

ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA

**SOCIAL POLICIES IN CANADA:
A MODEL FOR DEVELOPMENT**

Elissar Sarrouh

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Preface

Since the beginning of 2001, the Economic and Social Commission for Western Asia (ESCWA) has been considering the issue of integrated social policies, with a view to forging a harmonized social vision that takes into consideration the social and economic priorities of each member country. ESCWA realized the importance of integrating social policies in the 1990s, while it was implementing a series of activities related to the eradication of poverty. Those activities demonstrated the need for genuine political commitment to the eradication of poverty and for a specialized administrative mechanism responsible for both drawing up the related policies and for coordinating between the various actors, including the Government, the private sector and civil society.

At its third session, held in Beirut in March 2001, the ESCWA Committee on Social Development recommended that ESCWA should study the feasibility of “conducting a comprehensive survey on social policy in the region”. The twenty-first ministerial meeting of ESCWA, held in Beirut in May 2001, adopted that recommendation.

Pursuant to the recommendation, the Human Development Section of the ESCWA Social Development Issues and Policies Division undertook the preparation of a project document entitled “Towards Integrated Social Development Policies in ESCWA Countries: Part I”. The project aims to forge an integrated social vision for the social sphere that is appropriate for the society and economy of the country concerned. It also aims to consider the process of formulation and implementation of social policies in sectors including education, health, employment and social security, and to support coordination between the principal actors in Government institutions, civil society and private sector institutions, research centres and the relevant parliamentary commissions.

The project comprises two main types of activity. The first calls for a series of background studies to be carried out on successful experiences in the design, implementation and coordination of social policies in countries which have had notable success in the field of social and economic development. Naturally, the primary aim of such studies is to learn from those successful experiences rather than to replicate them exactly, given that the differences in political, institutional and economic situations preclude such replication. The project also includes a series of background studies on the concept of social policy as articulated in development literature, and a further study on social policy in the Arab context. The second type of project activity relates to a field survey aimed at determining the methodology and mechanisms used in designing, implementing, coordinating and evaluating social policies in a particular country, with a view to recommending specific proposals that may assist in formulating a comprehensive, integrated social vision.

It gives me great pleasure to present the reader with the first of the series of studies on social policy, as part of ESCWA's vision of the concept of integrated social policies. The study, "Social Policies in Canada: A Model for Development" deals with social policy making, implementation and monitoring in Canada. Given the importance of an integrated social vision in strengthening the social and economic development process, I hope that the study will assist decision makers in the region while reviewing their policies.

Mervat Tallawy
Under-Secretary-General
Executive Secretary

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ABBREVIATIONS

CAP	Canadian Assistance Plan
CCF	Cooperative Commonwealth Federation
CCTB	Canada Child Tax Benefit
CHST	Canada Health and Social Transfer
CLC	Canadian Labour Congress
CMSM	Consolidated Municipal Service Manager
CLMPC	Canadian Labour Market and Productivity Centre
CPP	Canada Pension Plan
CPRN	Canadian Policy Research Networks
CTB	Child Tax Benefit
DSSABs	District Social Service Administration Boards
EPF	Established Programmes Financing
ESB	Employee-Sponsored Benefits
FTA	Free Trade Agreement
G7	Group of Seven
GAINS	Guaranteed Annual Income System
GDP	gross domestic product
GIS	Guaranteed Income Supplement
GNP	gross national product
HRDC	Human Resources Development Canada
IDRC	International Development Research Centre
LICO	low-income cut-offs
LSR	Local Services Realignment
MP	Member of Parliament
NAFTA	North American Free Trade Agreement
NCB	National Child Benefit
NDP	New Democratic Party
NGO	non-governmental organization
NVO	national voluntary organization
OAS	Old Age Security
OECD	Organization for Economic Cooperation and Development
PC	Progressive Conservative Party
QPP	Quebec Pension Plan
RRSP	Registered Retirement Savings Plan
SWC	Status of Women Canada
UI	Unemployment Insurance
WIS	Working Income Supplement
YMPE	year's maximum pensionable earnings

Reference to the dollar symbol (\$) indicates Canadian dollars.

Introduction

Social policy is a complex concept that is difficult to define. There are a significant variety of opinions as to what social policy is, or should be. However, it is generally recognized that social policy is concerned with values that are guided by dominant ideologies. Another consensus is that social policy is developed and implemented within a social, political and economic context that is specific to a particular country. Hence, social policy is best understood, and must be studied, within the context of the country in which these policies function. Indeed, it must be seen “in the context of a particular set of circumstances, a given society and culture, and a more or less specified period of historical time”.¹

Hence, social policy in Canada bears little resemblance to social policy in developing countries, including countries in Western Asia. Canadian social policies and programmes cannot be easily understood or compared with those in other societies. Furthermore, they are not presented in this study as a model for replication in other countries. Rather, this study aims to review the experience of Canada with regard to developing a modern welfare state. It also examines prevailing principles and values that have shaped and influenced social policy and the welfare state over the past century. Furthermore, it emphasizes the influence of political parties and their respective ideologies, social forces and civil society organizations in the context of their significant role in shaping social policy and delivering social programmes and services.

Like other countries, Canada has faced, and continues to face, enormous challenges resulting from increasing globalization, regional economic integration, trade liberalization and technological change. These issues present serious challenges to traditional social security structures. Economic changes generate social needs. Moreover, people who are insecure about their economic future depend upon their Governments to defend their interests and to maintain and even strengthen the social standards that are essential to their perception of a good future. However, as economic and trade regulations become increasingly international, a globally integrated economy will reduce the policy scope of national Governments. Pressure to compete for work internationally in addition to resistance at home to tax increases to pay for mounting Government deficits, has led to speculation concerning the sustainability of the current social structure and its related programmes.

Since the mid-1980s, Canada has embarked on a series of economic restructuring and adjustment programmes and social policy reforms in response to these challenges. This study draws insights and lessons from these with regard to the experience of Canada in shifting from one political and economic system to another, while at the same time emphasizing major social policy reforms. Furthermore, this

¹ R. M. Titmuss, *Social Policy: An Introduction*, 2nd ed., B. Abel-Smith and K. Titmuss, eds. (London: George Allen and Unwin Ltd., 1977).

study aims to highlight best practices and to share the challenges and experiences of Canada with regard to maintaining and/or renewing its social security system. An equally important challenge for Canada is to safeguard social values of equality, social justice and the principles of universality and redistribution that have guided social policy formation in the country and laid the foundation for the welfare state.

The following chapters attempt to tell the story of the welfare state in Canada, its evolution, development and transformation in recent years, under the influence of the new right agenda. The dominant principles and values that have shaped social policy in Canada and the extent to which they have been affected by neo-liberal values and economic policies are also examined.

H. Wilensky and C. Lebeaux have argued that viewing social policy as a residual outcome of capitalist economies holds that social welfare institutions should come into play only when the normal structures of supply, the family and the market, break down. However, viewing social policy as a primary determinant of future prosperity, means that welfare services are perceived as normal first line functions of modern industrial society.¹ A residual welfare state would focus on the poor, with public provision of services to those who are in need or poor (based on their income) and private provision to all those who are considered not to be poor. A universal welfare state, however, would involve public provision to all socio-economic groups.

Chapter I briefly summarizes theoretical perspectives concerning social policy and the modern welfare state. It outlines major theories that have shaped and established the boundaries of the Canadian welfare state. Chapter II presents a historical overview of the evolution of the Canadian welfare state and highlights the dominant and pervasive ideologies underlying it. Chapter III first discusses the social policy renewal process and the impact of globalization with regard to social policy in Canada and then examines the social security system. It highlights recent reforms and changes that have been implemented in the past few years. Chapter IV outlines various governmental institutions and non-governmental organizations (NGOs) involved in implementing social policy and delivering social programmes and services. Chapter V concludes by drawing lessons and insights from the Canadian model.

