Milestone or Millstone? 
The Legacy of the Social Security Review

by

Sherri Torjman

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The Caledon Institute of Social Policy
1600 Scott Street, Suite 620
Ottawa, Ontario, Canada
K1Y 4N7
Phone: (613) 729-3340
Fax: (613) 729-3896
E-mail: caledon@caledoninst.org
Website: www.caledoninst.org

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**Introduction**

The Social Security Review could have been a milestone in Canadian history. Instead it has become a millstone that we will have to bear for generations.

I have been asked to address the question of ‘where we’re at in social policy.’ It will come as no surprise to anyone in this room that this is not a happy story. Over the past few months, the social policy community has experienced more shock and despair than at any other time in our collective memory. I want to thank the organizers of this Conference for pulling together such a big self-help group; it certainly couldn’t have come at a better time.

The last two years have seen social policy issues gain a prominence that is unprecedented in modern history. No less than one-half of BC forests now take the form of social policy press clippings. Never were the public airwaves so full of social policy stories. But all the attention to social policy has not translated into any dramatic program advances; if anything, we've lost substantial ground in recent years.

Our issues and concerns have been eclipsed by a ‘three-D’ agenda. The dollar, deficit and debt are a holy trinity. Concern for human well-being has become secondary to economic well-being; social policy is being written and controlled by the Department of Finance [Battle and Torjman 1995]. And Finance officials themselves heed their Wall Street masters. Human well-being is being determined not only by a department foreign to our interests but also by organizations foreign to our country [Torjman 1995].

We have been through two exhausting and dispiriting social security reviews over the past two years. The first was the official Social Security Review announced by the Minister of Human Resources Development on January 23, 1994. It was billed as a comprehensive reform of social programs. This review proceeded with great fanfare with Ministerial Task Force, Parliamentary Committee, background papers and the largest public consultation in the history of Canadian social policy – until it was stopped dead in its tracks by the second review undertaken by Finance Minister Martin.

In contrast to the first review which took place over 14 months, the Finance Social Security Review was swift and tough. There were no options or alternatives. There were no public hearings, background papers or debates. There was simply a matter-of-fact announcement of *fait accompli* changes that will have a profound impact on Canada’s social programs.

One could argue that the Finance Social Security Review actually was initiated more than 10 years ago by Finance Minister Michael Wilson. From 1984 until their decimation at the hands of the electorate in 1993, the Tories dismantled the foundation of many social programs built over the years. The social envelope was reduced by many billions of dollars through direct cuts as well as indirect, hidden cuts in the form of clawbacks and the partial indexation of social programs, transfers to the provinces and the income tax system [Battle and Torjman 1993]. Ken Battle coined the term ‘social policy by stealth’ to describe these arcane, technical measures [Gray 1990]. And while many of the hidden cuts in transfers to individuals and provinces are neither recognized nor acknowledged, their devastating impact is still being felt. New cuts are over and above a declining base. When the Liberals took power in 1993, social policy ‘reform’ was already well under way.

I would like to talk briefly about both Social Security Reviews: the formal one undertaken by Minister Axworthy and the real one conducted by the Department of Finance. I then would like to consider where this leaves us – a community concerned about social policy and human well-being more generally. What is the status and future of social policy, now that its legislative and funding bases have suffered irreparable damage?
The Social Security Review

The need for reform

Social programs have played a central role in reducing poverty and mitigating the effects of a turbulent labour market. Despite the invaluable contribution of these programs, there are some real problems with the current system. The Social Security Review was correct to ask questions about the existing network of social programs. They certainly have their limitations and could be much improved through major redesign.

Unemployment Insurance (UI) needs an overhaul for a number of reasons, including the fact that it has been seriously misused by some employers. The most intractable problem with which the program is trying to grapple – chronic unemployment of a seasonal and structural nature – is not adequately handled through an insurance program that never was intended to provide ongoing income support for certain regions [Caledon Institute of Social Policy 1995b:10-11].

There is a two-tier training system in the country; one for workers who have exhausted their UI benefits and one for employable welfare recipients. Welfare has long been known to be inadequate, demeaning and highly discretionary [National Council of Welfare 1987]. Substantial amounts are spent on treatment-oriented services but there is very little stable, ongoing support for social investment measures. Our notion of social services has become so narrow and professionalized that we rarely think about programs that build on individual or community strengths.

