CALEDON
INSTITUTE OF SOCIAL POLICY

Welfare Re-form: The Future of Social Policy in Canada

by

Sherri Torjman and Ken Battle

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I would like to thank the organizers of this conference for the invitation to present this public lecture on *Welfare Re-form: The Future of Social Policy in Canada*. Welfare re-form is a vast topic that could take several hours to cover. Not to worry – today I will present only an overview of key themes. In fact, the main message of this address can be summarized as follows:

At the Caledon Institute, we used to believe that the future of social policy involved significant improvements to welfare in order to bolster and ease access to this important program. We now believe that the future of social policy involves welfare re-form, which entails the eventual dismantling of this program and its reconstruction into a renewed architecture of income security. In six words: from welfare reform to welfare reformulation. Here's why.

The tangled safety net

Back in 1986, my Caledon colleague Ken Battle and I worked at an organization called the National Council of Welfare, which was a citizens' advisory body to the Minister of Health and Welfare. Ken hired me to write the first Canadian report on welfare, which is more formally known as social assistance.

We knew that it would be important to proceed cautiously because it was in the interest of all jurisdictions, quite frankly, to keep the details of this program under wraps. Ken decided early on that it would be wise to inform the Department of Health and Welfare about the project, given that the Minister likely would be hearing about it from provincial counterparts. Little did we know how *infuriated* some of the officials would be when they learned of this work!

Given their less-than-enthusiastic stance, I asked Ken whether the Council would be proceeding with the project. He replied: "Of course, we're proceeding with the project. The day that the National Council of Welfare can't write a report about welfare is the day they should shut us down" – which they did 26 years later. The 2012 federal Budget announced that the National Council of Welfare was being dismantled. Upon learning the news, we made a decision at Caledon to rescue the Council's important reports on welfare incomes and poverty trends.

Because the welfare system had been kept hidden, we set out in 1986 to explain its structure and its many rules, which determine both eligibility for benefits and expectations around work performance. We also wanted to figure out how each province and territory calculated its respective welfare rates. This work subsequently evolved into the detailed methodology that is still used today – and that almost was lost with the announced demise of the National Council of Welfare.

The primary purpose of welfare is to act as the program of last resort for individuals with no other means of financial support. It comes into play when all personal resources, including other income security benefits and assets, have been exhausted.

While welfare is often referred to as a single program, it actually is administered by different departments in 13 provinces and territories. Each jurisdiction sets its own rules regarding eligibility, amount of aid, special assistance, enforcement and appeals.

Despite the variation, provincial/territorial welfare systems share a similar structure – and the same strengths and shortcomings. At the core of all welfare programs is the ‘needs test,’ which is a detailed investigation into claimants’ requirements and circumstances. It is employed to determine welfare eligibility and benefit levels.

The needs test assesses applicants’ cash and fixed assets as well as income from employment, other income security programs, savings, support payments, insurance claims, pensions and any other source. All jurisdictions allow certain types of resources, such as the Registered Disability Savings Plan, to be fully or partially exempt when calculating the needs test.

Rates of welfare assistance take into account various factors related to the household. These include age of household members, size and type of family (i.e., single, single-parent, two-parent or childless couple), head of household employability, housing requirements and other factors, such as the presence of a disabling condition.

In addition to financial screens, provinces and territories have participation requirements for recipients, including active job search and educational upgrading. In most jurisdictions, individuals with severe and prolonged disabilities are exempt from general participation requirements.

Back in 1986, developing the methodology to calculate welfare incomes was no easy task. As noted, every province and territory employs a different method to arrive at their respective rates of assistance – though they all basically use a market-basket approach based on the cost of a basket of essential goods.

In an effort to ensure comparability across jurisdictions, we made many assumptions – all of which were spelled out. We chose, for example, the value of the housing allowance that was paid in the largest centre in the jurisdiction. We changed the rates in the precise month that any amendments were introduced. We were fastidious in checking the provision of special items to determine whether these should be added to the base calculations.

In one province, it wasn’t clear, for example, whether a clothing allowance for children was included in the basic rates or whether families had to apply for the extra amount. I remember calling the key welfare policy person to ask that very question – and will never forget his reply: “Good question. Hey Paul (he said to his colleague). Is the clothing allowance automatic or is it squeaky wheel?” That basically sums up everything you need to know about welfare!

