margins of society to integration within the mainstream of community life.”*

This vision for social policy was never implemented due to the ensuing recession and collapse of government revenues, and in the political perspective of the party in power. Fiscal constraints began to trump social visions in Ontario, as they did in other jurisdictions in Canada. This has led to the fundamental changes in social program design over recent years, described below.

Canada’s conception of the social role of the state was completely revamped during the Second World War, as federal and provincial officials began planning post-war policies. The seminal ideas, which helped to build consensus in favour of a more active role for the state, included the following:

- The general acceptance of the Keynesian view of fiscal policy which saw public spending as a stabilizing force against the vicissitudes of the business cycle.
- The strong desire to avoid another Depression, and recognition that the average wage in the 1930s did not support a family.
- The Beveridge report in the United Kingdom and the Marsh Report in Canada provided the blueprint for the welfare state.
- The Rowell-Sirois Report recommended changes to federal-provincial financial arrangements.

While the broad outlines of the social role of the state emerged in government documents and at federal-provincial conferences in 1943 and 1944, it was a long-term plan, which evolved step by step over the next 25 years. Two core pieces – the Canada and Quebec Pension Plans and Medicare were implemented towards the end of the 1960s. The safety net they constructed was not a full-fledged welfare state like the one in Europe, though it was more generous than the one adopted in the United States.

There were two core principles underpinning the programs introduced from 1940 onwards. Both have shifted in recent times.

- The first was universality. The most prominent examples of universality were family allowances, Old Age Security, and Medicare. Family allowances have become a targeted tax credit, and the OAS is now taxed. Thus, the last vestige of universality is the universal insurance coverage for basic medical services under Medicare, but even that notion is somewhat eroded since two fast-growing elements of the health care budget – home care and drugs – are not part of the universal cover.

- The second was that citizens gained access to social protection programs either through work or through the absence of work. For example, working people gained access to unemployment insurance and the Canada Pension Plan by paying payroll taxes. In contrast, people who did not work and needed help would have access to last resort programs called social assistance, or if they were over 65 they would receive Old Age Security (OAS) and the Guaranteed Income Supplement (GIS). The notion of a guaranteed income was often debated but only implemented for people who were beyond working age. As we shall see below, family status has now joined work as a criterion for access to programs.

Today, the most contentious issues in social policy concern who has the right to a benefit or service and who does not. Governments shape these rights through targeting and eligibility rules.

### **Targeting**

Beginning in 1978, family allowances were altered to concentrate the monthly payments in the hands of poorer Canadian families. (It was common at the time to scoff at the notion of sending a monthly cheque to the wife of a bank president.) A number of alterations were made over the next 20 years. In 1998, the family allowance mutated into the Canada Child Tax Benefit which is a refundable tax credit paid to about 80 percent of Canadian families, with two-thirds of the benefits concentrated on families earning less than \$25,000. The cut off level in 2000-01, where no benefits are paid, was for families earning \$77,000.

The federal government also presented proposals for a Seniors Benefit in the mid-1990s. This would have replaced the OAS with a targeted benefit based on family income. The program was never legislated, due to strong opposition. Targeting is also the norm for the majority of provincial social supports and services.

The negative side of targeting is the way that boundaries – either income or symptoms of need – are set. If the basis for targeting is income, the problem is the marginal effective tax rates created as benefits from various programs are taxed back in response to higher incomes. For example, a low-income family receiving the Canada Child Tax Benefit and its low-income supplement, may also be receiving benefits in the form of social housing and child care subsidies tied to income. A \$100 increase in income can trigger \$20 in income tax, a \$20 decline in the child benefit, a \$25 increase in rent, and a \$20 increase in child care costs. The net effect is a marginal effective tax rate of about 85 percent. Elderly people who depend on meals on wheels, social housing, OAS and GIS, experience similar marginal effective tax rates. (Shillington)

If the targeting is based on categories or symptoms, then difficult issues of inclusion and exclusion occur. For example, Ontario has established a comprehensive system of program supports for autistic children. While these supports are vital for these particular children, those with other mental health challenges are unlikely to receive the same treatment.

## **Eligibility**

Many core programs are still accessed through employment status. Employment Insurance coverage is still based on payroll taxes, and workers must build up eligibility through a minimum number of hours of work.

