



Judith Maxwell

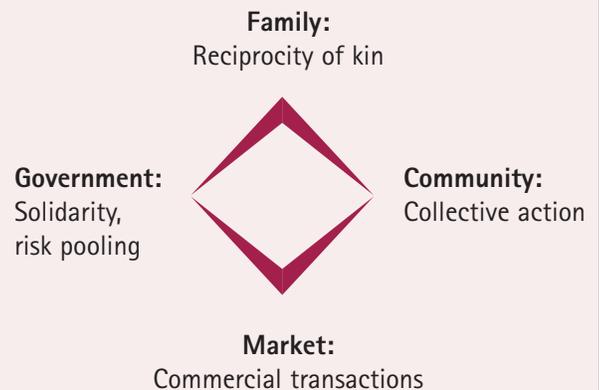
## PRESIDENT'S MESSAGE

### Efficiency: End, Means or Tool?

Have you ever seen an old barn tilted out of line by the wind and rotting rafters? This is what is happening to Canada's welfare diamond.

The welfare diamond represents the division of labour among state, market, community, and family. When the state withdraws, it puts pressure on families, communities, and market to take on additional responsibilities, and the diamond tilts one way. When the market expands, it places new demands on families, state, and communities, and it tilts another way. Each of the points on the diamond is driven by its own forces – the market by commercial transactions, the family by kinship ties, the community by voluntary ties of solidarity, and the state by solidarity and risk pooling (Jenson). Yet all four share the same social space and all have impacts on our well-being.

### The Responsibility Mix



The realignment of state and market over the past 20 years has bent the welfare diamond out of shape in several ways. And one of the reasons for the distortion is confusion over the meaning of efficiency.

In this message I want to explore what efficiency does – and could – mean.

### Efficiency – End or Means?

**Plato:** The purpose of efficiency is virtue.

**Janice Stein:** When we define efficiency as an end, divorced from its larger purpose, it becomes nothing less than a cult.

**Joseph Heath:** Efficiency is not necessarily a cold, calculating virtue, nor is it merely a mask for self-interest. Efficiency is a noble, humanistic value....

As the quote from Plato indicates, the place of efficiency in any society is not a new issue. Yet, it is getting new attention now.

Janice Stein's 2001 Massey Lecture was entitled *The Cult of Efficiency*. She argued that we have made efficiency a purpose rather than a means to an end. Decisions made with the rationale of efficiency for a government or a business may turn out to be inefficient for society as a whole. This is seen when we look at the impacts on communities and families. But sometimes, the inefficiency hits the very government or business that

made the decision in the first place. In our terms, they have not anticipated the dynamic interaction within the welfare diamond.

I want to illustrate these impacts by drawing on a range of experiences and then highlight the policy challenges we need to address in coming years.

**Efficiency measures may increase costs.** When the federal and provincial governments had to beat their deficits, they cut spending. They stopped doing things they used to do, such as enforcing regulations and financing social housing. When responsibility for building low-cost rental housing was left to private markets, the market produced very little new affordable housing because the returns were not high enough to attract private capital. When governments ran out of social housing units and sent social assistance clients into the private market to find housing, they found their welfare costs were rising as rents climbed. Now governments are called on to increase social assistance rates, support homeless shelters, and increase policing because so many people have been stranded without access to affordable housing.

### Federal Crown Corporation President

"CPRN's momentum and research outputs are maintaining a strong presence on the national, and increasingly on the international, policy research scene. Broadly speaking, the research networks on the themes of family, work and health continue to have universal appeal and relevance."

**Failures to invest in innovative programs.** Funding pressures in education systems have led to retrenchment on everything from textbooks to teacher's salaries. Richard Tremblay of the Université de Montréal and his colleagues tested an early intervention for "disruptive" kindergarten boys in low socio-economic areas of Montreal. A random sample of these boys and their families received two years of training to help the boys manage their anger and learn prosocial skills (at a cost of \$2,000 each), the others did not. A decade later, the high school drop-out rates of the boys who received the training were half (11 percent) the rates of the control group (22 percent). Their track records on substance abuse, physical aggression, vandalism and theft were also much better. But Tremblay says that primary schools in Montreal and elsewhere are not investing in this early intervention.

**Efficiency can mean doing things differently.** Earlier this year, the CPRN and the Romanow Commission on the Future of Health Care in Canada invited 500 randomly selected citizens to join a series of day-long dialogues on the future of health care. When presented with choices for the future, 8 out of 10 opted for primary care reforms that would create multi-disciplinary provider networks – doctors working on a team with nurses, pharmacists and other professionals to serve a roster of patients. Citizens were prepared to give up some freedom (that is, to sign up with one team for a year, to see the nurse for routine care, to take more responsibility for their own health), as a trade-off for improved access and higher quality care. They opted for these changes for efficiency reasons – better access and quality without increasing long-term costs.