Comprehensive change

The Social Security Review represented an opportunity to introduce comprehensive, publicly-debated major reform rather than the substantial, but stealth-like and unconnected, social policy changes imposed by the Mulroney government. Caledon saw the review as an opportunity to put forward a set of comprehensive changes.

The centrepiece of our proposed package of reforms was an integrated child benefit that would combine federal spending on the Child Tax Benefit with the funds that Ottawa and the provinces spend on welfare in respect of children. Welfare payments on behalf of children would be directed toward a separate, income-tested program that would serve all low-income children, including those from working poor families. An integrated child benefit would remove a major barrier that discourages some families from moving off social assistance – the fact that welfare benefits take children into account, while wages do not [Battle and Muszynski 1995].

We proposed that Unemployment Insurance revert to a true program of insurance to cover short-term periods of unemployment. There would be a separate, new program to provide income benefits and employment-related services to workers who had exhausted their UI benefits and to employable welfare recipients. As a result of these proposals, welfare would revert to a small program of last resort.

Another component of the Caledon proposal was new legislation that forges the links among child care, child development and child welfare. We saw child care as the core of an holistic package of supports for families. We also proposed that various sources of funds which support a range of programs for persons with disabilities be consolidated into a block fund for personal supports. ‘Personal supports’ refer to disability-related goods and services including technical aids, equipment, and homemaker and attendant services.

Limitations of the Review

In theory, the Social Security Review opened a window of opportunity to introduce some badly-needed reforms. But the Review was profoundly disappointing from a number of perspectives. The federal Discussion Paper, Improving Social Security in Canada, essentially portrayed social programs as a drain on the economy. The Paper implied that both the scope and growth of social programs must be limited so as to reduce their alleged disincentives to work and their burden on employers. Caledon has long argued that social programs
are not a drain on the economy; if anything, the economy has been a drain on social programs [Torjman 1994b].

While the need to focus on jobs is acknowledged in the Discussion Paper, it provided no concrete options for meeting this objective. Its implicit bias was based on ‘trickle down’ economics – that employment flows naturally from a climate favourable to business. But the link between a ‘healthy’ economy and job creation is not that simple; economic growth did not translate into jobs during the recent jobless recovery.

Another problem was the fiscal framework – or fiscal straightjacket – within which social security reform was expected to take place. When the Liberals took office, the social envelope was already in tatters, having suffered substantial losses from both direct cuts and indirect cuts, in the form of clawbacks and partial indexation, introduced by the Tories. The 1994 and 1995 Budgets announced additional cuts to federal transfers to the provinces for health and postsecondary education and retained the cap on CAP. This fiscal straightjacket virtually strangled the Review.

The underlying philosophy of the Discussion Paper was that our social security system must invest more in educating and training a skilled, competitive workforce rather than reacting to problems of poverty and unemployment after they occur by paying out billions in Unemployment Insurance (UI) and welfare benefits. The dilemma for social policy in tough economic times is that active programs cost more than passive income programs. A true investment in people requires a true investment of dollars. By the way, I have great difficulty with the concepts of ‘active’ and ‘passive.’ I have never considered the need to feed one’s children as a passive act or that social supports were passive in their intent or outcome.

Finally, the Social Security Review was limited by the conceptual framework within which it was cast. It was a framework which viewed paid work as the ultimate objective of non-elderly Canadians; the purpose of the social security system is to facilitate that end. The Review should have been framed within a much broader context of human well-being and macroeconomic policy. Only then would it have been able to make appropriate recommendations around income security, social services, child development, personal supports and social housing – the latter area left entirely off the agenda despite the crucial role it plays in assisting low-income households. For all the rhetoric in the Discussion Paper about the need for comprehensive reform, the document had a narrow conceptual base.

The Real Social Security Review

But the real Social Security Review started less than one month after the announcement of Minister Axworthy’s Review. The 1994 Budget brought in the biggest cut to UI since amendments to the Act in 1971 and re-imposed a two-tier structure of benefits (60 percent for low-wage workers with dependents and 55 percent for everyone else). More draconian ‘reform’ measures were introduced in the 1995 Budget. It did much of the dismantling which Caledon had, in fact, recommended. But the Budget did none of the associated rebuilding that was intended to accompany ‘profound demolition’ [Wolfson 1987].

Not surprisingly, our primary concern relates to the implications of integrating the Canada Assistance Plan (CAP) into a block fund with few or no conditions other than residence prohibitions. Our fear also arises from the integration of CAP into a megablock with transfers for health and post-secondary education. Welfare and social services likely will get lost in the mix; they never will have the importance or support accorded to services directed toward the general population [Torjman and Battle 1995].

