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## **Social Investment: Not a Matter of Either/Or**

By Eva Lazar

On January 23<sup>rd</sup> Canadians will pull on their boots, pick up their shovels and dig through record levels of mudslinging, electoral cynicism, and declining trust in government. Trudging out into the bitter cold of the federal election, some Canadians will even find some honest to goodness policy choices. For Canadians who vote, the challenge is to grasp the real choices buried beneath the political rhetoric.

Some electoral candidates, for example, tell us we have to choose between social investments, and market-based initiatives: between a universal and quality national child care strategy, and a child care allowance with increased incentives for private child care providers; between a national plan to reduce waiting times for health care, and increased incentives for health care privatization; or, between increased support for vibrant and sustainable communities, and tax credits for registering kids in organized sport.

Some politicians gain profile by presenting us with a simplistic vision of social policy. They use the time-worn argument of a so-called “trade-off” between social policy and economic growth and productivity, often dubbed the “equity-efficiency trade-off”. The bottom line for efficiency advocates: economic investments not social investments are the key to the well-being of Canadians. But the truth is, few economic theorists or policy makers today draw such stark lines in the sand.

The equity-efficiency trade-off is more myth than reality. Over the past decade in the European Union and in Canada, economic and social policies have become increasingly interdependent.

The evidence is that social factors, such as the distribution of income and wealth in the economy, labour market regulation, income support programs and the range of social policy interventions to mitigate risks in health, education and early childhood all contribute to productivity growth. Whether we like it or not, governments are big economic players – as employers, subsidizers, rule setters, purchasers, and redistributors of resources to maximize the well-being of all Canadians.

Social programs make sense as investments in our ability to sustain economic growth. Quality, accessible health care, a skilled and knowledgeable workforce, resilient families, and healthy and secure societies combine to provide Canadians with a vital social infrastructure essential to our economic competitiveness. Social programs enable disadvantaged groups to acquire and develop skills and abilities valuable in a modern knowledge-based economy, and encourage social and economic inclusion.

Ineffective social policies, on the other hand, carry economic and social costs. Persistent inequalities in educational achievement, in secure employment and in access to affordable housing, for example, are costly in terms of lost productivity, foregone tax revenue, and reduced consumer spending, plus they entail higher expenditures on income assistance, social services, health care and security.

What's more, inequality marginalizes vulnerable groups, fueling social and economic exclusion and instability. Witness last year's intense rioting that began in Paris' discontented *banlieue* of Clichy-Sous-Bois, home to France's most socially and economically excluded citizens.

The lives of Canadian are complex, and policy responses must reflect this complexity. The quick fixes presented by some politicians make good sound bites, but they do not address the reality that a strong economy and good social policy are two sides of the same coin. Good policy design involves careful weighing of social and economic options and the participation of social and economic actors across a number of sectors. Real policy choice is about balancing the relationships between and within governments, markets, communities and families – or finding an appropriate “policy mix”– to achieve social and economic well-being. Getting the policy mix right means recognizing that, in some instances, a dollar invested in a social program will yield a higher return than one invested in the economy.

When forced to make choices, governments need to ensure that the policy mix allows for some of everything – e.g. leaving money in people's pockets; investing in an early learning and child care strategy, tailoring education and training opportunities to the demands of the economy, ensuring that work keeps families out of poverty, and redressing systemic and historical social inequalities.

There are plenty of non-economic reasons to support social policy in Canada. Social programs that promote higher levels of inclusion and equity are still public goods, central to our social contract and the goals of distributive justice. But if that logic isn't enough to sway you, then the economic rationale for strong social policies should do the trick.

Beware the icy effects of simple choices. Bundle up and vote for social policy!

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