The initial calculation of welfare benefits also included other sources of income available to welfare recipients, such as federal family allowances and provincial/territorial sales and property tax credits. Total income from federal and provincial/territorial sources came to be known collectively as ‘welfare incomes.’

Over the years, the National Council of Welfare published these tabulations. The *Welfare Incomes* series, as it came to be known, added and subtracted various benefits and tax credits as they were created and ended.

Perhaps most important was the fact that we contacted every jurisdiction and asked them to verify our assumptions and calculations before going to press. It took years to build these trusting relationships and, while all the players have changed, the process of fact-checking remains in place to this day.

The findings of this exhaustive study were published in 1987 in the aptly-named *Welfare in Canada: The Tangled Safety Net* report. We learned that welfare can present a confusing maze to its clients. It is a complicated system that is hard to understand and can be inconsistent in its treatment of applicants.

Welfare recipients are at the mercy of an often harried and under-resourced bureaucracy, who are required to follow and enforce a wide range of rules. Welfare workers can spend more time on policing and paperwork than on helping clients.

The rules are so complex that virtually any recipient's files may contain 'errors.' We also had serious questions about the adequacy of the appeals system.

Perhaps most noteworthy were the findings regarding rates of assistance. The differences in welfare payments across the country can be substantial. Variability in living costs – especially in the territories, which typically have a high cost of living – may account to some extent for the inconsistency, but surely not the full amount.

For example, Ontario paid single recipients with disabilities $13,772 in 2012 (the latest year for which we have comparable data) – $1,815 more than their adjacent neighbour Québec. Single welfare recipients with disabilities in Newfoundland received $10,813 – $4,012 more than their counterparts in New Brunswick, who were eligible for an annual maximum payment of just $6,801.

Regardless of jurisdiction or family type, there is a clear bottom line. Welfare recipients in all provinces and territories have low incomes. We know this by way of comparison.

The most effective way to assess the adequacy of any income program is to compare it to a recognized baseline and then determine how far it diverts from that measure. When it comes to welfare adequacy, there is no single or commonly accepted standard but rather several measures that typically are used for comparative purposes. They fall into one of two groups: *poverty measures* and *income measures*.

Over the years, the *Welfare Incomes* reports have used two major poverty measures as comparators: the low income cut-offs and the market basket measure.

The low income cut-offs (LICOs) were developed by Statistics Canada in the 1960s. While they are not considered by Statistics Canada to be an official poverty line, they are the most commonly employed standard in the country. The low income cut-offs are income thresholds below which a family will likely devote a larger share of its income on the necessities of food, clothing and shelter.

Currently, the average family spends 43 percent of its after-tax income on these three necessities. The low income cut-offs are set where families devote, on average, 63 percent (43 percent plus 20 percent) of their after-tax income on necessities, leaving fewer dollars for other expenses such as health, education, transportation and recreation. LICOs are calculated for seven sizes of families and five sizes of communities.

The Market Basket Measure (MBM) is the second major poverty measure. It is based on the cost of a basket of goods and services representing a modest, basic standard of living. It includes food, clothing, footwear, transportation, shelter and other items for a family of two adults with two children ages 9 and 13.

In terms of income measures, we assess the adequacy of welfare incomes in relation to both after-tax average incomes and after-tax median incomes. Average incomes take into account all sources, including wages and salaries, investment income and transfers from all income security programs in Canada. Median incomes represent the mid-point of the income spectrum at which half of the population falls below that designated level and half lies above it.

The analyses have consistently found that welfare incomes for four illustrative family types fall well below all these comparators. Welfare incomes are only a fraction of key poverty measures and of the after-tax average and median incomes of other Canadian households.

There is another problem related to adequacy. In addition to low levels, welfare rates are not indexed, except in Québec and Newfoundland, leading to long-term decline in their real value and resulting savings to government. Occasional *ad hoc* increases are rarely sufficient to reverse the steady long-term erosion of benefits that fail to keep pace with inflation. If inflation runs at 2 percent a year (the current rate), for example, unindexed welfare benefits lose 10 percent of their value in just five years.