The transfer of funds as a ‘block’ is much more palatable to provinces than cost-shared arrangements which ‘tie their hands.’ However, there is a problem with untied money. The dollars intended for human services could be used, at the end of the day, for whatever purposes the provinces desire. ¹

The Budget indicated that negotiations would begin with the provinces regarding the objectives for
the new Canada Health and Social Transfer. We are not optimistic about the inclusion of conditions and standards – primarily because the disappearing dollars render almost academic Ottawa’s ability to impose limits on limited dollars [Torjman and Battle 1995a]. While CAP sets out few conditions for the receipt of federal funds, the conditions in place are nonetheless very important [Torjman 1994a]. The Budget did announce that residence requirements would be prohibited. This will prevent the creation of interprovincial barriers for people. But the other two CAP conditions with respect to need and appeals are likely to be lost. 2

In the area of need, CAP ensures that Canadians who lack resources can qualify for financial assistance regardless of the cause of need. The loss of CAP invariably will mean the loss of that protection. Provinces will be free to provide financial assistance to whichever ‘deserving’ applicants they choose. There will be no guarantee of a safety net in Canada. The dismantling of CAP with no other form of associated program in its place threatens the existence of the safety net – the very measure that the United Nations has declared as essential to human security [United Nations Development Programme 1994: 20]. Moreover, we will see the introduction of workfare for able-bodied employables in at least some provinces. The Tories just won a majority in Ontario with workfare as a key campaign promise.

The withdrawal of CAP also places social services including child care; child welfare; homemaker, attendant and respite services; and counselling at risk [Torjman 1995]. Low-income Canadians will bear the brunt of the proposed changes in federal social transfers. Perhaps the Budget proposals that will have a profound impact on welfare and social services would have been easier to accept had the Minister of Finance set “come-hell-or-high-water” targets for reducing unemployment, a prime cause of persistent and mounting poverty.

But the Budget forecast, without any apparent concern, that unemployment will remain at or above nine percent for the next three years. An economic statement preceding the Budget noted that unemployment had exceeded eight percent – the new ‘natural rate’ [Canada 1994a: 20]. While it may serve the interests of employers to have a large reserve army of unemployed workers, it is entirely unacceptable from the perspective of the economic security and well-being of Canadians.

**Medicare**

A second concern relates to the uncertain future of medicare. The need to counter rising health care spending has long been recognized. Countless reports and provincial commissions have recommended more prevention and community supports, in the form of homemaker and attendant services, to ease the pressure on costly hospital care. Yet the budget for these services is being cut through the reduction of CAP funds as they are replaced by the Canada Health and Social Transfer. It will be more difficult to support community-based programs that take the burden off expensive treatment.

Moreover, health status is determined by factors other than health care services. Evidence from various disciplines, including public and mental health, has found that the primary determinants of health are socioeconomic factors in the form of adequate income, shelter and social supports [National Round Table 1993: 24]. Yet the Budget is cutting funds for income support as well as social supports – both key determinants of health.

But the more effective use of money is just one side of the story. The only way that Ottawa can enforce the conditions of the Canada Health Act, which guarantee the presence of a universally accessible, comprehensive health care system, is by withholding dollars for non-compliance with the Act. Unless the federal government gives in to its critics and restores a stable cash transfer to the provinces, the future of medicare looks bleak 3 [Battle and Torjman 1995].

**Human resources**

The Budget’s announcement of a Human Resources Investment Fund came as a surprise; the
Finance Minister had the audacity to introduce a proposal that had not been leaked to the media in advance. The purpose of this Fund is to help the unemployed find and keep jobs, combat child poverty and provide assistance to those most in need. Announcements of new ‘funds’ generally come with dollars attached. The Main Estimates indicate that this fund will come with dollars detached. The allocation for employability projects will drop by $200 million in the first year alone. Because there is no new money going into these areas, it is difficult to imagine that the ‘fund’ will serve any purpose other than to find creative ways to finance existing programs.

It is too early to assess the potential impact of the Human Resources Investment Fund (or HRIF – its apt acronym). The Fund seems to include everything that was left over after the federal government divested itself of responsibility for welfare and social services. The HRIF appears to be a grab-bag of disparate initiatives in the areas of child care, employment development services, supports for persons with disabilities and information collection. Let’s hope it is more than just a fancy name for disinvestment.

