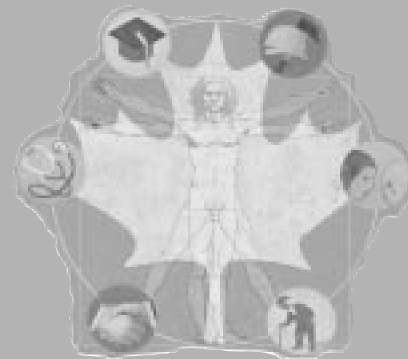
BACK TO THE FUTURE — THE REAR-VIEW MIRROR PROVIDES GLIMPSES OF WHAT LIES AHEAD FOR INCOME SECURITY IN THE 21ST CENTURY



Havi Echenberg

Social policy is a child of the 20th century, and a continuum from one government — and one level of government — to the next. Support for the "deserving poor" was provided early in the last century, and the first federal subsidy of provincial pension plans as early as the 1920s, though the national pension architecture was not completed until 40 years later in the 1960s. Late 20th century initiatives included the Child Tax Benefit and the Child Tax Credit, capped by the Social Union Framework Agreement (SUFA) of 1999. Which brings us to the new century and the emerging paradigm of the "post-welfare state," as well as social citizenship and the role of the family, and "what income security would look like if it is decided that families are the best vehicles for achieving social policy goals." Ottawa social policy consultant and writer Havi Echenberg reviews social policy in the last century as prelude to the new one.

La politique sociale est enfant du xxe siècle et elle a grandi d'un gouvernement — et ordre de gouvernement — à l'autre. L'aide aux « pauvres méritants » remonte au début de ce siècle et la première subvention fédérale aux régimes de retraite provinciaux date des années 1920, même s'il a fallu attendre les années 1960 pour structurer un véritable régime national. À la fin du siècle, d'autres mesures ont suivi dont la prestation fiscale et le crédit d'impôt pour enfants, chapeautés par l'Entente-cadre sur l'union sociale signée en 1999. Survient le nouveau siècle, qui voit naître le paradigme de l'« après-État-providence », de citoyenneté sociale et cette question à propos du rôle de la famille : « À quoi ressemblerait la sécurité du revenu si l'on décidait que la famille est le meilleur véhicule pour atteindre nos objectifs sociaux ? » Auteure et conseillère en politique sociale à Ottawa, Havi Echenberg examine nos politiques sociales du dernier siècle pour mieux anticiper ce que nous réserve celui-ci.

To predict income security policies and programs a hundred years into the future, it is helpful, and perhaps necessary, to look back a hundred years. To know where we're going, it is helpful, and perhaps necessary, to know from where we have come. Of course, income is only one element of any social policy, even one targeted to those who are most marginalized by their poverty, and is interdependent with policies and programs related to training, labour markets including workers' compensation and minimum wage legislation, child care, health care, and education. Nonetheless, income security programs and policies are the focus of this article.

Social policy — the cumulative effect of dozens of programs and laws and procedures of all levels of government — is a child of the 20th century. Until the last century, costs and risks now mitigated by collective spending and effort were the exclusive responsibility of individuals and families and some voluntary associations they formed to spread the risk. One could purchase life insurance and could insure against damage to buildings (usually by fire) from a private company by the turn of the 20th century in Canada.

But there was no sharing of risk with regard to sudden loss of income due to unemployment, disability, or costs associated with illness. Individuals and families, and some

voluntary associations they formed, bore the economic burden of these life events. People who were never able to work — a group that included women with children and without a male wage-earner, the elderly, and people with physical or other severe disabilities — were the beneficiaries of charitable organizations that emerged in the earliest days of Canada. They were the "deserving" poor. Anyone else who could not earn enough money to support his family was not deserving of assistance. Such a distinction between deserving and non-deserving poor has roots more than four hundred years old; while it was modified over the 20th century, it did not disappear, and perhaps never will.

