



Social Policy That Works: An Agenda

by

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Health care is the \$100 billion gorilla of Canadian public policy. We all must hope that the forthcoming report of the Romanow Commission will set out a practicable plan to tame the beast.

In the meantime, the rest of social policy also cries out for reform.

This short statement proposes an agenda for reconstructing much of our social policy over the next decade. Some of these initiatives build on ongoing reforms – most notably those regarding children and parents. The proposals for adults are more radical and far-reaching, calling for deconstruction of the outmoded welfare system and its replacement by wage-based income security and an integrated employment and learning system for all Canadians, both working and unemployed.

While we have cast our net widely to cover diverse elements of social policy, we do not mention every social problem and social program that exists. Rather, we focus on reforms that aim in various ways to help Canadians – especially those with low incomes, less education and barriers to employment (including persons with disabilities, aboriginals and immigrants) – get and keep jobs.

Canada's economy and society have changed much over the years, but one constant has not: The labour market – though insecure and inadequate for many – remains the chief source of income for the large majority of families and individuals.

The trick is to better utilize social policy to equip workers with the ever-changing education and skills demanded by the 'knowledge economy.' Social policy also needs to do a better job in performing one of its traditional but as relevant as ever functions – compensating

for the inability of wages to meet the financial needs of many Canadians, especially families with children and workers with low earnings.

Our 'social policy that works' agenda requires Ottawa to awaken fully from its Rip Van Winkle slumber and reassert its crucial role in helping the provinces and territories reform and finance social, employment and health programs that fall under their jurisdiction. But the economic and social problems confronting the country are too daunting to be tackled by the federal and provincial/territorial governments alone. A variety of other stakeholders – business, labour, municipal governments, the educational system, advocacy groups, researchers and communities – must play an active role as well and combine their resources through working partnerships.

Child benefits

Child benefits (i.e., income payments to parents on behalf of their children) have two fundamental objectives: The first is to help fill the gap between wages (which are paid to individual workers, not families) and income needs (which involve families, not just individuals), especially for families with low or modest earnings that cannot earn a living wage. The second is to help acknowledge the extra financial burden on families with children compared to childless couples and individuals with the same income but no children to support.

Canada has been reforming its child benefits on and off for the last 25 years. In 1978, the federal government introduced the innovative refundable child tax credit which used the income tax system to deliver benefits to families too poor to pay tax. A series of

incremental but cumulatively significant changes in the 1980s and early 1990s transformed federal child benefits from a universal, poorly-integrated system not well targeted to need to a single, broad-based, geared-to-family-income Child Tax Benefit administered through the income tax system. Reform then advanced into a second dimension with the 1997 launch of the National Child Benefit, which involves not only the federal child benefit but also child benefits delivered by the provincial and territorial governments through their welfare systems.

Prior to the National Child Benefit, families on welfare received federal child benefits and provincial/territorial welfare payments for their children, while the working poor got federal child benefits only. This inequitable more-for-welfare-than-working-families arrangement formed a major part of the 'welfare wall' that created a barrier to work. Families that moved from welfare to the workforce lost thousands of dollars worth of child benefits in cash and in kind (e.g., supplementary health care) at the very time when they saw their (typically) low wages reduced by income and payroll taxes and stretched by the cost of employment-related expenses such as clothing, transportation and child care. Working poor families struggled to get by on about half the amount of child benefits as families on welfare.

Under the federal-provincial/territorial National Child Benefit, Ottawa remodelled the Child Tax Benefit into the Canada Child Tax Benefit and has been making sizeable annual increases for low-income families. The Canada Child Tax Benefit has grown from an initial maximum \$1,625 for one child and \$1,425 for a second child in July 1998 to its current \$2,444 for the first child and \$2,238 for the second child as of July 2002, and is scheduled

to rise to at least \$2,520 for the first and \$2,308 for the second child by July 2004. Note that the Canada Child Tax Benefit is not restricted to poor families, but also provides benefits to the large majority of non-poor families, the amount diminishing as incomes increase.

Ottawa's partners in the National Child Benefit, the provinces¹ and territories, have been able to reduce their welfare-delivered child benefits in step with increases in the Canada Child Tax Benefit, provided they 'reinvest' such savings in other programs for low-income families (e.g., early childhood development services including child care, income-tested child benefits and earnings supplements, employment programs, extension of supplementary health and dental care to the working poor). The key objectives of the National Child Benefit are to promote labour market attachment by ensuring that families are better off working, and to prevent and reduce the depth of poverty.

proposals for reform

- The federal government immediately should increase the Canada Child Tax Benefit to a maximum amount of \$2,600 per child for the July 2002-June 2003 payment year (the rise would be retroactive), to reach the crucial National Child Benefit goal of an integrated child benefit that replaces welfare-delivered child benefits.
- Ottawa then should embark on a final stage of reform that gradually will expand the Canada Child Tax Benefit into a mature and adequate income security system for families with children. Caledon has suggested a target of \$4,400 per child for the maximum payment to low-income

families² by the end of the decade. This is a very conservative estimate of the cost of raising a child in a low-income family; we have recommended that new research be done using better, up-to-date data.

