

# *The Canadian Social Model: The Logics of Policy Development*

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Executive Summary

**January 2004**

Research Report F|36 – CPRN Social Architecture Papers, is available at  
<http://www.cprn.org> or on request at (613) 567-7500.

## Executive Summary

The contemporary Canadian social architecture undoubtedly looks significantly different than it did just after 1945. However, the development of the social architecture in Canada has neither been one of epochal shifts nor one simply of incremental change. Rather, it has been marked by both significant continuity *and* substantial change with new layers of public provision – representing different logics of social provision – largely being laid down over earlier existing layers and, in some cases, existing programs being adapted to new logics of social provision.

The paper first briefly sketches differing conceptions of patterns of historical change in political institutions and public policies. While the concepts of path dependence and critical junctures are increasingly shaping the dominant thinking about social policy development, these concepts may understate the degree of change during periods of stasis as well as overstating the degree of change occurring during periods of disjunction. An alternative way of thinking about both continuity and change may be based on the concepts of layering and conversion. Layering involves accommodating and adapting to the logic of the pre-existing system by adding new programs rather than dismantling the old and, thus, working around those elements of the existing system that cannot be changed. Conversion occurs where existing programs are redirected to a new logic.

The paper then outlines the various logics that may underpin state provision of well-being including universal social provision, social insurance, social inclusion, and social cohesion. It also considers a cross-cutting dimension, which currently is focusing attention more on social investment than on social amelioration.

- *Universal social provision for the whole population.* The logic of these universal programs is to displace other spheres of welfare provision – typically based on the logic that there are services that don't belong in the market. The design consequences are an emphasis on universal programs such as universal health care, pensions, family allowances and education (including relatively low-cost post-secondary education and quality early childhood education).
- *Social insurance against risk.* The logic of these programs is to help encourage reliance on the labour market for well-being by ensuring against risks typically borne by workers. The most obvious examples are workers' compensation, contributory pensions, and unemployment insurance – for which benefits depend on a strong connection to the labour force. As a result, these programs do not protect against absence of connection to the labour force; rather, such a loss also entails the loss of access to these benefits.
- *Ensuring social inclusion through establishing a social minimum.* The logic of these programs is to mitigate the negative effects of social marginalization for populations deemed “at risk” – for example, by fighting poverty and supplementing low market incomes. The design consequences are an emphasis on programs targeted to low-income families and individuals, such as refundable tax credits, social assistance, and

social housing. While these programs are clearly redistributive in that they are focused on those “at risk,” they are typically aimed at encroaching on other spheres of welfare provision, such as the market or family, as little as possible.

- *Ensuring social cohesion by fostering social integration in a community.* There are a wide variety of policies that go beyond the logics outlined above in attempting to overcome various social fault lines – for example, based on immigrant versus non-immigrant status, social diversity including race, ethnicity, and gender, region, poverty and income inequality, attachment to the labour market, and so on. Policies *primarily* driven by the logic of ensuring social cohesion are those that emphasize empowering communities as well as providing income and services that are targeted by place, industry, or locality. For example, this logic underpins community development initiatives (whether in Aboriginal communities, for example, Aboriginal Head Start, among new immigrants, or in rural areas), initiatives for partnerships with the voluntary sector, and industrial adjustment programs.

Each of the logics outlined above are cross-cut by design choices that emphasize the temporal dimension – whether policies are geared to achieve the ends specified by each of the logics above by redressing failures of other spheres of welfare provision in the short-term (social amelioration) or, alternatively, by using the public provision of welfare to attempt to shift the provision of well-being in other spheres, such as the market, over the longer term. Perhaps most importantly, a social investment approach implies shifting the *age bias* of welfare programs towards an emphasis on the welfare of children, shifting market income over the long-term through promoting labour market participation, and emphasizing investment over consumption (e.g., programs may place a greater emphasis on the provision of services relative to cash benefits.)

As each of these four logics (and their temporal orientation toward either amelioration of investment) tends to prescribe certain choices in program design, the paper develops a typology that identifies the key design options attendant with each of these distinct logics. The main elements of program design are whether programs are limited to specific categories of people, whether they are targeted according to income, whether they are aimed at individual recipients or communities, whether the intent is income replacement/enhancement or some form of minimum payment, whether benefits are in cash or services, whether there are conditions for benefit receipt (active or passive programs), and whether programs have an inherent age bias.

The paper then examines broad patterns of development in both the relationship *among* the three main spheres of Canadian public provision of well-being (health, education, and income maintenance) as well as *within* each of these spheres, with an eye to identifying major shifts in the underlying logics driving policy development. In the early post-war period, the social architecture was dominated by universal income maintenance programs and the universal, service-oriented programs in health care and education built over the 1950s and 1960s reinforced this orientation. These early universal programs, which remain central to public provision today, were later complemented by two sets of programs driven by other logics: programs of social insurance for workers, including

contributory pensions and unemployment insurance, and programs embodying a logic of social inclusion such as social assistance and income targeted pensions. Both sets of programs remain central to public provision in Canada although the former has increased in relative significance. Subsequent to their initial development, programs within these three basic strands have sometimes been adapted to new logics such as the reorientation of unemployment insurance to a broader logic of social cohesion (an orientation that was later to fade) and the even more recent adaptation of a number of programs to a focus on social investment. However, these shifts have not fundamentally displaced the basic logic of existing programs or the broader cast of the social architecture.

