

# Canada's New Social Risks: Directions for a New Social Architecture

Jane Jenson

**CPRN Social Architecture Papers**

Research Report F|43  
Family Network

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By

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## Foreword

We adapt so easily to changes in our world that we often forget where we've come from, and we neglect to ask where we are going.

Thomas Homer-Dixon, *The Ingenuity Gap*

On maps of the world, Canada looks just like it did when I was in grade school. But on the economic and social maps that trace the daily lives of Canadians, there has been a transformation. On the social map, we see changes in where we live, the jobs we do, the amount of time we spend learning, how long we live, who our neighbours are, and how many children we have. On the economic map, we see changes in industrial structure, trade patterns, competition, where we shop and the kinds of goods and services we buy.

CPRN's Social Architecture Series of eight reports over the past nine months have traced the other side of the story – how countries in Europe, North America and Oceania have been adapting their policy structures and their ways of governing to respond to these transformations. All of the countries studied have adapted or are in the process of changing their overall social and economic visions as well as the underlying government programs. And the roles and relationships of markets, states, communities, and families are also changing for both political and practical reasons.

Jane Jenson, CPRN Research Associate and, until recently, Director of the Family Network, has been the architect for the Series, with the guidance of four wise academics from Canada, France and the United States. She authored one of the early papers, *Catching Up To Reality: Building the Case for a New Social Model*, and is also the author of this synthesis report which draws on the learning from all of the eight previous pieces and from many other sources. Jenson has not tried to build the new architecture in this series, but she has worked hard to demonstrate the new social risks faced by Canadians today, and to identify what we can learn from other countries facing similar pressures.

In this synthesis report, Jenson is setting out five visioning principles to guide decision-making here in Canada and recommending that the country now pursue four new directions for public policy. These new directions are deeply rooted in our past approach to social and economic policies but are designed to make Canadian economy and society more attentive to the social and economic risks faced by the population as they go about their daily lives. These new directions would alter the roles and responsibilities of all the core actors that shape the well-being of Canadians – governments, employers, communities and families.

The report also addresses the failures in governance that are blocking progress. Governance means the operating rules that determine who does what, who is accountable for what and who has influence on decision-making. Jenson has set out a big agenda and is passing the torch to all of us to do the follow through. Basically, she has told us where we have been, she wants us to think about where we are going.

Jane Jenson is Canada Research Chair in Citizenship and Governance, Professor of Political Science and Director of the Institute for European Studies at the Université de Montréal. From 1999 to June 2004, she was also Director of the Family Network at CPRN. We all want to thank Jane for the Social Architecture Series, which has updated our thinking about social risk and opened our eyes to new possibilities for improving the well-being of Canadians, and for the large collection of new ideas and themes she has explored during her time at the helm of the Family Network. I want to acknowledge the wisdom of her academic advisors, the authors and the participants in the three roundtables. We are also grateful for the funding provided by all the funders, listed at the back of this document. All of you have contributed to the ideas and will, I hope, help us to build on them in the coming years.

Judith Maxwell  
September 2004

## Executive Summary

This research report provides a synthesis of the year-long analysis undertaken by Canadian and international experts for a research program organized by the Family Network of CPRN. Its starting point is that any social protection system for risk sharing is significantly greater than a set of separate government programs. It is the expression of overarching values and a vision that define the desired social objectives, the economic functions of social policy and the appropriate role of the state. To use an architectural metaphor, the edifice of social protection is based on an overall blueprint that provides its coherence.

This synthesis report asks the following five questions:

1. How can we think about the mix of sources of well-being and means for risk sharing?
2. What are the major social risks today?
3. Why should we pay particular attention to these new risks?
4. How appropriate are the institutional tools for facing up to these new social risks and achieving better pooling of the costs of social risk?
5. What kind of social architecture would be in line with the values and hopes for well-being that Canadians hold?

Each section of the research report addresses one of these five questions.

Part 1 presents the notion of social architecture, which is the term used to describe the roles and responsibilities as well as governance arrangements that are used to design and implement relationships among family, market, community and state – the four sectors of the welfare diamond. In this research we use a broad definition of welfare incorporating: material well-being (i.e., adequate income); social inclusion (i.e., belonging); and personal well-being (i.e., health). Each sector of the diamond is a potential source of well-being and provides means for risk sharing.

Every country makes its own choices about the shape of its welfare diamond and therefore the relationships across sectors. For example, while all rely heavily on the labour market as the primary source of income, some (like Canada) are reluctant to allow markets to distribute access to all goods and services (such as health care or public education). While all countries assume that families have primary responsibility for ensuring the well-being of their children, some countries leave parents on their own to purchase what they can afford in the market, while others provide low cost or free services (early childhood education and care, for example) and/or ensure that parents have adequate income to meet the needs of their children.

The economic environment around the world has changed over the last thirty years, with significant consequences for the capacity of all sectors of the welfare diamond to generate well-being. Markets are very different and state capacities to shape the economy have changed because of: (1) globalization and open economies, bringing both cost competition among firms and fiscal competition among states; (2) new technologies which enable a knowledge-based



economy; and (3) shifts in the international division of labour, pushing developed economies toward knowledge-based work and an expanding service sector, and leaving more manufacturing to low-wage countries.

The combination of these trends has altered the employment structure in Canada, as many well-paid factory and middle management jobs have been eliminated. This restructuring forces Canadian workers either to move up into higher skill jobs (that are well paid) or down into low skill, service jobs (where wages are low). The result is that much new wealth has been created, but at the same time we see more people who are the “working poor.”

The fact that wage and employment structures are altered does not in and of itself mean that architectural change is necessary. It is only when there is a mismatch between life situations and expectations and policy responses that a “problem” exists. Part 2 of the research report identifies these problems.

The weakened contribution of the market sector of the welfare diamond to Canadians’ well-being is indicated in two ways. From 1948 to 1981, Canada’s unemployment rate was, on average, the same as the United States’. In the 1980s, however, the Canadian rate averaged more than two percentage points higher than the American unemployment rate, and the gap reached four points in the 1990s. Concurrently, changes to eligibility criteria for Employment Insurance mean fewer of the unemployed qualify for replacement income. Loss of a job means, then, an immediate fall into low income for the individual.

A second sign of the lessened contribution of the market sector relates to the employment rate. In the 1990s, the Canadian employment rate was at an all-time high and *yet* many Canadians who were working hard were still poor. This situation could occur for one of two reasons: because jobs were low paid or because workers did not have sufficient hours of work, either weekly or annually, to climb out of low income. In the Canadian labour market, both factors are at play.

Several major differences in the ways Canadians live their lives have also given rise to new social risks. These differences are: an ageing society, new family structures and the work-family nexus, shifts in immigration, and intensification of challenges in Aboriginal communities.

Labour market restructuring coupled with these other changes have created a set of new social risks that can be summarized in this way:

- Growing income inequalities associated with the shape of the global economy and restructured work in knowledge-based economies may demand new state and family strategies for ensuring that inequalities in income do not create conditions for rising inequality in health outcomes or in access to public services.
- Rising employment rates have eliminated neither the problem of unemployment (and low income associated with loss of work) nor that of low income. Low-paid, part-time and insecure jobs (all are forms of “precarious work”) mean that Canadians are often “paid to be poor.” Couple families with a single earner as well as lone-parent families and young families are particularly hard hit.

- An ageing society and changing family structures mean families can no longer provide care for children and vulnerable adults in the same ways as the past.
- Whole categories of the Canadian population are confronting difficulties in achieving social inclusion. Newcomers to Canada and visible minorities face higher barriers to labour market integration and other forms of integration than in the past.
- Aboriginal peoples, living out the consequences of centuries of marginalization and mistreatment, require particular efforts if they are to realize their full potential and achieve levels of well-being equivalent to those of other Canadians. Here the community sector, that is Aboriginal institutions, is particularly important as is the state sector and all the governments it houses, including Aboriginal governments.

The third part of the research report examines the reasons why attention to these inequalities and social risks is important. A first reason is that research has found that investments designed to create a “healthy society” – that is both healthy individuals and a high health status – pay off in terms of economic productivity. Low levels of health and high levels of illness and disease have substantial economic costs, affecting both direct expenditures on services and indirect costs resulting from lost productivity. Investments in overcoming the inequalities are not simply those traditionally lumped under “health expenditures.” They also include policies that work to equalize the distribution of income and to provide access to public goods and services on a citizenship basis rather than a market basis.

Second, our research has documented that many citizens’ values include a “working society,” in which each person can contribute. The notion was that most people should be in the labour force, earning and paying taxes to pay for collective goods and services. Citizens also recognized that many people might need supports to be able to make their contribution, for example, via adequate access to post-secondary education or physical access for persons with disabilities as well as services such as child care. They also expressed the belief that people who work full-time should be able to earn a “living wage” to support themselves and their families. But citizens also reported that vision and reality were not in sync. They expressed dismay that so many low-wage workers have pursued post-secondary education but this investment in their human capital was not paying off as expected. Poverty level wages offended citizens’ sense of justice and fairness.

Third, policy choices sometimes have had the unintended consequence of making it difficult for responsible people to exit low income simply by relying on the labour market. Four examples are: high marginal tax rates and reduction of transfer benefits as income increases; lack of services to enable balancing work and family; access to government training programs limited to the “unemployed” but not covering the working poor or those wanting to leave social assistance; and increasing numbers of jobs that do not provide employment protections because they are not covered by labour standards and other legislation.

Part 4 is premised on the idea that any social architecture is also composed of governance arrangements. By governance we mean mechanisms for assigning responsibility across all four sectors of market, family, state and community and thereby identifying the responsibilities of each sector of the diamond for the provision of well-being.

Policy commitments to the “new governance” in recent decades have brought a belief in the need to expand the responsibility of markets for well-being. Labour markets were a primary target, but so too were markets for housing and services. Such beliefs, coupled with the real challenges of deficit-fighting in the 1990s and pressures on firms to be competitive, generated a number of responses that have contributed to the situation of the working poor and new patterns of social risk. These include the reliance of employers on labour contracts that provide few protections to workers and the decisions of governments to off-load service design and delivery to the private sector, both for-profit and non-profit. Often in the latter case, the goal was to save costs by having work done at lower wage costs.

Another dimension of the new governance involves relations within the state sector of the welfare diamond. One response to the challenges of social policy redesign and of multi-level coordination has been the proliferation of experiments in devolved decision-making, information pooling and performance comparison, deliberative exploration of promising solutions or “good practices,” and redefinition of policy objectives in light of accumulated experience, with consequences for Aboriginal communities, intergovernmental relations and the place for municipal governments. Concerns about accountability and partnership are also widespread. Partnerships have been prescribed as instruments for overcoming the painful legacies of history in Aboriginal communities, in Canada and elsewhere. Another example is the Voluntary Sector Initiative in Canada, an explicit effort to design a new relationship between communities and the state. In these situations, communities can be involved in many different ways. The reinforcement of responsibilities of the community sector can be a double-edged sword, bringing space for innovation to those that are strong, capable and resilient, and leaving the weak even further weakened.

The last section of the research report suggests a number of steps that might be taken in order to design a new social architecture. The recommendations combine proposals to reduce income-testing with suggestions for extensions of services and reinforcing the advantages of greater community autonomy. They assume that individuals and families have primary responsibility for their well-being but the values of common citizenship and fairness also demand shared responsibility across Canadian society. All the steps proposed here are designed to build upon Canada’s social policy heritage and, in particular, to recognize the advantages of universality in social programs. But this must be a universality modified to suit the social risks of our times.

The recommendations proceed from five visioning principles:

1. Social policy is a productive factor. The well-being of individuals and of the Canadian economy and society all depend on a social architecture that is appropriate for current times and challenges.
2. Well-being is achieved through a good balance in the welfare diamond. This means a shared mix of contributions from the market, state, community and family.
3. In Canada, as in other countries like it, the well-being of individuals has been provided primarily by access to markets. This access is ensured in large part by income earned in the labour market by themselves or someone in the family. Canadians believe it should continue to be so. They believe most people should have access to work and the value of work should be recognized.

4. A commitment to common and shared citizenship means that social risk should be pooled. Governments have a responsibility to use their taxing, spending and regulatory powers to cover risks that are beyond the capacity of families to address alone. Any social architecture will, therefore, provide a mix of universal, progressive universal, and targeted programs.
5. Governments take the lead in shaping the social architecture. From the beginning of the country's history there has been a widely shared expectation that the state sector will lead. Sometimes that has meant fostering geographical cohesion by ensuring that railroads were built and sometimes that has meant ensuring social inclusion via spending on social protection and respect for diversity via immigration and settlement policies as well as constitutional protection of cultural and other rights.

Attention to these visioning principles reveals areas where adjustments are necessary in the face of new social risks, and it also shows the ways in which the roles and responsibilities across the welfare diamond are affected by new patterns of risk. This research report concludes by highlighting four new directions for public policy. They are intended to identify directions for change that will respond to pressing needs and go a significant way towards an improved social architecture. They are to:

- Adjust policies in the state sector of the welfare diamond, combining effective investments in services for low-, modest- and middle-income Canadians with the current focus on supplementing the income of low-wage workers and their families;
- Use the powers of the state and community sectors of the welfare diamond to fill the gaps in the systems of care for both children and the elderly;
- Rebalance responsibilities within the market and family sectors by encouraging more employers to enhance their responsibility for the well-being of their workers; and
- Ensure Aboriginal communities and families can move from dependency to autonomy by strengthening community capacity and family resiliency in addition to providing resources from the state sector.

The last section concludes with attention to governance. Leadership is the key, and this is of three kinds. Based on analysis of the experiences of other places done for this project, we explain that in order to achieve the vision Canadians want for their social architecture there needs to be effective leadership around a diagnosis of the need for change, around a shared vision of well-being, and then of the ways to achieve it. This said, we also recognize that for this leadership to be effective, all actors must be willing to accept that the roles and responsibilities may differ from one place to another. However, appropriate governance arrangements in such circumstances of greater autonomy also require transparency, monitoring, and sharing in order to ensure accountability. As long as mechanisms are available to allow for ongoing review of the evidence and assumptions, adjustments can be made in situations where any disequilibrium begins to unfold and goodwill is in place.

These characteristics of good governance of Canada's social architecture lead to our call for leadership in consensus building and visioning. Beyond that, we recognize the need to support partners to ensure that they can all maintain their capacities for participation in policy thinking. One way to achieve these ends would be to create a "meeting place" that would provide an *institutional locus* where policy learning can take place. Such a meeting place is essential not only because it can help to foster policy dialogue and build mutual trust. It is, above all, important to help build the credibility and effectiveness of the governance arrangements. If they are to be seen as objective, fair and consistent by governmental and non-governmental participants, as well as citizens, there will need to be institutional guarantees of independence, transparency and quality of work.

# Canada's New Social Risks: Directions for a New Social Architecture

There are certain basic lessons to be learned from the experience of the thirties in which all the hazards of life – at least as they appear to the low and middle income groups – seemed to be swallowed up in the great vortex of unemployment. ... Provision for simple destitution *without any particular analysis as to cause* may be barely justifiable when the scale of such assistance is small, as it was in the small parish or village of long ago when only a few persons in each community found themselves at any particular time without any means of subsistence and beyond the support of any relatives. It is completely indefensible, and of a nature to defeat efficient and constructive administration, once it attains national dimensions.

Leonard Marsh, 1975 [1943]: 7-8 (emphasis added)

## 1.0 Introduction

In the opening pages of his *Report on Social Security for Canada*, prepared for the House of Commons Special Committee on Social Security in 1943, Leonard Marsh described the structural cracks in the social architecture of the 1930s.<sup>1</sup> Unemployment had ravaged the country; only total mobilization for war had brought jobs back. The full employment of wartime had “erased from the lives, if not the memories, of many thousands of families the hopelessness and tragedy of seeing no means of making a livelihood in sight, and no means of maintenance other than doles from municipal or provincial governments, unskilled and dispiriting relief work, or assistance from the voluntary charitable agencies in the cities of Canada where these existed.”