At the beginning of the 20th century, some governments moved toward providing support for the "deserving poor." As early as 1908, the federal government introduced a voluntary old-age pension plan, with government subsidizing only its administration. In 1927, this was altered with federal subsidization of provincial pension plans for people over the age of 70 with very low incomes. Even before the 1920s, some provincial governments provided income support to lone mothers, although applicants were sometimes required to produce character references in order to qualify.

With the onset of the Great Depression, however, it was clear that neither the private market economy nor individuals and families nor the voluntary sector could prevent or alleviate the economic devastation that permeated every region of Canada, and extended well beyond the "deserving poor." Provincial governments created, in some instances, informal welfare and relief systems. Federal government legislation to provide employment and social insurance, an insurance-based model to share risk, was passed, but struck down by the courts as exceeding the federal government's authority under law. The need was so great that an amendment to the *British North America Act*, the constitution until the 1980s, was passed, though not until 1940, to increase the powers of the federal government to introduce an unemployment insurance program. Until a considerable expansion in the early 1970s, this program was a pure insurance plan, with benefits provided to those people who, upon becoming unemployed, had paid enough in premiums to qualify for these benefits.

There was sufficient interest in social policy, including income security, that the newly created Committee of Reconstruction commissioned a series of research reports, one by Leonard Marsh, entitled *Social Security in Canada*, released in 1943. Although largely ignored by Prime Minister Mackenzie King, many of its recommendations — for means-tested social assistance for those not covered by social insurance, national health insurance to cover all Canadians, and children's or family allowances for families with children to support — became centre pieces of what became known as the welfare state in Canada over the next twenty-five years. At about the same time, provincial governments were creating public welfare departments, and providing the means-tested social assistance that the federal government would not begin to cost-share until the introduction of the Canada Assistance Plan some 20 years later.

A further constitutional amendment was needed, and passed, to introduce income support for all Canadians over the age of 70, in 1950, in the form of the *Old Age Security Act*. The Canada Pension Plan came in 1965. Income security in Canada, particularly with the amendments to the *Unemployment Insurance Act* in 1971 to extend coverage to new mothers and self-employed seasonal employers in some regions, was complete.

Over the same period, governments went from a first federal-provincial conference on disability in 1951, to federal passage of a *Blind Persons' Act* in 1951, to a *Disabled Persons Act* in 1954, to the passage of the *Vocational Rehabilitation for Disabled Persons Act* in 1961. This Act created the program of the same name (VRDP), which offered to cost-share expenses related to helping people with disabilities to seek "gainful employment" with provinces. When the Canada Pension Plan came into effect in 1966, it included provisions for a disability benefit to be paid, effective 1970.

After a relatively stable decade through most of the 1970s and the 1980s, the income security system began to undergo a significant transformation. In what is described by Ken Battle of the Caledon Institute of Social Policy as a transition to a "post-welfare state," governments responded throughout the 1990s to a shift in the economy as significant as the industrial revolution that spawned many of the problems that 20th century income security programs were designed to overcome.

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Thousands of people out for a stroll on a car-free day on Montreal's St. Catherine Street. These are the people social policy was designed for in the last century, but there's a new paradigm in the 21st century, a "post-welfare state." Social citizenship will shape income-security policies in this century, with a growing view that "families are the best vehicle for achieving social policy goals," writes Havi Echenberg.

redistribute income to those in lower income brackets increased dramatically from the 1980s to the late 1990s, the programs that had emerged to create an income safety net were cut back in significant ways, and brand new approaches were developed to replace them in more targeted and less visible ways.

By the late 1980s, a tectonic shift in economic and social behaviour was evident, made possible and necessitated by a globalization of the economy, along with social changes ranging from increased access to and use of increasingly sophisticated birth control options and the reduction in family size, increased participation of women in the paid labour force, increases in marriage breakdown and lone-parent households, and a significant increase in the percentage of the population over the age of 65 (see Table 1). This shift has led to an equally profound shift in how social programs are designed and what policy instruments are selected. This has been true in Canada for more than a decade, and Canada is not alone in such a radical redirection of public policy in this field. Nowhere is this more noteworthy than in income security policy and programs.