Because of all the problems related to complexity, intrusiveness and inadequacy, *The Tangled Safety Net* report made 55 recommendations for reforming welfare. For years after the publication of this report, we wrote and spoke about the need to raise welfare rates – through increases to their base amounts and through indexation to ensure that their value kept pace with the cost of living. We made a plea for greater transparency in terms of public information about the program and the range of special benefits to which applicants potentially were entitled. We proposed a more fair appeal process to ensure recourse to applicants who had been turned down or to beneficiaries whose payments were reduced or cut entirely.

The welfare wall

Several years after the publication of the welfare report, Ken was approached by Alan Broadbent of the Maytree Foundation to create the Caledon Institute of Social Policy. Alan had been intrigued by Ken's invention of the concept "social policy by stealth," which he published in 1990 under a pseudonym in the journal *Policy Options.* Social policy by stealth referred to governments' use of hidden technical mechanisms, chiefly non-indexation and partial indexation, to reduce benefits without having to portray these changes as cuts.

The mandate of the new think tank was to formulate innovative, yet practicable, proposals to reduce and prevent poverty, and to improve the quality of life for Canadians. Caledon was launched more than 20 years ago – in 1992. One of the first studies we carried out was for the Ontario Fair Tax Commission. The task was to analyze the impact of direct and indirect taxes imposed on Ontario welfare recipients who have some income from working.

We examined 11 household types, tracking what happened to them at every $1,000 increment of earnings. The welfare/tax interface study found that welfare recipients who supplement their benefits by working can keep only a small fraction of these earnings. Single employable individuals, for example, could increase their work earnings by 1,200 percent (from $1,000 to $13,000 in earnings) and yet end up with only a 25 percent gain in disposable income.

Welfare recipients pay back to government most of their employment earnings – mainly through the welfare taxback, but also in income and payroll taxes and in lost refundable credits. Another disincentive to work is the potential loss of 'income-in-kind' such as supplementary health and dental benefits, which can be worth hundreds or even thousands of dollars for some households.

We described this problem in a report called *The Welfare Wall: The Interaction of the Welfare and Tax Systems.* We arrived at the term "welfare wall" because all the graphs of this interaction between welfare and income tax came out looking like a wall over which it would be almost impossible to climb. It was a term that derived directly from what the data actually looked like – and is a concept now used widely in both government budgets and academic reports.

"Welfare wall" refers to the conundrum that some welfare recipients can end up worse off financially if they leave social assistance for the workforce. They may forfeit cash benefits for spouses and allowances for children; special benefits; and valuable services such as supplementary health, dental and drug benefits, subsidized housing and access to disability-related supports. They see their typically low earnings from work reduced by federal and provincial/territorial income taxes and payroll taxes – Canada and Quebec Pension Plan contributions and Employment Insurance premiums. They may face work-related expenses such as clothing, transportation and child care.

We realized in doing this analysis that, unlike the position we had taken several years earlier at the National Council of Welfare, continuing only to recommend improvements to welfare was not the most effective way to tackle poverty in the long run. The welfare wall analysis was a pivotal study. It subsequently became the foundation for our work on exploring ways to dismantle welfare piece by piece and replace it with more effective, less intrusive programs of income support. Welfare basically would revert to a program of last resort, as it was originally intended.

Re-form child benefits

The proposal for the National Child Benefit became the first brick in a proposed new architecture of income security. The idea behind this initiative was to begin the reform of welfare by removing children's benefits from social assistance.

Before the National Child Benefit, child benefits in Canada were inequitable in their treatment of poor families. Families on welfare received child benefits from two sources – from the provinces/territories in the form of social assistance benefits on behalf of children, and from the federal government's Child Tax Benefit. But working poor families with children received only the federal Child Tax Benefit. So families on welfare received far more child benefits than working poor families. This unintended consequence contributed to the welfare wall.

The solution to this problem was bold and effective. Ottawa would substantially boost its child benefit payments to raise all low-income families to the same level, whether they are on welfare or other income programs or in the workforce. The provinces and territories, in turn, would remove child benefits from their welfare program and use the resulting financial savings (from ending welfare-embedded child benefits) to invest in a range of early childhood and other services and/or additional cash payments for low-income families with children.

The National Child Benefit introduced in 1998 was a stellar example of cooperative federalism. The federal and provincial/territorial governments each made changes in the structure of their child benefits that they could not have done on their own. The child benefit system was now equitable, offering portable and fully-indexed payments to all but the richest families. The provinces/territories improved their supports for low-income families.