The working of labour markets, family life, and “luck” generated insecurity in the lives of many people. Marsh identified “the aspirations and hopes” of ordinary people: “that organized provision will be made in the post-war world for the risks and contingencies of family life that are beyond the capacity of most of them to finance adequately from their own resources.” These risks and contingencies went beyond unemployment, to encompass “sickness, disability, widowhood, desertion, loss of residence,” and so on. Health and housing were, in other words, on the social agenda as much in the 1940s as in this first decade of the new century.

The second structural fault-line he identified was one that we now label governance. He considered that the set of political institutions designed in 1867 for “a constellation of small communities” were unsuited to contemporary challenges facing Canada in the 1940s. The “basic framework of government” would have to be adjusted.

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<sup>1</sup> The phrases in quotation marks in these next paragraphs are all directly from Marsh (1975: 6-9).

In the opening decade of this new century, Canadians again are living with a social architecture – much of it designed following the blueprint set down by Leonard Marsh and his generation – suffering from serious structural cracks. While the social, economic and political conditions of the first decade of the new century are *very* different from those of 1943, we still work with the same elements that Marsh had to hand: the pattern of relationships among markets, families, communities and the state.

This report provides a synthesis of the year-long analysis undertaken by Canadian and international experts for a research program organized by the Family Network of CPRN. In his research report for the project, Bruno Palier summarized our starting point. He reminds us that any social protection *system* for risk sharing is significantly greater than a set of separate government programs designed to deal with specific social problems. It is the expression of overarching values

#### ***After Neo-liberalism***

In the 1970s and 1980s, neo-liberal economists and political leaders, including Margaret Thatcher and Ronald Reagan, highlighted the perverse effects of social policies that supposedly would hamper economic growth, crowd out private investment, and undermine the spirit of entrepreneurship.

Now, however, analysis is different. Whether one talks about “social investment,” “active social policy,” or “productivist social policy,” the idea is that to perform well an economy needs reliable and effective social policy. This idea goes against the neo-liberal assumption of the inevitable trade-off between economic efficiency and social justice.

Source: Adapted from Saint-Martin (2004: 3).

that define the desired social objectives, the economic functions of social policy and the appropriate role of the state. “To use an architectural metaphor, the edifice of social protection is based on an overall blueprint that provides its coherence” (Palier, 2004: 2).

Our analysis is also informed by the position well summarized by Denis Saint-Martin’s research report for the project, which describes a significant shift in ideas as policy communities seek to act on the emerging consensus that social policy must be treated as a productive factor, and not as a “drag” on the economy (Saint-Martin, 2004).

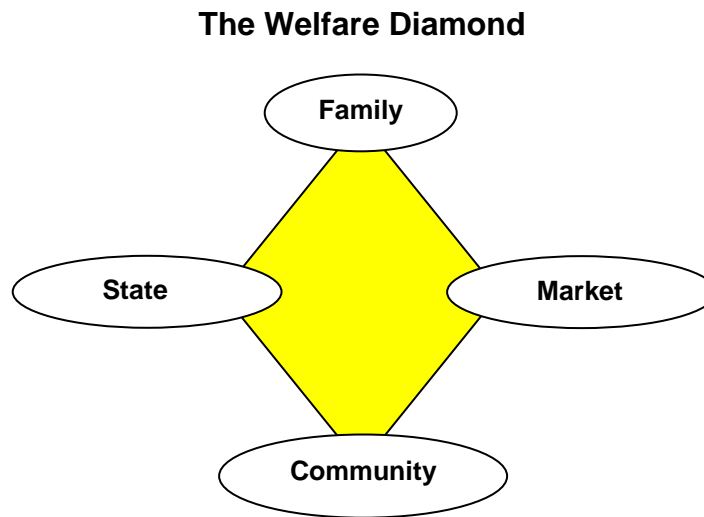
This report asks the following five questions:

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5. What kind of social architecture would be in line with the values and hopes for well-being that Canadians hold?

Each section of the research report addresses one of these five questions.

## 1.1 What Is a Social Architecture?

Social architecture is the term used to describe the *roles and responsibilities* as well as *governance arrangements* that are used to design and implement relationships among family, market, community and state – the four sectors that we capture with the image of a welfare diamond.



Each country makes its own choices about the shape of its welfare diamond and therefore the relationships across sectors. For example, while all rely heavily on the labour market as the primary source of income, some (like Canada) are reluctant to allow markets to distribute access to all goods and services (such as health care or public education). While all countries assume that families have primary responsibility for ensuring the well-being of their children, some countries leave parents on their own to purchase what they can afford in the market, while others provide low cost or free services (early childhood education and care, for example) and/or ensure that parents have adequate income to meet the needs of their children.

## 1.2 Four Sources of Well-being

What is welfare? In this research we use a broad definition incorporating: material well-being (i.e., adequate income); social inclusion (i.e., belonging); and personal well-being (i.e., health). Most people derive their well-being from a mix of contributions from family, market, state, and community. The next few paragraphs highlight some of the changes affecting these four sectors of the welfare diamond since 1945.

For the majority of people, by far their major source of material welfare is employment income, earned in the labour *market* themselves or by someone in their family, such as a spouse or a parent. As Leonard Marsh noted, in the 1930s the failure of the labour market to provide sufficient jobs threw many people into “destitution.” The situation is different now. We still face thorny problems of unemployment. But, *in addition*, labour markets work so that there are also many people who have a job but do not earn enough to keep themselves and their family out of poverty.



Throughout this report we will show repeatedly that the contemporary labour market has major consequences for the other three sectors of the welfare diamond and their capacity to contribute to the well-being of everyone, not only in material terms but also for social inclusion and access to physical well-being. Particularly affected are young people, newcomers and Aboriginal people attempting to get in and stay in the labour force.

We also gain part of our welfare from the non-market benefits and services provided within the *family*, such as parental child care, housework, financial support, and care for vulnerable relatives. Leonard Marsh wrote in the 1940s that many families faced risks and contingencies that surpassed their resources. These risks were not only about having adequate income.

#### ***The Family Sector***

Sixty-three percent of mothers with children under six were employed in 2001. One-quarter of women and men aged 45 to 54 reported providing regular informal health care to a relative over 65 (Statistics Canada, 2003b: Table 2.1).

Risks may surpass the resources of many families who must juggle employment and responsibilities for caring for children and other relatives. Inadequate child care and home care and the struggles to fill the gap may generate high levels of stress that affect the health and well-being of individuals (and their children and other relatives) as well as having significant and measurable consequences for their employers (Duxbury and Higgins, 2001).

Access to welfare also comes from the *state* sector, 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 via income transfers. One of the major changes in the post-1945 world was public provision of several forms of security, such as Unemployment Insurance, family allowances and old-age pensions. These programs have been substantially redesigned since then, and especially in the last two decades, as governments worked to slay their deficits and some political parties and international organizations pushed for a more limited role for the state.

The fourth source of well-being 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.

#### ***The Market Sector***

Over the last decades, disparities in income earned in the market have increased, with the well paid taking a greater share of all income and the lower paid seeing their real wages stagnate or even decline. Indeed, more and more people are employed – and even working full-time – without earning a “living wage” (Maxwell, 2002: 1).

“Canadians can not afford to be complacent about income inequality in our society. The 1990s witnessed a dramatic widening of the gap between rich and poor, a substantial reduction in entitlements to social benefits, and an under-investment in human capital. If the United States can be used as a weather vane, the health effects of population-level inequality may already be on the way” (Dunn, 2002: ii).

#### ***The State Sector***

In the 1990s, Canada's Unemployment Insurance regime was transformed into Employment Insurance, with reforms that “in the main have served to limit the scope of benefit coverage” (Boychuk, 2004: 14), at the same time as social assistance coverage of low-income persons has fallen (Boychuk, 2004: 31). New programs, such as the National Child Benefit, were put into place to redistribute income so as “to make work pay.”

### ***The Community Sector***

In Aboriginal communities there have been a number of grassroots initiatives. Some of the most important ones have supported efforts to strengthen management and governance capacity in education, improve the quality of classroom instruction, increase parental and community involvement in education, and aid the school-to-work transition for First Nations youth (Abele, 2004: 19).

As Leonard Marsh noted, “hopelessness and tragedy” could follow when people were dependent on the dole or charity. Therefore, in the 1940s people called for access to health care, education, replacement income and public services as a right of citizenship. Recently there have been efforts to rebalance roles, however, so as to generate greater community involvement in order to allow local and community needs to be better addressed.

In this research report, the image of the welfare diamond is used to emphasize interconnections across sectors, and the need to see the “big picture.” New patterns of employment and restructured labour markets have consequences for family life. Families need more earners – adults and adolescent children – to make ends meet when wages are low, for example. But changes in family life also have consequences for employers. They are called on to recognize that their employees cannot simply “check their family responsibilities at the door” when they come to work. Sometimes governments facing big deficits have tried to shift responsibility from the state sector to the community. They found that while some communities could rise to the challenge and become even more resilient, others imploded under the new weight. These are the kinds of interactions and sometimes unintended consequences that we will draw out as we think about the social architecture for this century.

## **1.3 A Changing World**

When working people cannot earn a living wage, when most mothers of young children are working outside the home but quality child care is in short supply, when the homeless congregate in the centre of our most dynamic cities, when newcomers’ hopes of inclusion founder on lack of work and low income while knowledge workers seek cities where diversity works, when those to whom the land first belonged live in despair in urban as well as rural areas, Canada once again faces a moment of fundamental choice about how to balance the roles and responsibilities within the welfare diamond.

### ***A New Economic Picture***

The economic environment around the world has changed over the last thirty years, with significant consequences for the capacity of all sectors of the welfare diamond to generate well-being. Any discussion of social architecture must begin with the recognition that the current macro-economic situation is not the same as it was in the first decades after 1945. Markets are very different and state capacities to shape the economy have changed.

These changes in the economic context can be summarized as:

- Globalization and open economies, bringing both cost competition among firms, particularly over salary costs, and fiscal competition among states;
- New technologies which enable a knowledge-based economy; and

- Shifts in the international division of labour, pushing developed economies toward knowledge-based work and an expanding service sector, and leaving more manufacturing to low-wage countries (China, for example).

Beginning with the first oil price shock in 1973, Canada experienced a marked slowdown in productivity growth. Real (adjusted for inflation) output per employed worker rose more than 50 percent between 1953 and 1973, but only 22 percent between 1973 and 1997. Moreover, the unemployment rate has, on average, been higher since the mid-1970s than it was in the post-war period (Abel, Bernanke, and Smith, 1999: 5, 7-8). Persistent federal budget deficits emerged in the mid-1970s and lasted until the marked spending cutbacks of the 1990s. In recent years, the federal government has moved into a budget surplus. However, signals from the global economy are not sufficiently clear that policy-makers can plan as if there will be a return in the immediate future to productivity growth rates that can be counted on to “raise all boats.”

Indeed, the restructuring associated with globalization and the knowledge-based economy may have raised some boats much faster than others. The combination of trade liberalization, increased international mobility of capital, and technological change has led to increased wage and earnings inequality within Canada, as high-income earners increased their share (Chaykowski and Gunderson, 2001: 35; Frenette, Green and Picot, 2004).

Despite the forces of globalization pushing towards greater mobility of capital, analysts also observe that “place matters” in some ways now more than before. Studies of successful innovation, both economic and social, in the knowledge-based economy document the role played by spatially anchored (that is, not virtual as so many technophiles initially predicted) learning communities. These are “urban spaces, both large and small, that provide the right institutional base and cultural context for upgrading the economy *and* for improving quality of life and living standards for the population” (Bradford, 2003: 3).

Employers are increasingly aware that their knowledge workers as well as their management seek out places where cultural diversity “works,” where community life is enriched by cultural and leisure resources, and where the quality of life is high. Poverty and social exclusion, insecurity bred by social hopelessness, and bargain-basement public services and infrastructure may combine to create a social and cultural environment shunned by knowledge workers and others, to the detriment of economic innovation and growth.

## ***A New Labour Market and Income Picture***

The combination of these trends has altered the employment structure in Canada, as many well-paid factory and middle management jobs were eliminated. This restructuring forces Canadian workers either to move up into higher skill jobs (that are well paid) or down into low skill, service jobs (where wages are low). The result is that much new wealth has been created, but at the same time we see more people who are the “working poor.”

This employment shift has been reinforced by public policy, as governments struggled to address the severe fiscal problems of the 1980s and early 1990s by adjusting their spending practices. For example, through the 1990s, low-income intensity in Canada increased significantly, even though GDP growth was positive and the unemployment rate fell (Picot *et al.*, 2003: 5).<sup>2</sup> Picot, Morissette and Myles (2003) make a convincing case that the increase in low-income intensity in the 1990s, was (a) more substantial than that of the 1980s, and (b) related to the decisions of the federal government to substantially reduce transfer payments to provinces in the 1990s and of provinces and territories to reduce spending on social supports (see also Frenette, Green and Picot, 2004).

These transformations in the way labour markets function *and in patterns of* social activity create new challenges. These include:

- Rising income inequality. From 1994-2001, inequality measures (Gini Index) show that inequalities in total and disposable income in Canada have risen even more than inequality in market income (CPHI, 2004: 8). In other words, government taxes and transfers are doing less to even out income distribution than they did in the past.
- More flexible ways of producing and organizing work. They bring non-standard (sometimes termed “precarious”) work and higher proportions of vulnerable workers at risk of exclusion from jobs and social benefits associated with standard work, such as supplementary health benefits.
- Changing demography and family structures. There has been an influx of women into the labour market and a decline of the traditional male-breadwinner family. There are now a variety of family models, including an increase in lone-parent families and two-earner families. There is an ageing population, due to an increase in life expectancy and a decline in the birth rate. All these create challenges to the traditional model of working life as well as for financing social programs.

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<sup>2</sup> Low-income intensity is a measure combining both the low-income rate and the low-income gap taking both market income and transfers into account (Picot *et al.*, 2003: 2). The authors observe the highest low-income intensity rates in Alberta and Ontario, both provinces that transformed their policies on income security in the last decade.

## ***The Political Challenge***

The state sector of the welfare diamond is therefore being subjected to powerful pressures for change.

In the 1970s and 1980s, governments found that their best-known macro-economic tools no longer worked. Then, during the years when they struggled to respond to the challenge of deficits and debts, Canada experienced a marked increase in income inequality, while the risk of falling into low income was high. Because inequalities in income are correlated with other inequalities in well-being, such as health, access to housing and family well-being, government policies that allowed income inequalities to increase in the 1990s had significant consequences for shifting patterns of social risk. Additional pressure comes from high-wage knowledge workers and their employers who are calling for “cities that work” and environments where diversity is valued and social cohesion is healthy. Social policy choices affect the well-being of economies as much as individuals.

Yet, redesign of social policies in the 1980s and 1990s often occurred in a political climate in which the overriding goal was simply to limit or even reduce state spending and taxes. Now, however, many places are starting to move beyond that single-minded strategy, as the research reports prepared for this project by Gerard Boychuk, Bruno Palier, and Roxanne Pawlick and Sharon Stroick document. As governments do so, each must struggle to face up to its own challenges, to the fact that “place matters” and that good social policy is an essential ingredient for the health of the country’s economy as well as its population. Canada’s issues are not the same as Europe’s or the United States’. Therefore, we need to look more closely at the Canadian situation.

## 2.0 What Is the Problem?

To call for a *new* social architecture is to suggest that there are challenges that cannot be addressed in the existing social model. The fact that wage and employment structures are altered does not in and of itself mean that architectural change is necessary. It is only when there is a mismatch between life situations and expectations that a “problem” exists.