While the overall pattern over the post-1945 period has been the growth of each of the three spheres identified above, the trend in gross expenditures has been towards a relative increase in expenditures on income maintenance programs. Income maintenance and social service expenditures grew more slowly over the late 1950s and 1960s than did spending on education and health. However, this pattern began to shift in the early 1970s. Since the early 1970s, income maintenance expenditures have come to dominate overall social security expenditures in Canada, with a large proportion being spending on pensions. Thus, the social provision of well-being over the post-war period has increasingly shifted away from an emphasis on universal, service-focused areas of social provision and moved towards the more mixed area of income maintenance.

The health care and education spheres have generally been marked by stability. The original logic underpinning health care and education still appears to be sustaining them today – the universal provision of access to some goods and services outside individuals' ability to procure such access through the market, traditional family, or community. In health care, there has been significant growth in the age bias in health care expenditures due both to the growing proportion of the population comprised by seniors but also due to the deepening of the age bias – significant increases in expenditures *per person* for those over 65 while expenditures *per person* for those under 14 have remained unchanged over the past twenty years. The combined effect of these two dynamics is that, by 2000, just under half of all public health expenditures are consumed by the 12.5 percent of the population over 65. Although total education expenditures (per capita in relevant age group) have increased at a relatively constant rate since the mid-1950s, expenditures on elementary/secondary education and university-level education have stagnated in real terms over the 1990s. Similarly, expenditures per child on Early Childhood Education and Care (ECEC) in Canada outside of Quebec have remained static over the past decade and actually decreased by eight percent from 1995 to 2001.

More significant changes have taken place within the income maintenance field. Income maintenance, as it emerged in the early post-war period, was heavily skewed towards the logic of universality. However, by 1980, the balance between universal, contributory, and targeted income maintenance programs was roughly equal and, by 2000, contributory programs comprised just under half of all expenditures – roughly the same proportion comprised by universal programs in the late 1960s and early 1970s.

In terms of income maintenance for seniors, the most spectacular pattern of expenditure growth has been in contributory pensions as the CPP/QPP matured with these expenditures now being roughly equivalent to those for universal pensions. In terms of income maintenance for the working age population, the most significant shift was the massive expansion of Unemployment Insurance (UI) in the 1970s, which appeared to mark a fundamental reorientation away from a logic of social insurance towards a logic of social cohesion. However, more recent changes in the 1990s, which served to significantly limit the scope of benefit coverage, appeared to mark a shift back toward a logic of social insurance. While changes in family and child benefits over the past twenty-five years may appear as the abandonment of universality, these shifts alternatively may be viewed as the recasting of a universal program into a quasi-universal program based on a universalist logic that has been adapted so as to impinge on labour market entry as little as possible. Similarly, the goal of recent social assistance reforms, which has been to reinforce incentives for labour market participation, can be argued to mark an adaptation, rather than a fundamental shift, in the logic underpinning social assistance. Social assistance programs were traditionally designed to replicate the norms of the traditional family and were, by the standards of the day, designed to foster social inclusion into the prevailing set of social norms (e.g., nuclear families with stay-at-home mothers). The new orientation toward labour market participation is intended to foster social inclusion into the currently prevailing set of social norms based on the participation of most mothers in the workplace.

While there has been a shift towards a logic of social investment in income maintenance, this has, to some degree, been more apparent than real and must be gauged within a context of relative stability in the existing layers of income maintenance provision, a deepening age bias in the overall income maintenance system, and a decline in the proportion of redistribution to those at the bottom of the income distribution. Over the 1990s, expenditures on active labour market programming have dropped in real terms and also as a proportion of total social expenditures. A number of programs (which the OECD would typically qualify as passive) have been made more active, such as Employment Insurance (EI) and virtually all provincial social assistance programs; however, these changes have occurred as variations on the basic structure of existing programs as opposed to a recasting of their fundamental underlying logics. Secondly, over a long period of time, there has been a deepening age bias in income maintenance. In part, this is due to demographic changes such as the increasing proportion of the population comprised by those over 65. However, it is also the result of the disproportionate growth in expenditures on seniors relative to other age categories as programs, such as contributory pensions, have matured. As a result of the combination of these two effects, by the mid-1990s, just under half of all income maintenance expenditures were comprised of programs providing benefits to seniors. Finally, in terms of redistribution, over the past twenty-five years, the distribution of government transfers has become less progressive and the amount of redistribution achieved for each dollar spent on transfers has, over time, declined. The overall share of government transfers going to the bottom half of the income distribution has fallen slightly over this period. Within this broader pattern, various quintiles have fared quite differently; however, most notably, the only income category to experience a significant decline in its share of

government transfers over this period has been the bottom fifth of the income distribution.

The paper concludes by considering the overall historical pattern of continuity and change in the Canadian social architecture. To the degree that the history of the Canadian social architecture has been the layering of new programs and alternative logics of social provision over existing ones, the paper argues that rather than thinking of social policy development in terms of relatively sharply delineated periods of stasis and change, it might be more useful to seek to identify the conditions under which specific aspects of the social architecture have, at various times, been open to change.