The federal component of the National Child Benefit agreement is the Canada Child Tax Benefit, which is the most substantial income supplementation program in the country. It replaced three income programs directed toward children that differed in purpose, design and distributional impact. The former trio of child benefits – family benefits, the refundable child tax credit and the non-refundable child tax credit – was, as a system, inequitable, complicated and virtually incomprehensible to most parents.

The Canada Child Tax Benefit has two core objectives. The purpose of the parental recognition objective is to assist parents with childrearing costs. The second objective is to help reduce and prevent poverty among low-income families with children. The Canada Child Tax Benefit is composed of two parts, each directed to one of these two basic aims.

The base Child Tax Benefit serves almost all – nine in ten – families and is intended to help the large majority of parents with their childrearing expenses. For the current payment year, the maximum base Child Tax Benefit is $1,433 per child ($119.40 a month for each child under 18). It is calculated on the basis of net family income and number of children.

The second component of the program, the National Child Benefit Supplement, sits on top of the base Canada Child Tax Benefit and provides an additional amount to low- and modest-income families. Like the base Canada Child Tax Benefit, the National Child Benefit Supplement is income-tested, though more steeply. Maximum payments are $2,221 for the first child, $1,964 for the second child and $1,869 for the third and each additional child. The two benefits combined (i.e., the base Child Tax Benefit and the National Child Benefit Supplement) mean that a low-income family with one child and net income less than $25,356 receives a maximum $3,654 per year in 2013.

Caledon has proposed that the *base* Canada Child Tax Benefit be raised so that the combined payments reach a total maximum $5,400 per child. Our proposed $5,400 Canada Child Tax Benefit is more than just another in a series of increases for low-income families, crucial as these improvements would be.

This reform would provide a sizeable increase in child benefits to the majority of modest- and middle-income majority of families – an attractive proposal in light of the growing concerns on the part of all federal political parties about the decline of the middle class. Our proposal enhances both the poverty reduction and parental recognition objectives of the child benefits system.

The Canada Child Tax Benefit offers a number of advantages. Unlike welfare, it is a non-stigmatizing social program that delivers benefits to the large majority of Canadian families across the country. Also unlike welfare, it is portable – which means that families can move to a different community or even jurisdiction and still be eligible for this supplementary income.

The Canada Child Tax Benefit is progressive, paying benefits that decline as incomes rise. It delivers the same amount to all families with the same income, regardless of the source of that income, the province or territory in which they live, or their type of household. All low-income families receive the same maximum benefit from the program, whether their major source of income is work, welfare or anything else.

The Canada Child Tax Benefit provides a sound architecture of benefits to families with children to help fight poverty and inequality. If there were no federal child benefits, the low-income rate for families with children would be 15.0 percent. Under the current system of federal child benefits, the low-income rate for families with children is 9.3 percent. Our proposal would reduce that figure further to 8.3 percent. These estimates are for 2007. While the numbers would be different today, the poverty reduction impact would be similar.

We calculate that our proposed $5,400 maximum Canada Child Tax Benefit would cost an estimated $19 billion today – $4 billion more than the present system. This increased investment could be phased in over time, as has been the case for previous enhancements to this program.

To pay for the new Canada Child Tax Benefit, we would scrap two child-related benefits introduced in 2006: the Universal Child Care Benefit and the non-refundable Child Tax Credit. Together they cost around $4 billion, which would cover the estimated additional $4 billion for our enhanced Canada Child Tax Benefit. These schemes are flawed retreads from the past which make the child benefit system unfair, complicated and virtually incomprehensible to parents and politicians.

Despite its title, the Universal Child Care Benefit is not tied to the use of child care. Families can spend it in whatever way they wish. Even if used for this purpose, its $1,200 per year payment (less after taxes) buys little in the way of child care. The program is unfair. Couples have to pay federal and provincial/territorial income taxes on their Universal Child Care Benefit, but single parents pay no income tax on theirs. Ironically, the program is not indexed, so loses value each year – an example of social policy by stealth.

The non-refundable Child Tax Credit pays a flat-rate amount of $336 in federal income tax savings and also reduces provincial/territorial taxes. However, the program excludes the poorest families, which owe no income tax and thus see no tax savings.