One significant victim of these changes was the until-then conventional wisdom that governments had a role to play in creating employment and generally trying to steer the economic life of a nation. Governments withdrew from income security programs that might impede the "natural" functioning of a labour market.

Evidence of this started in 1990, when the federal government stopped making financial contributions to the Unemployment Insurance Fund, leaving it to become self-financing, despite reforms that had expanded eligibility, reduced qualifying periods and added benefits just twenty years earlier. In 1996, the government went further, changing the name of the program from Unemployment Insurance to Employment Insurance, increasing the qualifying periods for part-time workers, and setting even higher entry requirements for those entering the labour force for the first time, or those who had been out of the labour force for more than two years. Many of this latter group were women who were staying home to care for infant children, perhaps subsidized in the first six months by maternity and parental benefits under the same program.

At the same time, most governments determined to reduce and

eliminate what were suddenly seen as excessive deficits. The earliest cuts in spending within income security programs focused on the "undeserving poor," i.e., those who were deemed to be capable of earning an income for themselves and their families. Hence, social assistance rates for single people who were deemed to be employable were slashed. "Workfare" was introduced in some provinces, requiring recipients to work or enrol in training or education programs. Social assistance was no longer available to anyone who was a full-time student, even if the individual was supporting children, forcing anyone seeking a major improvement in their education status to rely on student loans and private income. Whereas single mothers were considered "unemployable" in some provinces until their youngest child turned 18, some provinces now considered single parents employable when their youngest turned six months.

These changes came at the provincial and territorial level, where governments were not only wrestling with large deficits, but also reeling from a unilateral and unexpected end to complete cost-sharing of social assistance and social services spending under the Canada Assistance Plan in 1995. The replacement program, the Canada Health and Social Transfer, not only ended the equal cost-sharing, but it set ceilings that were considerably lower than the amounts they had been transferring in recent years.

In addition to reducing benefits and imposing stricter eligibility requirements upon applicants for assistance, though, provincial and territorial governments took the end of the Canada Assistance Plan as an opportunity to propose a new way of planning and delivering social assistance and social services across Canada. Their leadership led to the development of the Social Union Framework Agreement in the late 1990s, which had the effect of ensuring that the federal government would not make unilateral decisions about funding programs, or ending their funding. Also, this initiative incorporated making two priorities determined at the provincial and territorial level — early childhood development and addressing equality of access to economic and social participation for persons with disabilities —

TABLE 1. PATTERNS OF SOCIAL CHANGE IN CANADA, 1941-2001

	1941	1951	1961	1971	1981	1991	2001
Total fertility rate[1]	2.8	3.5	3.8	2.1	1.7	1.7	1.51
Divorces per 100,000 married couples[1]	–	180	180	600	1,180	1,235	1,222[6]
Births to unmarried women, as a percentage of all births[1]	4.0	3.8	4.5	9.0	16.7	28.6	36.3[6]
Lone-parent families, as a percentage of all families with children[1]	9.8	9.8	11.4	13.2	16.6	20.0	24.7
Women's labour force participation, as a percentage of women over 15[2]	20.7	24.1	29.5	38.7	51.9	58.4	59.7
Men's labour force participation, as a percentage of men over 15[2]	85.8	83.8	77.7	77.3	78.7	75.1	72.5
Population over 65 as a percentage of total population[3]	6.7	7.8	7.6	8.0	9.6	11.4	13.0
Population over 85 as a percentage of the population over 65[3]	4.7	4.8	5.8	7.9	8.2	9.8	10.7
Persons over 65 living with their extended family, as a percentage of those over 65[3]	–	–	–	16	11	8	13
Persons over 65 living alone, as a percentage of those over 65[3]	–	–	12.4	18.3	26	28.2	26.9
Population reporting Aboriginal ancestry (origin), percentage of total population[4]	1.4	1.2	1.2	1.5	2.0	3.6	4.4
Proportion of immigrants born in Europe or the United States[5]			94.4	75.5	42.9	29.6	22.3
Proportion of immigrants born in Asia[5]			3.2	12.1	33.3	47.2	58.2
Urban population	54.3	61.6	69.6	76.0	75.7	76.6	79.4