As we know, for the vast majority of people, their major source of material welfare is wages or other market income, either their own or provided by someone in their family. In this section we identify a fundamental “problem”: that people may be poor even when they are employed. This result is not an expected one. A second “problem” is that the real circumstances of people’s lives are generating different social risks than those to which social policy sought to respond for many decades. Altered economic and social conditions have created stresses within all sectors of the welfare diamond, leading to new dilemmas about appropriate policies and significant challenges to governance arrangements.

### 2.1 Labour Market Restructuring Creates New Challenges

For decades, there was a consensus that the major threat to economic security was the absence of a job for at least one member of any family. This diagnosis of social risk generated public programs to address the absence of paid work.

#### ***When Unemployment Was the Problem***

In most countries, including Canada, policy thinkers in the 1940s prescribed full employment as the way to avoid this social risk. When, however, there was a job loss, unemployment insurance was there to ease the transition back to work. At the same time, family allowances were provided in recognition that wage rates never took into account the number of people living on that one wage. And then public pensions were created for those deemed to be deserving of support after a lifetime of labour.

Canada instituted its Unemployment Insurance (later Employment Insurance) regime in 1941 and flat-rate universal old age pensions in 1952.<sup>3</sup> The provinces also shaped their social assistance benefits to provide a replacement for earned income to those “unable to work” because of disability, responsibilities for child-rearing or other reasons. These latter programs were largely intended to provide a source of income for those lacking support from the family or market sectors of the welfare diamond. They were also, for the most part, “demand-side” oriented, focused on conditions of and mechanisms for job creation.<sup>4</sup>

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<sup>3</sup> This was the successor to Old Age Pensions, a means-tested program instituted in 1927.

<sup>4</sup> The emphasis on unemployment was evident in the European social model (Palier, 2004: 2-3) and the liberal welfare regimes of the United States, the United Kingdom, and Australia (Pawlick and Stroick, 2004: 1-2) as well.

## When Employability Was the Prescription

Through the 1990s, many people continued to assume that the problem was lack of a job. Gradually, however, prescriptions changed. Concerns about the *unemployment rate*, especially in some population categories such as young people and the long-term unemployed, remained high on the agenda. But another measure was appearing alongside it, the *employment rate*.<sup>5</sup> Put simply, whereas Leonard Marsh had described “the great vortex of unemployment” as the problem, and prescribed unemployment insurance and other measures to replace lost wages, analyses in many countries began to identify low employment rates as the problem.

### **Social Assistance and Family Values**

In the decades after 1945, social assistance programs were designed to replicate the norms of the traditional family. In lone-parent families, the state took the place of the absent male family breadwinner in order to allow the mother to stay home and care for the children. These policies were, by the standards of the day, designed to foster *social inclusion* into the prevailing set of social norms (that is, families with stay-at-home mothers). Currently, however, policies that encourage mothers to substitute full-time child care for labour market participation are often viewed as contributing to *social exclusion* (which in contemporary terms almost exclusively refers to failure to participate in the labour market). Thus, for many policy-makers, inducements and requirements for lone parents to take up employment are meant to foster social inclusion into the currently prevailing set of social norms, including the participation of most mothers in the workplace.

Source: Adapted from Boychuk (2004: 16).

While proceeding from the same premise as in the post-1945 years – that lack of a job was the problem – reformers began to focus on people and their preparation for work rather than on the availability of jobs, that is, the “demand” for workers. They became “supply-side” oriented, and the policy term they used was “activation,” meaning that policy efforts should concentrate on ensuring everyone could be an active participant in the labour market (Palier, 2004: 12-13). This policy shift took place in a large number of countries, including Canada (Boychuk, 2004: 17).

The reasons given for focusing on employability were not all the same, however. Neo-liberals diagnosed unacceptably high rates of “welfare dependency” and insufficient “individual responsibility,” while right-wing governments pushed for a redesign of social assistance to include incentives (including compulsion) for everyone to take a job. “Too

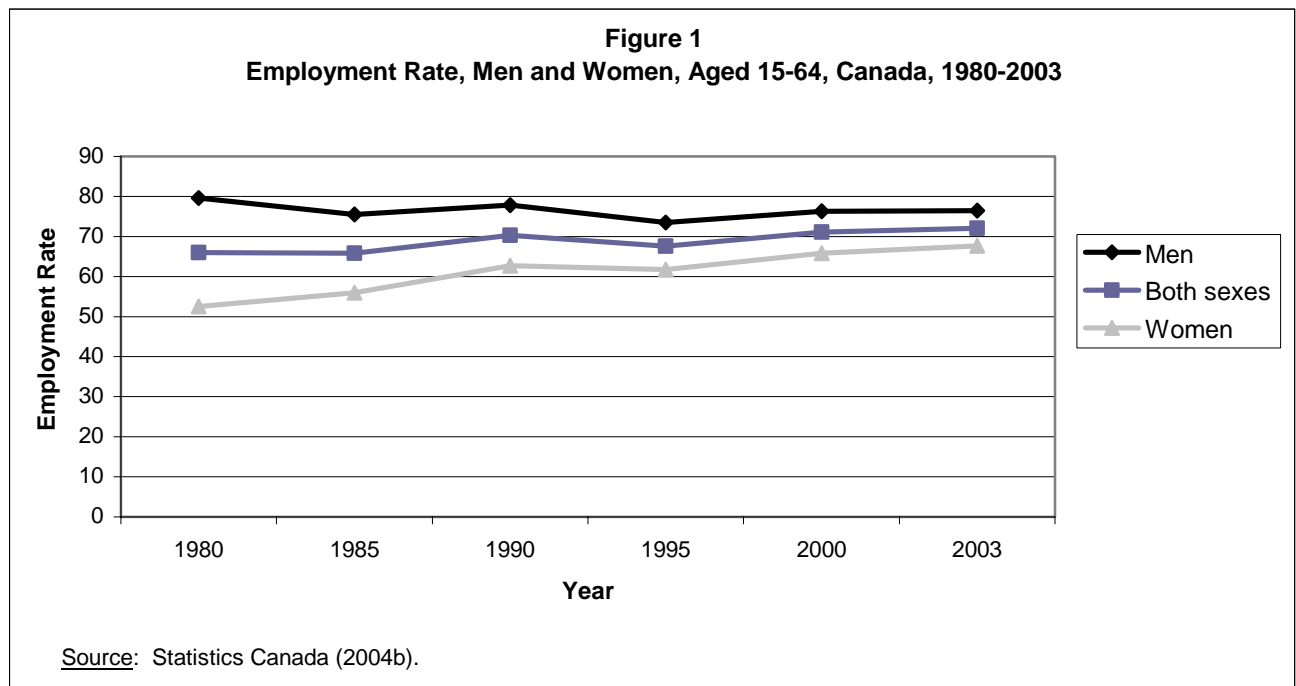
many” people were considered to be out of the labour force, and “too few” were presenting themselves for work. A more progressive version saw positive advantages to labour force participation, beyond the income generated. They feared that exclusion from the labour market would threaten well-being by creating barriers to social inclusion; most modern societies now assume that social inclusion and full citizen participation depend on employment.

<sup>5</sup> The *unemployment rate* measures the number of people unemployed as a percentage of the labour force. Therefore, anyone who is not in the labour force (because they are at home caring for family members, studying, retired, and so on) is not counted in the base number. The *employment rate* substantially increases the base number by including every one of *working age* (for example, over 15 and under 65), and then calculating how many of them are employed. People are considered employed when they work in a paid job, are self-employed or are doing unpaid work in a family business. Those absent from work on sick leave or due to a strike are also considered as employed.

In other words, this move to what is termed *activation* is not only a strategy of the right.<sup>6</sup> Centre-left governments in the United States (the Clinton Democrats) and the United Kingdom also did so, as the research report on those countries documents. “In order to reinforce the longstanding notion that, as much as possible, people’s welfare should be provided as market income, states have designed employment-oriented social policy in an attempt to reduce the number of people on the welfare rolls and without work. Such is the case, for example, with the *American Personal Responsibility and Work Reconciliation Act* of 1996, the United Kingdom’s *New Deal*, and the new *Australians Working Together* package” (Pawlick and Stroick, 2004: 2).

Under the influence of such policy perspectives, Canada both remade Unemployment Insurance as Employment Insurance, and invented the National Child Benefit (NCB) as the flagship program to reform social assistance and lower the welfare wall. The goal of the NCB is to ensure that parents will “always be better off” by working.<sup>7</sup>

In Canada, these actions reinforced a longer term trend. Employment rates for women are now significantly higher than in 1980, to the point where women’s rates are much closer to those of men than they were two decades ago. As Figure 1 documents, the employment rate for both sexes aged 15-64 in Canada is now 72 percent, a rate that is higher than ever before.



<sup>6</sup> In several countries there has been a long-standing emphasis on active labour market policies. “This type of policy orientation, which also includes ‘in-work’ benefits or work subsidies, is sometimes seen as ‘neo-liberal’ and coercive, but actually has a long and honourable history as part of Swedish social democratic active labour market policy” (Ferrera and Rhodes, 2000: 5).

<sup>7</sup> The United States incorporated child care supports as well as time limits for being on social assistance when it promised to “end welfare as we know it” (Pawlick and Stroick, 2004: 12-14). European countries also redesigned unemployment and pension programs to encourage employment.



Some specific groups have increased their participation in work substantially. Lone-parent families with children under 18 are a good example. In 1980, only 65 percent of women heading lone-parent families had some earned income. By 2002, 82 percent of them had some earnings, a surge of fully 17 percentage points in two decades (Statistics Canada, 2004a).

❖ *However, as employment rates increased, an unanticipated pattern emerged. People with jobs were not earning enough to escape from poverty.*

### ***“Paid to be Poor”<sup>8</sup>***

There are several ways to discern the weakened contribution of the market sector of the welfare diamond to Canadians’ well-being. One reflects Leonard Marsh’s concern about a high unemployment rate, both nationally and in particular regions. From 1948 to 1981, Canada’s unemployment rate was, on average, the same as the United States’. In the 1980s, however, the Canadian rate averaged more than two percentage points higher than the American unemployment rate, and the gap reached four points in the 1990s. In June 2004, 7.3 percent of the Canadian labour force was unemployed. Moreover, a combination of labour market restructuring and policy reforms in the mid-1990s means that it is quite difficult for many unemployed people to receive some replacement income from Employment Insurance when they lose their job (Boychuk, 2004: 14 and Table 8). Loss of job means, then, an immediate fall into low-income for the individual.

A second sign of the lessened contribution of the market sector relates to the employment rate. In the 1990s, the Canadian employment rate was at an all-time high and *yet* many Canadians who were working hard were still poor. This situation could occur for one of two reasons: because jobs were low paid or because workers did not have sufficient hours of work, either weekly or annually, to climb out of low income. In the Canadian labour market, both factors are at play. Many jobs are low paid and many people either have only seasonal work or can only find or take a part-time job.<sup>9</sup>

- In 2001, one in four couples with children under 18 and a lone earner lived below the income level considered basic in their community (Statistics Canada, 2003c: 91). In 2002, this number had fallen to one in seven (15 percent). This change is evidence of the unpredictability of labour market conditions rather than of a general improvement, as the situation of the two kinds of families cited next show (Statistics Canada, 2004a).
- The low-income rate of two-parent families with two earners increased between 2001 and 2002 (Statistics Canada, 2004a).
- In 2002, women with earned income and heading a lone-parent family had a low-income rate of 28 percent, up fully five percentage points from the previous year. This increase was primarily the result of a decline in what they could earn; there was no decline in their employment rate (Statistics Canada, 2004a).

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<sup>8</sup> This title was used in the CBC Radio series on low-paid work, broadcast in March 2004.

<sup>9</sup> Rates of involuntary, part-time work are significant but so too is “voluntary,” part-time work chosen by workers who are juggling employment with other responsibilities, such as family care, schooling, and so on.

- The situation of lone-parent families headed by women did improve between 1996 and 2002. Their overall low-income rate dropped from 49 percent in 1996 to 35 percent in 2002. This second number, however, was a full five percentage points higher than in 2001 (Statistics Canada, 2004a).
- The low-income rate of two-parent families with young children rose from 10.5 percent to 11.2 percent between 1980 and 2000, while that of similar families with older children remained “essentially unchanged” (Statistics Canada, 2003a: 9), and this despite the decline of the “child poverty rate” for several years.
- While many families do raise their incomes above the Low Income Cut-Off (LICO) within a six year period, they still face a high risk of falling back into poverty within a few years – one chance in four (Statistics Canada, 2004a).

One reason why some working people earn so little is the bifurcation of jobs described in Section 1.3. Many people can only find low-paid, service sector work, a significant proportion of which is part-time or temporary. Moreover, low-paid jobs have become even less well paid as the purchasing power of the minimum wage has fallen in all provinces. Overall, the minimum wage in Canada has dropped in value by 20 percent since the 1970s (Battle, 2003).

The situation for Canadians is as follows:

- Despite higher rates of employment, poor people are getting poorer. The gap between what one might earn working at a minimum wage job (37.5 hours for 50 weeks) and the LICO has widened. In Alberta, for example, the gap between full-time, full-year earnings for a two earner family working at minimum wage and the LICO rose from \$2,000 in 1980 to \$14,000 in 2003.
- Low-income people are becoming more dependent on government transfers, despite government decisions to cut benefit levels in the 1990s. For working-age families in the second lowest decile, 30.4 percent of their before-tax income came from government transfers in 2000, up from 19.6 percent in 1980. The share for families in the third lowest decile rose from 10.5 percent to 16.7 percent (Statistics Canada, 2003a: 8-9).<sup>10</sup>
- The dependency on transfers is especially high in the largest Canadian cities (Heisz and McLeod, 2004).

If low-income rates among families remained relatively stable during the 1990s (Statistics Canada, 2003a: 9), it was in large part because of intervention by governments. Without the contribution of that sector of the welfare diamond, even more Canadians would have been poor.

All of these indicators lead to a similar question: many Canadians are being paid to be poor. Is this the best policy mix?

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<sup>10</sup> Governments found this money not by increasing spending, but by reducing benefits for families in the top 70 percent of the income distribution.

## 2.2 Different Lives; Different Risks

At the end of the Second World War, decision-makers in both the private and public sectors designed a particular set of rules for the division of responsibilities among states and markets and among families and communities. They built 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. 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 such policy designs have been called into question in the last 30 years.*

Several major differences in the ways Canadians live their lives have given rise to new social risks. These differences are: an ageing society, new family structures and the work-family nexus, shifts in immigration, and intensification of challenges in Aboriginal communities. Some of the sociological and economic patterns that have generated these different lives are that:<sup>11</sup>

- Birth rates have fallen by over half;
- Divorces have increased by a factor of six;
- The incidence of lone-parent families has almost tripled;
- The proportion of women in the labour force has tripled;
- The share of the population over 65 has increased by 60 percent;
- The share of Aboriginal people in the population has tripled; and
- The share of immigrants to Canada coming from Europe or the United States has fallen from 94 percent to 22 percent.

These remarkable changes in the patterns of Canadians' lives over half a century have altered many of our basic assumptions about the roles and responsibilities within the welfare diamond.

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<sup>11</sup> For the statistical patterns from 1945 to 2001, see Jenson (2004a: Table 1, p. 6; in general Section 2, pp. 3-8).

## ***An Ageing Society: Consequences for Everyone***

As the population ages, the number of people who are over 65 increases dramatically; the percentage increase of those over 80 is even more spectacular.<sup>12</sup> With this change in the composition of the population comes a number of social risks which received little attention in earlier decades.