- Further increases to the Canada Child Tax Benefit should remain focussed on low-income families, and will improve the incomes of welfare families as well as the working poor. Because there will be no more welfare-embedded child benefits, welfare families will receive all of their child-related benefits from the Canada Child Tax Benefit and income-tested child benefits provided by the provinces and territories (the lone exception being PEI, which has no provincial child benefit). However, improvements should be extended gradually over time to modest-income and middle-income families, which suffered losses in federal child benefits during the reforms prior to the creation of the Canada Child Tax Benefit. Increases to the Canada Child Tax Benefit should, like the program itself, be geared to family income – i.e., the largest dollar increases should go to low-income families, followed by modest-income and then middle-income families.
- The provinces and territories should fully index their child benefits (including earnings supplements) to the cost of living, as is now the practice with the federal Canada Child Tax Benefit. As Ottawa further strengthens the federal Canada Child Tax Benefit, the provinces and territories could, if they wish, phase out their own child benefits and redirect these expenditures to services for families – e.g., early childhood development, and supplementary health and dental care.

Early childhood development

Opportunities are created – or denied – in children’s critical early years, when their development is forged along multiple dimensions – physical, emotional, social, linguistic and intellectual – that significantly shape their destiny as adults. A strong system of early childhood development services for families – child care and early childhood learning, prenatal and early parenting services, and parenting and community supports – makes as much economic as social sense. Early childhood development has been shown to improve children’s subsequent performance in school, lessen the learning risks linked to low income, and enhance parents’ childrearing and coping skills. Early childhood development is not just for families whose parents are in the workforce: Such services also can help families that care for their children at home.

While only one among several components of early childhood development services, child care is crucial in this day and age, and doubtless will remain so in the future. The large majority of Canadian families, including those with preschool children, have both parents in the workforce. Most single parents also work. Child care is necessary if parents are to work, train or re-educate. Child care is essential for poor families struggling to climb the welfare wall to find and keep jobs.

Unfortunately, early childhood development services are among the weakest parts of Canada’s social security system. They are deficient in supply, affordability and quality control. Services are uneven between and, in most cases, within provinces and territories: There is nothing approaching a national system. Most families rely on unregulated child care bought or traded on the market (typically from

neighbourhood providers) or provided by relatives.

Ottawa has committed a cumulative total of \$2.2 billion over five years to help provincial and territorial governments invest (over and above what they already spend) in four areas: promoting healthy pregnancy, birth and infancy; improving parenting and family supports; strengthening early childhood development, learning and care; and strengthening community supports for families with children. The Early Childhood Development Agreement commits Ottawa to transfer to the provinces and territories \$300 million for 2001-02, \$400 million for 2002-03 and \$500 million each for 2003-04, 2004-05 and 2005-06.

While better than nothing, the new federal money is too little to carry much weight and is a fraction of the cost of building and operating an adequate early childhood development system, which experts have estimated would cost in the order of \$10 billion (a substantial sum, albeit only 0.9 percent of GDP).³ Provinces and territories can spend the federal money with no strings attached except that it must go to some form of early childhood development services. The virtually-no-strings-attached federal money, though welcome, is unlikely to help build a comprehensive system of early childhood development services across Canada. While it is too early to pass judgment on the Early Childhood Development Agreement, one troubling fact is that Ontario (which, as Canada's largest province, will get \$844.2 million over five years or 38.4 percent of the total) so far has not invested any of its new federal money in regulated child care.

proposals for reform

- The federal government should increase substantially its financial contribution to early childhood development. In return for its larger financial investment, Ottawa should negotiate bilateral agreements with the provinces and territories so that strategic investments can be made towards building a comprehensive early childhood development system, in accordance with guiding medicare-like national principles (comprehensiveness, universality, accessibility, quality and accountability), objectives and best practices as jointly developed by the two levels of government.
- Immediate priority for the increased federal spending we recommend should be placed on increasing the supply of licenced child care spaces.