**Raising wages can create efficiency and be a win-win situation for employers and workers.** When the City of Baltimore enacted a Living Wage requirement, employers bidding on municipal contracts had to raise the wage by 35 percent, from \$4.94 to \$6.66 per hour. But it turned out that workers' behaviour changed when they earned a higher wage. Turnover declined, so the costs of recruiting and training staff fell. And second, employers were able to get more done in an hour because people were a) more experienced, and b) more willing to work hard. These efficiency gains were large enough to offset the cost of the 35 percent increase in the hourly wage. Employers and workers were better off, and claims on government social programs were reduced.

**Families may mean different things by efficiency than markets.** My cousin Susan was a credit officer in a chartered bank with 20 years of service and a long commute to work. Last year, she downshifted. She left her job to look after her two school-age children. The family income was cut in half, and her full-time caregiver was laid off. She now does her own cooking and shops at garage sales. So the GDP has gone down (a little bit), and the bank lost an experienced officer. But Susan and her husband opted for efficiency. They are happier, the kids are doing better at school, and she is doing more volunteer work. Quality of life trumped standard of living. Market loses, family and community win.

What lessons can we learn from these examples? First, we see the total interdependence of state, market, family, and community. A decision in one domain spills over to all the others. Sometimes the spillovers are win-win propositions; often there is a winner but also a loser; and sometimes everyone loses – witness the costs of homelessness.

### Federal Agency Head

"The work of CPRN is important in sustaining public debate on current and upcoming policy challenges facing our nation. Your success in communicating the information to a broad range of stakeholders is evident."

Second, in the rush to shrink the state and expand the role of markets, some mistakes have been made. While some of the impacts are becoming obvious today, others are still hidden and will not show up for another 20 years or so, when we see the outcomes for children born in the 1990s and 2000s.

Families have coped remarkably well with the extra challenges created by less government and more market dominance. But, as one social service worker said at a recent Queen's University conference: "We now make it as difficult for people to have children as we possibly can." That is why more couples are deciding not to have children, or to have only one. At current fertility rates, children and young adults up to age 24 will account for only 26 percent of the population in 2021, down from 48 percent in 1971. No wonder that the population is ageing and that economists anticipate labour shortages ahead.

So now is the time to evaluate the results of the great shift in the roles of state and markets, and determine where we need to make some course corrections. Joseph Heath says: "As long as efficiency remains a central value in our culture, then the basic institutional blueprint for Canadian society... is unlikely to be improved upon.... Any improvement is likely to be in the details" (2001, p. 306).

These details will matter enormously to the well-being of families and their children – the Canadian citizens of the 21st century. The goal should be to align interests – state, market, family and community – to promote an efficient society that produces desirable outcomes in all sectors.

We at CPRN are here to suggest the fresh ideas that will improve the institutional blueprint for Canadian society, and bring that welfare diamond into better alignment. Old barns with new rafters can serve their owners well.

In the coming year, we hope to launch new studies on the re-design of social policies, on the best ways to adapt to an ageing workforce and an ageing population, and on improving the accountability of the health care system. And work continues on the many themes outlined in this Annual Report.

One of our key research tools will be to compare the evolving policy practices across countries and provinces, since all jurisdictions in the OECD face similar challenges.

A second important tool will be to involve Canadians in dialogue on these and other topics so that they, as taxpayers, consumers, and members of the Canadian community can think through the trade-offs and decide what an efficient society should look like. As Janice Stein has said: "What is important is inclusive... public conversation, first about values and only then about choice, first about ends and only then about means, and first about purpose and only then about instruments" (2001, p. 226).

CPRN's experience to date with these public conversations shows that Canadians are passionately practical about these issues. As taxpayers, they have a strong sense of the constraints. As workers and investors, they know the value of markets. And as citizens, they know the value of collective action. When we listen to them

struggle with the trade-offs, we see efficiency emerge as the noble, humanistic value societies have aspired to since the Greeks.

Living up to that noble value is our shared challenge as Canadians.

### References:

Brame, B., D. S. Nagin and R. E. Tremblay, 2002, "Developmental trajectories of physical aggression from school entry to late adolescence," *Journal of Child Psychology and Psychiatry* 42(4), 503-512.

Heath, Joseph, 2001, *The Efficient Society*, Penguin/Viking, Toronto.

Jenson, Jane, 2002, "Globalization, Governance and Social Policy: Is There a New Shared Architecture for Shared Citizenship?," presentation to an expert roundtable sponsored by Applied Research Branch, HRDC, May 2, [www.cprn.org](http://www.cprn.org)

Maxwell, Judith, 2002, *Smart Social Policy – "Making Work Pay,"* paper prepared for the TD Forum on Canada's Standard of Living, Conference Board of Canada.

Maxwell, Judith et al., 2002, *Report on a Citizens' Dialogue on the Future of Health Care in Canada*, Commission on the Future of Health Care in Canada, [www.healthcarecommission.ca](http://www.healthcarecommission.ca)

Stein, Janice Gross, 2001, *The Cult of Efficiency*, the 2001 Massey Lecture, Anansi, Toronto.