Rich families receive the Universal Child Care Benefit and the non-refundable Child Tax Credit. That is not good public policy.

Enhance the Working Income Tax Benefit

A second step in the reformulation of welfare is to ensure that people are better off working than on welfare. The welfare wall study showed that, in many cases, households that leave welfare for work are worse off. Low pay combined with income and payroll taxes as well as work-related expenses do not leave most such families further ahead, and some might even be in tighter financial straits.

One of the ways to tackle that problem is to enhance the major earnings supplementation program in the country, the Working Income Tax Benefit. Its acronym WITB just happens to be pronounced the same way as Whitby, Ontario – the riding of the federal Finance Minister.

Introduced in the 2007 federal Budget, the Working Income Tax Benefit is intended for poor individuals or households engaged in the paid labour market. It supplements low *earnings*, unlike the Canada Child Tax Benefit that supplements low *income* regardless of source. The WITB has two key objectives.

First, the Working Income Tax Benefit seeks to lower the welfare wall by supplementing low earnings from employment to 'help make work pay.' The WITB assists welfare recipients make the difficult transition from social assistance to paid work by topping up their typically low earnings.

The other aim of the Working Income Tax Benefit is to increase incentives for people to join the workforce, keep working (even for low earnings) and never have to fall back onto the tangled safety net of welfare. Some of these workers eventually will be able to climb the earnings ladder and escape poverty.

While promising in theory, the Working Income Tax Benefit in its first year delivered a meagre payment of up to just a maximum $500 annually for single workers and $1,000 for single parents and couples. In addition, the initial design of the program was targeted so far down the income scale that it excluded many of the working poor.

We praised the federal government's announcement of this initiative and advised it to boost the WITB by increasing its amount and extending it higher up the earnings scale in order to assist more working poor Canadians. Ottawa responded in 2009 by enhancing the benefit by a substantial 85 percent for singles and 68 percent for families, and expanding its reach.

However, the Working Income Tax Benefit in 2013 still sits at a modest maximum $970 for a single worker per year ($1,762 for a family) and cuts out at a low net income of $17,827 ($27,489 for a family). Even with the 2009 increase, the benefit still excludes almost all single minimum wage workers.

This measure needs a healthy, multi-year injection of funds before it can become a major weapon in the war on poverty and inequality. But at least a solid foundation is in place. Caledon has called for the federal government to build the Working Income Tax Benefit into a much more powerful instrument, both in terms of increasing benefits and extending the program higher up the income scale.

While we have not identified a benchmark target, there is no question that the current amount is too low. We have been working on possible designs for increasing this benefit, bearing in mind that cost is a major consideration.

There are several ways to deal with this problem, including a move toward improved adequacy over time. The federal government can take a page from its development of the Canada Child Tax Benefit and phase in a series of incremental increases in order to achieve a significantly more generous Working Income Tax Benefit.

We have also put forward several proposals for how to expand the scope of the program to ensure that it extends to more workers. While this expansion doubtless would be an expensive proposition, there are various design options that can help reduce the overall cost.

Re-form disability income

The third major component of welfare that is ripe for reconstruction involves a basic income for persons with severe and prolonged disabilities, hundreds of thousands of whom receive social assistance. Close to half of the total welfare caseload in Canada in 2007 – 538,396 out of 1,073,064 – was composed of persons with severe disabilities.

Most Canadians with severe and prolonged disabilities have a tenuous or episodic attachment to the paid labour force. Those who work typically earn low or modest wages in often insecure jobs, and may have nowhere to turn but welfare for support.

The story is not all bad. The welfare systems in all provinces and territories have a separate stream for persons with disabilities that typically pays somewhat higher benefits than for persons without disabilities.

Several provinces have separated out the disability component into an entirely different program. Alberta, for example, runs Assured Income for the Severely Handicapped (AISH), which pays benefits to persons with severe and permanent disabilities that substantially limit their capacity to earn a living. Its asset and income levels are less stringent than the regular welfare stream.

With this conference taking place here in Regina, it is of interest that the Government of Saskatchewan introduced a separate disability income program, Saskatchewan Assured Income for Disability (SAID), in 2009. It was recently expanded in 2012. SAID pays higher benefits and provides more security than the regular welfare stream in Saskatchewan.