**Child poverty**

Finally, the real Social Security Review announced no changes to the Child Tax Benefit. This likely would have gone unnoticed had not Ottawa itself focussed so much attention on child benefits during the formal Social Security Review. It is unfortunate that the serious national problem of child poverty went unaddressed, in light of the most recent poverty data. Child poverty has grown steadily since 1989, despite the all-party House of Commons resolution in that year to move toward the eradication of poverty by 2000. In fact, child poverty is at its highest level since Canada started tracking the figures in 1980^4 [Caledon Institute of Social Policy 1995a: 59]. The numbers are serious, given what we know about the impact of poverty on physical health and social well-being.

**Summary**

The formal Social Security Review had opened the door to reconfiguring social programs to address some fundamental problems: high rates of poverty, lack of child development and child care services, too few preventive supports for families, and the need for personal supports. It was eclipsed by the real Social Security Review, the 1995 Budget, which removed the legislative base for welfare and social services as well as substantial dollars from transfers for human services. Provinces are now engaged in a race to the bottom, being cheered on the sidelines by a tax-weary electorate. So where does that leave us – a community concerned about social policy and human well-being more generally?

**A Broader Conceptual Framework**

The changing federal role in social welfare and the ideological bent of certain provinces raise questions about the continued viability of social welfare theory to guide our action. Are traditional concepts of social welfare still valid? Do the shifts in the welfare state, as we have known it in the post-war period, mean that the theory of social welfare is no longer relevant?

I think not. Social welfare is basically an attempt to steer a society along channels it would not follow if left to itself [Lafitte 1962:9]. The redistributive role of the state is more important than ever, in light of the current and future labour market. But in these times of fundamental economic and social change, social welfare theory may not be enough.

In looking at the state of social policy – where we’re at and where we go from here – I think we need a broader framework to help define future social policy directions. One framework that I have found to be very powerful comes from international thinking on sustainable development – a concept which makes the links among social, economic and environmental issues. Sustainable development is “pro-people, pro-jobs and pro-nature.” [United Nations Development Programme 1994:4]
While sustainable development is a broad concept, its social and economic components can be seen as a social policy agenda. Within a sustainable development framework, the satisfaction of economic needs requires a strong social base. The satisfaction of social needs, in turn, requires a solid economic base. The two objectives of economic and social well-being are not on a collision course; they are inextricably linked. Sustainable development does not consider social programs as a drain on the economy; rather, they are a prerequisite to economic well-being. Social expenditure is not wasted money. It is an essential investment.

Sustainable development is concerned not only with equitable outcomes but also with the means to achieve these ends. It seeks to provide the means to generate wealth rather than simply deliver income assistance to compensate for an inadequate economic base.

Sustainable development is also concerned with meeting current human needs without compromising the ability of future generations to meet their needs. It is based on the concept of intergenerational linkages – enabling all generations, present and future, to make the best use of their capabilities and resources [National Round Table 1993]. Intergenerational linkages are critical, given the recent public discourse which has pitted children against seniors to see whose needs deserve a larger share of GDP – an unhelpful and socially divisive policy construct.

**Policy Directions**

Sustainable development is such a broad concept that it can be interpreted in any number of ways. Here’s what I think it means. Future directions in social policy should focus on three key objectives: economic security, social investment and social integration.

**Economic security**

Sustainable development is not an anti-market strategy. Economic security derives primarily from the private labour market. But the concept recognizes that the labour market creates enormous casualties. The so-called ‘free market’ is not sufficient in and of itself to ensure economic security both in the present and after retirement. Where private markets consistently fail to produce enough jobs, governments can help create employment.

But in recent years, governments have not been particularly good in this regard – especially when they have been withdrawing as a public sector employer and when they accept eight percent as the ‘natural’ rate of unemployment. Moreover, we have entered an era in which human labour is being removed from the production equation and is being replaced increasingly by technology. It is an era in which it is cheaper to make money through international currency speculation than to invest in new industry.  

Sustainable development would respond to the jobs crisis by focussing on wealth creation. It would emphasize community economic development (CED) and microenterprise development – not as marginal activity but as an integral component of a technology-driven, global economy.

CED is not a new idea; it has been around for at least a quarter-century and there are countless success stories throughout the country. Nor is it a panacea for high rates of unemployment. But CED has great potential to supplement and complement the mainstream economy – which has been unable to produce enough decent jobs. Moreover, CED incorporates an explicit focus on social well-being [National Welfare Grants, 1993: 8].

