

The New Liberalism: Ideas and Ideals*

In Search of the New Liberalism

In searching for the ‘new liberalism’ (small ‘l’), the most important factor to remember is the small ‘l.’ The new liberalism must be far more than a set of *ideas*. It also must embrace a set of *ideals* that embody a clear direction for the country.

In recent years, these ideals have been missing from public discourse. The social policy field, in particular, has drifted without apparent direction. Aside from the major advance in social policy represented by the National Child Benefit, which had been proposed and designed by my colleague Ken Battle, the country appears to be floundering when it comes to definitive protection for and promotion of human well-being.

This feeling was reflected by three national organizations – the Coalition of National

Voluntary Organizations, United Way/Centraide Canada and the Canadian Council on Social Development – when they approached the Caledon Institute to write a national social vision. They wanted to find ways to place social well-being and environmental protection ‘on the table’ as issues equal in importance to economic growth. They also wanted to ensure that the voluntary sector was ‘at the table’ in helping to define key social issues and formulate possible policy options. The first challenge, though, is to find that decision-making table; its location remains, to this day, somewhat of a mystery.

The need for direction in the country reflects an apparent lack of commitment to social issues. Both the passion and poetry have gone from public life.

In response to their request, I wrote a paper entitled *Reclaiming Our Humanity*, which was intended not as a definitive blueprint for

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social policy. Rather, it was meant to provide a springboard for discussion to enable groups across the country to talk about social issues and find ways to make public their concerns.

Reclaiming Our Humanity looks at both communities and governments. It comes as no surprise that communities have been struggling for years to tackle difficult and complex problems, such as poverty, family violence, high unemployment and racial intolerance. Despite these enormous challenges, there is some exciting and significant work under way. This is not to imply that communities are ‘new’ or that their importance has been rediscovered. The voluntary sector was alive and well – long before the fact of public provision. And the answer certainly is not a return to ‘communitarianism.’

Emerging Forms of Community Governance

What *is* new is that communities throughout Canada – and indeed throughout the industrialized world – have started to work far more strategically than before. They have adopted an approach referred to in the literature as comprehensive community initiatives. This approach is beginning to be applied widely in the US and the UK, with its nationally funded neighbourhood regeneration approaches.

It is a method in which communities effectively make an explicit decision to tackle, systematically and comprehensively, a major concern. The initiative generally is identified by a community organization or local government, which assumes the role of convener.

Many different forms of comprehensive community initiatives are now under way. The Lutherwood Community Opportunities Development Association in Waterloo Region, for exam-

ple, spearheaded Opportunities 2000, a community-wide effort to reduce poverty. The Mayor of Ottawa convened Partners for Jobs, a multisectoral task group concerned with finding solutions to unemployment and underemployment. The Community Foundation of Hamilton undertook a Strengthening Civility effort in the aftermath of September 11. The United Way movement in more than 200 Canadian and American cities started Success by 6, which promotes collaboration among organizations involved in the early years. The United Way and Chamber of Commerce have joined forces to tackle the high rates of unemployment and poverty in the City of Toronto.

Typically, comprehensive community initiatives will define the overall problem they seek to address. The convener organization then will bring together the players who can help do something about it. These initiatives often seek organizations or sectors that are not the usual suspects but try instead to broaden the scope of involvement to harness new ideas, expertise and resources. Because these efforts seek to engage sectors that have not worked together in the past, they often are able to create innovative solutions. In the City of Ottawa, for example, the welfare department and several key industries collaborated around customized training, a short-term, market-relevant form of skills development. Welfare recipients were trained to work in the key clusters of the local economy, including high tech, tourism and photonics.

Comprehensive community initiatives generally adopt a long-term view that is necessary for tackling complex problems. They recognize that difficult issues such as poverty do not start on fiscal year April 1 and end on March 31. Many of these efforts are developmental in that they focus not only upon pressing and obvious concerns but also upon the positive

elements in the community. They try, for example, to help families build financial assets or restore the natural or physical assets of a neighbourhood, town or city.