This study primarily defines social policy as the result of constant attempts of various groups in society to improve or redefine their situation vis-à-vis that of other groups. Furthermore, social policy is formulated not only by Government but also by various institutions, including voluntary organizations, business, labour groups, industry, professional groups, public interest groups and churches. The definition is chosen because of its relevance to this study and because it captures the dynamics and the politics of social policy-making in Canada. The welfare state is defined in the same vein as a system of governance, policies and of civil society. This theme runs throughout this study.

I. THEORETICAL PERSPECTIVES

This chapter briefly summarizes theoretical perspectives concerning social policy and the modern welfare state. It outlines major theories that have shaped and established the boundaries of the Canadian welfare state. Furthermore, a definition of social policy and the welfare state will be selected that reflects the dynamics of social policy-making and the evolution of the welfare state in Canada.

A. WHAT IS SOCIAL POLICY?

There is no consensus regarding the terminology used in the field of social policy. The term social policy is interchangeable with terms such as social programme, social security system, social welfare policy and the welfare state. These terms are related but are not the same.

The nature of social policy renders it hard to define. Social policy is complex and multifaceted. It deals with tough issues, namely, poverty, unemployment and re-employment, housing, benefits for children and protection, care and benefits for the elderly, family violence and health-related issues. Given that it deals with a wide range of tough issues that directly affect the livelihood of citizens and society as a whole, social policy is intrinsic to national unity and social justice, and is the backbone that sustains a healthy society.

Furthermore, social policy is not static, nor does it occur in a social, political or economic vacuum. It is “by examining the context of social policy ... one can appreciate the ‘choices’ and ‘values’ which determine social policy and influence the way needs are met and social relations effected”.² Hence, social policy in Canada is directly linked to, and affected by, profound demographic, economic, political and social changes. These constantly challenge and reshape Canadian social policy and programmes. Moreover, globalization, privatization, economic reforms and trade liberalizations, prevailing political values, an ageing population, an increase in single-parent households, an increase in the number of families where both partners work, increased participation of women in the labour force, in addition to the Constitution Act of 1982 and the Canadian Charter of Rights and Freedoms, have had a profound impact with regard to changing the character and content of social policy in Canada. The result of these changes is that social policies and programmes must be re-examined and recast.

B. THEORETICAL CONSIDERATIONS

Definitions and theoretical conceptions of social policy vary. Some definitions emphasize that the fulfilment of needs and the correct ordering of relations in society,

² J. McCready, *The Context for Canadian Social Policy: Values and Ideologies* (Toronto, University of Toronto, Faculty of Social Work, 1981).

are intrinsic to social policy. Social policy can be defined as the “aims and objectives of social action concerning needs as well as structural patterns or arrangements through which needs are met”.³ The notion of relations however, refers to social, political and economic interactions among individuals and institutions in a given society. In that context, social policy governs an individual’s position within society and his/her interactions with other members of society. Moreover, social policy is concerned with “the right ordering of the network of relationships between men and women ... and with the principles which should govern the activities of individuals and groups so far as they affect the lives and interests of other people”.⁴ Such ordering of relationships and the adherence to a certain set of principles are bound to create a degree of social tension among competing interests and groups in society.

Theorists such as V. George and P. Wilding indicate that social policy is a product of dominant ideology and not a result of humanitarianism. They define social policy as the outcome of events and processes in a conflict-ridden society. Social problems, they argue, are primarily the product of social conflicts involving the economic interests and the value systems of competing population groups and social classes.⁵

These definitions make explicit two important and related notions, namely, ‘choice’ and ‘values’. There is a general consensus that social policy actions or decisions represent a choice between alternative values. What guides this choice with regard to social policy, are dominant ideologies in a given society and in a specific historical time or context. According to another theorist, R. Titmuss, “policy, any policy, to be effective must choose an objective and must face dilemmas of choice”. Titmuss stresses that: “there is no escape from value choices ... not only is ‘policy’ all about values, but those who discuss problems of policy have their own values”. Social sciences, Titmuss concludes can never be “value free”. Hence, social policy is “basically about choices between conflicting political objectives and goals and how they are formulated; what constitutes the good society or that part of a good society which culturally distinguishes between the needs and aspirations of social man in contradiction to the needs and aspirations of economic man”.⁶

³ R. Mishra, *Society and Social Policy: Theoretical Perspectives on Welfare* (London, Macmillan Press Ltd., 1977).

⁴ D. G. Gil, “A systematic approach to social policy analysis”, *Social Service Review*, vol. 44, No. 4 (December 1970), p. 411; and A. MacBeath, “Can social policies be rationally tested?”, L.T. Hobhouse Memorial Trust Lecture, No. 27, King’s College London, May 1957 (London, Oxford University Press, 1957), p. 1.

⁵ V. George and P. Wilding, *Ideology and Social Welfare* (London and Boston, Routledge & Kegan Paul, 1976).

⁶ R. Titmuss, *Social Policy: An Introduction*, 2nd ed., B. Abel-Smith and K. Titmuss, eds. (London, George Allen and Unwin Ltd., 1977), pp. 49 and 132.

Therefore, values are an important aspect of social policy and social policy is the outcome of conflicting values and economic interests. However, this does not imply that there is agreement as to which system of values should be pursued in making and/or shaping social policy. Rather social policy is constantly challenged and reformed to reflect competing needs, interests and ideologies in society. However, the normative nature of social policy is clearly evident in conceptualizations that stress and define social policies as “actions and programmes” that yield “integration” and “community” rather than “alienation” and policy and objectives that lead to “social justice, redistribution and equality”.⁷

C. SOCIAL POLICY MODELS

This study is not concerned with the normative aspects and approaches to social policy. However, there are a variety of classifications and distinctions regarding diverse normative approaches to social policy. There is considerable consensus regarding the relevance of three major models of social policy in any given political system or society, namely, the residual, the institutional and the normative or socialist models. These three major models represent or demonstrate, right, centre and left characteristics or orientations in social policy.

The underlying values and principles of the residual model include: (a) a natural distribution of resources through the family and the private market; (b) economic individualism; (c) individual responsibility; (d) a temporary or emergency role for social welfare; and (e) State social welfare that is minimal and non-statutory.

The institutional model includes: (a) social and market distribution of resources; (b) social equality; (c) social welfare as a normal means of meeting needs; (d) universalistic services and programmes; and (e) State social welfare as an integrated institution that is statutory and independent of the market.

The normative or socialist model includes: (a) totally needs-based distribution; (b) State ownership of production and distribution; (c) egalitarianism; and (d) institutionalization of social welfare as a central social value.⁸

An important corollary to these three models of social policy is found in the work of V. George and P. Wilding. They identify four major ideological groups whose perspectives have shaped the modern welfare state in capitalist societies. This study is concerned with three of these groups, namely, the anti-collectivists, who share values

⁷ J. McCready, *The Context for Canadian Social Policy: Values and Ideologies* (Toronto, University of Toronto, Faculty of Social Work, 1981), pp. 8-9.

⁸ For a full discussion on the various models see: H. L. Wilensky and C. N. Lebeaux, *Industrial Society and Social Welfare* (New York, Free Press, 1965); and R. Mishra, *Society and Social Policy: Theoretical Perspectives on Welfare* (London: Macmillan Press Ltd., 1977).

that underlie the residual social policy model, the reluctant collectivists, who share the values of institutional model proponents, and the Fabian Socialists,⁹ who prescribe to the normative or socialist model (see section E below). The fourth group are the Marxists. This range of social policy models and theories forms a significant basis for identifying the value system in Canadian social policy and the founding principles of the welfare state. These principles include universality, distribution, equalization and equality in addition to the extent of Government intervention in social and economic policy. These theories are discussed in more detail later in this chapter.