After World War II, providing income security for the elderly was a priority. Basic and universal public old age pensions were designed to provide a real measure of economic security and autonomy to seniors. In the 1960s, this basic pension was supplemented by a contribution-based one (Canada/Quebec Pension Plans) and a low-income supplement. These programs reflect a significant decision, taken in the first post-war decades and coming to full fruition now, to address the risk of low income after retirement (Boychuk, 2004: 18).<sup>13</sup> As the CPP/QPP has matured, the low-income rates of seniors have declined, for both women and men.<sup>14</sup>

While Canadians should celebrate this success story, there are looming concerns and fears of new social risks. People are now living on their retirement income much longer than expected when the programs were designed. As Peter Hicks (2003: 4) writes: “as recently as 1960, men might expect to work for about 50 years and not be at work (mainly going to school, but also a relatively short period of retirement) for another 18 years, for a total average life expectancy of 68 years. That has changed dramatically in recent decades. Today, men can expect to live

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<sup>12</sup> The Aboriginal population of Canada is much younger than the population as a whole, however. The age structure of the major Aboriginal groups in Canada is quite different from the age structure of the general population. The Aboriginal population of Canada has fewer seniors and many more children and young adults proportionately, and these effects are particularly pronounced for Inuit (Abele, 2004: 6). Although the Aboriginal population was 3.3 percent of Canada’s total population in 2001, Aboriginal children were 5.6 percent of all children. This has profound implications for a number of educational and other programs, especially in provinces with a high proportion of Aboriginal people overall. For example, in Saskatchewan and Manitoba, Aboriginal children are now 25 percent and 23 percent, respectively, of the total population of children. This means that family needs, for services and housing as well as adequate income, may be significantly higher among the Aboriginal population than for non-Aboriginal Canadians.

<sup>13</sup> As Bruno Palier’s (2004) report documents, the challenge of sustainability in pension regimes is perhaps *the* major problem in rethinking Europe’s various social architectures (see also Esping-Andersen, 2002).

<sup>14</sup> It is important to remember, however, that these patterns are to a significant extent the result of earlier policy choices about how to provide a measure of income security to seniors. As Gerard Boychuk (2004: 18) summarizes the data:

“Over a long period of time, there has been a deepening of the age bias in income maintenance. Growth in total expenditures on programs aimed at different categories of recipients has been greatest in programs providing income maintenance benefits to seniors while total expenditures on programs providing benefits directly to children have remained unchanged in real terms since the early 1950s. In part, this is due to demographic changes and 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.”

The result of such choices are also clearly observed in the steep decline of 16 percentage points in low-income rates between 1980 and 2000 among seniors living in a Census Metropolitan Area (Heisz and McLeod, 2004: 37). Exactly the same percentage of children and seniors lived in low income in 2000, but for children the 20.8 percent actually represented a small increase since 1980, while for seniors the number had fallen from 36.8.

until 76 with fully half of their lives spent in activities other than work.” If they were to stay in their jobs until 65, they would live for 11 years rather than three on their retirement income. A result is pressure on the sustainability of pension systems in many countries (Hicks, 1998).

Another concern is about the retirement process itself. Not all retirement is “chosen.” If the average age of retirement in Canada is now 61, some people “retire early” for lack of an alternative. Many others cannot imagine their retirement. When surveyed in 2002, almost one-fifth of the population aged 45 to 59 answered they “will not retire,” while the percentage unable to say when they would retire reached one-third. Nor was this uncertainty always due to any “love of the job.” People with personal incomes under \$20,000 were more than three times more likely to say they would *not* retire, and recent immigrants were much less likely to have clear retirement plans. Such answers indicate that many people fear they are at risk of not having adequate retirement incomes (*The Daily*, 2 September 2003, reporting findings of the 2002 General Social Survey).

There is a third social risk linked to an ageing population and to the income situation of today’s workers, in the future as well as the present. This is achieving a balance in responsibilities as family structures alter. Smaller families and higher employment rates mean that the time and labour that was available in the home to provide care to relatives is no longer as readily available and it is certainly not “costless.” The responsibility Canadians undertake in caring for family members who are children or elderly relatives obviously has consequences for their own well-being, both in the present (health, needed

leisure, income, and so on) and into the future (changes in work hours and patterns may have consequences for future retirement income of carers).

#### **Who Cares**

Over 40 percent of Canadians older than 65 receive informal care for a long-term health problem. Men and women between 45 and 65 are most likely to provide that care.

While there are only very small gender differences in overall rates of caring for a person over 65, measures of *consequences of caring*, especially on employment, are gendered. Among women caring for a person over 65 and themselves aged 45-65, 17 percent reduced their hours of work, but only 11 percent of men in the same situation did the same. Fourteen percent of working-age male carers changed their work patterns and 22 percent of women did, with those aged 45-54 being even more likely to have done so (Statistics Canada, 2003b: Table 4.1). Both men and women reported significant consequences on other aspects of their well-being, such as enough sleep, health and leisure (Statistics Canada, 2003b: Table 3.1).

For example, among those Canadians providing care to an elderly relative with long-term health problems,<sup>15</sup> fully 21 percent of women aged 45 to 54 and seven percent of men reported their own health suffering due to caring responsibilities (Statistics Canada, 2003b: 26-27). An even higher proportion (40 percent of women and 28 percent of men) reported consequences for their social activities, a key component of both personal well-being and social inclusion. The distribution of responsibilities for health care in this way is reducing the personal well-being of carers. It is also putting their material well-being at risk. Two of five men and women reported facing extra expenses due to their caregiving responsibilities. In addition, many

<sup>15</sup> The study includes only carers of persons aged 65 and over with long-term health problems. It does not include more ordinary forms of intergenerational aid to healthy parents nor short-term help with health needs (such as after an operation).

reduced their labour force participation and earned less (Statistics Canada, 2003b: 37-38). This happened just at the moment that they themselves are most likely to be investing in their own retirement security. In other words, the distribution of responsibilities for health care in this way is mortgaging the future of the next generation of seniors.

Such risks create a challenge for thinking about roles and responsibilities in the welfare diamond, as much as child care does.

### ***New Family Lives***

In first post-1945 decades there was a widespread vision of the typical family as living in a home separate from the workplace and being composed of two married adults with several minor children and perhaps a senior relative, all dependent on a male breadwinner. None of these assumptions holds as true now as before. People have redesigned their family ties in a multitude of novel ways to achieve their own goals. While this flexibility is celebrated by many, it is also important to note that patterns of social risk have been altered too. Some families may have difficulties accessing adequate market income and providing social care. Others have trouble ensuring young people gain economic and social autonomy. New kinds of supports and services are needed for today's families.

Women's entry into the labour force has changed the Canadian workplace, but it has also changed families. In 2000, 76 percent of families with children under 18 had two earners; in 1980, the comparable number was only 53 percent. The highest employment rates are registered by women whose children are all school age (three of every four hold a job, which is virtually the same as men's overall rate). However, those with younger children are not very far behind.

There are several important implications of this move away from the practice of having a stay-at-home parent who could be counted on to care for child and house. The most obvious is that employers can no longer assume that workers, either men or women, arrive at the workplace "unencumbered" by daily family concerns. Not only must parents strive to *earn enough* for their families; they must also ensure that they can *care enough* for them.

#### ***Being Family***

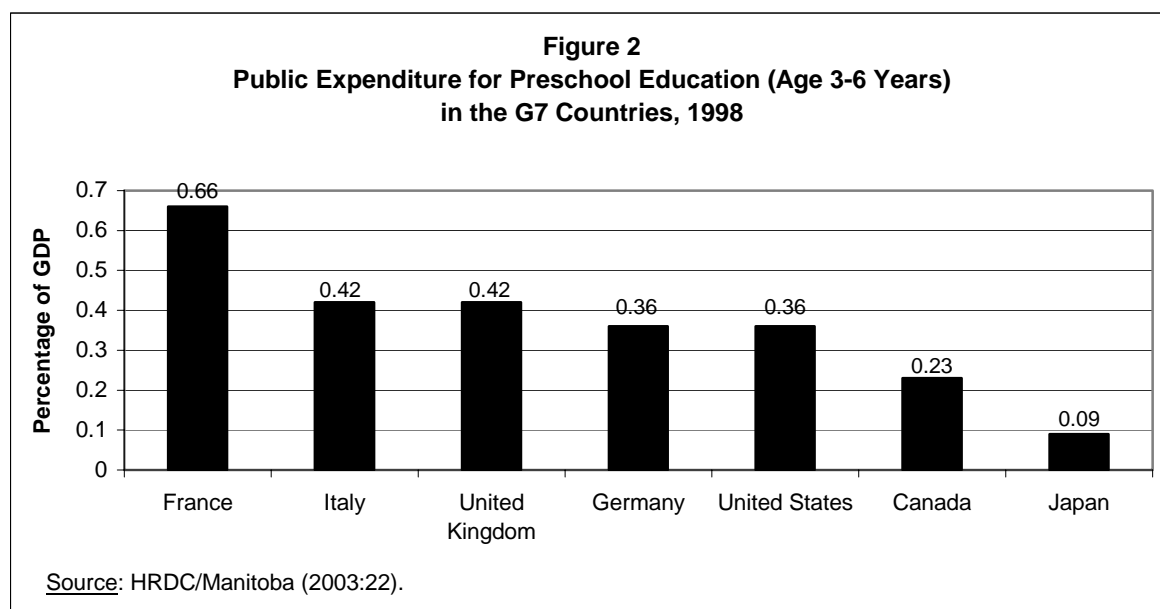
Two-parent families that try to get by with only one earner have seen their low-income rate more than double in two decades. At 22 percent their low-income rate in 2001 was virtually the same as that of female lone-parent families with only one earner (Statistics Canada, 2003c: 91-92).

More than twice as many young adults aged 25 to 29 lived with their parents in 2001 than in 1981, reaching almost one in four (24 percent). Almost three-fifths of young adults between 20 and 24 were living in the parental home, an increase of 14 percentage points since 1981 (Statistics Canada, 2002).

Fertility rates have fallen in Canada as in most other similar countries. There are many fewer members of each generation to call on for sharing care and responsibility for vulnerable family members.<sup>16</sup>

<sup>16</sup> This generalization is not as true for the Aboriginal population, however. While not equal to averages of the Canadian population, both a declining infant mortality rate (from 27.6 deaths per 1,000 live births in 1979 to 8.0 in 1999) and increasing life expectancy have contributed to a population increase. In addition, both a fertility rate substantially higher than the Canadian average and a birth rate twice the Canadian rate have an effect. A population boom – due to improved health and altered living conditions – peaked among the indigenous population in 1967, a decade later than Canada's post-war baby boom (Jenson, 2004a: 27).

Yet, despite the high rate of two-earner families for many years, Canadian policy is well behind international trends in early childhood education and care. Canada spends a smaller share of GDP on public preschool education than most of the industrialized countries, including the United States and the United Kingdom. See Figure 2.



Such lack of resources for preschool care and the familiar low levels of after-school child care mean that many parents – and especially mothers – have had to adjust their working situations to enable them to balance work and family responsibilities. This has led to taking part-time jobs or other employment with built-in flexibility, with the cost often being a lower pay scale. It also means that families are not enjoying the level of overall well-being they hope for. Studies consistently find that people, in Canada as in other industrialized countries, want more children but feel unable for financial or other reasons to have them.<sup>17</sup>

<sup>17</sup> In a wide-ranging cross-national study that included Canada, this conclusion emerged: “In an ideal world women would bear the number of children they want, but this clearly is not the case in contemporary developed countries. A comparison of wanted number of children with the completed fertility estimates ... shows that actual cohort fertility falls well short of women’s preferences. The shortfall averages 0.3 births per woman in this set of countries” (Bongaarts, 2001).

## ***A Country of Immigrants***

Canada has always been a society of immigrants. Recent years have brought a significant shift in the sources of immigration, with global flows and government policy driving much of the change. By the late 20th century immigration policy shifted in three key ways and each had consequences for patterns of immigration.

The 1967 *Immigration Act* introduced the point system and ended explicit discrimination based on country of origin. From then on, immigrants were first selected based on their skills, with the intent being to respond to the needs of Canada's labour market, rather than selected on the basis of their race and ethnicity. As a result, source countries dramatically multiplied in number, a trend intensified by the global patterns of population mobility from the South and East. Asia is now by far the largest source region, providing more than 63 percent of all newcomers in 2001. The vast majority of immigrants are now, according to Canadian discourse, "visible minorities."<sup>18</sup>

A second change was the decision made in 1978 to formalize the practice of attracting business class immigrants, that is, those who have sufficient resources to finance a business in Canada and hire employees. The third change was the worldwide increase in refugees and asylum-seekers and Canada's commitment to opening its doors to those in need of protection.<sup>19</sup>

It is easy to identify the ways in which the Canadian population has been transformed by these policy choices. First, immigrants make up a greater proportion of the population. The foreign-born population rose to 18.4 percent, up from the 14.7 percent in 1951 (Statistics Canada, 2003b: 5). Second, the 2001 census found 13.4 percent of the total population identified as a visible minority, up from 4.7 percent in 1981. Those of Chinese ancestry formed the largest minority group in Canada, 26 percent of the visible minority population. One in every four persons of Chinese ethnic origin was born in Canada (Statistics Canada, 2003b: 10-11).

A third transformation is the concentration of newcomers, rather than their dispersal across the country. While 36 percent of the Canadian population lives in areas other than the Census Metropolitan Areas (CMAs), only six percent of immigrants and refugees in the 1990s settled in non-CMAs. Three cities are the locations of choice for newcomers. Toronto received 43 percent of all immigrants in the 1990s (79 percent of these being visible minorities), Vancouver 18 percent, and Montreal 12 percent.

These three cities are among the most multicultural in the world. They are the places where attention to social cohesion can generate the "diversity advantage" that is attractive to high-wage, knowledge workers. Richard Florida (2000), for example, argues that cultural dynamism as well as a sense of public safety and environmental quality, among other things, are what make a "livable city" with a comparative advantage in the global knowledge-based economy. As Neil Bradford (2002: 1) puts it: "knowledge-based innovation, critical for success in the global

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<sup>18</sup> According to the *Employment Equity Act*, visible minorities are defined as individuals who are non-white in colour and non-Aboriginal or non-Caucasian by "race." In practice, this means people who have origins other than European.

<sup>19</sup> In 2001, skilled workers accounted for 54 percent of all newcomers, immigrants under the family class 27 percent, refugees 11 percent and business class immigrants six percent (Papillon, 2002: 6).



economy, thrives in those local places that cluster economic producers, value diverse ideas and culture, and involve all residents in learning opportunities.” But there are also challenges, related to services, urban planning, infrastructure and other matters. In profoundly multicultural cities, education and health services, for example, must be adapted to the linguistic, cultural and religious diversity of the population. Adapting such services often requires additional financial resources and professional expertise (Papillon, 2002: 2ff.). Therefore, social policy can play a key role in ensuring that the diversity advantage is realized and becomes a solid foundation for the knowledge-based economy.

In recent years, however, there have been increasing signs that all may not be well. In the past, immigrants traditionally started at the bottom and worked their way up; this is the – correct – myth of integration. Beginning in the early 1980s and continuing through the mid-1990s, the patterns changed, however:<sup>20</sup>

- There was a substantial decline in the entry wages of new immigrant workers. In the early 1980s, 66 percent of skilled-worker principal applicants initially earned more than the Canadian average. In 1996, only four percent earned more than the national average at entry.
- There was a lower rate of return on investment in human capital for newcomers than for Canadian-born. At the same educational and training levels, immigrants earn less than Canadian-born, raising the problem of credential and work experience recognition. Despite a massive increase in their educational attainment, recent immigrant men employed on a full-year, full-time basis saw their real earnings fall seven percent on average from 1980 to 2000. During the same period, however, real earnings of Canadian men went up seven percent (*The Daily*, 8 October 2003).
- There was a significant jump in the proportion of newcomers living in poverty. Indeed, the low-income rate of recent immigrants is increasing much faster than that of Canadian-born (Hou and Picot, 2002). Much of the change in aggregate low income was associated with low income among immigrants, particularly recent ones.

While the economic upturn in the late 1990s brought improvements in some of these patterns, experts are still concerned that structural factors and policies may hinder any return to the pre-1980 situation and especially to that of the 1950s and 1960s.