Welfare offers another important benefit to recipients with disabilities – access to the disability supports required to function in daily life. 'Disability supports' is an umbrella term that comprises both technical aids and equipment, and personal services. If recipients manage to move from welfare to the workforce, they may lose access to these vital goods and services which they often cannot find and afford on their own outside welfare.

Because welfare was designed as a last-resort safety net, it virtually guarantees a life of poverty. It never was intended as lifetime security. Even when higher benefits are paid, the archaic apparatus of welfare remains – with limitations on assets, frequent reviews of income, personal investigations and eternal stigma.

If nothing else, social assistance benefits for people with severe disabilities should be bolstered and indexed to ensure that welfare does not mean a life of poverty. Better still, these individuals should not have to rely on welfare at all.

It makes no sense to have to be on welfare in order to get access to the supports that are essential for daily living. It is also unfair that people with severe disabilities must be consigned to a life of poverty simply because they were born with a disability or acquired a severe and prolonged condition somewhere along the way.

In our view, they should instead have a separate income program, ideally run by the federal government. Caledon proposed this option in a 2010 report, *A Basic Income Plan for Canadians with Severe Disabilities*. A new *Basic Income* program would replace provincial/territorial welfare for working age persons with severe disabilities.

Why a federally delivered benefit? There are several reasons.

For one thing, it would be portable between jurisdictions. Someone with a severely disabling condition may want to move closer to family members or friends in order to have an informal network of support. A provincially or territorially delivered benefit is made available only in that jurisdiction. An individual who moved to another part of the country would have to re-qualify with no guarantee of income support. Not so with a federal program, which covers the entire country.

All federal benefits are indexed on a regular basis – other than Employment Insurance, which is calculated as a percentage of earnings, and the Universal Child Care Benefit, which is not indexed. Our proposed program would be indexed. The design of the new program for persons with severe disabilities would be modelled on the federal Guaranteed Income Supplement for low-income seniors.

As part of the redesign, we have proposed a reinvestment of the resulting provincial/territorial savings to fund a coherent and comprehensive system of disability supports for all persons with disabilities, whether working or on some program of income support. Under a negotiated accord, provinces and territories would reinvest their sizeable welfare savings into disability supports.

The investment in disability supports would detach the delivery of these goods and services from welfare. That step is a crucial advance in making these essential services more available to the general population.

Introduce a guaranteed income?

I have described three distinct components of income security reform that would help move people off welfare and alter dramatically the role and importance of that program. To summarize, we propose the following actions:

- increase the value of Canada Child Tax Benefit to a maximum $5,400 per child.

- enhance the value of the Working Income Tax Benefit that is paid to low-income workers and extend coverage to more of the working poor.

- create a federally-delivered Basic Income for persons with severe and prolonged disabilities, and invest the resulting provincial/territorial savings into a wide range of disability supports.

There are many other reforms to the income security system that would help reduce the role and prominence of welfare so that it reverts to its original last-resort purpose. For instance, some form of temporary income support could be designed to bridge the gap between Employment Insurance and welfare.

Workers whose Employment Insurance has expired, and the substantial number of jobless who are unable to qualify for the program in the first place, have no choice but to go on welfare if they remain unemployed. But they must first divest themselves of their assets to qualify for social assistance. Caledon had proposed a new Temporary Income program to fill the void, on a temporary basis, between social insurance on the one hand and the last-resort safety net on the other.

These many reforms taken together would have the effect of lowering poverty and reducing reliance on welfare. We know that some people would argue instead for a start-from-scratch approach to tackling poverty.

They would prefer to dismantle the existing array of income security programs and replace them with a guaranteed income that would raise all poor Canadians at least up to the poverty line. Proponents of a guaranteed income contend that it could be delivered as a form of negative income tax, using the tax system to deliver cash benefits.

But the reality is that Canada already makes extensive use of the negative income tax concept in the design and delivery of its major income-tested programs for various groups. These include the Canada Child Tax Benefit and the Working Income Tax Benefit earlier described as well as the Guaranteed Income Supplement for low-income seniors and the refundable GST/ HST credit. The provinces and territories provide geared-to-income programs that target lower-income families and seniors.

Canada also operates two large social insurance programs, the Canada/Quebec Pension Plans and Employment Insurance. Of course, there is welfare, which we have discussed at length.