New Dawn Enterprises of Sydney, Cape Breton, is thought to represent the ‘dawn’ of the CED movement in Canada. It now has six subsidiary corporations involved in various businesses and services. One recent project is a residential community built on an abandoned National Defence radar base. Seniors live alongside families that are paid by New Dawn to care for the elderly residents. This creates jobs for the caregiver families and allows seniors to remain in their own homes. It is a good model of economic development that promotes intergenerational linkages [Quarter 1992: 96].
Self-employment is also an important response to the jobs crisis. The self-employed have increased from 9.1 percent of the labour force in 1981 to 9.8 percent by 1998 and doubtless will go higher in 1995. While microenterprises are crucial in light of the jobs crisis, lack of access to capital is a real barrier. Community loan foundations represent one way of ensuring access to capital; they do not have the same stringent conditions as private institutions to secure the loan.

The Calmeadow Foundation in Toronto, for example, provides technical and financial support to microenterprises in poor communities at home and abroad. Loans of up to $3,000 are made for starting or expanding a microbusiness. The loans do not require collateral. The repayment, including commercial rates of interest, is enforced through a ‘borrower’s circle’ of four to seven people who approve and guarantee each other’s loans [Quarter 1992:100]. The Canadian Women’s Foundation provides funds to assist low-income women set up small businesses.

But while CED and microenterprise development can create wealth, they also can represent precarious work. They often pay low wages and have few benefits, such as pensions.

It is clear that government still has a crucial role to play: In fact, it is probably more important than ever, given the wide and growing gaps in market income (i.e., income from wages and salaries, self-employment, savings, investments and other private sources). The gap between low-income and high-income Canadians’ share of market income has widened substantially since 1989, as it did in the early 1980s as a result of the 1981-82 recession [Battle 1995]. Since the inception of the UN’s Human Development Index in 1990, Canada has ranked either first or second overall. But when a figure for income distribution was added in 1993, Canada dropped overall from second to sixth place.

Strong social programs and a fair tax system are needed more than ever to narrow the wide inequalities in incomes created by the changing economy. The federal government is in the best position to reduce poverty and to ensure that all Canadians, regardless of their circumstances, have adequate income. The federal government had the fiscal capacity to stimulate the economy by paying benefits to all families with children when it brought in Family Allowances in 1945. Only Ottawa could afford to introduce a refundable child tax credit in 1978 which paid a child benefit to all low- and modest-income families, regardless of whether they lived in a ‘have’ or ‘have-not’ part of the country. The federal government had the fiscal capacity to ensure protection against destitution in the 1930s when close to one-quarter of the working-age population was unemployed and when municipalities were going bankrupt because they could not meet the unprecedented demand for financial assistance [Guest 1985]. Ottawa had the fiscal capacity to ensure a system of elderly benefits for seniors that has helped reduce poverty among the aged and provides the best income guarantee of any of our social programs.

Ottawa should maintain, and indeed strengthen, its involvement in income security programs. I am not necessarily talking about a single guaranteed income or a one-size-fits-all solution. We can have a mix of programs as we now have. Ottawa can enhance the Child Tax Benefit [Battle and Muszynski 1995]. It can raise and fully index the GST credit. It should shore up UI rather than chip away at it. It should protect and defend at all costs the Canada Pension Plan, a crucial and sound social insurance for a rapidly aging population; many workers are not covered under occupational pension plans. It should ensure through appropriate conditions in the CHST the presence of an income safety net throughout the country [Torjman and Battle 1995a].

Social investment

Canada already makes important social investments in publicly-supported, universally available education and health care. These social investments have paid off; we have a relatively healthy, well-educated population. Canada has consistently ranked at the top of the UN Human Development Index which is basically a composite measure of life expectancy at birth, the adult literacy rate and average years of schooling. It is important to protect and
defend these areas of social investment; this is why we are so concerned about the threats to medicare and cuts to human services that will result from cuts to federal transfers.

But while continued investment in health and education is essential, there are two areas of social investment that have been somewhat neglected: support for families with children and personal supports for the elderly and persons with disabilities.

With respect to family supports, there is currently a network of services to help families when abuse has occurred, when there is pending break-up or when kids get into trouble with the law. But there are relatively few supports to help families cope with the stresses of raising children, meet financial needs and care for elderly parents. Very little is spent on ‘social investments’ – e.g., parent education and support groups; child play groups; family resource centres; clothing, toy and equipment exchanges; cooperative babysitting arrangements; family matching systems (e.g., teenage single mothers and their children with older experienced mothers); parental modelling and visits to new mothers by community health nurses or home visitors; and homemaker and respite services [Torjman 1994a].