Parental leave

Parental leave is another key element of family policy that is both pro-labour market and pro-child development. Working parents should have the option of caring for their infants in the home, and that opportunity in turn requires partial replacement of their pay and assurance that their jobs will be there for them when they return.

proposals for reform

- Ottawa recently extended the maximum duration of paid parental leave under Employment Insurance from six months to a year; that should be doubled again to a maximum two years. Parental leave also should cover the self-employed.

- Parental leave should not be just a middle-class program: Benefits should be boosted to allow more parents to take parental leave – especially those with low and modest earnings, many of whom cannot afford to care for their newborns and infants in the home because their parental leave benefits are so low.
- Federal and provincial parental leave provisions must be harmonized to ensure that parents who take Employment Insurance parental leave do not have to worry that their jobs will not be protected.

Employment and learning opportunities for all

In today's knowledge economy, cradle-to-grave lifelong learning is a national imperative. Postsecondary education is becoming an essential credential for more and more jobs. Workers must continually upgrade their skills and knowledge, and many move between employers and even careers. Some Canadians are easing into retirement rather than stopping work outright. Self-employment has grown, yet major social programs exclude the self-employed.

Social programs must do more than provide after-the-fact income support and remedial services for casualties of the labour market. They must play a more active role in creating and maintaining a skilled and educated workforce.

But there remains a wide gulf between the rhetoric of the imperative of lifelong learning in the knowledge economy, and the reality facing many women and men – whether they are working or unemployed.

Canada has no coherent system of income security, employment and lifelong learning for all. Instead, there is a grab bag of individual programs and services that have emerged over many years to suit varying and sometimes conflicting purposes. These disparate supports were not founded on a common and coherent national vision and do not work effectively together as an interconnected whole. Some Canadians are served reasonably well, but many others poorly or not at all.

Opportunities for skills upgrading and lifelong learning are not widely available, but instead tend to go to those who already have the advantages of advanced education, good jobs and valued skills. Employment Insurance has shrunk drastically in coverage, and along with it employment services that are linked to eligibility for that program. The archaic welfare system, which remains the only source of support for far too many Canadians, is demeaning, stigmatizing, dependency-deepening, skill-rusting, and economically and socially marginalizing. Many people with disabilities lack access to the disability supports they need to find and keep a job. Many qualified immigrants cannot find employment in their field, yet Canada is facing the spectre of skilled labour shortages and a low birth rate that makes immigration an increasingly precious resource for our economy and society. Minimum wages are low (ranging from \$5.80 in Nova Scotia to \$8.00 in British Columbia) and are not indexed to the cost of living or to wages.

proposals for reform

The federal and provincial/territorial governments should spearhead a joint, comprehensive reform of income security, employ-

ment supports and lifelong learning for all Canadians in the workforce – both unemployed and employed. Major areas for reform should include:

- *Employment Insurance*

Employment Insurance should be strengthened to provide income support for employees who are temporarily and infrequently unemployed and also for employed Canadians who want to upgrade their skills and education. For example, the wage replacement ratio should be raised (it has sunk to just 55 percent of average insurable earnings) and the level of maximum insurable earnings should be restored and indexed to the change in average wages.

As suggested above, *parental leave* benefits should be boosted and lengthened. Ottawa should gradually phase out non-insurance elements (e.g., child-related benefits, regionally enhanced benefits, seasonal employment benefits) and redirect their funds to more appropriate income support programs (e.g., the Canada Child Tax Benefit and the Basic Wage program proposed below). Employment Insurance should extend its coverage to offer income support for working Canadians who want to upgrade their skills and education.

- *Basic Income Support*

The outmoded and stigmatizing welfare system would be replaced by a *Basic Income Support* system with three main elements:

- The first is a *Basic Wage* to assist employable unemployed Canadians who do not qualify for or who have exhausted Employment Insurance. The Basic Wage would provide real remuneration for real work (not dead-end make-work, but goods and services with value), though with procedural safeguards to protect workers from abuse. An additional possibility is to provide a variant of the Basic Wage, on a time-limited basis, to supplement the earnings of people who leave welfare for a job; the recently-completed Self-Sufficiency Project controlled experiment offers a rich source of experience and expertise for this innovative approach.⁴ Basic Wage earners also would receive employment-related benefits such as federally financed Employment Insurance, Canada and Quebec Pension Plan coverage and supplementary health and dental benefits (as proposed later).
- The second element of the new system would be *Training Allowances* to assist individuals undertaking skills and learning development that will increase their employability.
- The third element would be *Basic Assistance* to fulfill welfare's originally intended roles as an emergency safety net until people in need get into mainstream programs and/or paid employment, and as a source of adequate support for impoverished Canadians who cannot work and who do not qualify for other programs.