Some contributors to the social policy field attempt to separate social policy from economic policy. However, social policy includes social welfare and income security. Therefore, economic policy directly affects social policy and programmes. Furthermore, the economic system is the foundation upon which society is built and upon which social, political and ideological systems are based. It can also be said that an economic system is the result of the processes associated with social and economic change. Thus, values guide social policy and represent the political will (or lack of will) to assume responsibility for public welfare and determine the scope and nature of public assistance. Economic policies or an economic system however, define the ability to pay for and fund social welfare and income security programmes. Furthermore they define the extent to which Governments are willing to pay or are capable of paying, for social programmes. Political economy is a detrimental factor with regard to social welfare spending.

It is possible to conclude this section by outlining a definition of social policy that reflects competing political objectives and a process of choice between alternative or moral values. This definition captures the dynamics of social policy making in Canada and best reflects the relative powers of the policy actors that directly (or indirectly) shape and influence social policy in the country: "Social policy is primarily the result of the constant attempts of various groups in society to improve or redefine their situation vis-à-vis that of other groups".¹⁰

This can be enhanced by another definition: "Social policy is formulated not only by Government but also by institutions such as voluntary organizations, business, labour, industry, professional groups, public interest groups and churches".¹¹

At this point, it is important to note that social programmes are the tools and mechanisms through which social policy is implemented and transformed into concrete actions that affect the lives and well-being of citizens.

⁹ V. George and P. Wilding, *Ideology and Social Welfare* (London and Boston, Routledge & Kegan Paul, 1976).

¹⁰ Ibid.

¹¹ S. Yelaja, United Nations Development Programme (UNDP), *Human Development Report 1992* (New York and Oxford, Oxford University Press, 1992).

Social welfare programmes tend to include those programmes carried out and implemented by voluntary or private agencies. They also include Government endeavours and programmes run by the State. Social security, however, is generally understood to refer to income maintenance and social service programmes. Social security can be divided into three main components: (a) income security programmes that include contributory or non-contributory social insurance and public assistance programmes, such as employment and health insurance; (b) welfare services that include counselling (legal and social), childcare, home nursing, day care and curative or rehabilitative services; and (c) environmental services, namely, health, education, training programmes and housing.¹²

D. THE WELFARE STATE

It is not possible to pinpoint one moment in time in any country when the welfare state was created or suddenly became a comprehensive system. Rather, the welfare state is a concept that has evolved and developed over time. In general, social reforms have been introduced in a piecemeal fashion following the long development of capitalism and the modern state. While there have been several attempts to define the welfare state, there is no generally accepted and coherent concept. Approaches to its analysis and the choice of the defining variables differ considerably. The following section briefly discusses the theoretical foundations of the welfare state and reviews definitions that describe its evolution and transformation in Canada. On this basis, a workable concept or definition will be selected through which it will be possible to analyse and discuss the evolution of Canadian social policy and welfare system in the following chapters of this study.

E. THEORETICAL CONSIDERATIONS

Major ideological perspectives that have arguably influenced and established the boundaries of the Canadian welfare state are reviewed here with the aim of understanding how the system has evolved. Furthermore, they will help to understand the dominant ideologies that have shaped it over time. As mentioned above, four groups represent four main ideologies or perspectives with regard to the welfare state. They underline the guiding principles and values that pertain to social welfare programmes.

The anti-collectivists¹³ are a social organization rooted in liberalism and conservative values.¹⁴ They uphold fundamental social values of liberty or freedom,

¹² A. Rose and J. Morgan, from a paper entitled "The unfinished business in social security" presented at the Canadian Labour Congress Social Security Conference (Niagara Falls, Canada, 15-18 March 1976), pp. 112-121.

¹³ Anti-collectivists include theorists such as F.A. Hayek, M. Friedman and E. Powell.

¹⁴ V. George and P. Wilding make a distinction between nineteenth century liberalism and the liberalism of today, which, they argue, stands for a wide spectrum of political ideologies.

individualism and inequality. Anti-collectivists support equality of freedom and inequality of income.¹⁵ F. Hayek explains that: “Equality of the general rules of law and conduct ... is the only kind of equality conducive to liberty and the only equality which we can secure without destroying liberty. Not only has liberty nothing to do with any other sort of equality, but it is even bound to produce inequality in many respects”.¹⁶

Furthermore, anti-collectivists fear that substantial Government intervention is socially disruptive, wasteful of resources, promotes economic inefficiency and obliterates individual freedom. In their view: “the welfare state promotes disruption of the social fabric by recognizing that people have social rights. An individual who has come to believe that he has a social right must feel that the State or the community must provide him with the service or goods in question and that, where he fails, it can and must be forced to do so. The result is that minorities feel aggrieved and justified in using force to obtain what they feel are their rights”.¹⁷

The anti-collectivists argue that the welfare state is essentially a socialist state that has all the characteristics of a centrally planned and authoritarian socialist society. They argue that despite the origins of the welfare state and the functional necessity that the welfare state represented in the past, it remains an anachronism that is perilously close to socialism. They add that the sooner the trend is reversed to a private market-dominated society, the better for all. The anti-collectivists favour, instead, a residual, means-tested locally administered conception of the welfare state. They agree that the State has a duty to relieve poverty, but only on the grounds of charity. They see this form of Government activity as a necessary evil rather than as a positive step to reduce inequalities.¹⁸

The reluctant collectivists share similar values to those of the anti-collectivists in that they focus on liberty, individualism and private enterprise.¹⁹ However, they hold fewer absolute values. Indeed, their values tend to be conditional and qualified by an intellectual pragmatism that is underlined by a strong sense of humanism. Furthermore, the reluctant collectivists believe that capitalism is the best economic system. However, if it is to function efficiently and fairly it requires judicious regulation and control. It was concern about the human implications of capitalism that led theorists such as J. M. Keynes and others to question conventional economic

¹⁵ V. George and P. Wilding, *Ideology and Social Welfare* (London and Boston, Routledge & Kegan Paul, 1976), pp. 21-28.

¹⁶ *Ibid.*, p. 25.

¹⁷ *Ibid.*, p. 28.

¹⁸ *Ibid.*, pp. 38-40.

¹⁹ Reluctant collectivists include theorists such as J. M. Keynes, W. Beveridge and J. K. Galbraith.

orthodoxies. Like the anti-collectivists, the reluctant collectivists are conservative but are critical of capitalism for the following reasons: it is not self-regulating and furthermore, it is wasteful and inefficient and misallocates resources; it will not of itself abolish injustice and poverty; and it leads to dominant economic interests being identified as the national interest.

