

Catching Up to Reality: Building the Case for a New Social Model

by

Jane Jenson

Executive Summary

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Social architecture is the term used to describe the welfare mix as well as the governance arrangements used to design and implement that mix. In other words, it comprises the roles, responsibilities and relationships among a variety of sources of well-being.

We can identify four sources of well-being, linked in the form of a *welfare diamond*. For the majority of people, by far their major source of welfare is *market* income, earned themselves or by someone in their family, such as a spouse or a parent. But we also gain part of our welfare from the non-marketized benefits and services provided within the *family*, such as parental child care, housework and care for elderly relatives. Access to welfare also comes from *states*, via public services such as child care, health care or other services for which we are not required to pay full market prices, as well as by income transfers. The fourth source is the *community*, whose volunteers and non-market exchanges generate welfare by providing a range of services and supports, such as child care, food banks, recreation and leisure.

Choices about the welfare mix and governance arrangements are made according to a country's own traditions, values and preferences, and within its political institutions. Of course, constraints come from the specific economic and social challenges it faces, as well as its financial situation.

The premise of this research report, as well as the research program of which it is part, is that Canada, like many other countries, faces a moment of fundamental choice. The social knowledge that informed both the first three decades after 1945, and the years of neo-liberal politics that followed, is being re-evaluated. New challenges exist, arising from profound structural changes.

It is important, therefore, to have good information and social knowledge about the new patterns. This research report proceeds in three steps. In Part 2, it briefly sketches a narrative about the socio-economic patterns from the 1940s through the 1960s, paying particular attention to the social knowledge about typical homes, families, and workplaces, as well as the general principles that informed state actions. Parts 3 and 4 describe the ways in which an ageing society, new family structures, changing immigration patterns, and the circumstances of Aboriginal people living in Canada, as well as altered patterns of income and work in a knowledge-based economy and society (KBES), pose significant challenges to the welfare mix designed in the earlier period, and therefore to public policy. Part 5 raises questions for discussion about how to design a welfare mix for the 21st century.

At the end of the Second World War, in their ideas as well as their actions, decision-makers in both the private and public sectors were designing a new set of rules for the division of responsibilities among states and markets as well as among families and communities. The private sector had the responsibility to create well-being by going about its business profitably. In addition, collective agreements negotiated between unions and employers would provide further protections, such as pensions and

supplementary benefits. Families also had a major responsibility for meeting their economic needs and providing care across generations, while communities provided supplementary services. Governments constructed a social safety net for those left behind by the rising tide of post-war economic boom, as well as by macro-economic policies.

These actors developed policies and programs based on notions of *typical* homes, families and workplaces, ones that for the most part corresponded to the realities of demography, employment, and settlement in the first post-war decades. Typical homes were composed of two parents, several children and perhaps an elderly relative. Women's labour force participation rates were low, because they tended to stay home to care for their children, the house, and perhaps their elderly kin. The age structure of the population was one in which youth predominated. Immigration has always shaped Canadian society but, in 1951, only 15 percent of the population was foreign-born and, before 1961, 94 percent of immigrants came from either Europe or the United States.

Wages were sufficiently high that having a full-time job usually brought the capacity to support oneself and one's family. Real wages continued to rise through the 1970s. Those at risk of low income were, then, men temporarily without work or other categories of the population at risk of poverty or low income because they were disabled, or considered otherwise occupied by raising children.

All the assumptions and understandings embedded in this social knowledge – and the policy designs that have followed from them – have been called into question in the last 25 years.

The visions of the 1940s and the policy developments of the 1960s have bumped up against the constraints of the 1980s. Operation of globalized markets, new technologies, the knowledge-based economy and society (KBES), and other factors have forced rethinking.

Four differences in social conditions now constitute challenges to the policies designed to ensure well-being in the first three post-war decades. These are: an ageing society, new family structures, an increasingly diverse immigrant society, and intensification of challenges in Aboriginal communities.

As the *population ages*, the number of people who are over 65 increases dramatically; the percentage increase of those over 80 is even more dramatic. After World War II, providing *income security* for the elderly was a priority. Basic public old age pensions were designed to provide a real measure of economic security and autonomy to seniors, whether they had participated in the labour force or not. In the 1960s, this basic pension was supplemented by a contribution-based one (Canada/Quebec Pension Plans) and a low income supplement. People are now living, however, on their retirement income much longer than expected when the programs were designed. In 1960, for example, men's life expectancy was 68 years, which meant on average three years in retirement. Today, men live on average until 76, that is, for 11 years on their retirement income. The

sustainability of retirement income systems need to be addressed in any new social architecture. We also need to ensure a quality of life in these years. A social architecture seeking to promote an *active ageing* model will have to address labour markets (how to ensure greater flexibility, if longer employment is the goal), and housing markets (to ensure appropriate housing options), as well as the community (so dependent on the volunteer work of active seniors). *Intergenerational exchanges* of help and even money are an important pillar of well-being for many Canadians. Policy design clearly needs to revisit assumptions embedded in the welfare diamond of the post-1945 years about family care responsibilities and about the complex patterns of intergenerational exchanges.

Family structures have altered in major ways. The social knowledge of the first post-1945 decades relied extensively on the vision of the typical family as living in a home, separate from the workplace and being composed of two married adults with several children, and perhaps a senior relative, all dependent on a male breadwinner. Since then, none of these assumptions describes the current situation.