- *Minimum wages*

Provincial/territorial *minimum wages*, whose rates also apply to workers in each province/territory who come under the federal minimum wage, should be indexed (e.g., to average earnings in each jurisdiction).

The federal and provincial/territorial governments should establish a task force (with provision for public input) to examine the functions and adequacy of minimum wages. One useful initiative for study is the Living Wage movement in the US, in which city or county governments set better-than-minimum-wage base pay levels for businesses with which they have service contracts or for employers receiving economic development subsidies from the local government.⁵ The living wage level is typically calculated as the wage a full-time worker would need to support a family above the federal poverty line (\$8.20 for a family of four, or \$10.41 in Canadian dollars), ranging from 100 to 130 percent of the poverty line. Current Living Wage rates range from \$6.25 in Milwaukee (\$7.94 Canadian) to \$12 (\$15.24 Canadian) in Santa Monica.⁶ (By way of comparison, current Canadian minimum wages range from \$5.80 in Nova Scotia to \$8.00 in BC.)

- *Employment skills and learning*

The federal government recently released a National Skills and Learning Agenda. Caledon believes that Canada needs an *Employment Skills and Learning Strategy* that starts with a statement of national vision and pursues that vision through investment in a broad range of initiatives to develop human capital. Employment services and

learning opportunities should be provided through an inclusive, coherent and inter-connected system available to Employment Insurance and Basic Income recipients and to employed Canadians who want to upgrade their skills and education.

Key elements would include:

- *literacy and basic skills*.
- *assessment and training*. A promising innovation is customized training, in which designated community-based organizations engage with local employers to identify the training needs for targeted jobs. The designated organizations work alone, or with local training institutes, to provide short-term, intensive training that prepares individuals for the targeted jobs. The partner companies, in turn, use the identified organizations as a hiring window because they already have pre-screened and trained prospective workers.
- *workforce transition*. Financial assistance for the transitional period during which low- and modest-income unemployed and underemployed workers try to establish themselves in the labour market or participate in education or skills development. Typical employment-related expenses are money for bus fare or transportation for job interviews; work clothing or warm outdoor clothing where required; license to drive a vehicle for work purposes or to operate equipment; professional dues; and work tools or protective gear.

- *job retention*. Supports that assist an individual through the transition process to paid employment – e.g., regular on-site visits, short-term counselling, advocacy, referral, problem-solving and mediation. The supports continue for a designated period to ensure the stability of the employment.
 - *community-based partnerships*. Active partnerships at the local level can help promote the development of human capital, including marginalized workers. Such partnerships are important for identifying labour market needs, developing market-relevant training and securing the required financing. Local governments, in particular, can play a central role in these efforts – as convener and/or as partner.
 - *workplace best practices*. These could include flexible hours for workers with family responsibilities, reduced work time options (e.g., part-time work with pro-rated benefits), guidelines for family-friendly workplaces and profiles of model employers.
 - *lifelong learning opportunities*. A wide variety of instruments exist that can enable Canadians to upgrade their credentials and skills, including government financial assistance to postsecondary students (e.g., grants and scholarships to those in need such as students with disabilities, students from low- and modest-income families, Aboriginal students), student loans, apprenticeships, e-learning, credential recognition of prior learning (e.g., informal and non-credit learning), education and tuition tax credits, flexible hours and course structures to make postsecondary education accessible to adult learners, and sector councils that bring together key players (employers, labour, educational institutions) to promote lifelong learning in the workplace.
 - *labour market and learning information*. Relevant and timely information, especially at the local level, of jobs, skill requirements and learning resources.
- *Community economic development*

A policy framework is required to support *community economic development* in Canada, one of the most promising areas of economic and social development. Elements could include:

 - *policy recognition* of the fundamental role that community economic development (CED) plays in promoting economic and social well-being for vulnerable regions and marginalized groups, and of the wide scope of activity that CED entails.
 - *stable financing* to support the business enterprises and training programs that comprise CED activity, and to support the CED infrastructure itself – i.e., the organizations that foster this form of economic and social development. Government funds should furnish the primary support, but other sources include private and community foundations, individual donors and corporations.
 - *technical assistance*: the provision by experienced CED practitioners of infor-

mation, guidance and practical supports to organizations and regions to enable the application of CED methods.

- *infrastructure for information and communications technology*: to promote access and training for groups which typically do not use this technology or whose access has been limited by virtue of language, cost or skill.
- *local labour market information*: required if local economies are to play an active role in creating decent employment opportunities. But there are major technical problems involved in trying to disaggregate national labour market information to provincial and territorial levels, let alone to regional and local areas. The federal government can help meet this need by providing guidance and a template for the collection of local labour market information.