The Caledon Institute currently is engaged in a major national effort called Vibrant Communities. It was developed by the recently created Tamarack Institute for Community Engagement and is receiving multi-year, multimillion-dollar support from the J.W. McConnell Family Foundation in Montreal. Human Resources Development Canada is funding the policy component of this work. Selected conveners from 14 cities across the country are involved in a Pan-Canadian Learning Partnership in which they come together on a monthly basis to share ideas, resources and strategies regarding local solutions to reduce poverty. They effectively ‘scale up’ their individual efforts through this collaborative strategic approach.

In addition, five communities will receive substantial funds to support their poverty reduction work. In order to qualify for these funds, they must convene a multisectoral steering group that takes responsibility for the initiative and helps create a community-wide vision as well as a strategic plan with detailed actions. This steering group *must* include representatives from at least four sectors: business, government, anti-poverty groups and the voluntary sector.

Our role at the Caledon Institute is to support the work of the Pan-Canadian Learning Partnership. We help identify the various models for poverty reduction that have been employed successfully both within and outside the country. Caledon is also responsible for the policy aspects of this national initiative. For example, we wrote a paper on the role of local government with respect to community-based

poverty reduction. While the document was prepared for the Waterloo-based Opportunities 2000 project, several local governments have used it as a guide to remove barriers to self-sufficiency that may be embedded in their policies and programs. In response to problems arising from the transition from welfare to work, Caledon also prepared a paper entitled *More Money in the Pocket* to make the case for income tax relief for low-income earners.

At the very least, the new liberalism must be aware of the wide range of innovative approaches that are emerging to help communities undertake strategic actions to improve their well-being. The new liberalism should seek to create links between formal policy-making processes and new mechanisms for local decision-making. The economic and social problems confronting Canada are too big and complicated to be tackled by governments alone. Business, labour, municipal governments, the educational system, interest groups, researchers and communities must play an active role in various forms of working partnership.

Governments also can assist these new forms of governance through support for deliberative learning, which seeks to promote the continual and strategic exchange of ideas and local solutions. Another enabling role for governments is to make available knowledge and research that further the efforts of diverse comprehensive community initiatives. The development of templates for local labour market information, for example, can help cities and regions create profiles of their workforce and both actual and potential employment opportunities. In short, the new liberalism must seek to understand the links between traditional governments, and new and emerging forms of governance.

But while community work is necessary and indeed essential, it is by no means sufficient for tackling complex economic and social issues. Communities can never replace a strong public sector. They are an indispensable complement and supplement to – but not a replacement for – strong government. And here’s where the problem lies in recent years.

If Tom Axworthy were to write a book right now about the current state of public affairs, he likely could not call it *The Just Society*. He would have to call it *The Justify Society*. The changed title would reflect the new way of making decisions in the country and the ongoing requirement to justify every component of public investment, especially in social policy. And it is not merely an ethical or humanitarian case that is called for – which would be a reasonable expectation. Instead, there needs to be a *business case* for social investment – to prove that every dollar of social investment will yield at least one dollar in associated benefits.

All this justification is part of the move towards ‘evidence-based policy-making,’ which has become the new buzz term in Ottawa. On the one hand, the approach makes sense in a knowledge-based world in which information and research are seen as essential ingredients for making informed decisions. It also reflects, from a political perspective, the need for return-on-investment arguments. The public increasingly is demanding proof that its tax dollars are being well spent.

But there is already substantive and compelling information in many areas of social policy. We simply fail to act on it. Perhaps Tom Axworthy needs to write yet another book. He can call it *The Just Do It Society*.

The Evidence for Social Investment

We know that strong and sustainable social programs can enhance Canada’s economic competitiveness by supplying the vital social infrastructure – health care, education, skilled and knowledgeable workforce – that bestows comparative advantage on the global economic stage. Persistent and growing inequality of both opportunity and outcome is a costly economic deadweight in terms of lost productivity, lost revenue, reduced consumer spending and higher costs for income assistance, social services and health care. An intelligently designed tax and income transfer system can do much to mitigate the inequality gap.

We know the importance of 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. 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. And 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.

The social and economic benefits of high-quality child care, in particular, are well documented. A recent report by University of Toronto economists Gordon Cleveland and Michael Krashinsky calculates the costs and benefits of high-quality, publicly funded early childhood care and education for children between the ages of 2 and 5. For every dollar invested in high-quality child care, they found a

\$2 return. The report analyzes several studies that measure the effects of early childhood education on school performance – a major factor enhanced by high-quality care. Regardless of socioeconomic background or mothers' employment status, children who participate in early childhood education were found to perform significantly better in school than those who do not participate.