### ***Immigrating is Risky Business***

Unsettling patterns exist with respect to integration success. To the extent that low-income rates rose in the 27 CMAs between 1990 and 2000, Heisz and McLeod (2004: 31) conclude that “more than 100 percent of the change in low income” was concentrated among the recent immigrant population (that is, those who arrived within the last 10 years). This marks a significant change from the 1980s, when the patterns of low income were due to the situation of other groups.

The service economy puts a premium on communication, manipulation of knowledge, and “representation” of the product. Economic integration may be blocked for those whose language skills are adequate but limited, whose knowledge is other than that demanded (or not recognized as such) and whose capacity to “represent” the product may be limited by racial prejudice in the broader society as well as cultural or gender factors. The willingness of Canadians to represent themselves as “diverse” may have opened more jobs (not necessarily well-paying ones) for female newcomers (as for Canadian-born women) than for men (Jenson, 2004a: 26).

<sup>20</sup> For an overview of the situation of immigrants from which these data are drawn, unless otherwise indicated, see Policy Research Initiative (2002) and Association for Canadian Studies (2003).

Although there has been “a decline in the explanatory power of labour market factors” (Biles and Burstein, 2003: 14), this does not mean that diagnosing labour market effects is not important. When the structure of labour markets makes it harder for everyone to move “up,” newcomers may stay concentrated, along with many other Canadians, at the margin of society, among the working poor and those at risk of social exclusion. In addition, in labour markets in which credentials are increasingly important, the matter of recognition of foreign credentials cries out for a solution. And finally, in a society in which social networks, community ties and social capital are the coin of the realm, newcomers may find themselves excluded and lacking mainstream social capital.<sup>21</sup>

### ***Aboriginal Peoples: A Condensation of Social Risks Plus Thorny Issues of Governance***

The post-1945 social architecture paid little attention to the situation of Aboriginal peoples living in Canada.<sup>22</sup> 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) changed that. So too did their presence at the heart of Canadian society. In 2001, almost one of every two Aboriginal persons lived in an urban area, and one-quarter lived in 10 Census Metropolitan Areas (CMAs), with Winnipeg having the greatest number and the largest proportion, at eight percent of its population (Jenson, 2004a: 27). Therefore, beyond issues of social justice, there is the fact that when “place matters” and the diversity advantage exists, any successful new social architecture will depend on finding ways of ensuring the social inclusion of Aboriginal peoples. The question is how?

For Aboriginal peoples as for other Canadians, current institutions and practices bear the marks (and scars) of previous regimes. The well-being of Aboriginal peoples in Canada has been affected by the same large processes of change as has the welfare of other Canadians: restructured labour markets, widening income inequality, evolving educational needs, and changing demography. Aboriginal people have the same interest as other citizens in developing a just, secure and inclusive social architecture. But they come to these questions from a different place: both their historical experience and their current position are distinctive.

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<sup>21</sup> This is the context in which the findings of the recent *Ethnic Diversity Survey* become very relevant. One in every five visible minority persons reported an experience of discrimination based on ethnicity, culture, race, skin colour, language, accent or religion in the past five years. Moreover, the rate was virtually the same for newcomers who arrived in Canada in the last decade (20 percent), for those who came before 1991 (21 percent) and for those who were two or more generations in Canada (18 percent). Only one in 10 of post-1991 immigrants who were not part of a visible minority similarly reported such experiences while 32 percent of Blacks – newcomers and citizens alike – reported at least one incident of unfair treatment or discrimination. Such findings help to account for the high rate of poverty even among immigrants who arrived as children and, therefore, have had the benefits of language skills and Canadian educational credentials (Jenson, 2004a: 24-25).

<sup>22</sup> This brief section does not provide an analysis of differences across Aboriginal communities, both those due to ethnic differences and those due to geography. Analysis of variation is provided in the research report prepared for this project by Frances Abele (2004: 4-7), in a section entitled “Who are the Aboriginal People?”

### **The Well-being of Aboriginal Peoples**

In thinking about a new social architecture for Aboriginal people living in Canada, Frances Abele (2004) starts from three initial observations:

1. Urban Aboriginal populations are growing considerably faster than the non-Aboriginal population. The number of Aboriginal people in Canada grew by 22 percent between 1996 and 2001 while in the same period, the non-Aboriginal population of Canada grew by only 3.4 percent.<sup>23</sup> The urban Aboriginal communities being created are diverse both in terms of their ethnic composition and their levels of economic well-being and capacity for community self-service and organization. Community services, and means of funding these, must be therefore adapted to the diversity within the Aboriginal population.
2. Child poverty is a very serious current and future problem. Almost six percent of all children in Canada are Aboriginal, and many of them are poor, in part because they are more likely to live in a lone-parent family (Jenson, 2004a: 18). This situation has profound implications for a number of educational and other programs, especially in provinces with a high proportion of Aboriginal people overall. For example, in Saskatchewan and Manitoba, one in four children is of Aboriginal origin. To the extent that the future of Canada depends on today's children, addressing the real needs of Aboriginal children is vital to the future.
3. For Aboriginal peoples as in all areas of social provision, there is a tension between universality and uniformity of benefit, and respect for particular needs and qualities of individuals and groups. To these are added the complex task of reforming the system away from colonial practices while coping with the present-day consequences of colonialism. The tensions inherent in this process intensify and occasionally confuse the "normal" tensions arising from patterns of social risk.

Many of the challenges faced by Canada in general are even more present in Aboriginal communities. Aboriginal people are disproportionately represented among the low-income population of several CMAs, reaching more than one in five persons in that category in some locales. In all 27 CMAs the low-income rate of Aboriginal people fell between 1995 and 2000, but the ratio of the Aboriginal low-income rate to non-Aboriginals did not change (Heisz and McLeod, 2004: 37). Fully one-third of First Nations and Inuit people live in housing that is inadequate, unsuitable or unaffordable; the rate for the non-Aboriginal population is less than one in five (CPHI, 2004: 19). The consequences of such living conditions as well as low income are directly observable in a health status that is significantly inferior to that of Canadians as a whole.

Clearly, the current mix of transfers from the state sector and the capacity of the market sector to absorb Aboriginal workers have failed to produce the economic well-being of this growing population nor affirm its social inclusion and health. It therefore becomes urgent to rethink the roles and responsibilities of Aboriginal families, their communities, the state and the market.

<sup>23</sup> There are important ethnic differences in the rate of increase: Métis increased by 43 percent in the 2001 Census compared to 1996. North American Indians increased by 15 percent and Inuit increased by 12 percent. As Statistics Canada (2001: 5) puts it: "The trend to increased reporting of Aboriginal origins or identity has been evident since the 1986 Census and is thought to have resulted from an increased awareness of Aboriginal issues. This could have occurred as a result of numerous events, such as the Oka/Kanesatake crisis, the Royal Commission on Aboriginal Peoples, recent court decisions on Aboriginal rights and the creation of the territory of Nunavut." A similar increase was observed in Australia and New Zealand as well as the United States (Jenson, 2004a: 27).

In short, designing a social architecture for the 21st century provides Canada with the opportunity to update some of the most basic institutions in Canadian society in order to “catch up” to the dramatic changes in the legal, political and demographic circumstances of Aboriginal peoples in Canada over the last three decades (Abele, 2004). Beyond addressing the need for adequate income and social supports, there is a significant governance component to thinking about an appropriate social architecture to address the needs of Aboriginal peoples.

The 1996 report of the Royal Commission on Aboriginal Peoples offered a holistic analysis of the history of the relationship and of the present situation. Contemporary indicators of social disarray or damage are explained as a consequence of oppressive actions in the past and in the present; the solution, then, in part entailed a new attitude (emphasizing partnership and collaboration) and a new set of policies and programs designed to redress wrongs and address problems by getting at the underlying causes. This vision was expressed very simply as comprising four aspects: mutual recognition, mutual respect, sharing, and mutual responsibility.

In line with its mandate, the Royal Commission on Aboriginal Peoples considered that the concerns of Inuit, First Nations (on- and off-reserve) and Métis ought to be dealt with in a single analysis. Harkening back to the model and the political implications of the original Treaties, the Commission proposed a renewed vision of the Canadian federation based upon the Treaty concept, to include all Aboriginal people, regardless of their *Indian Act* status (Abele, 2004: 14).

Almost a decade later, although there have been significant measures taken to open policy advice and even decision-making to Aboriginal representatives, there is still a significant degree of control located where the funds and sometimes legislated responsibility is still held, in federal hands in Ottawa. In addition, though there is wide recognition that integrated programs, coordination and, especially, ease of access to a full range of services are necessary for the effective use of public funds, there are still many fragmented programs on offer – sufficient to pose serious challenges for service providers at the community level (Abele, 2004).

Nevertheless, new approaches are appearing and they tend to abandon the long-standing distinction in programming among Métis, First Nations and Inuit, as well as distinctions linked to place of residence. For example, the former Human Resources Development Canada, allied with Health Canada, Indian Affairs and other departments, implemented a far-reaching, collaborative, partnership-based approach to Aboriginal human resources development which incorporated significant attention to the development of civil society capacity for program advice and policy development to meet real needs “on the ground.” The logic of these newer initiatives is explicitly linked to federal recognition of the right of self-government, and to the break with the colonial practices of the past announced in the 1997 federal policy statement, *Gathering Strength*. Such “new model” programs differ in three ways from past practice: they are aimed at *all* Aboriginal people, they entail *partnerships* of various kinds, and they involve, potentially at least, *all levels* of government in Canada, including Aboriginal governments (Abele, 2004: 24ff.).

***Cultural Identity Is Fundamental to Aboriginal People's Health and Well-being***

"Culture, language and tradition are integral to the holistic view of health held by Canada's Aboriginal Peoples. As in many Indigenous cultures around the world, health and well-being are understood as a complex inter-relationship between physical, mental/intellectual, spiritual and emotional factors (CPHI, 2004: 18).

***Community Control Is a Direct Route to Better Outcomes and Has Been Partially Implemented in Some Parts of Canada***

"The most significant local-level development is the shift in authority in delivering services to Aboriginal Peoples (primarily First Nations and Inuit) by the federal, provincial and territorial governments. One way this has occurred is through the settlement of self-government and land claims. The other is on a piecemeal basis through transfer agreements, primarily in social services and health. As of March 2001, 83% of First Nations communities were involved in the First Nations and Inuit Health Branch Health Transfer Program. ... Key factors for success include Aboriginal ownership and control, a focus on primary care, linkages with the provincial health system, integrated service delivery, and a holistic focus and integration of traditional approaches with mainstream care" (CPHI, 2004: 21).

Forging effective partnerships with Aboriginal communities, both off- and on-reserve, is particularly important. This is the case because research has identified a direct correlation between better health (lower rates of youth suicide) and other outcomes (lower rates of sexual reoffending) and community control over schools as well as health and other services (CPHI, 2004: 20).

Two conclusions are drawn from such observations. One is that well-being will be enhanced when the community sector of the welfare diamond is empowered to undertake preservation and promotion of indigenous cultural practices as well as to have control over and management of resources. A second is that responsibility for ensuring adequate resources must still be provided by the state sector, given the multiple challenges faced by Aboriginal communities and the continuing difficulties in ensuring sufficient well-being from the market sector.

### 3.0 Now We Know the “Problems,” Why Does It Matter?

In the previous section, two problems – the working poor and other new patterns of social risk related to family and community change – have been identified, and they have been presented *as if* they identify a need for a new social architecture. But why should we be concerned about low income and rising inequalities, or about new challenges arising from the ageing society, the work-family nexus, changing immigration experiences, and the poor health and low income of Aboriginal peoples? Why not simply accept them as “normal,” as the inevitable result of the current economic situation? There are several ways to answer this question.

#### 3.1 The Science: Inequality Matters

A first reason for concern comes from the now well-documented analyses in the area of population health. As James Dunn (and many others) present the situation, Canadian citizens’ preoccupation with “health” places too much emphasis on the health care system and ignores two key questions: “What makes some societies healthy and others not?” and “What are the connections between a healthy society and the strength of the economy?”

The population health perspective links such questions to the big issues raised in this research report about well-being, by demonstrating that health outcomes influence: “the desirability of Canada as a site for international migrants and visitors, global capital investments and our international reputation as a just society. Moreover, good answers to these questions have implications for the quality of life that we enjoy and wish to perpetuate” (Dunn, 2002: 1). Such positive outcomes, as we have seen, are a major locational factor in the knowledge-based economy as well as a matter for equity.

The conclusions of the huge body of work now available on population health are summarized this way (Dunn, 2002: 2; Evans, 2002):

- The major determinants of health are not medical care inputs and utilization, but cultural, social and economic factors – both at the population and individual levels;
- At the population level, there is evidence that societies with high levels of income and a relatively equal distribution of wealth enjoy a higher level of health status; and
- At the individual level, the immediate social and economic environment and the way that environment interacts with an individual’s psychological resources and coping skills shapes health to a large extent.

These conclusions are relevant for our analysis because they demonstrate that investments designed to create a “healthy society” – that is, both healthy individuals and a high health status – pay off in terms of economic productivity. “Poor health, illness and disease have substantial economic costs, both in terms of direct expenditures on services (health care, etc.) and in terms of indirect costs resulting from lost productivity. These costs may be significantly exaggerated by the existence of strong socio-economic inequalities in health” (Dunn, 2002: iv).

Moreover, investments in overcoming the inequalities are not simply those traditionally lumped under “health expenditures.” They include, of course, access to preventive health care services, but they also include policies that work to equalize the distribution of income and provide access to public goods and services on a citizenship basis rather than a market basis.

Additional work within this population health perspective has focused on child outcomes and communities. Research first identified that positive outcomes depended more on the amount of equality (and social investment) in a community than it did on the amount of wealth. Thus, poorer communities with a “flatter gradient” (reflecting greater equality) could have better health outcomes than one in which the gradient was “steep” because rich and poor were very far apart. Conversely, wealthy societies with high levels of inequality might have less positive outcomes (Ross, 2004).

In Canada, the work on gradients in distribution of educational and child health outcomes is most associated with the Programs in Population Health and Human Development of the Canadian Institute of Advanced Research (CIAR). As Keating and Hertzman (1999: 8) say: “We found the ‘flatter equals better’ phenomenon that we saw for population health, when we looked at developmental outcomes like mathematics achievement, behavioral and school problems, general ability, mental health, and social adaptation.” Beyond wealth, these researchers looked to distribution of “developmental resources,” which included access to services and supports in early childhood.

Such research has been very important because it has shone the light of science on decisions that communities have made, and still make, about access and equality as correlates of all types of well-being.

### **3.2 Work and Canadian Values**

A second reason to be concerned about the “problems” identified in Section 2 is that Canadians believe that work should be recognized and remunerated, that effort should be acknowledged. In her report for this research program, Mary Pat MacKinnon provides a new analysis of the data from the *Citizens’ Dialogue on the Kind of Canada We Want*, organized by CPRN in Fall 2002. In full-day dialogue sessions, small groups of Canadians discussed the major issue of the day. Their deliberations produced two key results. First was a revised social contract that reframed the roles for government, citizens, business and communities. They called for both continuity and change in the roles for government, while arguing that the roles for citizens, communities and business should be significantly enhanced. Second, they generated a restatement of core Canadian values based on a strong belief that Canada needs a “moral compass” to guide action in all spheres of private and public life.

At the core of the vision of many citizens was a “working society,” in which each person may contribute. The notion was that most people should be in the labour force, earning and paying taxes to pay for collective goods and services. Citizens also recognized that many people might need supports to be able to make their contribution, for example, via adequate access to post-secondary education or physical access for persons with disabilities as well as services such as

child care. They also expressed the belief that people who work full-time should be able to earn a “living wage”<sup>24</sup> to support themselves and their families.

These were their values, but citizens found that vision and reality were not in sync. They frequently recounted the experience of friends, acquaintances and family members who were working full time but still not making it out of poverty. They expressed dismay that so many low-wage workers (often themselves or their children) had pursued post-secondary education but this investment in their human capital was not paying off as expected. They worried that such people and their families faced bleak futures.