Notes:
[1] Data in these rows (with the exception of 2001) are from Beaujot (2000: table 4).
[2] Statistics Canada (1999).
[3] Health Canada (2000).
[4] Data in this column are from the Statistics Canada Web site, http://statcan.ca
[5] The dates are not census dates, but are the following: before 1961; 1961-70; 1971-80; 1981-90; 1991-2001. Statistics Canada (2003: 39). Statistics Canada includes the Middle East in "Asia."
[6] Statistics for 1996.
This graphic is taken from J. Jenson (2003). "Social Citizenship, Governance and Social Policy." Paper presented at Canada-Korea Social Policy Research Co-operation Symposium, in Seoul, Korea.

shared priorities by both levels of government. It is in these areas that significant gains have been made in recent years.

In a new era of federal/provincial/territorial relations, the instruments of progress have been different than those developed before. Yes, the federal government continued to provide financial support, and the provincial and territorial governments continued to provide both financial support and services. The difference this time has been that the federal government has used the tax system as a primary means of spending, putting money directly into the hands of individual Canadians. For children, parents have seen vastly increased transfers, through the Child Tax Benefit and the Child Tax Credit. For people with disabilities, increases in the deductions in the tax system, and the introduction of new benefits transferred through the tax system with the last budget have been a big part of the federal contribution. Where before the federal government transferred money to the provincial and territorial governments for each program, now the federal government is subsidizing incomes of individuals, leaving provincial and territorial governments more room to spend on program delivery.

Looking backward then, one can see a focus at the beginning of the 20th century on the "deserving" poor: children, people with disabilities, and the aged. At the end of the century, the poverty of seniors has been largely eliminated through the creation of the contribution-based Canada Pension Plan, the universal Old Age Security, and the income-tested Guaranteed Income Supplement. Children in all households benefit from a combination of universal and income-tested benefits delivered through the tax system. And people with disabilities receive compensation for some of the costs imposed by their disabilities and some income supplementation through the tax system, they may receive benefits through the partially contribution-based disability benefit under the Canada Pension Plan and means-tested benefits through the provincial and territorial social assistance systems.

To look forward, in the absence of a crystal ball, one needs very special glasses, with very special lenses. There are three sets of glasses and lenses that inform three views of what this century will bring for income security in Canada. The first looks at the post-welfare state and its characteristics and what income security would look like from this perspective. The second takes the view of social citizenship, and what income security will look like if that is the dominant vision of social policy in Canada. The third looks at the family view, and what income security would look like if it is decided that families are the best vehicle for achieving social policy goals.

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These lenses do not provide radically different views of the world, and overlap in significant ways, but have subtle differences that help clarify a view of the future.

The post-welfare state, although present in the social policy discourse of several countries, is seen in a relatively positive light in Canada. Among Australian and British scholars, for example, it is seen as a complete withdrawal by the state from the provision of basic economic and social minimums, including income security. In Canada, hardly known for its optimism in these matters, but admittedly not having experienced the same ideological extremes in governments as some of our Commonwealth partners, the post-welfare state is variously seen as a society in which civil society organizations play a greater role in the provision of social services, a society in which services are a right of citizenship (discussed further below), and an income security system in which the public policy goals are largely unchanged, the role of government remains significant, but the tools of delivery have changed. It is this latter view, fully developed by Ken Battle and Sherri Torjman of the Caledon Institute of Social Policy that provides our first lens.