Some social assistance recipients are now compelled to work or to be involved in training in order to access benefits. Even lone parent women are expected to work when their children are relatively young – six months in Alberta and school-age in Ontario. Until 1996, the mother was eligible for support until the child reached 16. (Beauvais and Jenson)

Another example is the eligibility for training and training allowances. For some time, Unemployment Insurance has included benefits to help the unemployed acquire new skills. When the act was revised in 1996 and the program was re-named Employment Insurance, the expectation was that access to these benefits would be extended to employed people, eligible for EI, who needed training to upgrade their skills – presumably to increase earnings and prevent unemployment. However, the EI Act has never lived up to its new name, and EI training and related benefits are limited to eligible unemployed workers. Few federal or provincial training programs are targeted to people who have no eligibility for EI. (Lazar)

Similarly, parental leave benefits are available to women and men who are responsible for the care of newborn and adopted children. But because parental leave is an EI benefit, the only women and men who can access the benefits are those who have qualified for EI by working the minimum number of hours. When children are born close together, many women are unable to qualify for the second leave. (Self-employed parents have no income protection at all.)

But important changes have taken place in other program areas. For example, the strict compartmentalization of work and non-work has begun to blur, and some eligibility rules have shifted the focus to family need. In the 1990s, more programming became focussed on families with children. Most provincial social assistance structures were made more flexible, for example, providing extended health benefits for the family of a lone mother leaving welfare to work. In contrast, Ontario provides drug coverage for people with high drug costs, but does not offer extended health benefits for children (for dental, vision, and other services). (Beauvais and Jenson, Table 7) However, the Canada Child Tax Benefit is targeted based on the number and the age of the children in the family, as well as the level of family income. It does not depend on whether or not the parent(s) is/are working.

## **Benefit Levels**

The goal of social assistance and unemployment insurance through the post-war period was to replace earnings in times of unemployment and need. UI payments were tied to

the average industrial wage, and typically were designed to replace about 60 percent of earnings up to a maximum. They now replace 55 percent of earnings. Social assistance benefits were typically designed to offer a benefit level just below the minimum wage. However, real minimum wages have declined by 13 percent in Ontario since 1975.

As real earnings from low-paid work declined in the 1980s, efforts were made to raise social assistance benefits for lone parent families to more closely match the cost of living for a family. When it became evident in the 1990s that benefits surpassed what that woman could earn from work, there were outraged articles in the media. Thus tensions arose between providing for families with children and creating appropriate incentives to work. Ontario's social assistance benefits were reduced sharply in 1995 from highest in Canada to about the national average. Three years later, the Canada Child Tax Benefit and its supplement were introduced to help overcome the poverty for families, but, as part of the federal-provincial agreement, Ontario and six other provinces reduced welfare benefits to match the value of the tax credit.<sup>9</sup> This design makes it easier for people to survive in low-paid work when they leave welfare, but it does nothing to improve their lives while they still depend on assistance.

In addition, social assistance benefits are set on a province-wide basis, on the presumption that the cost of living does not vary between rural and urban settings. However, as housing costs have soared in urban areas, a severe distortion has emerged. Social assistance for a single parent with one child in rural Ontario in 2001 covered 67 percent of the estimated income requirement (low-income cut off) but only 46 percent in the largest cities. (Jenson, 2003)

**In summary**, the search for efficiency in social programming has led to the creation of new instruments (refundable tax credits)<sup>10</sup>, new rules for access (family structure and size), and new forms of targeting. Canada and Ontario have come a long way from the post-war era when universal programming was a guiding principle, and when work status or age were the primary methods of determining access. Nevertheless, the search for efficiency 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).<sup>11</sup> Not surprisingly, there are gaps in programming which leave 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.

In short, the drive for efficiency has focused mainly on rewriting the eligibility rules, rather 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 imposed new costs on 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.<sup>12</sup> That is the task for coming years.