The reluctant collectivists endorse a limited role of Government. This role is confined to the achievement of results and goals that individual efforts cannot attain. They agree that it is the duty and responsibility of Government to manage the economy so as to secure a level of aggregate demand that will ensure full employment. Indeed, the modern welfare state is often referred to as the Keynesian welfare state. The principal assumption in Keynes work was the existence of a national economy in which the State could intervene to influence levels of investment and domestic income and thereby partially regulate unemployment through national “demand management” policies.²⁰ J. K. Galbraith and W. Beveridge also share a pragmatic approach to the role of the State in welfare. That perceived role is to be reactive rather than promotional. Furthermore, it aims to abolish avoidable ills and is problem-centred. Moreover, the concern of Galbraith and Beveridge is that it must be possible to supply that which is not being adequately supplied by private enterprise and to abolish need, whether as a result of low or interrupted incomes, or to supply those public services for which affluence has created need. In addition, they would like to supply necessary public services.²¹ Moreover, Galbraith has interpreted the failure of economic growth to abolish poverty as one aspect of the many-sided social imbalance inherent in the advanced capitalist economy. He has stressed that, by its very nature, capitalism generates and perpetuates inequality and poverty.²²

The aim of the reluctant collectivists is to purge capitalism of its inefficiencies and injustices so that it will survive. They believe that capitalism and planning are compatible and that Government intervention is necessary to make capitalism morally acceptable. Their achievement has been to save capitalism and to preserve its essential elements while reducing or eliminating what has become unacceptable.²³

The views of the Fabian Socialists concerning the role of the State in welfare occupy a substantial area of middle ground between the reluctant collectivists and the Marxists.²⁴ The socialists stress on equality and their more positive attitude towards

²⁰ G. Teeple, *Globalization and the Decline of Social Reform: Into the Twenty-first Century* (Aurora, Ontario, Garamond Press, 2000), p. 17.

²¹ V. George and P. Wilding, *Ideology and Social Welfare* (London and Boston, Routledge & Kegan Paul, 1976), pp. 42-68.

²² Ibid.

²³ Ibid., p. 60.

²⁴ Theorists such as R. Titmuss, T. H. Marshall and A. Crosland belong to this group.

the possibilities of Government action with regard to social welfare sets them apart from the reluctant collectivists. They also differ from the Marxists in believing that capitalism can be transformed peacefully into socialism.

Central values of socialism include equality, freedom, fellowship, with an emphasis on cooperation rather than on competition, and on community rather than on the individual, democracy and humanitarianism. Socialists argue the case for equality on four main grounds: social unity, social efficiency, social justice and individual self-realization. They contend that only in a more equal society does the individual have the opportunity to realize his/her potential. Furthermore, equality for the socialists is more than equality of opportunity. For equality to be real, it must have equalizing measures. Hence, equality does not mean that all incomes should be equal, but rather there must be a more equal distribution of wealth because the current system is seen as unjust.

Socialists approve of the welfare state and believe that it is capable of persuading the capitalist state to reform itself. One theorist, A. Crosland, describes the welfare state tradition as perhaps the most deeply felt with regard to labour policy. In the 1970s in particular, an exceptionally high priority was placed on the relief of poverty, distress and social squalor—the traditional social welfare goals of labour.

According to the socialists, social expenditure contributes to economic growth. Expenditure on education and health, they argued, must be seen as investment rather than consumption. Wage related unemployment benefits and unemployment payments should be seen as a positive attempt to grease the wheels of technological and industrial change. Titmuss has argued that: “every factor contributing to economic growth is also a factor contributing to social need”. He has also stressed the functions of social policy with regard to maintaining social integration, a sense of community and a sense of altruism—all of which he sees as crucial to social health and well-being.²⁵

Socialists also emphasize the humanitarian aims and purposes of the welfare state, as opposed to its concern with equality. Crosland argues that social equality “cannot be held to be the ultimate purpose of the social services, but through relief of social distress and hardship and the correction of social need and other measures directed to this end will often also enhance social equality—an important subsidiary objective”.²⁶ Another theorist, T. H. Marshall, also argues that social policy must have three aims: the elimination of poverty, the maximization of welfare and the pursuit of equality. The second aim, in his view, underlines the philosophy of the welfare state.

²⁵ V. George and P. Wilding, *Ideology and Social Welfare* (London and Boston, Routledge & Kegan Paul, 1976), p. 76.

²⁶ *Ibid.*

Socialists view the welfare state as being concerned with the various types of redistribution necessary and desirable in a complex society. Economic growth requires the redistribution of educational opportunity through free education. Individual and social well-being require various types of redistribution of income over the life cycle of human beings.

Socialists endorse selective universality. They argue that, by itself, universalism does not solve the problem of conveying services to the poor and those who are marginalized. Universalism is essential, but it is only a start. The challenge according to Titmuss “is not the choice between universalist and selective services. The real challenge resides in what particular infrastructure of universalist services is needed to provide a framework of values and opportunity bases within and around which can be developed acceptable selective services provided, as social rights, on criteria of needs of specific categories, groups and territorial areas and not dependent on individual tests of means”.²⁷

While supporting the aims and purposes of the welfare state, socialists have remained aware of its limitations and its dangers. They voice four general fears: that it is concerned with injustice rather than with justice, that it can be used by Government as a substitute for necessary preventive action, that it can be limited to seeking equality of opportunity and that it is concerned with poverty not with inequality.²⁸

This chapter concludes by reviewing definitions derived from Canadian scholars. These describe the evolution, development and transformation of the Canadian welfare state. Furthermore, these definitions highlight values and principles that have shaped the welfare state in Canada.

F. DEFINING THE CANADIAN WELFARE STATE

For some Canadian scholars, the welfare state has evolved as a result of a political discourse that articulated demands from social and labour movements and the business community. P. Armstrong explains that the term welfare state “is meant to imply intervention carried out in the name of promoting general prosperity and providing personal protection or support”. The term developed as a response to demonstrated needs and articulated demands, particularly from unions and professional organizations, from community groups and from the business community. The welfare state in Canada is concerned with values and practices.²⁹

²⁷ Ibid., p. 80.

²⁸ Ibid.

²⁹ P. Armstrong, “The welfare state as history”, *The Welfare State in Canada: Past, Present and Future*, R. B. Blake, P. Bryden and J. F. Strain, eds. (Concord, Ontario, Irwin Publishing, 1997).

Civil society is also central to the definition offered by L. Pal. He argues that “the welfare state is a misleading term”. It is not merely a state, “but a system of governance, policies, and of civil society. The development of the Western welfare state has also been the story of the development of a welfare [civil] society”.³⁰ In his view, changes affecting or destabilizing the welfare state, affect and destabilize civil society. Furthermore, central to defining the future of the Canadian welfare state and its social policy are questions concerning the type of civil society it will engender and what type of civil society it will need.³¹

G. B. Doern and R.W. Phidd’s definition of the welfare state differs from that provided by Armstrong and Pal. In this case, the State is a provider of social services. Furthermore, those segments of society benefiting from these services are “clienteles groups” with different needs. According to Doern and Phidd, “the social welfare state is one that embraces actions to deal with old age security, pensions, social assistance, and unemployment insurance. It also involves the delivery of services such as health, housing, day care and personal services such as family counseling”. Hence, “social policy is often characterized in terms of clientele groups of varying definitional scope. Policies for children, single mothers with children, youth, the aged, people with disabilities, the working poor ethnic minorities and visible minorities...”.³² In this context, civil society is not an active agent of social change that shapes and influences social policy but a recipient of social welfare services and benefits.

S. Brooks widens the definition of “clienteles groups” to include businesses and producers. He defines the welfare state as “state interference with the operation of market forces in order to protect or promote the material well-being of individuals or families on grounds of fairness, compassion, or justice”.³³ He states, however, that the less privileged elements of society, as commonly argued, are not the only recipients or beneficiaries of the welfare state. Businesses and producer groups who lobby and seek State intervention as protection from market forces are also welfare recipients. Brooks refutes the term “protected society”, used by Canadian economist T. Courchene to describe the beneficiaries of State intervention or interference. Furthermore, he says that the term is misleading. Brook adds that the term suggests an equality of claims on the State that in reality does not exist.³⁴

³⁰ L. Pal, “Civic re-alignment: NGOs and the contemporary welfare state”, op. cit.

³¹ Ibid., p. 89.