The need for social investment in family supports is backed up by a considerable body of research on child development which points to the benefits of investing in good parenting and caregiving, especially at the very early stages of a child’s life. Preventive programs for children can reduce the incidence of later learning, health and social problems. Enriched preschool programs can help prevent decline in children who lack developmental opportunities at home.

Moreover, the literature on the determinants of crime has found strong links between parenting (and social causes more generally) and criminal behaviour. Delinquency is associated with certain family characteristics – e.g., ineffective supervision, family discord, weak parent-child relations, large family size and parent criminality. Opinion polls consistently rank safe communities and the prevention of crime as important priorities; but simply pouring more funds into crisis intervention and treatment programs is no solution. Many of you are familiar with Dick Weiler’s pioneering work on crime prevention through social development. The growing literature in this area strongly supports social investment in families with children [Waller and Weiler 1986].

Personal supports for the elderly and persons with disabilities are a second area for social investment. While these may be seen as ‘passive’ within the current vogue of active and passive programming, they are anything but passive in their impact. These supports help people live in communities rather than in institutions and enable them to participate as active members of society.

The lack of recognition of this problem in the Social Security Review was serious in and of itself. The upcoming federal discussion paper on pensions is not likely to address the issue of services for seniors. And the changes ushered in by the 1995 Budget could be devastating. We must begin to address more systematically the fact that one in five Canadians will be over age 65 by the year 2021. Many Canadians will not be in a position to purchase supports; they can’t meet their basic needs right now let alone purchase the services they may require down the road.

Several interesting models are in place, such as personal support networks and ‘Joshua Circles,’ in which groups of citizens assume responsibility for supporting individuals. These are exemplary models for the future. While they are not intended to replace formal supports, they make an invaluable contribution to the quality of life that no formal service could ever deliver.

**Social integration**

Social integration is a third objective for future social policy work. Social integration has several dimensions; improving the status of women is one of the most important. Since the UN’s Human Development Index was first published in 1990, Canada has ranked first or second overall. But when the Index was adjusted for gender equity in 1993, Canada fell from second to eleventh place.
Legislative measures, such as pay equity and employment equity, are key to social integration. These are now under attack as an obstacle to unfettered markets. While these laws must be protected, they are not the only answer.

Social integration can also be promoted through broad public participation in decision-making. The Roeher Institute has written about the need for democratization [Roehrer Institute 1993]. The Ontario Social Development Council has been testing a model of local decision-making called ‘community-based planning.’ A wide range of sectors is involved in developing a comprehensive approach to human services and the quality of life more generally [Ontario Social Development Council 1993: 30]. The underlying philosophy of their model is that human needs are everyone’s concern and that all sectors have a responsibility to ensure community well-being.

Resources

Even if we have a clear social policy agenda, even if we could agree on key directions for the future – where would we find the resources? In a time of tight dollars and mean spirits, how can we support the objectives of economic security, social investment and social integration? Or whatever objectives we might decide to pursue? I believe that there are resources for these purposes.

Tax expenditures

Caledon has long argued – even before the Social Security Review – that an inordinate amount of public money is spent in the wrong places [Caledon Institute of Social Policy 1994]. Other organizations, including the National Council of Welfare, the National Anti-Poverty Organization, the Canadian Council on Social Development, the Social Planning Council of Metropolitan Toronto and the Canadian Centre for Policy Alternatives, have expressed these concerns. Money for social programs is available – if Ottawa would harness some of the funds it spends on high-income Canadians through the income tax system.

The Finance Minister had given some preliminary signals that he had his eye on this area. Yet the 1995 Budget is notable for its non-action on tax expenditures. Corporate loopholes, such as meals and entertainment allowances, could have been closed. Badly-needed revenues could have been raised by taxing lottery winnings, setting reasonable limits on tax assistance for RRSP and RPP contributions and closing tax breaks for dividend income. The surtax on high incomes could have been increased. A wealth tax set at a flat rate of, say, 30 percent could raise an estimated $2 billion a year.