Of all the programs mentioned in this section, only the National Child Benefit and its Canada Child Tax Benefit could be considered to be a change in paradigm. It reflects two important new ideas:

- The CCTB recognizes the needs of low-income families whether they are on welfare or among the working poor (although the claw back for social assistance recipients in seven provinces does not conform to this principle).
- The CCTB also recognizes the interdependence between income support and social services. For example, a family with income support but no access to housing or child care is still in serious trouble. Thus the federal tax benefit is combined with an expansion of provincial social services to try to create a more holistic package of services for low-income families with children. While this second idea is now widely accepted, it has not yet been implemented in a comprehensive way in most provinces. (Quebec has taken it further through its comprehensive network of child care places and early childhood centres for pre-school children.) Margaret N. McCain and Charles Coffey have stated the problems in Ontario in their report: *Commission on Early Learning and Child Care for the City of Toronto: Final Report, May 2002*.

The next section looks at three stages of the life course where new ideas or new “policy paradigms” will be needed in the next ten years, if Ontario is to ensure the well-being of children, adults in low-paid work, and the elderly.

#### 4. Shifting the Policy Paradigms

When the old ways of thinking no longer explain the way society works, the search begins for new mental maps that more accurately reflect the social and economic landscape. Shifting the paradigm means changing perspective to take account of new social knowledge about the patterns of living of citizens. There are two steps to this process. First, it means assessing the needs of citizens in the light of the four essential ingredients for healthy human development – adequate income, close personal networks, supportive communities, and effective public services. Second, it means reviewing the responsibility mix to determine what the roles of state, community, family and market should be to respond to citizens’ needs.

**Figure 4**  
**How Responsibilities for Human Development are Shared**

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

\* Workplace

Going back to the four enabling conditions for healthy human development described in the Introduction, one can see that, in every case, the responsibility 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 valuable personal networks. 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.

This section will explore new ways of thinking about the responsibility mix with respect to families with children, low-paid workers, and then the care and support of the elderly.

#### **Families With Children**

Caroline Beauvais and Jane Jenson have described the two policy paradigms which represent current ways of thinking about the needs of families with young children.

In one paradigm, *“parents are responsible, and the role of public policy is to facilitate adults’ decisions about labour force participation and child rearing, by supporting a*

*range of options. Parents must use substantial amounts of their own resources to pursue their preferred options, however.” (p. 34)*

*“The second paradigm [is] one that co-exists alongside the first. . . . It pays more attention to positive outcomes for children. All parents are assumed to be responsible for themselves and for earning their living by their own labour. Gone is the option of full-time parenting except for those who can afford it. But the paradigm also envisions a partnership with parents, making the community responsible for investing in children, alongside parents.” (p. 36)*

Both have their weaknesses (see Table 1 at the end of the paper). Beauvais and Jenson argue that neither is complete, in and of itself. They explain, for example, that the first paradigm does not function well because:

- Most families need two incomes. They therefore need access to non-parental child care, yet the high cost and limited supply of developmentally-focussed child care in Ontario puts good quality care out of reach for many parents.
- Many jobs do not provide sufficient income to support a family (see below). Thus the number of poor children living in working families has risen dramatically since 1989. (McCarthy, 2000). Child care is especially important for these families to reduce the risks associated with socio-economic disadvantage.

The second paradigm addresses the two weaknesses in the first by paying more attention to the outcomes for children, and making investments in services and supports such as child care. Weaknesses in this paradigm are:

- The danger of blaming the parents and assuming the state knows what is best for children. This can be overcome by designing programs that empower parents rather than imposing specific parenting courses or styles.
- The paradigm discriminates against families who choose to provide full-time parental care by having one parent stay at home. The failure to recognize the caregiving contribution of the stay-at-home spouse is a serious concern – which will surface again below in the discussion of elder care. Other countries have dealt with this weakness by providing cash transfers which the family can use to pay a caregiver or to cover their own cost of providing the care. (O’Hara)
- The success of this paradigm depends crucially on sustained investment in programs providing both financial and community service supports which meet the needs of families. Families can be stranded if the service structures are not adequate. This appears to be the case in Ontario (Coffey and McCain)

The challenge for public policy then is to combine these two approaches into a package that strengthens the capacity of families to meet their work and family responsibilities.