As noted above, Battle provides considerable evidence that public spending on income security programs did not decline in the late 1990s. With a dual function of both taming and nurturing capitalism, the income security goals have remained unchanged, he argues. However, he sees the shift from universality with relatively low benefit levels to targeting with more generous benefits as serving Canada's evolving economic, social and political characteristics.

The characteristics of Battle's post-welfare state, as applied more narrowly to income security policies and programs, are:

- the replacement of universal income transfer programs and needs-tested benefits by broad-based and progressive income-testing (without changing income transfers through social insurance programs like the Canada Pension Plan and Employment Insurance);
- explicit attention to disincentives that can be created by income security programs, including marginal tax rates for people trying to move from social assistance to the paid labour force;
- consideration of how income security programs and the tax system interact;

- a goal of balance between programs that are intended to prevent income losses and those that are intended to remedy them;
- greater cooperation between levels of government to ensure a fit among income security programs;
- attention to the financial sustainability of income transfer programs in advance of implementation; and
- greater attention to evaluation of results of programs, and the dissemination of those results.

If one assumes this direction were to continue through much of this century, the future of income security will see a clear division between the responsibilities of each level of government. The federal government can be expected to transfer income directly to individuals and households, largely through the income tax system, both to support shared policy goals and to provide remedy for income shortages deemed to be intolerable. Recent examples of shared policy goals include income transfers for children to support child development, recently announced income support for persons with disabilities to offset the costs associated with impairment, and greater financial support to families to encourage greater participation in the future in post-secondary education. At the same time, provincial and territorial governments, and the municipalities in their jurisdictions, can be expected to focus more on developing and implementing programs that will provide the services necessary to achieve these same goals, and others that may be more regional or local.

If this shift results in the greater effectiveness and efficiency, and greater adaptability to economic, social and political change, as foreseen by Battle, one might expect greater support for the programs from the private sector, at least. For intended beneficiaries, the income support side of the equation that the federal government will implement will be more direct, and less connected to eligibility determined on the basis of need as interpreted by public officials and the agencies they use to deliver services.

The greatest unknowns, when the future is viewed through this lens, is the extent to which priorities will stay relatively stable over time to provide real income security, or whether they will change with each political cycle, resulting in income transfers without any stability or security.

Social citizenship, like the post-welfare state, means different things to different people, but can be seen to bring together social rights as articulated in international conventions and domestic constitutions and legislation, social inclusion and cohesion, and a notion that being of a particular country gives one a right to more than political and economic participation. It has been applied to children, to people with disabilities, to women, to immigrants, and to civil society organizations that serve and represent them. In short, it's been applied to almost every group that can be seen to be marginalized in current economic and social contexts, and is the rubric under which the income security programs described above are defined by some. In this case, however, it is defined in its social democracy context. As Jane Jenson, of Université de Montréal and recently of the Canadian Policy Research Networks, describes it, social citizenship looks not at how much money is spent on a program, but at why the money is spent.

Jenson argues that some Canadian income security programs of the 20th century were of a "last-resort" nature, while others sought to share life risks, and to support some activities, including parenting, thereby blending individual and collective responsibilities, efficiency and equity considerations, to end up squarely in the middle. But, she says, we are moving away from collective responsibility, away from equity considerations, in the direction of providing only those services that support those unable to work, and even then often providing them through third-party (voluntary or private sector) agents. The principal factors underlying these changes, Jenson argues, are an aging society, changing family structures, growing diversity, and persistent low-income and poverty, increasingly affecting young households. When combined with attention to first deficit reduction and then debt elimination, and changes in governance based in part on shifts in ideology to embrace a greater role for the private market and a lesser role for the state, leading social services to greater reliance on the voluntary sector, Jenson concludes that social citizenship in Canada is defined more in terms of individual responsibility and much less in terms of