This should not be interpreted to mean the wholesale elimination of tax expenditures – which were introduced over the years to achieve certain purposes. Some of these may still be worthwhile. However, there is a crying need to reassess the rationale of every tax break to determine its continued relevance and to examine its distributional impact. Tax expenditures should be open to scrutiny and debate by Parliament in the same way as direct spending programs. Even the Auditor General has made this argument in several Annual Reports. This huge area of public expenditure should not be the sole purview of the Department of Finance. Other countries, including the United States, include tax expenditures as part of the regular budgetary process that controls direct spending. Canada should have a similar transparent process.

Monetary policy

We have paid the price for the inflation war being waged by the Bank of Canada. Exceptionally high interest rates, resulting from the Bank’s 1988-89 zero-inflation policy, have sucked the life out of the economy [McQuaig 1995]. As long as we continue to have a tight monetary policy, tax revenues will go to the coffers of foreign financiers, not to social investment in Canadians. Government interest payments on the debt could be reduced by an estimated $1.7 billion for every one percent drop in interest rates. And while Linda McQuaig was pilloried by one editorialist who was gleefully “hootting the dippo,” nobody spoke with contempt or disdain about Royal Bank chief economist, John McCallum, when he too held the Bank of Canada
responsible for putting the brakes on economic growth.

At the international level, there are proposals for tapping new resources for social and economic purposes; the Tobin tax on international monetary transactions is a notable example. Whether or not Tobin’s specific proposal is administratively feasible is not the issue. The principle of finding a way to harness international resources for economic and social development is crucial.

community resources

The work of John McKnight in the area of ‘asset-based community development’ is important to our work in social policy [Kretzmann and McKnight 1993]. McKnight argues that, rather than focusing upon individual or community needs, deficiencies and problems, it is essential to look at capacities and strengths. Every person, group and institution represents a potential resource that can contribute to a community. People with ‘problems’ that require ‘treatment’ or ‘services’ also have talents and gifts to contribute to communities. Our preoccupation with services has prevented us from recognizing many of these resources. While McKnight’s philosophy can be interpreted as providing a rationale for privatizing and ‘communitizing’ much of what we do, this need not be the case – especially if we remain very clear about the role of government in ensuring human well-being.

Corporate resources

Finally, we must look seriously at corporate resources. The Caledon Institute has recently embarked upon a social partnerships project; we are documenting ways in which corporations can contribute resources for social purposes.

Vancouver City Savings Credit Union is one example of a growing number of businesses that invest profits in communities. The VanCity Community Foundation offers loans, grants and technical assistance for community economic development. Four percent of after-tax profits are allocated for socially responsible local causes. The company has also established an affordable housing development group, an ethical mutual fund and a community investment deposit plan. There are special lending rates for financing child care centres and for renovating or creating a second unit in a home, which can then be rented as affordable housing.

The use of corporate resources could move beyond voluntarism. In what might be billed as a rare positive initiative in American social policy, the Community Reinvestment Act requires banks to reinvest a certain percentage of the deposits from the community from which they derive their profits. Even low-income communities generate substantial capital but it usually gets shipped off to meet capital needs elsewhere. The Act provides a lever to encourage local investment in business and home mortgages. The model is certainly worth a closer look; Canadian banks have reaped enormous profits from sky-high interest rates, for which we all have paid dearly. All Canadians deserve a return on our investment.

Conclusion

The Social Security Review briefly opened a window of opportunity to make comprehensive reforms to social programs. It was slammed shut by the real Social Security Review which effectively will dismantle many social programs. Some provinces are engaged in a search-and-destroy mission.

Despite our collective shock around recent developments, I believe that we can move forward with hope rather than despair. Personally, I have found the concept of sustainable development to be invaluable in thinking about future directions for social policy – in economic security, social investment and social integration – and about the resources to support these directions.

Perhaps at the end of the day, the Social Security Review will not be a millstone after all. Maybe it will end up being a milestone. The Review has made us rethink social policy. The Review has moved us to rebuild social policy. And we will rebuild social policy. Finally, the Review has driven
us to reaffirm the fundamental value that drives our work: our concern for human well-being. In an era of bottom-line hysteria, it is important to continue to assert that the most important bottom line of any nation is the well-being of its people.

Endnotes

1. Another important aspect of CAP is that it provides matching funds to provinces. By virtue of the fact that costs are shared with Ottawa, provinces must make the initial contribution to welfare and social services. While this may be difficult for most ‘have-not’ provinces, at least the arrangement requires some degree of provincial commitment. It is questionable whether this commitment will be maintained in some provinces in the absence of a financial partner.