- *Skilled immigrants*

A systemic approach is required to facilitate the labour market entry of *skilled immigrants* in their field of expertise.⁷ Key elements could include:

- incentives for all stakeholders to collaborate in the design, delivery and evaluation of programs and services, and for skilled immigrants to use them.
- access by skilled immigrants to information, assessment services, expert advice and bridging programs to fill identified gaps.

- a leadership council to foster collaboration, identify priorities and linkages, and communicate results.

- *Bilateral agreements*

Bilateral agreements between the federal and provincial/territorial governments would be essential to work out funding arrangements and design elements of the complex and comprehensive employment and learning system sketched out above. Such agreements would vary according to the policies, needs and resources of each jurisdiction. Roles and responsibilities for stakeholders in this large and complex system – including all levels of government, employers, unions, educational institutions, communities, social and business organizations, and individuals – must be defined and articulated, including collaborative functions.

- *Employment Insurance premiums*

Employment Insurance premiums would provide the core source of funding for the employment and learning system – both income support, and employment and learning services – and would be dedicated to that purpose alone (no longer diverted in part to general revenue).

Supplementary health care

Health services (including prescription drugs) not covered under medicare, as well as dental care, are financed through employer-provided insurance as a benefit to employees or by individually-purchased insurance.

Typically, provincial/territorial welfare systems provide some form of supplementary health care, though these services are uneven in availability and scope across the country. Under the National Child Benefit, some provinces and territories are using their savings from welfare expenditures on children (which are being replaced by enrichments to the federal Canada Child Tax Benefit) to extend supplementary health care to the working poor. However, many Canadians – typically, those with below-average earnings and those who work for employers that do not provide supplementary health insurance – either have to pay out of pocket for health benefits that are not covered by medicare and for dental care, or go without.

proposal for reform

- *Supplementary health benefits* (e.g., prescription drugs, dental care, eyeglasses and supplementary health services) that are not covered under medicare should be made available to all low- and modest-income Canadians not covered by employer-provided health plans. The federal government could share the cost of this program with the provinces/territories.

Targeted tax relief

Both the federal and provincial/territorial governments recently have reduced their income taxes after years of both overt and covert tax hikes (the latter finessed through bracket creep and credit corrosion created by partial deindexation, which ended only in

2000). Employment Insurance premiums also have been lowered.

However, the necessary shift from pay-as-you-go to partial funding of the Canada Pension Plan is having one unfortunate result: Workers and self-employed people with below-average earnings carry a proportionately heavier burden of this payroll tax increase as the contribution rate rises rapidly between 1997 and 2003 (after which it will remain at a ‘steady state’ combined employee/employer rate of 9.9 percent of pensionable earnings). Although Employment Insurance premiums have gone down somewhat, workers with below-average earnings bear a heavier burden relative to their income than those with above-average earnings.

proposals for reform

- The federal government should redesign the existing nonrefundable tax credits for Canada Pension Plan/Quebec Pension Plan contributions and Employment Insurance premiums to put them on a geared-to-income basis so that they provide more tax relief to plan contributors with below-average earnings.
- Ottawa should revive the employment expenses credit (a deduction before it was eliminated in 1988), though on an income-tested basis.
- A stronger refundable GST credit would shield lower-income families and individuals from a larger proportion of the regressive Goods and Services Tax.

Canadians with disabilities

Canadians with disabilities would benefit from the reforms to family policy as well as the income supports, employment services and learning opportunities proposed above. But they, and the family members that help and support them, also need special assistance to live independently in society and participate in the workforce.

disability supports

Access to ‘disability supports’ is crucial for Canadians with disabilities. Disability supports refer to a range of goods and services that help offset the effects of a disabling condition. These can be classified into three streams: technical aids and equipment, personal services and brokerage.

Many Canadians who require assistance to live independently or who want to participate in education, training or the labour market are unable to do so because they have limited access to these supports. Forty-four percent of persons with disabilities are not in the paid labour force; they point to barriers and other disincentives, such as lack of supports, as the reason. One-quarter of Canadians with disabilities who receive income assistance cite loss of supports as a reason for not looking for work. Disability supports also include respite for the caregivers of persons with severe disabilities.

There are problems regarding the availability, cost and responsiveness of disability supports. There is no system to speak of, but rather a hodgepodge of public and private arrangements. Provinces and territories (municipalities in some jurisdictions) are responsible for the provision of these supports.