## **Adults in Low-paid Work**

One in seven adult Ontario workers earns \$10 an hour or less. Working full-time, full-year, they can earn \$21,000 a year. The Statistics Canada Low Income Cut-offs for a large city in Ontario is \$23,000 for a family of two and \$28,000 for a family of three. (Minimum wage in Ontario in 2001 was \$6.85 an hour.)

More than one third of these workers have post secondary education, and another third have completed high school. One third are the only earners in their family. Half are aged 20 to 34 and the other half are over 35. Almost two-thirds are women. There is therefore no correlation between low-wage work and education, skill, or family responsibilities.

There are at least five examples of programs in Canada and the United States which have been designed to “make work pay” by supplementing earnings. They include the Canada Child Tax Benefit, and the Earned Income Tax Credit in the United States, and three experiments: the Self-Sufficiency Project wage supplements in New Brunswick and British Columbia, the Individual Development Accounts in 14 sites in the United States and the Living Wage legislation in a number of United States’ cities. There is a strong consistency in the results of the evaluation studies done to date. They all show that workers respond to the higher financial rewards by working more. They also show that, whether or not there are constraints on how the money can be spent, families devote the extra funds to investments in learning, education, housing, and car repairs – all big ticket items with direct payoffs in terms of family well-being and future employability.

While it is a small study, the outcome of the evaluation of the living wage legislation in Baltimore produced tantalizing results. When firms bidding on municipal requirements were compelled to pay a living wage, they had to raise wages by 35 percent from \$4.94 to \$6.66 an hour. But the net cost to the city and to the employer was zero because of a reduction in workforce turnover and an increase in work intensity. The higher wage bill was financed through efficiency gains! While these results still should be validated with a bigger study, they raise the prospect of a world where productivity gains induced by stronger work commitment will pay the bill for a wage structure which reduces poverty and raises personal well-being. This is clearly a win-win strategy for employer and employee.<sup>13</sup>

The evaluations of the tax credits and wage supplements are more robust than the Baltimore study because they cover large populations, and, in the case of the Self-Sufficiency Project, a rigorous research design. Taken together they present strong evidence that a new compensation paradigm deserves serious consideration. The old paradigm was cost minimization, with employers encouraged to make payrolls as low and as flexible as possible. The new paradigm would build on the evidence that higher wages encourage a) a greater attachment to work and b) opportunities for productivity growth.

In situations where employers cannot or will not pay a higher wage, the problem becomes a societal issue – leaving it to governments to design programs that make work pay. The Earned Income Tax Credit is a hidden subsidy to American employers paying low wages. (The total cost of the credit is now about \$30 billion a year, and the tax credit reaches 18 million families.) Bluestone and Ghilarducci argue that the EITC costs the American taxpayer too much because the minimum wage in the U.S. (which was \$5.15 an hour in 1995, when they did their study) was too low. If employers were paying a living wage, there would be less pressure on public sector finances and more incentive to seek productivity gains.

### **Ageing Canadians**

The typical Ontario couple in their 60s is financially independent, in good health, owns their own home, has the ability to work part-time, to volunteer and play an active role in the community, and is actively engaged with children and grand-children. Most can look forward to 15 to 20 years of healthy and active living. Indeed, most of them will swear that old age does not begin before 75.

Thus, the boomers should not be seen as a threat or a crisis. They still have much to contribute to society, and many will leave a financial legacy to their family and their community. They will likely use the health care system more proactively than previous generations, demanding medical supports to keep them active and healthy. But a significant number are not looking for heroics at the end of life, they are more concerned about dying with dignity, when that day comes.

Many middle and high-income Ontario residents have already begun to configure a new paradigm of life for their old age through the investments they are making in their own health, in their lifestyle, and in their housing choices. Many are choosing to live in retirement communities with gradations of social supports which kick in when and if their health deteriorates. Those who can afford it are also buying personal care insurance to provide privately paid care in the event of poor health. For people with low and modest incomes, however, there are fewer options.

All human beings face the inevitability of death. The question is whether death will be premature, brought on by lack of personal care and support, or whether the person will be supported through gradual loss of independence, with her dignity intact. While no one can fully control this outcome, income is a key determinant of how much influence the individual can have on the pathway to death. And the strongest predictor of poverty in old age is the life the person has lived: education, forming a lasting relationship, and earning a steady living wage. The fact is that the people who are most at risk of isolation, and premature loss of independence are the people who have been poor all their lives or those whose connections to family were seriously ruptured by divorce or death in their middle and later years.