Public investments in high-quality early childhood programs benefit not only parents and children. Society gains significant advantages from the long-term impact of enhanced childhood development, economic productivity and lower costs of supports, like welfare and social services. The public benefit also comes from the increased workforce participation of parents. The investment in early childhood produces lower social spending on families, higher tax revenues to government and greater future economic security for mothers.

There is also substantial evidence on the health, social and economic benefits of decent affordable housing. Dozens of studies corroborate the profound and far-reaching connections between housing and well-being. We know from a wide range of research the effects of unsafe and unhealthy housing. 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.

A US National Task Force has named decent 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 basis for hope and

improvement. It allows people to take advantage of opportunities in education, health and employment – the means to self-reliance.

At Caledon, we base our proposals on this wide body of compelling evidence. Our proposals are also founded upon a clear set of values – that seek the reduction of poverty and improvement of economic and social well-being for all Canadians. We have woven together our proposals into a framework (or 'architecture' to use the European term) that sets out the fundamental building blocks for public investment in social programs.

Key Pillars in the Social Architecture

A paper which my colleague Ken Battle and I recently wrote, entitled *Social Policy That Works: An Agenda*, puts forward a set of proposals for reconstructing Canadian social policy over the next decade and more. Only the highlights, rather than the details, of the extensive body of recommendations are presented here.

Sustaining Canada's *health care system* clearly is central to the agenda of 'smart social policy,' and medicare is one of the best examples of how social programs can contribute to an economy's competitive advantage on the world stage. Core reforms should include an increase and stabilization of federal funding for medicare, raised through earmarked taxes; expanded coverage of national health insurance to incorporate pharmaceuticals and home care; and major reform of primary health care to provide access to round-the-clock services through multidisciplinary group practices.

Health care (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 and territorial welfare systems provide some form of supplementary health care, though these are uneven in availability and scope across the country. Under the National Child Benefit, some provinces 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 – generally those with below-average earnings and those who work for employers that do not provide supplementary health insurance – either must pay out of pocket for health benefits not covered by medicare and for dental care, or go without. *Supplementary health benefits* (e.g., prescription drugs, dental care, eyeglasses and supplementary health services) not covered under medicare should be made available to low- and modest-income Canadians not insured under employer-provided health plans. The federal government could share the cost of this program with the provinces/territories.

Income payments on behalf of children – better known as *child benefits* – are another major building block in the social architecture and a key weapon against child poverty. Child benefits help fill the gap between wages and needs, especially for families with low or modest earnings for whom the labour market cannot provide a living wage. Child benefits also help acknowledge the heavier financial burden faced by all families with children compared to equal-earning families and individuals without children to support. Children are not a purely individual ‘consumer choice’: Society has a strong stake in ensuring the well-being of children as future workers, consumers and citizens.

The Canada Child Tax Benefit currently pays a maximum \$2,422 for the first child and \$2,218 for the second child and is scheduled to rise to at least \$2,520 for the first and \$2,308 for the second child by July 2004. The federal government should accelerate the pace of investment in the Canada Child Tax Benefit by announcing a \$2,600 maximum benefit for the July 2002-June 2003 payment year (the rise would be retroactive to July), which basically would reach the crucial goal of an integrated child benefit system that replaces welfare-delivered child benefits.

Ottawa then should launch a second stage of reform that gradually expands the Canada Child Tax Benefit to achieve the ultimate target of a \$4,400 per child maximum amount by 2010 for low-income families. Because the first stage will have removed child benefits from welfare, further increases in the second stage will benefit welfare families as well as the working poor. The second stage also should improve child benefits for non-poor families.

Income benefits are not the only important measure for children and their families. A strong system of *early childhood development* services for families – child care and early childhood learning, pregnancy and early parenting services, and parenting and community supports – makes both economic and social sense. Unfortunately, Canada’s early childhood development services 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 already has committed a cumulative total of \$2.2 billion over five years to help

provinces 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 bolstering community supports for families with children. While better than nothing, the new federal money is too little to carry much weight. Provinces and territories can spend the money with no strings attached except that it must go to some form of early childhood development services. Thus the money will do little, if anything, to help build a comprehensive system of early childhood development services across Canada.