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If the shift identified by Jenson persists, the future of income security in Canada would see greater targeting to the "deserving" among us, who cannot be expected to seek, obtain and retain employment: the very young, the elderly, and, perhaps, the severely disabled. From the lens of this shift in the parameters of social citizenship, then, many recent initiatives can be seen as promoting or requiring greater self-reliance, whether among single parents (as discussed further below), or among people with disabilities. Social inclusion, from this view, requires inclusion in the paid labour force, and one can expect that more and more people will be considered capable of earning their own income. Given the extremely high participation rate of women in the labour force, the persistent need for two incomes to support a single household, and the need to encourage higher rates of reproduction to sustain a labour supply once the baby-boom bubble has burst, one could also expect greater support for families with children, but likely through services, rather than income support.

A focus on families as central to social and income security at the end of the century is the domain of several different points of view, from those seeking to sustain what appears statistically to be a nostalgic view of the "family" as it may have existed very briefly more than sixty years ago, to a feminist perspective that insists on a gender-based analysis to demonstrate disproportionate impacts, usually negative, of public policy on women, with several views in between. There being no single analyst who has taken this perspective and synthesized the past century while looking forward to the rest of this one, this lens is an amalgam of evidence and views of many analysts.

As early as 1995, University of Alberta business professor Dr. Alice Nakamura had flagged the impact of child-rearing on women's labour supply and surfaced the notion of "taking children off welfare" as a means to encouraging women to enter the labour market. Her notion was that if income transfers were focused on the children, rather than the parent(s), then single mothers could be considered "employable" under social assistance programs, since their income would not be drastically reduced if they chose jobs over welfare, even if the jobs paid low or mid-level wages. Effectively, she was proposing a guaranteed annual income for children.

Maureen Baker, currently of the University of Auckland, joined forces with David Tiffin in 1999 to compare four countries to assess their treatment of mothers with respect to poverty, social assistance, and employability. One of those countries was Canada. Baker and Tiffin concluded that women's labour force participation in Canada was higher than in other countries because of a greater need for two incomes to support a single household and because of a healthier labour market. In looking at restructuring of the welfare state at that time, they also flagged that the three other countries (Australia, New Zealand, and the United Kingdom) persisted in their policy and program design in seeing partnered women as dependent on men (at least economically) and single mothers only in terms of their parenting role and not as potential employees. Canada, they said, was beginning to err in the opposite direction, assuming incorrectly that single mothers can become self-supporting simply by entering the labour market.

Developments in income security programs late in the last century suggest that governments are moving in the direction suggested by Nakamura and identified by Baker and Tiffin, with freezes or reductions in social assistance benefits, greater income transfers through the tax system to support children, and more rigorous requirements for mothers of pre-school children to enter training or employment. While it is true that some provincial governments are now revising welfare rules to permit women to stay home for longer with very young children, there is no evidence that this trend is reversing.

Using this lens to look forward, then, continued income transfers for children will combine with the increased support for child care promised by all but the Conservative Party in the recent federal election to allow parents, whether alone or coupled, to participate in the labour market while still providing for pre-school-aged children.

The view through all three lenses suggests that the following will be the income-security scenario at the end of this century.

The twentieth-century income-security system will be seen as the transition between a society and economy where a parent was in the home available to every child, where wages were a rare source of income and where individuals and families were reliant only on self and communities and the risk-sharing associations they created at the beginning of the century, and one in which everyone earned wages, with the state ensuring the opportunity for economic participation for virtually every individual, regardless of parental status, disability, or age (except for minors), through the provision of supporting services, income support for the very young and the very old, and a continued sharing of life risks through social insurance programs. That picture suggests that income security programs will still exist, that the paradigm will still combine individual and collective responsibility, but that the private market will be seen as capable of achieving many of the goals that were the focus of income security programs in the intervening 20th century.

This forward-looking picture, of course, neglects the probability that before the turn of this century, the economic engines will again be ones we wouldn't even recognize now, and that the tools of income security will better fit that reality than the ones we can see now.

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