Only 7 percent of Canada's elderly are poor, thanks to the comprehensive set of public and private retirement income systems put in place in the 1960s. Couples are much better

off than lone individuals – both financially and socially – meaning they are in a better position to extend their independence. Both are eligible for Old Age Security and the Guaranteed Income Supplement, and they share the costs of shelter and support services. Even more important, perhaps is the mutual support they give each other, as spouses provide a high proportion of caregiving for the elderly.

In contrast, the poverty rate for unattached people over 65 is 45 percent. The people in this category are primarily women, immigrants, and Aboriginal people. Women are especially vulnerable to poverty in old age for several reasons: Many work for low pay and no benefits, and therefore do not build up the assets they need for old age. Others interrupt their careers to care for others. And still others who have not worked experience divorce in their middle years when it is too late to start a career.<sup>14</sup>

There are two paradigms used to describe the policy frameworks for aging populations – the medical model and the social model. They are summarized in Table 2 at the end of the paper. The medical model is driven off medical need. Individuals or couples (with support from their families) are assumed to be responsible for their own well-being up to the point where there is a medical emergency, or when the family caregiver becomes exhausted. Then the resources of the health care system kick in.

The weakness of this model is that couples and unattached individuals do make extraordinary efforts to retain their independence, and to stay in their own homes. Far too often, the shift from independence to dependence is precipitated by a flu, a fall, or an illness which places the elder in a hospital for a period of time. This then leaves her so vulnerable that she cannot return to the independence of her own home. From there, her only option may be a one-way trip into the long-term care system and permanent institutionalization.

The other paradigm for elder care is the social model. It is driven off the principle that the loss of independence can be a gradual process, when good social supports exist. This means that supportive community and social networks can help the individual or the family to organize a gradual increase in support, by providing a combination of care management, social interaction, supportive housing, and personal care, as needed.

These supports do require social investments to buttress the informal contributions from family members. Although the mix of informal (i.e. unpaid) and formal care will shift over time as the elder's needs increase, the elder and the caregiver, working together, will be able to sustain independence for much longer.

The social model is in active use in a number of European countries but is still a rarity here in Canada. (Jenson and Jacobzone) Supportive housing for example, can be partly funded through income-adjusted rents. For people in their own homes, governments can provide “care allowances” which enable elders to finance the support services they need. Other highly valued supports for independence can include pension credits for women who have given up their jobs to provide care, flexible work arrangements, respite care, and counselling and training to prepare the caregiver for the tasks at hand.

Again, it is significant that neither the medical nor the social model meets the needs of the elderly on its own. They are highly complementary. Almost everyone will need good medical care at some stage, but the social model has the potential to reduce long-term dependency on the medical system, and to maintain the quality of life of the elder population for longer periods, without exhausting or impoverishing other family members.

As medical needs rise, home care and community-based services become valuable supports for the elder and her family. These services do create new costs for society but they are less costly than institutional and acute medical care. In addition, families and community organizations are strong contributors to the effectiveness of these services.

### **What the New Paradigms Tell Us**

There are six themes that emerge from this examination of the three emerging social policy paradigms.

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. They respond to the *growing interdependence between income and public or community services* across the life course. Even families who can afford to pay, 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 and 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 caregivers 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.

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 should then 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 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.

## 5. The Social Role of the State

There is no single model for the social role of the state. Each society must construct its own model based on prevailing values, fiscal capacity and the social needs of citizens. Similarly, there are no rules to determine how much a state should spend on social protection. In the OECD context, Canada is not a generous provider of social protection. However, given the extent of North American integration, Canadians tend to benchmark themselves against the United States. And here the comparisons are plagued by the fact that Canada delivers about 81 percent of social protection through the public sector, while the United States public sector provides only 64 percent of protection. The remainder is provided through employer and family expenditures for health, education, pensions, and so on.