Poverty level wages offended citizens’ sense of justice and fairness. Their suggested remedies for this problem led to different policy approaches. Some stressed the role of governments while others put more responsibility on the private sector. Those looking for government leadership called for regulations to increase minimum wages, arguing they have lost significant ground since the 1970s, failing even to keep pace with inflation. They discounted concerns that higher minimum wages would bring substantial job losses; they believed that the market would adjust and that losses would be short-term.<sup>25</sup> Others rejected this step, however, favouring other types of interventions, such as providing low-wage and part-time workers with better employee benefits. Many participants agreed that regardless of whether minimum wages were increased, governments could act to improve low-wage workers’ (and their families’) circumstances by redesigning, extending and/or increasing social benefits (such as housing subsidies or social housing, supplementary health and drug benefits, child care subsidies, and training and education assistance) and/or by providing wage supplements.

MacKinnon (2004: 24ff.) identifies several policy implications that flow from these “working society” values and preferences. She writes:

- Expecting people to work at poverty level wages invalidates the reciprocity logic that underlies their notion of a fair market economy – to downplay or ignore this problem is to turn a deaf ear to what citizens care about and expect their governments to show leadership on.
- New policies or incremental policy adjustments will need to be developed and implemented in collaboration with private and not-for-profit employers, program administrators and those who have experienced this reality. This will require much closer co-operation among provincial, territorial and federal governments, new outreach strategies and certainly increased private and public investments.

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<sup>24</sup> The term “living wage” came from the citizens themselves not from prompting by facilitators. Citizens repeatedly used the expression, demonstrating its “everyday meaning” (MacKinnon, 2004: 22).

<sup>25</sup> In adopting this position, the citizens in the dialogue were in agreement with the United Kingdom government, which introduced its first minimum wage in 1999. The *National Minimum Wage* covered all business sectors and all parts of the United Kingdom, with a higher hourly rate for workers aged 22 years and older and a lower “development rate” for workers aged 18-21 years. Both have risen in steady increments since 1999. As of October 2003, the adult rate was £4.50 per hour (\$10.10 CAD) and the youth rate £3.80 per hour (\$8.53 CAD) (Pawlick and Stroick, 2004: 27).



### 3.3 And Yet, These Values Are Not Represented in Current Practices

More people are in employment than ever before, and yet low-income rates remain high. One result of this pattern of change in the labour force and choices about the roles and responsibilities in the welfare diamond has been “to stack the policy cards against exit from low-paid work” (Maxwell, 2002: 7) and from low income in general. Sometimes it is the operation of the labour market which is to blame, but sometimes there are public policies which set up perverse effects.

In a recent analysis, Judith Maxwell (2002: 6-7) identified four policy choices that had the unintended consequence of making it difficult for responsible people to exit low income, simply by relying on the labour market. They are:

- *High marginal tax rates and reduction of transfer benefits as income increases.* For example, the National Child Benefit Supplement is cut off when family income crosses a relatively low bar.<sup>26</sup> Incentives for saving for post-secondary education also have disincentives to earn “too much”: families risk losing saving benefits, at the same time as they will pay higher taxes, making it difficult to save.
- *Absence of services.* The best known service gap is that for child care. Moving off social assistance (Ontario Works, for example) may mean loss of a child care subsidy or space, while moving into a full-time job will most likely make it necessary to pay a high market price for child care (on average \$603 monthly for a toddler in Ontario). Similar costs exist for families caring for persons with disabilities with home care needs as well as those with high pharmaceutical costs.
- *Lack of access to training.* Rules limiting training to the unemployed plus the rising costs of post-secondary education discourage the working poor from investing in their own human capital.
- *Lack of benefits.* As precarious work has increased, so too have the number of vulnerable workers lacking access to the benefits provided by “good jobs” and collective agreements. Anyone with health needs must think seriously about leaving social assistance for a low paid job; this welfare wall is well-known. Less familiar, perhaps, is the fact that the provinces and territories that do provide extended health benefits and pharmacare all do so on an income-tested basis. Therefore, taking a slightly better paid job but one without supplementary benefits might result in being required to absorb large drug and other health costs.

Income-testing still predominates in all of the major reforms, from the National Child Benefit to the Millennium scholarships (95 percent of which are bursaries) and the new Learning Bond. Such a reliance on income-testing in the context of high employment rates sets up competing incentive structures when policy communities seek to address the new social risks, including those of the working poor.

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<sup>26</sup> Disappearing altogether at a family income greater than \$33,000, the benefit goes only to families earning less than half of the average family income, which was \$60,500 in 2002 (Statistics Canada, 2004a).

A first incentive structure follows from the principle that everyone must be employed. This leads to the strategies of “making work pay” that are embedded in a range of policies, including the Canada Child Tax Benefit and the “clawback” of the National Child Benefit Supplement, the redesign of social assistance to extend health benefits (including a pharmacare program in several provinces and territories), subsidies for early childhood education and care (which exist everywhere but in Quebec), and the emphasis on human capital investments through training, and so on.

A second incentive structure follows, however, from the unanticipated costs of working, when many jobs are low paid and lack supplementary benefits. This may have significant negative consequences for the family sector of the welfare diamond as well as the characteristics of the market and community sector. The burden of a better job is heavy for families leaving social assistance, who may see their out-of-pocket costs for housing, health, education, and care rise at the same time as the benefits they had while on social assistance disappear. But the burden of *any* low-wage job without supplementary benefits is heavy for families who must pay market rates for dental care, housing, and medicine. It puts them under even greater stress. Their work may, in other words, lose value.

How might we move beyond these competing incentive structures, so as to put an appropriate value on the work that is being done?

## 4.0 And What About Governance?

A social architecture is composed of governance arrangements across the four sectors of the welfare diamond as well as the roles and responsibilities within it. By governance we mean mechanisms for assigning responsibility across all four sectors of market, family, state and community and thereby identifying the responsibilities of each sector of the diamond for the provision of well-being.

Choices made about governance of the welfare diamond in the last decades have been of several types and have affected the sectors in different combinations.

### 4.1 “New Governance”: Market-shaping Relationships

One set of decisions about governance expanded markets’ responsibility for well-being. As we have noted, after 1945 there was an expectation that labour markets would provide the bulk of material well-being. This belief was reinforced by the emergence of the ideology of neo-liberalism in the 1980s. In the tenets of neo-liberalism one of the defining premises is that markets should be allowed to do *more*; if they were unleashed from the restraints imposed by too active governments, they would “raise all boats” and increase the general stock of well-being. Labour markets were the target, but so too were markets for housing and services.

#### ***Restructured Work***

By 2002, less than two of every three employees held a full-time, permanent job, the kind of job that would be likely to bring higher wages and ensure the full panoply of benefits.

Over one in ten (11 percent) of workers were temporary workers, that is those without either job security or benefits. While women were less likely to hold full-time jobs and more likely to be in temporary ones, we can also see, in the decline of five percentage points in men’s full-time permanent jobs and their almost equal participation in temporary work, some of the reasons why single-earner families, whether lone parents or couples, have high low-income rates.

Similar patterns are observed among those who are “own account self-employed,” that is, employ no one else.

Source: Vosko, Zukewich, and Cranford (2003: 20).

Such beliefs, coupled with the real challenges of deficit-fighting in the 1990s and pressures on firms to be “competitive,” generated a number of responses that have contributed to the situation of the working poor and new patterns of social risk.

*Employers* sought to reduce or control their costs by relying on a variety of labour and service contracts. The private-services sector (restaurants, retail, consulting, and so on) of the economy was particularly affected. The result was a rise in non-standard employment in the 1990s, “fuelled by own-account self-employment and full-time temporary paid work” (Vosko, Zukewich, and Cranford, 2003: 20).

*Governments* sought to reduce costs (and therefore deficits) by shedding labour. For example, they:

- abolished some services all together, and laid off the public servants who had provided them;
- “privatized” other public services, by contracting with firms in the private sector to provide a service which had previously been delivered by public employees; and
- contracted with non-profit providers in the community sector, paying them to deliver services that had previously been provided by public agencies.

Governments also decided to encourage market outcomes to prevail in areas such as housing, post-secondary education, and services for care (for children and home care). The federal government withdrew significantly from its previous responsibility for ensuring affordable housing when it cut back its support for social housing; provinces followed suit. Provinces have responded to rising costs for post-secondary education by allowing fees to rise (thereby distributing access according to family resources and/or borrowing capacity) as well as accepting a certain amount of privatization alongside the public system. The debate over market provision in the health care system is well known, as are disputes about the role of markets and families in early childhood education and care. These decisions shifted significant responsibilities to the family.

***“New Governance” as an Approach  
to Public Problem-Solving<sup>27</sup>***

One of the defining features of the term governance is reliance on a wide array of third parties in addition to government to pursue public purposes. Such an approach is necessary, it is often argued, because problems have become too complex for government to handle on its own, because disagreements exist about the proper ends of public action, and because government increasingly lacks the authority to enforce its will on other crucial actors without giving them a meaningful seat at the table.

The notion of governance refers to governing styles in which the boundaries between and within public and private sectors have become blurred. There is also an increasing reliance on networks and partnerships in the coordination of public services.

Source: Saint-Martin (2004: 5).

The shift in responsibility to the voluntary sector had consequences for its capacity to cope and to provide good working conditions. Studies of the non-profit sector uncover the higher levels of temporary work and lower pay rates. Small organizations which compete for “project funding” from governments to provide services frequently find themselves lacking funds to provide competitive pay rates and the stability of funding that would allow them to offer permanent employment with the full range of benefits (Saunders, 2004). This sector is overwhelmingly staffed by women, and becomes, then, a partial explanation for the lower earnings of women, whether in lone-parent families or couples.

All of these choices have implications for what is sometimes termed the “new governance.”

In thinking about the relationship between state and market, as well as other relationships within the welfare diamond, attention to new governance practices has tended to focus on the positive, on the advantages of “networks” and “partnerships” with the for-profit firms as well as non-profits.

<sup>27</sup> The material in this box is adapted from Saint-Martin (2004: Section 2). See the original for references to the relevant literature.

This discourse has not been accompanied by much attention to the continuing need for regulation in the market sector, for setting standards for the public good that may impose costs on individual firms.<sup>28</sup> Indeed, by emphasizing networking and collaboration, talk about “governance” may even push the notion of “regulation” – that is, state power – off the radar screen. This lack of attention is also encouraged by the ideas of neo-liberalism, which include the notion that governments should do only what is “needed.”

## 4.2 New Governance and the State Sector of the Diamond

New governance thinking has also shaped relations within the state sector of the welfare diamond, with consequences for the ways federal, provincial-territorial, Aboriginal and municipal governments work with each other.

One response to the challenges of social policy redesign and those of multi-level coordination in Europe, as well as in Canada, has been the proliferation of experiments in devolved decision-making, information pooling and performance comparison, deliberative exploration of promising solutions or “good practices,” and redefinition of policy objectives in light of accumulated experience (Saint-Martin, 2004: 2). We have already seen such responses with respect to Aboriginal communities (Section 2.2) and in this section we pay attention to intergovernmental relations and the place for municipal governments, as well as accountability issues.

### *The Social Union Framework Agreement and Citizens*

There have always been at least three competing views of intergovernmental relations in the social policy realm in Canada (Saint-Martin, 2004: 30ff.). *Federal hegemony* over social policy is founded on a positive assessment of the federal government’s role in nation-building. A second is the *provincial-rights* or devolutionist view, promoted by provincial governments in Quebec, and sporadically supported by other provinces and some federal parties. Its clarion call is for disentanglement, on the grounds of administrative efficiency and cleaner lines of accountability as well as constitutional rights. A third view is one that former Saskatchewan Premier Roy Romanow has called “*constructive entanglement*.” It calls for federal-provincial partnership in social policy formulation and program delivery when neither level of government can be effective acting alone. In this view, the Constitution is an imperfect guide and governments should negotiate their respective roles and responsibilities and truly collaborate in social policy formulation and program delivery.

As a governance model for intergovernmental relations, “constructive entanglement” has also been described by Susan Phillips as a form of “instrumental federalism” which, she argues, emerged in the 1990s and became enshrined in the Social Union Framework Agreement (SUFA) (Phillips, 2003: 106). Signed in 1999, this agreement among the federal and provincial governments (except Quebec) creates a framework for social policy-making. In addition to setting the rules for how the federal and provincial governments should work together, the agreement also laid out principles of equity and fairness in social programs; codifies rules for the use of the federal spending power; and promises collaboration, accountability and transparency.

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<sup>28</sup> One exemption to this generalization is the extension of Employment Insurance to part-time employees. However, the other regulations about qualifications have made it difficult for employees to access benefits (Boychuk, 2004: 14).

Although these principles were established five years ago, they have not yet become operative in many areas of social policy, however.

The focus on partnership in the Social Union is largely based on the recognition that the economic and social problems confronting Canada are so complicated that social policy no longer is the sole preserve of government. As the accord says, business, labour, municipal governments, the educational system, interest groups, researchers, communities and citizens must marshal and

combine their resources through various forms of working partnerships.

#### **The European Union's Open Method of Coordination (OMC)**

The four stages (Jenson and Pochet, 2002: footnote 3) of the OMC are:

1. A first stage sets down a timetable for short-, medium- and long-term objectives in a single social policy area. These are called the common Guidelines and are developed by the Member States and the European Commission together.
2. Quantitative and qualitative indicators are created and best practices identified, by experts working together in European-level groups.
3. The Guidelines agreed to at the European-level are translated by each Member State into a national plan which follows the Guideline but sets out country-specific objectives. These national plans are developed within each Member States via consultations among government officials, social partners and representatives of civil society organizations.
4. Countries' success in meeting their own national plans is assessed by "peer review." The European Commission has the responsibility for noting failures to live up to the plans and/or to move forward sufficiently quickly. This assessment process is sometimes termed "naming and shaming."

In the area of social policy, the OMC was initially developed to cover employment policy. Since 2000, it has followed an agreed timetable and has been extended to the policy domains of social inclusion and poverty and pensions.

The SUFA accountability provisions are intended to give the public and civil society organizations the information on outcomes they require for vigilance, pressing underperforming provinces to direct spending toward social programs and to design more effective programs. This, in a sense, is comparable to the multilateral surveillance system created by the Open Method of Coordination in Europe where, it is hoped, the exchange of information and peer pressure through "naming and shaming" will encourage a "race to the top" to improve the performance of social policy (Palier, 2004; Saint-Martin, 2004).

As of yet, however, SUFA is a much more limited instrument for making change in social policy. The Europeans may be undertaking their reforms (in a much more complicated polity than the Canadian situation) but as of yet we are moving very slowly if at all within the SUFA model.

## ***Bringing Cities to the Table***<sup>29</sup>

Many people active in the public, private and voluntary sectors are beginning to reassess the contribution of cities to economic and social innovation, as well as to social justice. Urban regions, and the cities in them, are increasingly seen as primary locations for building well-being. There is therefore a good deal of concern about the sustainability of their infrastructures, the challenge of governing them, and the quality of their democratic health. At a time when over 80 percent of Canadians live in urban areas, and several Canadian cities are larger than several provinces and house a significant proportion of their own province's population,<sup>30</sup> cities are now the places where many of the most pressing challenges are located and any new social architecture must recognize this fact.

Federal-provincial-territorial relations have continued to develop since the 1940s, but the significance of Canada's overwhelmingly urban population growth since the 1960s has yet to translate into renewed governance practices that include municipal governments and other local actors. Canadian municipalities continue to exist in a set of intergovernmental relations that were designed in the 19th century. Although these constitutional arrangements deem city governments "wards" of the province, they also include the quite modern notion that municipal government, as the level that best understands the needs of local populations and where participation can most easily occur, should be democratic. In practice, this tension between provincial stewardship and local democracy has meant that municipal governments are often caught between two "masters" – the province and the voters. This is a situation that confuses the lines of *democratic accountability*, especially as provinces compel cities to deliver programs and spend in particular ways.