In many cases, nonprofit organizations actually deliver the services – when these happen to be available. The supports that may be provided in one jurisdiction may not exist elsewhere. The services to which individuals have access are a function of where they live. Problems of availability are particularly acute in rural and northern regions of the country.

proposal for reform

- The federal government should establish a *Disability Supports Fund* to consolidate existing programs and promote the development of a comprehensive network of supportive goods and services throughout the country. The Fund would achieve this objective by expanding the quantity of existing supports, reducing their cost, improving their quality and ensuring their portability across sectors and regions. The Fund should commit to provide stable financing, to be assessed and renewed every five years.
 - The federal, provincial and territorial governments already invest in a wide range of supports for persons with disabilities. The proposed Fund would help generate new and continued investment over a sustained period of time in the provision of disability supports. The federal investment is intended to lever similar provincial/territorial contributions derived from a combination of sources: provincial revenues, municipalities, community funds and geared-to-income fees.
 - The federal portion allocated to provinces and territories would be directed toward all three streams of disability supports – technical aids and

equipment, personal services and brokerage – and not solely to one area. While provinces and territories would be the primary beneficiaries of federal funds, the disability community would be actively involved in decisions regarding the design, delivery and governance of disability supports in all jurisdictions.

- The Fund would take the form of a block fund that would ensure flexibility in design and delivery, and would enable the integration of disparate supports among and within jurisdictions. Despite the necessary flexibility in program design and delivery, provinces and territories would be required to follow a clear set of guiding principles to receive federal monies. Their disability supports systems should be built and operated according to the principles of self-determination, comprehensiveness, accessibility, portability and accountability.

tax benefits for persons with disabilities

The cost of disability supports can be prohibitive and only limited assistance is available to help offset these costs. Tax benefits such as the disability tax credit and medical expenses credit help some persons with disabilities and have been incrementally improved in recent years, though they exclude many disabling conditions and provide only limited help to poor people with disabilities – who have to turn to welfare for support.

Existing tax provisions for Canadians with disabilities tend to have an institutional bias towards care (e.g., the medical expense credit and child care expense deduction). They also tend to be restrictive and exclusionary in their provision. The disability tax credit is based on

a restrictive definition of disability. The medical expense tax credit allows a designated, but relatively narrow, list of eligible items. The infirm dependant tax credit and the caregiver tax credit employ limited definitions of age. Aside from the small supplement for working poor households added to the medical expense tax credit, the other relevant measures provide no assistance to poor Canadians who pay little or no income tax. Yet they still must incur disability-related expenses.

proposals for reform

The federal government can use its powerful tax expenditure vehicle to help offset the cost of disability supports. Specific reforms include:

- Increase the value of the medical expense tax credit, raise its refundable portion and expand the list of items that may be claimed (e.g., include the cost of respite care).
- Make the disability credit refundable to provide some assistance to persons too poor to pay income tax. Increase the supplementary amount paid to parents in respect of children with disabilities. Relax somewhat the eligibility criteria to ensure that persons who could qualify are not excluded. (The rules now require that the impairment be continuous for at least 12 months, effectively eliminating many individuals with severe and prolonged disabilities that happen to manifest themselves episodically or intermittently rather than chronically.)
- Enhance the infirm dependant tax credit and gradually extend it downward in terms of ages covered.

income security

There is widespread poverty among Canadians with disabilities. Many are unable to find employment because they do not have access to the supports they need to travel to work and function in the workplace. Employers often shy away from hiring workers with disabilities because there are few financial incentives for offsetting the costs they may incur for accommodation. Many persons with disabilities are unable to work at all, because of a severe and prolonged condition that interferes with their ability to hold down regular paid employment. They often must rely on programs of income support, which typically pay below-poverty level benefits.

One such program is the Canada Pension Plan disability benefit. Not only are the benefits low (a maximum \$11,473 a year in 2002, though most recipients get less), but applicants also find it increasingly difficult to qualify because of tighter interpretation of the eligibility criteria which require that a disability be “both severe and prolonged, and must interfere with a person’s capacity regularly to pursue any substantially gainful employment.” Administrative reviews of existing cases are declaring some current beneficiaries no longer eligible for the payment. Similar problems have arisen in the past year over the tighter interpretation of the eligibility criteria for the disability tax credit, earlier discussed.

Current income security programs also are not keeping pace with changes in the labour market. These programs operate as though workers are either completely in or entirely out of the labour market.