³² G. B. Doern and R. W. Phidd, *Canadian Public Policy: Ideas, Structure, Process*, 2nd ed. (Scarborough, Ontario, Nelson Canada, 1992), p. 274.

³³ S. Brooks, *Public Policy in Canada: An Introduction* (Toronto, McClelland and Stewart Inc., 1993), p. 184.

³⁴ Ibid.

Brooks points out that State transfers of income to the unemployed are usually classed as welfare spending, while transfers of income to businesses, which often take much less visible forms, are generally labelled investment incentives or policies for economic development. He argues that this testifies to the central place of business values in the dominant ideology of capitalist societies (and that of Canada). Brooks concludes that Courchene's concept of the protected society at least recognizes that both the privileged and marginal elements of society can be welfare recipients.³⁵

This argument reiterates the view held by Titmuss of a social welfare system whereby the State "distributes benefits and does so in a host of other ways such as tax breaks and shelters, subsidies, grants and loans, which while not typically thought of as welfare, serve the same purpose, but different groups".³⁶

Defining the welfare state in the same vein, A. Briggs writes, "the welfare state is a state in which organized power is deliberately used in an effort to modify the play of market forces in at least three directions—first, by guaranteeing individuals and families a minimum income irrespective of the market value of their work or their property; second, by narrowing the extent of insecurity by enabling individuals and families to meet certain "social contingencies" which lead otherwise to individual and family crises; and third by ensuring that all citizens without distinction of status or class are offered the best standards available in relation to a certain agreed range of social services".³⁷

Pal argues that the modern welfare state "modifies the play of market forces in four major ways. Each of these ways may be seen as a transfer of costs as well as benefits".³⁸ Hence, the State engages in what he refers to as "transfer of rights". This entails the transfer of small "packages" of sovereignty to groups or individuals, so that they can exercise State powers or enjoy their protection and benefit. The second mode of transfer is transfer of costs. Here the State offers subsidies, grants, tax shelters and other incentives thereby inducing a particular behaviour. The third method of transfer is close to the conventional notion of the welfare state. It involves transferring services from the private to the public realm. Health services and education are cited as such activities that were once largely privately organized and funded but which are now State programmes. The final technique is transfers of money. These transfers symbolize, in the same vein as health and education services, the core of the welfare state.³⁹

³⁵ Ibid., p. 185

³⁶ R. Titmuss, *The Social Division of Welfare* (Liverpool, Liverpool University Press, 1956).

³⁷ A. Briggs, "The welfare state in historical perspective", *European Journal of Sociology*, vol. 2, 1961, p. 228.

³⁸ L. Pal, "Social policy and the Constitution", *Canadian Social Welfare Policy: Federal and Provincial Dimensions*, J. Ismael, ed. (Kingston, Canada, McGill-Queen's University Press, 1985).

³⁹ Ibid., pp. 2-3.

This transfer notion is at the heart of the Canadian welfare state. Table 1 illustrates the dynamics of the transfer mechanism from the federal Government to the provinces and the entrenchment of Government intervention (both federal and provincial) in economic policy and social organization and welfare.

Social policy, in Canada and elsewhere, guides social welfare programmes and defines the modern welfare state. Hence, defining the ideological character of the welfare state requires a central understanding of the evolving ideas of social policy and of whether it should be seen or explained as a residual outcome of capitalist economies or as a primary determinant of future prosperity.

H. Wilensky and C. Lebeaux have argued that viewing social policy as a residual outcome of capitalist economies holds that social welfare institutions should come into play only when the normal structures of supply, the family and the market, break down. However, viewing social policy as a primary determinant of future prosperity means that welfare services are then perceived as normal first line functions of modern industrial society.⁴⁰ A residual welfare state would focus on the poor, with public provision of services to those who are in need or poor (based on their income) and private provision to all those who are considered not to be poor. A universal welfare state, however, would involve public provision to all socio-economic groups.

Two important features are stressed as unique in the Canadian welfare state. One is “the flexibility of the Canadian federalism which allowed the federal Government, over the years, to assume a key role in the development of the welfare state through constitutional amendment, fiscal transfers to provinces, and use of the spending power clause”; and the second feature is “the gradual move from a residual to a universalist-welfare state”.⁴¹

Universality means that social programmes, benefits and services are a right and a condition of Canadian citizenship. They should not be classed as welfare handouts.⁴² K. Banting argues that universality lies at the heart of the development of the welfare state in Canada. The “original conception of the welfare state, which guided social activism during the middle decades of this century, was a vision of a set of universal social programmes that would protect all citizens from the insecurities inherent in an industrial economy and, more generally, assist them in participating in modern society”.⁴³

⁴⁰ H. L. Wilensky and C. N. Lebeaux, *Industrial Society and Social Welfare* (New York, Free Press, 1965), p. 138.

⁴¹ H. L. Wilensky, *The Welfare State and Equality* (Berkeley, California, 1985).

⁴² K. Banting, “Universality and the development of the welfare state”, *Report of the Forum on Universality and Social Policies in the 1990s*, A. Green and N. Olewiler, eds. (Kingston, Queens University Press, 1985).

⁴³ K. Banting, “Visions of the welfare state”, *The Future of the Social Welfare Systems in Canada and the United Kingdom*, S. B. Seward, ed. (Halifax, Nova Scotia, Institute for Research on Public Policy, 1987), pp. 147-163.

TABLE 1. THE CANADIAN WELFARE STATE

Types of transfers and jurisdiction	
Federal	Provincial
Transfers of rights	Marketing boards Human rights legislation Professional associations
Transfers of costs	Subsidies Grants Tax deductions Tax credits
Transfers of services	Veteran's services Employment services Health Education Childcare
Transfers of money	Social assistance Family allowances Canada pension plan/Quebec pension plan; Unemployment insurance Worker's compensation Guaranteed income support Spouse's allowance Old age security

Source: Adapted from L. Pal, "Social policy and the Constitution", *Canadian Social Welfare Policy*, Jacqueline Ismael, ed. (Kingston, Canada, McGill-Queen's University Press, 1985).

Banting explains that the universalist welfare state in Canada was established in the 1940s and was replaced by the redistributive welfare state in the 1960s. He points out that the universal welfare state was created in Canada between 1940 and 1965 with the establishment of universal programmes, namely, Old Age Security (OAS), Unemployment Insurance (UI) and Medicare. These programmes were intended to respond to the mass drive for economic security that arose from the rapid and unexpected changes in industrial society. Furthermore, they were designed to avoid the hardships of the 1930s. The second objective of the universal welfare state was to foster social integration and cohesion by using social security as an instrument for moderating the intensity of social and regional divisions.⁴⁴

The mid-1960s witnessed the rise of a new vision of the welfare state that would replace the universalist notion, namely, the redistributive welfare state. This change was sparked by the re-emergence of anti-poverty campaigns and by the realization that the poor were not the major beneficiaries of universal programmes. These

⁴⁴ M. Iacobacci, "Overview", *op. cit.*

programmes were challenged because they failed to narrow the income inequalities present in modern society, even though the universal welfare state had never set this as its primary objective. The new emphasis on redistribution was reflected in the introduction of income-tested benefits, namely, the guaranteed income supplement for the elderly and the child tax credit for low-income families, at the expense of the universal old age security and family allowance benefits.⁴⁵

However, a major social policy event took place in the early 1980s in Canada during the liberal Government of P. E. Trudeau. The entrenchment of the Canadian Charter of Rights and Freedoms in the Canadian Constitution led to the replacement of the traditional welfare state of the 1960s with one that was rooted in social rights. During the Trudeau era as a whole, the label of “the just society” characterized Canadian social and labour market policy. This phrase was intended to evoke movement away from the traditional welfare state, which had been largely put in place by the mid-1960s, towards a looser mixture of initiatives linked to quality of life.⁴⁶