Home is no longer only the supposedly private space of unpaid work and informal care. It has again become a workplace, especially for older workers preparing to retire and young women trying to balance work and family life. Homes are also less often “family homes” than in the past; the number of one-person households has been rising steadily over the last decades. While the tradition of an elderly relative living with adult children has declined, young people are staying in the parental home much longer. They are, then, taking longer to form stable couples and have children. *Changing families* are also a policy challenge. One of the most visible social transformations in the post-war years is the rise in the number of lone-parent families created by divorce or child-bearing outside marriage. Families with only one earner have a much harder time making ends meet, and the children in them have a higher risk of suffering the consequences of growing up in low-income families.

Canada has always been a society of immigrants, now it is becoming an *increasingly diverse society*. Recent years have brought a significant shift in the sources of immigration. Immigration policy has been a driver of these changes. When new legislation was adopted in the 1960s, *source countries dramatically multiplied* in number. Asia is now by far the largest source region, providing more than 63 percent of all newcomers in 2001, and the vast majority of immigrants are, according to Canadian discourse, “visible minorities.” There is also now a *concentration of newcomers*, rather than dispersal across the country. Toronto, Vancouver and Montreal receive the overwhelming proportion of newcomers, generating numerous challenges for integration and other services. *Unsettlingly patterns* with respect to integration success also exist. Some categories of newcomers are achieving economic mobility much more slowly than previous immigration waves, while Canadian-born, as well as recently arrived immigrants who are visible minorities, report disturbing levels of discrimination.

The social knowledge that informed the post-1945 social architecture paid little attention to the situation of *Aboriginal peoples*. In part this was due to their social isolation and in part to their relatively small numbers. The consequences of that relative neglect – in the

form of numerous court challenges both about ill-treatment and about land claims – as well as an explosion of their numbers (due to better health conditions) and their presence at the heart of many cities has changed that situation. Any social knowledge for the 21st century must put the situation of Aboriginal people at its centre. *Education* levels (particularly for college level post-secondary education) among this group have increased, but remain below Canadian averages. Most troubling is the *deep and sustained poverty* in which many Aboriginal peoples, including children, live both on reserve and in urban centres.

It is perhaps in the area of market relations, and especially in the labour market, that social architecture needs to be adjusted. The premise of post-1945 policy design was that strategies for “full employment” made it possible to rely on the market to generate sufficient income, thereby allowing markets and families to distribute well-being. Policy-makers could assume that a single market income would meet family needs.

It has become evident that employment, even with two adults in the labour force, is not generating sufficient income to keep all families out of poverty. Moreover, young people, including young men, have a harder time earning enough to think of founding a family. Single-earner families, with or without children, have even greater difficulties earning enough income. These difficulties stem from patterns of rising inequality of incomes and polarization, and from an intensification of low income. They also result from labour force restructuring, which multiplies the numbers of vulnerable workers. And then there are “spillover” effects of these new pressures, as families struggle to provide care for children and other family members.

The *increase in women’s labour force participation* is one of the factors that has made re-thinking necessary. The stay-at-home mother is a vanishing breed. Women’s labour force participation rate rose from 24 percent in 1951 to 60 percent in 2001. Among mothers with a school-age child under 15, the participation rate was fully 81 percent. This major shift in behaviour and the resulting need to balance work and family responsibilities has brought a rising level of stress, and its consequences for the well-being of adults and their children. In addition, it has increased the demand for early childhood education and care (ECEC). Canada lags significantly behind other countries in its resource commitment to the provision of such services, leaving parents to face the quandary of how to provide for their children’s needs.

Earnings inequality has also increased significantly over the last decades. While the “mobilization” of more labour (that is, women and young people taking jobs) has been the strategy followed by many families, earnings inequality among families is at a significantly greater level than in 1989, as indicated by both the gap between the top and the middle and the top and the bottom of the annual market income distribution. Male median earnings have stagnated for two decades, while, from the mid-1990s, there has been an increase in the proportion of men with annual earnings of more than \$60,000.

Workers are also experiencing *increasing vulnerability*, because they have only non-standard work (low-paid, without benefits, part-time and/or temporary). Through the

1990s, *low-income intensity* in Canada increased significantly. Analysts from Statistics Canada make a convincing case that the increase in low-income intensity during the 1990s was due to governments' decisions to substantially reduce transfer payments. The highest low-income intensity rates are in Alberta and Ontario, both provinces that transformed their policies on income security in the last decade.

The final section of the research report asserts that decision-makers – in policy communities and ordinary citizens – now find themselves in the same situation as their fellow Canadians who faced the much-altered world after World War II. There is a clear understanding that change is necessary, that old practices are not solutions to new problems. There is also an appreciation that more than marginal adjustments are required. The policy communities of the 1940s proceeded with a sense of urgency, but they also acted with a sense of vision, inspired by the notion that multiple opportunities lay ahead to do things better. No less is needed now.

Table 2 summarizes the issues, organizing them with respect to the four actors in the welfare diamond. Mapping the issues this way clearly reveals that the social and employment changes described raise questions about the roles and responsibilities of all corners of the welfare diamond, and that there is, therefore, a need for a wide-ranging conversation about social architecture.