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 constructing a comprehensive child care and early childhood development system, in accordance with guiding medicare-like national principles (comprehensiveness, universality, accessibility, quality and accountability), objectives and good practices as jointly developed by the two levels of government. Immediate priority should be placed on increasing the supply of licensed child care spaces.

The federal and provincial/territorial governments should launch a joint reform of *income security, employment supports and lifelong learning* for all Canadians in the workforce – both unemployed and employed. Major areas for reform should include strengthening Employment Insurance to provide income support for employees who are temporarily and infrequently unemployed and for employed Canadians who want to upgrade their skills and education. The outmoded and stigmatizing welfare system would be replaced by a Basic Support system, composed of three main elements.

A *Basic Wage* would assist employable unemployed Canadians who do not qualify for or who have exhausted Employment Insurance. The Basic Wage would represent real remuneration for real work (not dead-end make-work, but goods and services with value), with procedural safeguards to protect workers from abuse. The Basic Wage also would provide employment-related benefits, such as federally financed EI and C/QPP coverage and supplementary health and dental benefits. *Training Allowances* would assist individuals undertaking skills and learning development that enhances their employability. The third component 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 Canadians who cannot work and do not qualify for other programs.

This *Employment Skills and Learning Strategy* would include a set of measures, including customized training and job supports, to facilitate the retention of paid employment – e.g., regular on-site visits, short-term counselling, advocacy, referral, problem-solving and mediation. The Strategy should include a policy framework to support *community economic development*, one of the most promising areas of economic and social development. A systemic approach is required to facilitate the labour market entry of *skilled immigrants* in their field of expertise.

Many Canadians with disabilities are unable to find employment because they do not have access to the disability supports they need to go to or stay at work. The federal government should collaborate with the provinces and territories to establish a *Disability Supports Fund* that would consolidate existing programs and promote the development of a comprehensive

network of supportive goods and services throughout the country.

The reality for many Canadians – including persons with disabilities – is that they are not employed full time. Current federal programs including the Canada Pension Plan disability benefit need to be reviewed from the perspective of both access and adequacy. Existing tax benefits for persons with disabilities have a bias towards institutional care (e.g., the medical expense credit and child care expense deduction). They also tend to be 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 caregiver tax credit employ limited definitions of age. Aside from the small supplement for working poor households permitted by the medical expense tax credit, other relevant measures provide no assistance to poor Canadians who pay little or no income tax. Yet they still incur disability-related expenses.

Weaknesses in the current programs need to be resolved through the reform of existing provisions. In the long run, Ottawa should consider the development of a new *National Disability Benefit* in order to redress the myriad problems that have the effect of disqualifying applicants and some beneficiaries rather than providing the assistance they need to live independently.

Decent affordable housing is another major pillar in the social architecture. 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.

The federal and provincial governments must play a more active role in the housing area. They have several options. They can reduce the cost of accommodation by investing in the supply of affordable housing. They also can bolster Canadians’ ability to pay for housing through rent supplements or income assistance. 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. 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 comprise part of a federal agenda for cities.

The Ideals Behind the Ideas

We recognize that it is not possible to move on all fronts at maximum speed – or even on all fronts. Public expenditure clearly must be made within the context of a solid fiscal framework. At the same time, it is essential to have an overall roadmap that sets out the major directions that ideally, as a nation, we seek to achieve. It is important to know the ultimate or desired destination within which the individual routes can be charted.

Ottawa must reassert its crucial role in helping provinces and territories to reform and finance social and health programs that fall within their jurisdiction. The federal government’s superior fiscal capacity and its historic responsibility for national social policy – though now as an equal partner with the provinces and territories instead of its former role as first among equals – demand that it become again an active, intelligent and confident player, in a game where

virtually all problems are complex and do not respect neat jurisdictional borders or government organization charts.

The federal government also should provide visionary leadership. It should see itself as more than a vehicle simply to fund a disparate set of social programs. Rather, it is the key institution for promoting social well-being in Canada.

Here's where the new liberalism can play a crucial role. It should start talking openly and explicitly about the importance of smart social investment. It should articulate clearly the concept of the 'public good.' It should weave together various *ideas* into a tapestry of strong *ideals*. And it should do this – with confidence, passion and commitment.

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