Thus, by 1982, many of the services provided through the federal welfare state were considered entitlements or social rights and the Constitution Act explicitly committed the Government of Canada and the provincial governments: (a) to promote equal opportunities for the well-being of all Canadians; (b) to reduce disparity in opportunity through further economic development; and (c) to provide essential public services of reasonable quality to all Canadians.⁴⁷

The 1990s witnessed the retraction or, as some have labelled it, the “dismantling” of and “assault” on, the Canadian welfare state. This assault “represents and structures new power relations and a new ideology. General prosperity is increasingly defined in terms of what encourages ‘private investment’, while the proper role of the state is defined as supporting this investment and assisting the deserving poor in extreme conditions”.⁴⁸ Some have interpreted that shift or transformation as the emergence of a “social union” differing from conceptual frameworks that focus on social policies as in the notion of “social contract” or “welfare state”, and shifting to an “integrating paradigm that includes values and principles, federalism and intergovernmental relations as well as democratic engagement and accountability”.⁴⁹

⁴⁵ Ibid., pp. 9-10.

⁴⁶ G. B. Doern and R. W. Phidd, *Canadian Public Policy: Ideas, Structure, Process*, 2nd ed. (Scarborough, Ontario, Nelson Canada, 1992), p. 278.

⁴⁷ R. Blake, P. E. Bryden and J. F. Strain, *The Welfare State in Canada: Past, Present and Future* (Concord, Ontario, Irwin Publishing, 1997), p. 1-2.

⁴⁸ P. Armstrong, op. cit., p. 53.

⁴⁹ M. Biggs, “Building blocks for a new social union”, *Reflexion*, No. 2 (Ottawa, Canadian Research and Policy Network, 1997).

The above discussion clearly indicates that the Canadian welfare state was developed for the most part and influenced by normative (socialist) and reluctant collectivists ideologies, with emphasis on such values as just society, universality, redistribution, general prosperity and protection. In the 1990s, however, there was a definite shift towards residual or anti-collectivist values and policies with an emphasis on private investment and market economy.

Furthermore, it is possible to ascertain that the welfare state in Canada is best described as “a system of governance, policies, and of civil society. The development of the Western welfare state has also been the story of the development of a welfare (civil) society”.⁵⁰ The following chapters reveal how changes affecting or destabilizing the welfare state affect and destabilize civil society in Canada, and how they drastically alter relations between the State and civil society and influence the role civil society plays with regard to policy- making and social programme delivery.

⁵⁰ L. Pal, “Civic re-alignment: NGOs and the contemporary welfare state”, *The Welfare State in Canada: Past, Present and Future*, R. Blake, P. Bryden and J. F. Strain eds. (Concord, Ontario, Irwin Publishing, 1997).

II. THE EVOLUTION OF THE CANADIAN WELFARE STATE

Chapter I defined social policy as a choice between competing values and political objectives. Furthermore, it defined the welfare state as a system of governance, policies and of civil society. This chapter highlights major political ideologies that have established the boundaries of the welfare state in Canada and influenced its character and social programmes. It also presents a historical overview of the evolution of the welfare state over the past five decades. The aim of this process is to clarify how choices between competing values and political objectives have determined social policy in Canada. Moreover, it will become evident how the Canadian welfare state is a system of governance, policies and of civil society. Three major ideologies are identified and all have their roots in, and share values with, the groups identified by George and Wilding (see chapter 1). In addition, discussions revolve around the role played by political parties in Canada—and their relevant and respective ideologies—with regard to founding and developing the welfare state and defining public assistance.

A. MAJOR POLITICAL IDEOLOGIES AND VALUES IN THE CANADIAN CONTEXT

Three major ideologies have had a significant impact on the evolution and development of the welfare state in Canada. These are conservatism, liberalism and socialism. Conservatism, also known as Toryism, is rooted in traditionalism, elitism, a strong State and an organic, corporate, collectivist and hierarchical view of society. Conservatism supports a capitalist market economy but is interested in order and has concern for the condition of the people. Consequently it permits State intervention.⁵¹ Conservatism in Canada is connected to a feudal society and has particular influence in Quebec. Given its relation to feudalism, conservatism recognizes class divisions, equality within classes and inequality between classes.⁵²

Liberalism is rationalist, individualistic and egalitarian. It favours freedom and competition. Within this context, society is not viewed as a corporate whole or as comprising classes. Rather it is perceived to be an aggregate of individuals. Liberalism embraces capitalism, the market economy and limited State intervention. Liberal democratic tradition is not one that emphasizes public participation. What it does emphasize is that decision-making, power and participation can be explained through elitist perspectives inasmuch as power and decision-making are concentrated in the hands of an elite few, or through pluralist perspectives in that power and decision-making are dispersed among various groups.

⁵¹ G. Horowitz, "Conservatism, liberalism, and socialism in Canada: an interpretation", *Canadian Journal of Political and Social Theory*, vol. 1, No. 3 (1977), pp. 87-88.

⁵² P. M. Marchak, *Ideological Perspectives on Canada* (Toronto, McGraw-Hill Ryerson Ltd., 1974).

Socialism, like conservatism, views society as organic, corporate and collectivist. Capitalism and the market economy are rejected in favour of State ownership, production and distribution. State intervention is encouraged, as is cooperation. Socialists perceive that society comprises classes. Those who are egalitarian would like to abolish the class system.⁵³

Canadian ideology theorists such as G. Horowitz and G. Lament argue that there are striking similarities and shared values between socialism and conservatism and between liberalism and conservatism in Canada. The Conservative and Liberal parties are seen as liberal parties because they both share economic and political doctrines that are basically liberal. This has led critics from both the left and the right to deride the absence of serious, consistent differences in policy between the Liberal and Conservative parties. Conservatism in Canada comprises a large mixture of what would be considered liberalism beyond North America.⁵⁴ Socialism, however, maintains certain conservative values, namely, the organic, corporate collectivist view of society, among others. The comparable view of society between socialism and conservatism would seem to indicate that these two ideologies have the most in common and this creates the notion of “Red Tories”. The presence of ideological mixtures within each of the major political parties also include right wing Socialists, Social Democrats, left wing Liberals, the “radical centre” and prairie populists. It is often argued that this ideological mixture with regard to Canadian political parties, coupled with regionalism and the technological complexity of modern decisions, has brought with it the need for a purer ideology in Canadian politics. Nonetheless, ideology remains an important determinant of policy-making and policy options in Canada.

Three main ideologies have been identified as dominant in Canada. However, they do not carry the same weight. Until the mid-1980s, the dominant and pervasive political ideology in Canada was liberalism. Liberalism “is not just numerically dominant. It dominates because it is the ideology of the dominant class: it has the full force of the State, church, media and educational system behind it: it has been trained into all of us”.⁵⁵

⁵³ K. McRae, “The structure of Canadian history”, *The Founding of New Societies: Studies in the History of the United States, Latin America, South Africa, Canada and Australia*, L. Hartz, ed. (New York, Harcourt, Brace and World Inc., 1964), pp. 219-274; and G. Horowitz, “Conservatism, liberalism, and socialism in Canada: an interpretation”, *Canadian Journal of Political and Social Theory*, vol. 1, No. 3 (1977), pp. 87-88.

⁵⁴ F. McGilly, “Ideology and public assistance in Canada”, *Ideology, Development and Social Welfare: Canadian Perspectives*, 3rd ed., B. Kirwin, ed. (Ottawa, Carleton University Press, 1996).