2. The loss of CAP also means the loss of built-in countercyclical protection. When provincial costs rise in the face of higher welfare caseloads that result from recession, federal costs increase as well. This makes sense in that welfare caseloads and costs are linked directly to economic performance; they go up with high unemployment because they are intended to act as safety nets in the event of high joblessness. The federal contribution under CAP helped provinces respond to the economic troughs which forced their costs to rise. The next time we enter a recessionary period, provinces will have to cope with the pressures of rising caseloads entirely on their own. There will be no federal offset to compensate the higher costs. We need only look to Ontario as a case study of what happens when Ottawa no longer shares half the cost of welfare. Ontario lost, by its account, $7.7 billion from the ‘cap on CAP’ (limiting adjustments to five percent a year) since 1990 [Battle and Torjman 1995:10-11].

3. It is possible that non-compliance with the conditions of the Canada Health Act will begin to show well before the precise termination date of the cash transfers. As the cash declines, the federal contribution will become increasingly irrelevant. Some provinces may decide to forego the federal dollars altogether if they can more than offset the loss through imposing user fees and/or de-listing insured services.

4. The child poverty rate rose from 15.4 percent in 1980 to 20.6 percent in 1984 as a result of the lingering effects of the 1981-82 recession, declined somewhat in the economic recovery to 14.8 percent in 1989 and then increased again because of the recent recession to reach 21.3 percent in 1993 (1.4 million children live in poverty). The percentage of children in female-headed single-parent families has risen and fallen since 1980 but is always high; it reached a whopping 64.5 percent in 1993.

5. Industrialized countries now face the problem that economic expansion no longer equates with employment growth. In an era of jobless growth, increasing attention is being paid to the more equitable distribution of existing work. While the redistribution of working time does not create new jobs, at least it tries to ensure that existing work is more evenly divided among the current workforce and the unemployed. An Advisory Group to the Minister of Human Resources Development made a wide range of recommendations regarding the changes that could be introduced to effect a more fair and equitable distribution of working time [Advisory Group on Working Time 1994].

6. There are countless exciting CED initiatives which incorporate an explicit focus on human well-being. RESO (Le Regroupement pour la relance économique et social du sud-ouest) in Pointe Claire, a poor industrial community in Montreal, develops partnerships with local businesses in order to maintain and create jobs. It has also set up social businesses to reduce youth unemployment [Perry and Lewis 1994: 138]. The Human Resources Development Association (HRDA) in Halifax is a venture capital and business development organization set up primarily to help welfare recipients. Since its creation in 1978, its subsidiary, HRDA Enterprises Ltd., has set up several small businesses which have taken more than 1,400 people off welfare and employed them in newly-created jobs. The Association uses welfare funds to capitalize the businesses it starts. It also runs a jobs training program that includes life skills, individual counselling, temporary work placements and specialized skills training [Perry and Lewis 1994: 43]. West End Community Ventures was founded in 1986 to help develop the local economy in a low-income neighbourhood in west-end Ottawa. It sees business development as a means to achieve social goals and as a way to generate income. It creates businesses which are designed as training sites, particularly for residents of a large public housing project in that area.

7. Poor, modest-income and middle-income families have experienced a decline in their market incomes since 1989. Upper-middle-income and high-income families, by contrast, have seen their market share increase somewhat in recent years. Families in the bottom income quintile ($25,373 or less) had just two percent of market income in 1992; however, their share of total income was 6.3 percent (three times larger) and their share of after-tax income was 7.5 percent. Families in the second quintile (with incomes
between $25,274 and $39,964) also improved their income shares once government transfers and income taxes are taken into account. While they earned only 10.3 percent of market income, they received 12.2 percent of total income and 13.4 percent of income after tax.

8. The Canadian Association of Family Resource Programs acts as an umbrella body for the various family support programs springing up throughout the country. Family resource programs aim to serve entire communities by providing supports to children, families and caregivers.

9. Disabilities are most common among seniors. In 1991, 46 percent of all persons aged 65 and over had some form of disability, compared with 27 percent of people aged 55 to 64, 14 percent of those aged 35 to 54, eight percent of persons aged 15 to 34, and seven percent of children under age 15 [Statistics Canada 1995:5]. Moreover, seniors with disabilities are more likely than their younger counterparts to have a severe form of impairment which substantially reduces their capacity to perform the activities of everyday living. In 1991, 32 percent of persons with disabilities aged 65 and older had severe disabilities compared with 20 percent of those aged 55 to 64 and 15 percent of persons aged 35 to 54 [Statistics Canada 1995:5].

References