Yet the reality for many Canadians, including persons with disabilities, is that they are not employed full time. They work to the level of their capacity, to the extent of available employment or for the hours that will accommodate their child care needs. Moreover, some workers with disabilities have conditions that are progressively degenerative or episodic. They may be able to work some of the time, but not steadily. They may need to leave their jobs for a short period for treatment.

proposals for reform

For more than 20 years, various reports and task forces have called for fundamental reform of Canada’s income security system for persons with disabilities. There are many possible options which would help redress the fundamental flaws in the current ‘patchwork quilt’ of programs:

- Federal income benefits for Canadians with disabilities (including the Canada Pension Plan disability benefit and the disability tax credit) should be reviewed from the perspective of both access and adequacy.
- Income security programs for Canadians with disabilities should make accommodation for less-than-full-time work. Partial benefits should be paid, on an income-tested basis.
- In the long run, Ottawa should consider the development of a new National Disability Benefit in order to address myriad problems that have the effect of disqualifying applicants and some beneficiaries rather than providing the assistance they need to live independently.

Social infrastructure for cities

There is growing awareness of the fact that cities fuel the engines of national economies. Urban areas are being recognized increasingly as the prime generators of employment and national wealth. While they have long played this role, its complexity has increased.

The globalization of economies has created pressure for cities to become world-class actors on the international stage. In order to survive in the competitive knowledge economy, cities need to attract investment and the best possible talent in the world. World-class cities need both ‘magnets’ and ‘glue.’⁸

‘Magnets’ refer to the comparative advantages that attract external resources – such as companies and people – to renew and expand skills, and contribute to the economic health of the region. Magnets typically include a well-educated workforce, clean environment and outdoor recreational pathways, vibrant business climate, high-quality services such as education and health, and cultural energy in the form of art, music, literature and theatre.

But cities also need ‘glue’ to hold them together. In addition to physical infrastructure that supports daily life – roads, sewers, electricity and communications systems – cities need a strong social foundation that fosters health and well-being. A core element of this social foundation is decent affordable housing. And several of the factors that act as magnets for a community, such as recreation and lively culture, also form part of its glue.

Local governments in this world-class world now face decisions that go well beyond the flow of traffic and waste. There are three priority areas upon which cities must focus to promote economic and social development:

skills, arts and recreation, and affordable housing.

Cities can help grow their talent base. Many are engaged in a process of ‘cluster-based’ development, in which they identify the key clusters of industries, such as high tech, life sciences and tourism, which drive their economies. They then determine the skills required to support these clusters.

In some areas, like the City of Ottawa, local governments have gone beyond skills identification. They act as the conveners of business, education, labour and social groups to generate market-relevant training and apprenticeship. This type of multisectoral approach seeks to develop a world-class talent pool while creating opportunities for those who often face employment difficulties, including young people, new Canadians and persons with disabilities.

But cities also need to cultivate arts and recreation in their dual role as magnets and glue. The arts not only attract high-in-demand knowledge workers. Cultural events are unique in their ability to bring people together – particularly those who are often marginalized, including young people, seniors and new Canadians. The arts help foster a valuable local resource, known as ‘social capital,’ which is the product of relationships and networks. There is growing evidence that communities with strong social capital are more prosperous, healthy and safe.

Investment in recreation, which falls within the jurisdiction of most cities, has been found to improve physical and psychological well-being. Children who participate in organized recreation tend to have higher self-esteem, enhanced relationships with friends and stronger school performance. The results of

dozens of studies show clear links between recreation and improved physical health and mental well-being. Recreation and parks are also essential to the quality of life and to ecological survival. Both recreation programs and the arts are significant economic generators, and they help build safe, healthy neighbourhoods.

Finally, cities need to secure the prime ingredient in the social glue: affordable housing. It provides the underpinning for basic health. Secure housing fosters stability in all aspects of life, especially in school and work performance.

At last count (1995), one in seven households lived in ‘core housing need.’ This means that their housing was lacking in the number of bedrooms per family size, the safety of the dwelling was inadequate and/or they paid more than 30 percent of household income on accommodation.

But those Canadians – while at the margins – are more fortunate than others. They may be hungry, but still have a roof over their heads. Many families and individuals move between temporary dwellings as they find themselves with no roof at all. Homelessness is the most extreme form of housing deprivation and is a serious problem in many cities.

The homeless are not just the immediately obvious people on the streets of urban centres. Throughout the country, women trying to escape domestic violence are turned away from shelters on a nightly basis. Because of the acute lack of affordable housing, entire families now find themselves in need of emergency shelter. Many split up because there is no temporary accommodation for the ‘new’ homeless – parents and children with no place to go.

The crisis in affordable housing lies very much at the door of the federal government. Following a building boom in the late 1980s, the level of private rental development had slowed by the 1990s. At the same time, the federal government withdrew new funding for this area.