The OECD commissioned a study which creates a more even-handed comparison, by estimating the mandatory social protection funded by the private sector, including particularly mandatory employer and worker contributions to pensions, health insurance, and unemployment insurance. When the contributions of the public and private sectors are combined, and tax financing of benefits received by households is excluded, the United States turns out to be the higher spender. *Public and private expenditure on social protection, net of taxes, in 1997 amounted to 21.8 percent of GDP in Canada and 23.4 percent in the U.S.* (Adema, Table A2.1)

To put these spending commitments into context, the United States is spending more and getting less. It is devoting a larger share of a much richer economy to social objectives, but it is achieving poorer outcomes on many key variables. On health insurance, for example, infant mortality is lower and life expectancy is higher in Canada. On education, Canada is spending less of GDP while student achievement far exceeds the performance in the United States. Canada also provides post-secondary education for a higher proportion of the population. On retirement income, Canada is spending less and yet poverty rates for the elderly are lower than in the United States. And overall, the after-tax income gap between rich and poor is narrower in Canada than in the United States.

Statistics like this are, of course, strongly influenced by the investments made over the past 50 years. Can Ontario build on past success in order to sustain and enhance the well-being of citizens over the next several decades? To do so, it must find 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. The 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.

## 6. Conclusion

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. The new linking logics to guide public policy must be built on the evolving values and principles of the people of Ontario. 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. Not enough consideration was given to the negative spill over 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 the state in 21st century Ontario?

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**Table 1**  
**Policies for Families with Children: Two Paradigms**  
 (based on Beauvais and Jenson, p.37)

Dimension	The Family Responsibility Paradigm		Investing in People Paradigm	
	Strengths	Weaknesses	Strengths	Weaknesses
<b>Responsibility for children's well-being</b>	Recognizes that parents are responsible for their children's well-being.	Parents pay high costs. Insufficient services. Most pay high market prices.	Responsibility is shared with community and state. Parents can count on help.	A risk of disempowering some parents.
<b>Access to non-parental child care</b>	Recognizes the need to provide subsidies and tax deductions to help parents cover some of the costs incurred by working.	Insufficient places are available in high quality child care. Parents are not really able to choose because of high prices.	More emphasis on developmentally appropriate and high quality programs for all children.	Insufficient spaces, often targeted to "at-risk" children. Governments may ignore developmental child care.
<b>Responsibility for elders' well-being</b>	Families are responsible for their elders' well-being unless there is medical need.	Families must often pay high financial and personal costs for care and support. Lone elders are often left in isolation until medical need.	Responsibility is shared with the community and the state. Families can count on help and support in caring for elders.	Insufficient community resources and lack of integration of care across the spectrum of need.
<b>Position on labour force participation</b>	Full-time parental child care and non-parental child care are both supported by tax deductions and other public policies.	Families absorb almost all the costs of full-time parental child care. Those choosing non-parental child care face high costs as well.	Some support for helping low-income families with little education and few employment skills earn market income.	Only well-off families who can afford to assume all the costs of not working may choose parental child care. Low-income families and lone parents have very few options.
<b>Life long learning</b>	Recognizes families' capacity to save for and finance learning.	Assumes employers will pay for time off and fees for adults. Limited recognition of extra needs of low and modest income families.	More emphasis on active labour market programs for employed adults and disadvantaged youth. Grants can supplement loans and scholarships.	Weak accountability for trainers and trainees. Need for long-term focus on building employability skills. Risk of poor choices by trainees.

**Table 2**  
**Policies for the Elderly: Two Paradigms**

Dimension	Medical Model		Social Model	
	Strengths	Weaknesses	Strengths	Weaknesses
<b>Responsibility for income</b>	Mixed public-private retirement income systems, based on personal pension saving and supplemented by GIS, based on need.	Elders remain vulnerable to low income and isolation. High user fees for community services can absorb all discretionary income.	Mixed public-private retirement income system, based on personal pension saving and supplemented by GIS, based on need, plus social supports with limited user fees.	Public income supports do not provide adequate support for people with no personal resources.
<b>Responsibility for social well-being</b>	Personal and family responsibility. Couples provide main supports for each other.	When family ties weaken, and/or spouse dies, high risk of social isolation.	Emphasis on personal independence, but supportive housing is available at reasonable cost, offering good food and companionship.	Insufficient community resources. Rural elderly may be hard to reach.
<b>Access to care</b>	Based on medical need, with emphasis on family members managing and supplementing state and community supports.	Difficulty regaining independence after a period of illness, due to lack of support in the home and community.	Based on medical and social need, with emphasis on fostering social networks and creating hope for future. Caregiving supports help the elder and the family to balance the costs.	Some elders will resist leaving their homes and engaging strangers to support them in their homes.
<b>Participation in community and healthy living</b>	Personal responsibility for participation via sports, travel, volunteering, social networks.	Barriers to activity as age increases – transportation, weather.	Community programs foster continuing engagement and contact to prevent isolation and maintain health.	Insufficient community resources. Rural elderly may be hard to reach.