A consensus is nevertheless emerging that because "place matters" for the sustainability of urban Canada, not only must resources be better distributed but also the tables where decisions are made must make room for the representation of municipal governments as well as locally based community partners.

## ***Accountability in New Governance***

The new governance also suggests an alternative accountability approach in social policy. A first type of accountability can be said to emphasize a "learning model" of accountability. Here the goal is information-sharing through performance measurement and reporting on results, and the identification of best practices among governments. This type of learning primarily takes place in intergovernmental institutions. The second type of accountability focuses on public reporting and outcome measures.

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<sup>29</sup> The material in this section builds on Jenson and Mahon (2002).

<sup>30</sup> According to the 2001 Census, the cities of Toronto and Montreal are larger than each of the four Atlantic provinces. Indeed, the City of Toronto, at 2.4 million people, is larger than all four *combined*. The City of Toronto is home to 20 percent of Ontario's population, while 24 percent of Quebec's population lives in one city, Montreal. Fully 16 percent of the Canadian population lives in the GTA (Greater Toronto Area).

Concerns about accountability and partnership are widespread. Partnerships have been prescribed as instruments for overcoming the painful legacies of history in Aboriginal communities, in Canada and elsewhere (see also Papillon and Cosentino, 2004; Abele, 2004). There has also been a strong emphasis on “partnership” and an enlarged role for the community in various neo-liberal proposals for social policy redesign. The *Australians Working Together* is a recent expression of this position (Pawlick and Stroick, 2004: 40ff.). In a similar way but from a different ideological position, Britain’s New Labour stresses community partnership (Saint-Martin, 2004: 20-29; Pawlick and Stroick, 2004: 24-25). The Voluntary Sector Initiative in Canada is an explicit effort to design a new relationship (Saint-Martin, 2004: 35-36).

Communities can be involved in many different ways. The reinforcement of responsibilities of the community sector can be a double-edged sword, bringing space for innovation to those that are strong, capable and resilient, and leaving the weak even further weakened. Working through the transition to a new set of arrangements will require building the appropriate institutions including mechanisms to ensure accountability. These institutions will shape the new roles and responsibilities of communities, markets, and the several orders of government so as to help implement the proposals set out in the next section. Appropriate investments in capacity building, definition of roles, checks and balance, and other ways of coordinating policy implementation will be crucial to a well-functioning social architecture for the 21st century.



## 5.0 New Directions for Canada's Social Architecture

The argument so far is based on evidence established by economists, population health experts, and social policy communities, and can be summarized as follows.

There is a growing international consensus (Saint-Martin, 2004: 2) that meeting social goals can contribute to economic efficiency and progress and is a good investment in the knowledge-based economy:

- Strong and sustainable social programs can enhance economic competitiveness by supplying vital social infrastructures – health care, a skilled and knowledgeable workforce, resilient families, and healthy and secure societies – that bestow comparative advantage.
- Persistent inequalities of outcomes are a costly economic deadweight in terms of lost productivity, foregone tax revenue, reduced consumer spending and higher expenditures on income assistance, social services, health care and security. Inequalities impose economic as well as social and individual costs.
- Social policy can serve to create and stabilize collective goods, channel and mitigate industrial conflict in periods of structural adjustment, and, in turn, is likely to foster political stability and social cohesion.

And yet, Canada's social architecture has not caught up with *these new realities and the new consensus*. We still need to identify a design that will successfully address the problems documented in Section 2, problems that require action in all four sectors of the welfare diamond. What are the new social risks and challenges? Here is a summary:

- Growing income inequalities associated with the shape of the global economy and restructured work in knowledge-based economies may demand new state and family strategies for ensuring that health and other forms of well-being do not begin to track inequalities in income.
- Rising employment rates have eliminated neither the problem of unemployment (and low income associated with loss of work) nor that of low income. Low-paid, part-time and insecure jobs (all are forms of “precarious work”) mean that Canadians are often “paid to be poor.” Couple families with a single earner, as well as lone-parent families and young families, are particularly hard hit. Different responses by employers in the market sector of the welfare diamond as well as states are needed to address what is seen as an affront to their values by many Canadians as well as a threat to the well-being of the economy. Expanded services and supplementary benefits as well as income supplements and housing are ways of responding to this complex situation.
- An ageing society and changing family structures means families can no longer provide care for children and vulnerable adults in the same ways as in the past. All four sectors of the welfare diamond must be involved in responding.
- Whole categories of the Canadian population are confronting difficulties in achieving social inclusion. Newcomers to Canada and visible minorities face higher barriers to labour market integration and other forms of integration than in the past. The market and community sectors as well as the state have a role to play here.

- Aboriginal peoples, living out the consequences of centuries of marginalization and mistreatment, require particular efforts if they are to realize their full potential and achieve levels of well-being equivalent to those of other Canadians. Here the community sector (i.e., Aboriginal institutions), are particularly important as is the state sector and all the governments it houses, including Aboriginal governments.

Section 3 as well as 2 described these patterns of social risk leading to a dead end where costs are high but not productive and where the outcomes do not match citizens' expressed values. This dead end is, in part, the result of unintended consequences of previous policy choices, strongly influenced by excessive cost cutting by employers and governments which put too much emphasis on the bottom line of today and too little on the longer term. Obviously, Canadians recognize the need to live with the constraint of scarce resources. That only makes it more important to make the best choices about how limited resources are allocated.

This last section suggests a number of steps that might be taken in order to design a new social architecture. The recommendations combine proposals to reduce income-testing with suggestions for extensions of services and reinforcing the advantages of greater community autonomy. They assume that individuals and families have primary responsibility for their well-being but the values of common citizenship and fairness also demand shared responsibility across Canadian society. All the steps proposed here are designed to build upon Canada's social policy heritage, and in particular to recognize the advantages of universality in social programs. But this must be a universality modified to suit the social risks of our times, which are different from those that Leonard Marsh and his colleagues prescribed in earlier decades.

Examples of programs that rely on a universal logic are health care and Old Age Security. Such efforts to reduce inequities have been shown to improve societal well-being across the board, as we saw in Section 3.1. Limiting inequalities and flattening gradients may increase well-being of societies as well as individuals. But beyond the "science" arguments is an important "political" argument. Targeting too many programs to the poor may actually undermine the legitimacy of such programs, because middle-class taxpayers (caught between high costs and their own straitened incomes) wonder whether anyone is thinking about *their* needs.

An updated version of universalism is expressed, for example, by New Labour in Britain which has been described as practising "progressive universalism" – that is, "something for all but more for the poorest," with the something for all being services such as health and education (including preschool) about which the middle class is particularly concerned (Pawlick and Stroick, 2004: 29). A similar commitment to universality underpins Quebec's program of early childhood education and care, with parents who can afford it paying about 16 percent of the cost through a daily fee of \$7. It promises a basic, high quality program to everyone. In doing so, it addresses the developmental needs that all children have, early attention to which have high payoffs immediately and into the longer future. It has proven very popular among Quebecers.

Regulation is, of course, also a long-standing policy instrument, one that has been used to ensure safe, healthy and fair workplaces as well as to protect the environment. Minimum wage and health and safety regulations are some examples of regulation in workplaces. Staff-child ratios and requirements to be more inclusive of children and youth with disabilities in educational settings are other examples.

These examples demonstrate that the design of social policy does not always require high levels of spending by governments. The state sector can exercise its leadership and vision about the social architecture Canadians want and deserve by using a variety of policy instruments. A mix of instruments will help to ensure that markets (which includes employers, who have so much to do with shaping the labour market), communities and families all share responsibility for well-being.

## 5.1 Setting the Direction for a Social Architecture

A social architecture, as we have envisaged it in this report, is composed of the pattern of roles and responsibilities within the welfare diamond. It also includes the governance arrangements that organize relationships among the four corners of the diamond. A viable social architecture is one built from an overall blueprint that provides coherence to the whole system for sharing social risk.

Drawing a blueprint depends on describing interconnections to be sure. But before that can begin, it requires a vision of the whole, the reason of the structure. In this research report, we use a relatively simple notion of the visioning principles behind Canada's social architecture for the 21st century, one that shares a great deal with past visions. Indeed, in thinking about a new social architecture the challenge is not to identify new principles; it is to locate the strategies and tools that transform vision into reality. These principles are summarized in Box 1.

### **Box 1** **Principles for Canada's Social Architecture**

- Social policy is a productive factor. The well-being of individuals and of the Canadian economy and society all depend on a social architecture that is appropriate for current times and challenges.
- Well-being is achieved through a good balance in the welfare diamond. This means a shared mix of contributions from the market, state, communities and families.
- In Canada, as in other countries like it, individuals' well-being has been provided primarily by access to markets. This access is ensured in large part by income earned in the labour market by themselves or someone in the family. Canadians believe it should continue to be so. They believe most people should have access to work and the value of work should be recognized.
- A commitment to common and shared citizenship means that social risk should be pooled. Governments have a responsibility to use their taxing, spending and regulatory powers to cover risks that are beyond the capacity of families to address alone. Any social architecture will, therefore, provide a mix of universal, progressive universal, and targeted programs.
- Governments take the lead in shaping the social architecture. From the beginning of the country's history there has been a widely shared expectation that the state sector will lead. Sometimes that has meant fostering geographical cohesion by ensuring that railroads were built and sometimes that has meant ensuring social inclusion via spending on social protection and respect for diversity via immigration and settlement policies as well as constitutional protection of cultural and other rights.

Attention to these visioning principles reveals areas where adjustments are necessary in the face of new social risks, and it also shows the ways in which the roles and responsibilities across the welfare diamond are affected by new patterns of risk. This research report will now conclude by highlighting four new directions for public policy. They are intended to identify directions for change that will respond to pressing needs and go a significant way towards an improved social architecture. They are to:

- Adjust policies in the state sector of the welfare diamond, combining effective investments in services for low, modest and middle income Canadians with the current focus on supplementing the income of low-wage workers and their families;
- Use the powers of the state and community sectors of the welfare diamond to fill the gaps in the systems of care for both children and the elderly;
- Rebalance responsibilities within the market and family sectors by encouraging more employers to enhance their responsibility for the well-being of their workers; and
- Ensure Aboriginal communities and families can move from dependency to autonomy by strengthening community capacity and family resiliency in addition to providing resources from the state sector.

## **5.2 Moving Forward**

### ***1. A New Mix: Supplement Low Incomes and Make Effective Investments in Services***

In the last two decades, earnings supplements have become a popular way for states to spend.<sup>31</sup> Adding effective investments in services would improve the policy mix. It would relieve many families of the need to pay high market prices for necessary items such as pharmaceuticals, dental care, housing, transportation and recreation. The state sector can ensure services are available at less than market prices by effectively subsidizing them, and the community sector, with its non-profit service providers, can become a major provider of such services.

Challenges to accessing services at market prices are not only faced by low-income families. Costs of early childhood education and care, home care services needed for elderly, sick or disabled family members, prescription drugs and recreation are often beyond the means of families considered to be “middle income.” Shared citizenship demands that everyone have

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<sup>31</sup> The United States *Earned Income Tax Credit* (EITC) has gone from costing taxpayers a tiny \$2 billion in 1980 to being several multiples higher. Roxanne Pawlick and Sharon Stroick (2004: 17) report there has been a dramatic expansion of supports available to American low-income working families. Aid jumped from about \$11 billion in the late 1980s to over \$70 billion by 2002, in real dollars. About half of the expansion can be traced to the EITC, an earnings credit with benefits scaled to wages and the number of children. For a parent with two or more children, the credit is currently 40 percent of earnings up to a maximum credit of \$3,800 (triple the maximum for such families in 1992). For a minimum wage worker, this is roughly the equivalent of a 40 percent pay hike. This incentive is expensive. In 1995, the federal government spent a total of \$17.3 billion (in 1999 dollars) on the old *Aid to Families with Dependent Children* program. The subsequent increase in EITC alone has been almost as large as the total amount the federal government ever spent annually on the previous program. In addition, at least 10 states add five to 25 percent in state credits on top of what is provided by the federal EITC.

access to such items when they need them, although costs can be scaled to income so that the actual price paid varies according to ability to pay.

As of now, the *Canada Child Tax Benefit* (CCTB) is the most important income supplement available for working age families. It is quasi-universal (four-fifths of Canadian families with children under 18 receive some portion of a CCTB) and there is an additional supplement (the National Child Benefit Supplement – NCBS) paid to those with an annual income less than \$33,000.

The CCTB constitutes an expression of common citizenship and a collective commitment to sharing the costs of raising the next generation. Together, the CCTB and NCBS help to reduce the low-income rate of many families. Such payments also help to smooth out the income effects of recurring job losses and periods of unemployment.

There are several concerns that can be raised about too much reliance on an income supplement, such as the CCTB, as the instrument to deal with structural low income, however.

First, because the income supplement is targeted to families with children under 18, on the day of the child's 18th birthday the family's income drops significantly. This happens despite the fact that we know that the school-work transition takes substantially longer now than it did previously. And this happens despite the fact that low-income parents will still be in low income. Indeed, they will be even poorer. Therefore, the CCTB does nothing to address the needs of low-income adults *without* children under 18. Great Britain has addressed this issue by providing a wage supplement to adults with working income, whether they have children under 18 or not.<sup>32</sup>

Second, income supplements such as the CCTB may be quasi-universal because many families receive something. They are, however, also targeted to low-income earners. Thus, the CCTB declines in value as family income rises. The goal of the NCBS is clearly to make low wage work more appealing than social assistance. Most effort, in other words, is dedicated to lowering the "welfare wall."

Families who take up work and qualify for the full CCTB and NCBS are still in low income, however. They have great difficulty purchasing all they need in the market. Housing is a special challenge, especially in large urban centres. But so too are the costs of pharmaceuticals if there is an illness or disability in the family, child care for young children, dental care and medical services not covered by provincial health systems, and so on. So too are costs of recreation and cultural programs so necessary to health and well-being. They frequently require payment of a user fee because municipal governments are more and more strapped for funds.

This is an area where the mix between the market and the state sector of the welfare diamond needs considerable attention. In the original design of the National Child Benefit (which houses the CCTB, the NCBS and provincial programs), the notion was that when the Government of Canada relieved the provinces and territories of the costs of supporting children on social assistance, these governments would be able to "reinvest" in services. They have chosen,

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<sup>32</sup> The United Kingdom introduced a *Working Tax Credit* in Spring 2003 to all low-paid workers, no matter their family situation (Pawlick and Stroick, 2004: 28).

however, to devote fully 31 percent of their NCB investments and reinvestments to child benefits and income supplements.<sup>33</sup> This is the largest category of provincial and territorial expenditure (NCB, 2003: Chapter 4).<sup>34</sup>

Two reasons explain why governments choose income supplements over services. Tax measures are an easier delivery mechanism; many governments have a political preference to lessen the role of the state, by giving families more purchasing power. However, the increase in purchasing power received by low-, modest- and even middle-income families is not sufficient to give them real choices, given the market prices and availability.

## **II. Address Needs for Care**

Changes here would particularly affect the state, community and family sectors of the welfare diamond. Canada is one of the few countries with a knowledge-based economy that still continues to treat early childhood education and care (ECEC) as primarily a parental responsibility, both in terms of provision and meeting costs (Jenson, 2004b). Existing supports are available in two forms: subsidies for low-income parents or tax credits which enable higher income parents to purchase what services they can in the market.<sup>35</sup>

Most other countries have taken ECEC out of the logic of social assistance and family responsibility (for details, see OECD, 2001). The vast majority of preschool children aged three to six in other OECD countries are either already in the national education system or in widely available and affordable ECEC programs. In these other countries, moving the responsibility for finding and paying for services from the family to the state and community sector of the welfare diamond is understood as a crucial pillar of the knowledge-based economy and society, as well as a policy instrument for ensuring high employment rates (Palier, 2004: 25-27).<sup>36</sup>

Given this widespread consensus, Canada being an exception is more and more difficult to defend. And indeed, Quebec has already moved towards an educational logic, by instituting universal ECEC programs. The explicit calculation about short-term costs is the following: the gain to be made by increasing employment and tax revenues would help to offset the higher cost of quality services. Such ECEC programs would also help overcome the long-term costs of early childhood experiences of disadvantage as well as build a solid foundation for all children. In other words, this was the logic of universalism modified by particular attention to the needs of children at risk. Parents who can afford it pay a portion of the cost of this program.