⁵⁵ D. Bell and L. Tepperman, *The Roots of Disunity; A Look at Canadian Political Culture: Sociological Perspectives* (Toronto, McClelland and Stewart, 1979).

However, when the Conservatives took over from the Liberals in the mid-1980s, a shift toward neo-liberalism or neo-conservatism took place in Canada. Moreover, this shift began when the Liberals were still in power in the early 1980s, and was later fully entrenched by the Conservative Government of B. Mulroney. This reinforces the argument presented above that the Conservatives and the Liberals are both considered liberal parties in Canada.

The fact that there has been, and still is, a dominant and pervasive political ideology in Canada is of considerable importance as a background for Canadian social policy. The value choices for social policy actions in Canada have been shaped and taken within a context that is pervaded and dominated by liberalism and, in recent years, by neo-liberalism and its attendant values. A dominant ideology of liberalism, underpinned by a specific set of values reflecting the interests of the elite, creates boundaries for social policy. Certain aspects of liberalism are of particular importance when discussing the boundaries of social policy in Canada. These are that: economically, liberal society is capitalist; the political system is democratic (liberal democracy); intervention is particularly important because social policy action requires intervention; and the value of equality is important. Egalitarianism within liberalism demonstrates that equality is understood to be equality of opportunity, which is different from equality of outcomes.⁵⁶

B. COMPETING IDEOLOGIES AND VALUES

As noted above, the Canadian political context comprises three major political ideologies that do not have equal standing. To some extent, the major political parties in Canada represent the three major political ideologies. The Progressive Conservative Party (PC), or the Conservative Party, and the Alliance Party (created in the early 1990s as the Reform Party), represent conservative values and “new right” ideologies. They can be identified as anti-collectivists. The Liberal Party represents liberalism and liberal democracy ideology and can be identified as reluctant collectivists. The New Democratic Party (NDP) represents socialism and can be identified as Fabian Socialists. Political party tension, with regard to both the PC and NDP parties, has affected the Liberal Party and its policies. “The key to understanding the Liberal Party in Canada is to see it as a centre party, with influential enemies on both the right and the left”.⁵⁷

Political party tension results from competition between and among the major political parties. Some argue that party tension and competition has led to moderated liberalism. “The three components of the English-Canadian political culture have not

⁵⁶ J. McCreedy, *The Context for Canadian Social Policy: Values and Ideologies* (Toronto, University of Toronto, Faculty of Social Work, 1981), p. 33.

⁵⁷ G. Horowitz, “Conservatism, liberalism, and socialism in Canada: an interpretation”, *Canadian Journal of Political and Social Theory*, vol. 1, No. 3, (1977), p. 168.

developed in isolation from one another; each has developed in interaction with the others. Our Toryism and our socialism have been moderated by liberalism. But by the same token, our liberalism has been rendered “impure”, in American terms, through its contacts with Toryism and socialism”.⁵⁸

The next section examines the influence and role of political parties and their ideologies with regard to the evolution of the welfare state in Canada. It is important to note that while the socialist NDP has never achieved power at the national level, it has, at one time or another, governed four provinces and has made major policy innovations over the years in areas of provincial responsibility, namely, health in addition to introducing policy issues into the national political discourse. The NDP experience of governing at the provincial level in the mid-1990s, during a period of serious recession and severe fiscal limits, led to conflict (especially within the Ontario party) concerning the difficult question of unconditional support for traditional union/labour positions. Furthermore, it forced the beginning of what could be called the ideological modernization of Canada’s Socialist Party in light of the current climate of fiscal constraints and a more open economy.

C. THE EVOLUTION OF THE WELFARE STATE IN CANADA: A HISTORICAL OVERVIEW

The Canadian welfare state exhibits the characteristics of both the residual model—implemented by the Conservatives—and the institutional model—implemented by the Liberals. Both models have previously influenced and continue to influence social policy in Canada. Indeed, the history of Canadian social policy illustrates to a large extent the continual conflict between the residual and the institutional models of social policy. This section presents a historical overview of the evolution and development of the welfare state in Canada. It examines some of the forces and ideologies behind its evolution.

1. *The post-war era*

Canada emerged from World War II with a determination that it would not endure another depression such as the one that occurred in the 1930s. This determination and a sense of optimism was enhanced by the high levels of production that were achieved during the years of the war and which had been accompanied by a rigorous regime of price and wage controls and high levels of taxation.

The debate on what type of society should be built after the war is reflected in numerous reports that include the Marsh Report on Social Security for Canada, which proposed a complete social security system (1943), the Cassidy Plan and the Beveridge Report of Great Britain (1942). Public debate of these reports was

⁵⁸ Ibid., p. 161.

widespread. Key interest groups endorsed them, including, *inter alia*, the Canadian Welfare Council, the Canadian Labour Congress, agricultural organizations and health organizations. However, there were also opponents to what was proposed. Indeed some people feared the impact that wide-ranging social security systems could have on individual initiatives and on the market economy.

However, political developments at that time were in favour of major social reforms. In 1944, the province of Saskatchewan elected the first socialist Government in North America. It was to serve for 20 years as a crucible and catalyst for change. In Ontario, the Cooperative Commonwealth Federation (CCF), Canada's Socialist Party, was also shaking the status quo. The party had 34 elected members out of a total of 90 in the provincial legislature in 1943. These events would affect politicians and policies on the national stage. "Canada has the existence of a socialist party that pulls the national and provincial governments ever leftward ... If nothing else, the fear of socialist success keeps liberals and conservatives more alert to social needs than they might otherwise be".⁵⁹

In 1944, two important documents were drawn up. They constituted the founding pillars of a new charter of social security for Canada. These were, namely, the *White Paper on Employment and Income*, which committed the Government of Canada to a new economic order; and the *Green Book on Reconstruction*, which promised a new social order. The cornerstones of the social security blueprint and post-war vision for social security in Canada can be summarized as follows:

- (a) A plan for universal high levels of employment and income;
- (b) A plan for universal supplementation of family income, based on family size, not income;
- (c) Universal, or near-universal, social insurance plans that would provide for the contingencies of unemployment and sickness and, in the case of the elderly, universal old age security plan, in addition to an income support plan for those aged 65 to 70;
- (d) An income support plan for the seasonally and longer-term unemployed.

This vision, however, was not widely supported politically. It was perceived as a blueprint rather than a plan for immediate action. The plan was tied to a federal proposal that the provinces would "rent" their taxation powers in the personal and corporate income tax fields. The aim of this was to make it possible for the federal Government to finance the newly proposed plans and programmes. In return, the provinces would be paid a flat per capita amount, to be increased over the years. When

⁵⁹ J. Barnes, "The limits of social action: a perspective on fragments, hope and pessimism for social workers", *Social Worker*, vol. 43, No. 3 (1975), pp. 132-136.

the provinces refused to accept the tax rental plans, the Government no longer felt bound by its social security proposals. However, the social security proposals of 1945 did come to serve as a blueprint for the future, particularly during the 1950s and the 1960s.⁶⁰

It was commonly believed that during this period, a Second National Policy was assembled that dominated federal priorities in the post-war decade. The liberal Prime Minister, M. King, introduced Keynesianism to Canada. It offered a convincing economic and social rationale within the context of the capitalist economy for increased State intervention.⁶¹ Thus, Governments had to construct a permanent infrastructure of programmes that would stabilize the economy in the post-war era. Furthermore, they had to strategically alter aggregate taxing and spending activities to ensure that economic investment and consumer demand were maintained. While Keynesianism helped to legitimize the idea of macro intervention, it was not the only normative basis for intervention in Canada. As noted above, the post-World War II reconstruction programmes were also influenced by the strength of populist and left wing political pressures, by the pre-war and wartime use of public enterprises and by the general social welfare concepts articulated in the Beveridge Report and its Canadian equivalent.