Collectively, these programs represent a *de facto* form of guaranteed income. Caledon has taken the position that we need to build on this solid foundation rather than dismantle the income-tested measures already in place. While they require improvement (welfare especially), they are generally well designed and are doing a good job of fulfilling their distinct purposes.

If we chose, instead, to abolish these important measures and replace them with a single guaranteed income, we likely would end up reinventing the current configuration of benefits. They are designed for and targeted to the needs of various groups in Canadian society.

In our view, we need to *enhance* the income security programs that already have the positive features we are seeking. They are federally delivered, portable, equitable and employ the income tax system as an administratively elegant delivery mechanism.

Now most of you here today likely would not refer to the income tax system as elegant. That is probably the last word you would choose as a descriptor! But when it comes to the delivery of income benefits, the income tax system is an extraordinarily efficient pan-Canadian mechanism. It does a good job of reaching the vast majority of Canadians (as you likely know) and does not require inspection of assets and needs. Moreover, the provinces and territories also use the personal income tax system to deliver a number of their income benefits.

Another important consideration has to do with cost. Any form of guaranteed income would require a substantial multi-billion dollar investment. This is not an easy proposition in today's fiscal climate. In the meantime, we have an array of proven and well-designed programs crying out for more cash.

Finally, there is the age-old concern about the actual or possible work disincentive effects of a guaranteed income. Some observers argue that this is not a real problem because most people, when given a choice, prefer work over unemployment. Work provides them with purpose in their lives as well as important social contacts.

Others are concerned about the potentially negative impact of an income guarantee, especially among a younger cohort that is experiencing high unemployment. Even if all the evidence proved otherwise, there is still the optics problem, which easily can override objective evidence.

The 'guaranteed' part of the term likely would upset a lot of Canadians. And the political saleability of a substantial guaranteed income, which would require massive demolition and reconstruction of programs and services delivered by three orders of government, is almost impossible at a time of fiscal restraint.

In short, we are not prepared to propose a dismantling of the income security architecture, which is, for the most part, well designed. Rather, we need to build on it by expanding the components that are working well and by fixing or even replacing the parts that need major repair.

The broader social policy agenda

I have focused my remarks today on the future of income security because this conference is concerned with social assistance. At Caledon, we have been trying to make the case for profound welfare re-form – not just tinkering around the edges but significant restructuring in which the component parts would be replaced by more adequate income security programs delivered, ideally, on a pan-Canadian basis.

This objective comprises a substantial social policy agenda. But it is by no means the only dimension of social policy. There are many other elements that require attention. In the interest of time, I will mention these only briefly.

Education and training comprise vital components of social policy. A productive society involves a strong learning agenda through the life course: early childhood development, high school completion especially among Aboriginal students, literacy and numeracy upgrading, access to post-secondary education and training in market-relevant skills.

The care agenda is another main component of social policy. The need for care is present at all stages of life – starting in the early years. While parents are primary caregivers, we know from a burgeoning international evidence base that early childhood development and high-quality child care are crucial supports for families, especially the poor.

But the demands on many families move beyond child care. The estimated eight million family caregivers of ailing parents and relatives with severe disabilities provide more than 80 percent of care in Canada. Caregivers often pay for disability supports not covered by medicare or private insurance. Their employment status may be jeopardized by caregiving responsibilities. Employment and income measures need to be reformed in order to assist caregivers and to ensure easier access to the range of disability supports, earlier discussed.

The actions we take to create a productive society and caring society will set the stage for how well we manage another social challenge: an aging society. We need to bolster a retirement income security that is under growing stress. Forty-four percent of working Canadians have no private pension or RRSP. Only one in five workers belongs to an employer-sponsored pension plan. Just one-third of households have enough savings to cover basic expenses in retirement.

In short, there is a wide-ranging and almost daunting social policy agenda. But we *can* make significant headway by working on this big agenda one step at a time and by building upon the core foundations.

The reformulation of welfare is a good place to start. Reconstructing the pieces of welfare is a challenging but practicable approach that would improve the quality of life not only for the poorest of the poor but for the majority of low-, modest- and middle-income Canadians throughout the country.

Your deliberations at this conference will contribute immeasurably to this vital national conversation.

Thank you.