## Notes

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<sup>1</sup> Canadians identify the following priorities for their quality of life: political rights, health care, education, environment, social supports, community, personal well-being, economy and employment, good government. Canadian Policy Research Networks (2002).

<sup>2</sup> Some examples of major shifts in the responsibility mix that have occurred over the past half century include: The 1940s, when the federal government took a leadership role in stabilizing the economy and building a welfare state; the 1960s, when federal and provincial governments together built a comprehensive retirement income system relying upon a mix of public and private resources; and the 1990s when provincial and federal governments shifted responsibility for social housing to the market.

<sup>3</sup> Keith Banting in his Gow Lecture, April 25, 2003 argued that government spending is the main force that reduces income inequality, not the tax system. (“What’s a Country For? Social Canada in a Global Era” Forthcoming, School of Policy Studies, Queen’s University)

<sup>4</sup> Health insurance is a good example. Governments in the late 1960s decided to offer public coverage for all Canadians for medical and hospital care, but not for drugs and home care. Now they are struggling to broaden coverage to drugs and home care in order to reduce the cost pressures on hospitals and acute care systems.

<sup>5</sup> Going back in time, women who were welcomed into the armed services and civilian work during the Second World War, were sent back to the kitchen when the men returned from overseas. Some women were happy to make the change, but others were profoundly disappointed.

<sup>6</sup> Duxbury and Higgins report that 52 percent of Canadians were doing supplemental work at home in 2001, up from 31 percent in 1991. High overload was reported by 59 percent, compared to 49 percent in 1991. (Figures 4 and 1)

<sup>7</sup> One in four Canadian workers has no coverage for medical benefits from their own employer or through their spouse's employer (Lowe and Schellenberg, p. 16).

<sup>8</sup> 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).

<sup>9</sup> The understanding was that Ontario and the other provinces would use the savings in social assistance to finance new social services to support healthy child development, such as child care services.

<sup>10</sup> Most post-war social benefits were paid out in the form of monthly cheques. But with the advent of technology, governments have shifted to more efficient methods of payment using the tax system to calculate eligibility and refundable tax credits to target the benefits to people who pay little or no tax. These payments are usually made annually. However, some tax credits – those for child care expenses, for example – are not refundable. This means that the taxpayer benefits only if she has sufficient tax liability.

<sup>11</sup> Federal and provincial governments financed social housing for many decades. They withdrew in the early 1990s, on the thesis that private developers should be building and operating housing for low and modest income families. However, 10 years later, it is clear that markets do not attract this kind of private investment, that there is a drastic shortage of modestly priced housing for families and single individuals in both small and large cities across Ontario and in other provinces. (Cooper, 2001)

<sup>12</sup> The policy changes may be seen as “efficient” in the narrow sense of reducing expenditure, but they would not be seen as efficient in supporting workers and their families to adapt to the vicissitudes of market forces at a turbulent time in our economic history.

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<sup>13</sup> Henry Ford used this logic when he invented the assembly line. He paid workers \$5 a day at a time when standard wages for industrial labour were closer to \$2 a day. As Joseph Heath says, Ford tapped into the old norm of reciprocity. Workers responded by working hard and making sure they did a good job. (Heath, p. 152) Canadian employers have begun to discover this same payback in industries as diverse as steam cleaning and retail sales.

<sup>14</sup> Less than 20 percent of elderly women are covered by pensions, and 15 percent fall short of qualifying for the Canada Pension Plan. (MacDonald) These ratios will rise in the future given the higher wages now earned by many women, but women still account for two-thirds of low paid workers in Canada.

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