Had Ottawa consulted the research on the benefits of decent stable housing, it may have reconsidered its withdrawal. Poorly maintained housing is responsible for many childhood injuries. Damp, moldy interiors are linked to higher risk of respiratory disease and asthma. Unstable living arrangements, made worse by parents’ inability to pay the rent, have a deeply negative impact upon the emotional, behavioural and cognitive development of children.

Dozens of studies corroborate the profound and far-reaching connections between housing and well-being. A US National Task Force referred to housing as the foundation of family life, without which all other activities are severely challenged. A decent home is the platform for dignity and self-respect – a base for hope and improvement. It allows people to take advantage of opportunities in education, health and employment – the means to self-reliance.

proposals for reform

The federal government can help cities develop a strong social foundation that fosters both social and economic health and well-being, through investment in:

- affordable, decent housing and encouragement of homeownership.

- skills development using a multisectoral approach (local governments convene business, labour, education and social groups to generate market-relevant training and apprenticeship).
- arts and recreation.
- support for immigrant settlement.

These four elements would comprise the core of federal funds intended to help develop the social infrastructure of cities.

With respect to housing, the federal and provincial/territorial governments must play a far more active role in this area. They have several options. They can reduce the cost of accommodation by investing in the supply of affordable housing. They also can bolster families' ability to pay for housing through rent supplements or income assistance, such as the National Child Benefit.

The past year has seen small but important progress in housing. In November 2001, Ottawa put \$680 million on a federal-provincial table for a modest reinvestment in affordable accommodation. The new dollars have attracted five provinces and two territories to match the federal contribution – but the total funding and potential output remain woefully low. Cities have had to assume more responsibility, both in leadership and finance, to ensure an adequate supply of reasonable accommodation. Yet they have been granted no additional means for this purpose.

The federal government, in conjunction with provinces and territories, should build on this initial injection in order to make a real dent in the housing crisis. Such investment could constitute part of a federal agenda for cities.

In response to growing pressure for action on homelessness, the federal government announced in 1999 the Supporting Communities Partnership Initiative. Modest funds for tackling homelessness were granted to cities that qualified on the basis of population, extent of poverty and rental vacancy rates. The agreement is due to expire and should be renewed. Ideally, it should be enhanced to enable an expanded supply of transitional housing, with a commitment to create permanent affordable housing and thereby reduce the risk of homelessness.

In the long run, governments should seek policy solutions that promote homeownership for low-income families. Research on the impact of homeownership has found many positive outcomes including enhanced psychological functioning, higher wealth and savings, increased social participation and improved neighbourhood stability. Homeownership by parents is of particular benefit to children, who are less likely than the children of renters to drop out of high school or to have children as teenagers. Effects are largest for children of low-income households.

In the area of skills, active partnerships at the local level can promote the development of human capital, including marginalized workers. These partnerships can help identify labour market needs, initiate market-relevant training and secure the required financing. Local governments, in particular, can play an important role in these efforts – as convener and/or as partner. Investment in the social infrastructure of cities also could enable the funding of recreation and arts. Finally, the large urban centres that are home to the majority of immigrants do not receive enough funds for the wide range of supports that most families require when they come to Canada, including

assistance with language, recognition of credentials, skills upgrading and affordable housing.

Pensions

The Canada and Quebec Pension Plans allow some flexibility in that members can begin to draw benefits as early as age 60 or as late as 70, with actuarial adjustments. But the plans were established four decades ago when people tended to work and then retire. Now, increasing numbers of Canadians want to follow a transition from full-time work to full-time retirement. Given predicted future labour shortages as the baby boom generation retires, intelligent social policy should encourage work among older Canadians.

proposal for reform

- Ottawa and the provincial/territorial governments, which share stewardship over the Canada Pension Plan, should develop a partial pension to encourage part-time work among older Canadians by allowing them to combine pension benefits with employment earnings.

Endnotes

1. While Quebec formally did not join in the National Child Benefit, it has reformed its own child benefits system in the same direction – indeed, has been a leader of progressive reform – of removing child-related benefits from welfare, and *de facto* is participating in the National Child Benefit. Quebec families receive the Canada Child Tax Benefit just as families in other jurisdictions, and working poor families in Quebec are enjoying the same increased child benefits as those in the rest of the country.
2. See Battle and Mendelson (1997; 2001). Our target in this 1997 report was \$4,000, which amounts to about \$4,400 in today's dollars.
3. See Friendly and Rothman.
4. The project has generated many reports. See the website www.srdc.org
5. See Economic Policy Institute.
6. We converted the figures in US dollars to Canadian currency on a purchasing power parity basis.
7. See Alboim (2002).
8. See Kanter (1995).

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