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<sup>33</sup> Such choices mean that provinces and territories are also transferring income – in relatively small amounts per family moreover. For example, provincial benefits on average provide the equivalent of one-and-a-half, or two months at most, of a regulated child care space. Families are then left to purchase services in the market, at market prices.

<sup>34</sup> Indeed, the reported percentage of 31 percent would be substantially higher if Ontario had correctly classified its \$175 million *Child Care Supplement for Working Families* expenditure in the category “child benefit and income supplement” rather than under child care/daycare in its NCB reporting (NCB, 2003: Appendix 2). For details, see inventories 3.1, 3.2 and 3.6 on the *Kids Canada Policy Digest* page at [www.cprn.org](http://www.cprn.org).

<sup>35</sup> Child care subsidies, which date from the years of the Canada Assistance Plan (CAP), represent the first form, while the Child Care Expense Deduction (CCED) represents the second.

<sup>36</sup> Even the United Kingdom, which was a long-time laggard in this field, has moved to substantially expand its early childhood education programs (Pawlick and Stroick, 2004: 32).

Home care is on the agenda to be sure, but we still face a choice of whether to continue to deal with it by income-testing (and therefore subsidize only the needs of low-income persons), whether we make home care more affordable for all in the same way Canadians do with medical care, or whether there will be higher payment by families with higher incomes. Other countries have faced a similar menu of options and made their choices. Canada must too.

Responsibility for vulnerable elderly, disabled or sick relatives potentially affects Canadians of all incomes. They all, no matter their job or wealth, may find themselves needing or wishing to provide care for a family member. And, anyone in such a situation learns abruptly that the needs go far beyond capacity of informal family care; expertise and respite are also needed. Beyond this urgent care, there is also the challenge of maintaining independence for those who need more help, but wish to stay in their own home. Ensuring sufficient support to both caregivers and seniors is an expression of common citizenship.

While the cost of providing home care as a subsidized public service is high, any cost-benefit calculation must include the short- and long-term costs of the continuing pressure on family members to provide care. The negative health and income consequences of providing informal care to an elderly relative are well-documented, and those still of working age are particularly affected. All of this underlines the fact that loading home care and care for vulnerable elderly people on the family sector of the welfare diamond is not “costless,” either for the well-being of individuals or society.

### ***III. Revise Roles and Responsibilities in the Market Sector***

There is a tension between the forces of competition that shape the responses within the labour market and the need to pool social risk. Employers benefit greatly from social programs, where risks are covered by the state sector. Universal public health care lowers Canadian employers' wage bill significantly. This is a direct contrast with situations where employers may have to pay part of the cost of private health insurance for their employees (as in the United States) or where employers pay payroll taxes (as in Europe).

Some employers, particularly those whose workforces are skilled and/or in short supply and/or unionized are already providing significant benefit packages. Some top-up or fill gaps in public services, by providing a higher level of income replacement for parental leaves, covering health costs not included in the public system, and so on. But not all do so, and as the labour market has been restructured and the proportion of the labour force covered by collective agreements has declined, fewer workers access a benefit package provided by the employer.

Workers who do not have supplementary health benefits from their job must pay market prices for dental care, pharmaceuticals, and non-insured health procedures such as eye examinations, and so on. One result is a decline in prevention, as people put off certain procedures because of the cost, only to appear in the acute care health system later and sicker, thereby imposing higher costs on the state sector. Another is that the family sector must absorb more of the burden of risk as best it can. Some governments have begun to fill this gap, providing supplementary health benefits to low-wage workers so as to encourage them to move off social assistance. Some provide universally available services such as dental examinations for school age children and some pharmaceutical coverage. But the changes remain partial and limited.

New employment forms have made jobs available to many people who might not have been able to participate in “standard work” because of family, educational, or other constraints. Therefore non-standard employment can represent a win-win situation in some circumstances, especially when public support for universal health care and retirement income absorbs some of the risk of non-standard work. But they have also contributed to expanding the population of working poor – people who find themselves with insufficient work, work which is low-paid, or employment situations without benefits and protections.

Improvements in existing patterns can come via the state sector enhancing its regulatory role vis à vis the market sector. Labour law has not kept up with the popularity of these employment forms. Therefore, there is unequal access to essential social protections. Many employees are vulnerable workers, lacking standard employment protections, as well as social benefits which traditionally come via collective agreements (Saunders and Maxwell, 2003). Regulations count in two ways. Regulation may increase wages via minimum wage laws and/or mandate that firms provide certain minimum benefits, such as paid vacations, parental leaves, and so on. The law also protects the role of unions in the workplace, thereby allowing them to negotiate on behalf of employees.

One example of the use of regulation is provided by the experience of workers at the San Francisco Airport after September 2001. They introduced a Quality Standards Program (QSP) which involved a significant increase in wages for low-paid workers, including the lowest paid, who were security screeners (Reich *et al.*, 2003). The program brought substantial benefits to employees; perhaps less expected were the modest costs and real benefits to employers. Turnover fell by 80 percent for screeners and 44 percent for cabin cleaners. Why does this matter to employers? Because a single turnover may cost an employer 25 percent of the annual wage of a low-paid worker (for training, paper work, and so on). The wage bill went up by 57 percent, but the savings in recruitment and training costs due to lower staff turnover repaid some of the cost. In the meantime, \$6.9 million in additional income and other taxes was paid by workers earning more and airport security improved. Many employers could reap similar benefits.

Better protection for vulnerable workers in labour law (Saunders and Maxwell, 2003) is an alternative to extended public coverage. For example, employment contracts could be required to provide benefits to “precarious workers” who have a regularized relationship to a firm. A second instrument is to increase the minimum wage so that it makes up the 20 percent loss of purchasing power since the 1970s. A third option is public policies to require firms seeking government contracts to pay a “living wage” (just as they are required in many jurisdictions to respect pay equity norms). A fourth is coordinated intervention in a particular employment setting to increase wages.

While changes must always be sensitive to the competitive pressures on employers, there is still scope for employers to take on a wider responsibility for the well-being of their workers in ways that also support the bottom line.



#### ***IV. Shift From Dependency to Autonomy in Aboriginal Communities***

Canada is one of a handful of countries with a significant Aboriginal population. Comparisons with the United States, Australia and New Zealand uncovered common patterns of social risk: a growing and increasingly young population; rising urbanization, which combined with high poverty rates, low levels of educational attainment and poor health to exacerbate the risks of social exclusion; problems of access to basic services in remote communities where a significant number of Aboriginal people still live; a high degree of reliance on income transfers from government; and limited opportunity for earning income in remote areas (Papillon and Costentino, 2004).

Designing a space within the social architecture for Aboriginal peoples, living in both urban and remote areas, presents some of the same challenges as for other Canadians. These include providing access to ECEC, post-secondary education and training, and so on, as well as protection from discrimination at work. It requires working on the basic requirements for health and well-being, such as ensuring access to housing, health care and prevention. Beyond these factors, and often making it difficult to achieve goals in the area of education and social services, is the matter of community governance.

Legacies of past mistreatment, as well as cultural differences, have been found to hinder successful policy innovation *unless* a substantial degree of Aboriginal control over design and delivery, as well as knowledge creation, is incorporated into the policy from the beginning. The Royal Commission on Aboriginal Peoples gave impetus to this new thinking in its 1996 report. Since that time, a gradual redesign of the relationship between Aboriginal communities and the state sector of the welfare diamond has begun. For example, Aboriginal focused and controlled institutions have been created since 1996, including the National Aboriginal Health Organization (created in 2000 and designed and controlled by Aboriginal people), the Institute of Aboriginal Peoples Health (one of the 13 Canadian Institutes of Health Research), and the Aboriginal Healing Foundation (created in 1998 to deal with the ongoing impact of the residential school system) (CPHI, 2004: 20).

Government strategy in several policy realms, particularly health and education, focuses on devolution of responsibility, especially via partnerships with Aboriginal community-based agencies and associations (see Section 2.2). Reliance on such partnerships that allow space for community control over programming and delivery has been shown to have significant benefits in terms of the well-being of the whole community. Greater autonomy is more important to positive outcomes than the specifics of policies, as Martin Papillon and Gina Cosentino (2004) document in their report for this project.

This reinforcement of the community sector of the welfare diamond, where communities had sufficient resilience to take up the challenge, has led to greater diversity in the ways policies are implemented in Aboriginal communities. Breaking with past practices has the potential to energize even more Aboriginal communities to take more responsibility for their own future. In order for Aboriginal peoples to capitalize on this decentralization process, however, certain conditions need to be met. Successful devolution has depended on the changes in governance being accompanied by a commitment to and support for substantive political autonomy

(including new accountability frameworks) and capacity building. Success will also depend on a continuing commitment to the new institutions recently created at the national level.

### **5.3 Governing in the New Social Architecture**

Good practices for governing the relationships among the sectors of the welfare diamond are as much a part of any social architecture as is the distribution of roles and responsibilities. Therefore, attention to governance is needed too, as this concluding section documents.

#### ***Making Change: Two Lessons from Europe***

Making change is always a challenge. In his report for this research project, Bruno Palier (2004) has identified two major factors that have made successful change possible in social protections systems of Western Europe. These observations are quite relevant to Canadian circumstances.

##### **Leading by Working on Ideas**

The first important factor was the decision by a number of senior decision-makers to build the knowledge base needed to have an informed policy discussion that would move decision-makers within the European Union towards an understanding that a strong economy depends on effective social policy. The result has been a reconciliation that allows modernization and improvements in social models, without backtracking on economic policy decisions.

To reach this end, rather than attempting to impose any particular changes on national governments, European institutions and particularly the Commission worked hard to influence the vision and discourse on social policy redesign. Indeed, influencing national ideas about social policies is now a major activity of the institutions of the European Union.

Second, in support of their strategy for “taking back” social policy, the socially-oriented actors within the European Union organized a work plan to produce a framework for a new European social architecture (Palier, 2004: 22ff.). At the beginning of the 1990s they themselves sought to think through social policy’s contribution to economic development (“social policy as a productive factor”). Then the Commission and some national governments during their presidencies of the European Council (which rotates every six months) set out to mobilize the research community, calling on it to produce the building blocks of a social architecture for the 21st century. Finally, the open method of co-ordination (OMC) (see Section 4.2) was invented as a policy tool for promoting common principles and benchmarks to underpin national reforms of social policy regimes. The interactive process of developing principles, producing reports, and submitting them for peer review is generating the new European social model.

The lesson here about the actions of both sets of actors – political leaders and public officials – is the importance of leadership.

## Thinking Beyond the Past

The second factor that was important in the stories of Member States of the European Union as they went about reforming social policy was the capacity of political leaders to work effectively and consecutively (Palier, 2004: 13ff.). Most countries experienced similar barriers to reform and had the same limited repertoire of solutions available. The countries that succeeded were the ones able to generate a new political compromise on which to found constructive interaction between the economic sphere and the social sphere. A comparison of these reform experiences reveals the political prerequisites for successful transformation of social protection systems:

- involving all stakeholders;
- negotiating and seeking consensus on the diagnosis, principles and objectives of reform;
- building a basis for political trade-offs among the various actors;
- developing a public and shared justification for the reform;
- putting into place a global and integrated strategy on areas of intervention (particularly wage policy, social protection reform and labour market policy); and
- transforming but not necessarily reducing benefits.<sup>37</sup>

In this list of necessary conditions we observe the importance of consensus-building around a shared notion of the need for and direction of change. The lesson? Broad involvement and coordination must dislodge arbitrary decisions. Again, leadership is the key.

## ***New Governance and Participation***

Canada's social architecture has become more decentralized, both as provincial and territorial governments claim more space for their choices and as relationships for making community-based and local choices are encouraged and municipal governments involved. This means that old ways of shaping and influencing that relied on the unilateral exercise of political power often meet resistance. They are also in contradiction with the principles of governance being promoted in public discourse, thereby prompting complaints about inconsistent behaviour.

Moving forward requires a significant policy effort and mobilization of public institutions and political energies as well as commitments by citizens. How might this be done? We know, from the comparative analysis undertaken for this project, that such changes *are* possible because other polities have done so. Nonetheless, it is not easy, and close attention to governance is required.

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<sup>37</sup> Bruno Palier's research report provides more detailed analysis of how these steps were followed (Palier, 2004: 13-20).

The last decade has seen a growing commitment to new governance arrangements, with an emphasis on social learning and broad participation. Jurisdictions have implemented change in a variety of ways. In his research report, Denis Saint-Martin found that all of the new governance institutions involve a form of democratic oversight, but they are quite varied. In Britain, the central government plays the largest role because it retains responsibility for the terms under which partnerships are built for the delivery of services. In Europe, the multilateral surveillance system used by the OMC means that the “watchdog job” of assessing whether targets agreed to at the European Union level are met falls primarily on the shoulders of national governments and European officials. In both these cases, in other words, the oversight role is played by *public institutions* possessing significant policy resources and expertise.

In Canada, multilateral surveillance where federal-provincial-territorial governments would systematically examine and assess each other’s performance in the social policy area would constitute a significant challenge to the federal principle. Ottawa and the provinces have separate and distinct powers, meaning that there are provincial areas where the federal government has no constitutional authority. This makes peer review, multilateral surveillance and the “naming and shaming” that often goes with European Union governance tools politically difficult. It also makes the centrally controlled model adopted in the United Kingdom very controversial. Therefore, Canada has opted for mechanisms of *vertical surveillance*, with each government reporting to its own citizens. But citizens, as individuals, rarely have the time or resources to be benchmarkers, i.e., to gather all the relevant information they need to be able to judge the details of government performance and citizens rarely have the chance to give ongoing formal feedback on that performance.

Therefore, the Canadian system still lacks a “meeting place” where informed public as well as multi-level governmental participation in the review process is possible. In other words, there is a need for an *institutional locus* where policy learning can take place. Such a meeting place is important not only because it can help to foster policy dialogue and build mutual trust. It is, above all, important to help build the credibility and effectiveness of the review process. In Europe, credibility partly comes from the fact that the Commission and its committees act as neutral brokers, both among Member States participating in the OMC process and between states and citizens. The institutions supporting the peer review exercise are not under the direct political control or influence of participating governments. If the review process is to be seen as objective, fair and consistent by participants, there needs to be some institutional or administrative support guaranteeing independence, transparency and informed work.

Leadership again becomes the key role. In order to achieve the vision Canadians want for their social architecture, there needs to be effective leadership around a shared vision of how to achieve well-being. Second, all actors need to express a willingness to accept that the roles and responsibilities of social actors can differ, as long as appropriate governance arrangements are in place. Finally, as long as mechanisms are available to allow for ongoing review of the evidence and assumptions, adjustments can be made in situations where any disequilibrium begins to unfold and goodwill is in place.

## **5.4 Next Steps**

Canada has been transformed over the past 50 years. These changes have created new social risks for its citizens. The time has now come to renew Canada's social architecture. Renewal means daring to think new thoughts about how basic social policies are designed and delivered, and about who is responsible for what within states, markets, communities and families. Renewal does not mean discarding all the ways of the past. It does mean thinking carefully about what works in the current context and what is no longer functional. The best future will be a blend of the old that still represents our goals and of the new needed to meet new challenges.

This report is based on the eight related studies in the social architecture series. It is designed to be the catalyst for this renewal process. Renewal will take time and effort from leaders across Canadian society. But the time has come to begin.

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