2. 1950s-1960s: the golden age of social security in Canada

The 1950s and the 1960s are referred to as the golden age of social security in Canada. It was during those years that the implementation of the grand post-war design was incrementally put into place. The shift in constitutional attitudes among the provinces concerning how Parliament used its spending power to achieve certain national social policy goals was a major force behind these developments.

The universal OAS plan was introduced in 1951. There were several factors that contributed to this development. One was that, at that time, a debate emerged that centred on the issue of social insurance versus universality. The then liberal Prime Minister and Minister of Finance supported a contributory pension plan over a universal one. This was supported by various groups, including the more articulate business groups and the left, led by CCF, and the Canadian Labour Congress (CLC). To resolve this political dilemma, the Prime Minister appointed a parliamentary

⁶⁰ A.W. Johnson, "Social policy in Canada: the past as it conditions the present", *The Future of Social Welfare Systems in Canada and the United Kingdom*, S. B. Seward, ed. (Halifax, Nova Scotia, Institute for Research on Public Policy, 1987).

⁶¹ R. Campbell, "Grand illusions; the Keynesian experience in Canada", *Social Welfare in Canada*, A. Armitage, ed. (Toronto, McClelland and Stewart, 1975); L. Marsh, *Report on Social Security for Canada - 1943* (Toronto, University of Toronto Press, 1975); and R. Bothwell, I. Drummond, and J. English, *Canada Since 1945* (Toronto, University of Toronto Press, 1981), chapters 9, 15 and 17.

committee which proceeded to issue a report in favour of universality. Hence, the Government opted for the OAS plan.

Other factors contributed to the adoption of the OAS plan. Demographic changes, notably a steady increase in the proportion of the population over 70 years of age, favoured a universal programme or plan. Social attitudes also played an important role. The depression had left an aversion to means tests as the qualifying barrier to social assistance of any kind. Universality was seen a way to avoid this.⁶²

The second major programme introduced in the first half of the 1950s was the Unemployment Assistance Act of 1956. Unlike the OAS, the Act amounted to little more than a plan for the federal financing of provincial social assistance for those capable of employment and the employed. While the Act may have been a great step forward in comparison to the relief measures of the 1930s, it contained little in the way of policy innovation. There were several factors underlying that development: (a) the federal Government was no longer as prepared as it had been in 1945 to accept full responsibility for the cost of unemployment; (b) where the political will existed, the policy instruments for implementing a federally administered income support/supplementation were lacking; and (c) the provinces would have had constitutional objections had there been a federal administration for an unemployment assistance plan.

The third cluster of federal or federal-provincial programmes introduced in the early 1950s was income support for the disabled. The Blind Persons Act of 1951 and the Disabled Persons Act of 1954 provided for, as did the Unemployment Assistance Act, the payment by the federal Government of 50 per cent of the costs of provincial programmes designed for the people to whom these acts applied.

The late 1950s and the first years of the 1960s witnessed a series of electoral shocks to the political system. These contributed to maintaining the momentum of social policy change. The first of those developments was the defeat in 1957 of the Liberal Government after some 20 years in power. The new Conservative Party, led by Prime Minister J. Diefenbaker, acted quickly to implement the long promised health insurance plan. In 1961, the Prime Minister appointed a Royal Commission on Health Services to propose the measures it believed would ensure adequate health care for all Canadians. The Commission did not report on its findings until three years later, in 1964. In the meantime, the Liberal Party, now under the leadership of L. Pearson, began to develop new policy directions as part of its renewal process and election policy platform in 1962. The liberal policy platform included a fulfilment of the health insurance promise of 1945 by introducing national Medicare.

⁶² Ibid., p. 36.

The second major political development at the time was the Liberal Party victory over the Conservatives—who had held power for 15 years—in provincial elections in Quebec in 1960. Under the Liberal leadership in Quebec, radical policy changes took place with social security and education policy at the top of the agenda.

The third major electoral developments came in April 1963, when the Liberals defeated the Conservative Government. However, the Liberals did not receive a majority in the House of Commons. This gave the NDP (successor to the CCF) a very strong voice in Parliament. Pearson announced “60 days of decisions” to launch a large number of the initiatives that had been outlined in the Liberal platform. Among these initiatives was the Canada Pension Plan (CPP). A lengthy debate regarding the proposed plan took place over several months involving Parliament and major interest groups, ranging from the insurance industry and the Chamber of Commerce, which did not support pension plans at all, to CLC and the emerging pensioners’ organizations, which advocated and lobbied for a generous pension plan.

However, the biggest discussion of all was the federal-provincial debate, most notably with regard to Quebec. In addition to the debate on the CPP, the federal Government was asked to meet the demands and concerns of the provinces. These included the reduction of income taxes to make room for higher provincial tax rates; re-evaluating the appropriateness of the role of the federal Government with regard to certain national programmes; and with regard to Quebec, the ability to opt out of all federal provincial shared programmes, with the provision that it would still receive unconditional and full federal compensation. The discussion of these issues culminated in confrontations between the federal Government and the Government of Quebec and were so tense that it raised some questions as to whether the confederation would survive the political crisis. However, the issues were resolved with certain limitations on the powers of the federal Government over social policy and fiscal matters. The resolution on the CPP was introduced in the House of Commons in June 1963. The Premier of Quebec responded by tabling the Quebec Pension Plan (QPP) in August of that year. The plan received a favourable response by other provinces and was to serve, with the CPP, as the basis for the compromise that led to the harmonized Canada and Quebec Pension Plans (CPP/QPP) in 1966.

The tensions had scarcely subsided when Pearson decided to introduce Medicare. This form of support was unequivocally recommended by a commission that met in 1964. The NDP, which held considerable power at the time, also supported it. However, Medicare seemed destined to be a federal-provincial measure because it also fell under provincial jurisdiction. It appeared to be an impossible proposition because it would require the support of Quebec, which had firmly stated that it would never sign a shared-cost agreement with the federal Government.

The solution to this complex situation was that the Government of Canada would introduce a plan that did not call for a federal-provincial agreement. It simply called for a statute of Parliament under which the Government of Canada would be

empowered to support any provincial medical care plan that conformed to four principles: (a) universality (of benefits); (b) comprehensiveness (of services covered); (c) portability (of benefits across Canada); and (d) public administration (of a medical insurance plan by a public agency). With regard to Quebec, it was revealed that the Government would acquiesce if an approach that would not require a federal-provincial agreement (as outlined above), was proposed. It is important to note that the Premier supported Medicare and under the suggested approach, Quebec was not required to sign a conditional grant agreement to become entitled to federal contributions.

The Prime Minister introduced the Medicare proposal during a federal-provincial conference in July 1965. It was one of his election promises for November of that year. However, the provinces, led by Ontario launched a campaign against Medicare. They questioned the timing of the plan. Moreover, given that inflation was an imminent possibility and that the federal Government had to absorb the costs of financing other social programmes introduced thus far, the economic circumstances were inauspicious in 1966. The plan was deferred until July 1968 when the 1945 blueprint finally became a reality.

The other major development during the 1960s was the Canada Assistance Plan (CAP). Enacted in 1966, the plan advocated that the federal Government provide 50 per cent of the costs of provincial income support plans for the needy, in addition to sharing the costs of a wide range of associated welfare services. This put an end to the means test, which was replaced by a needs test. In addition, the plan abolished old social categories, namely, the disabled, the blind and the needy mothers. It was replaced by a comprehensive social assistance plan in each of the provinces. This embraced both income support and social services for the needy. The design of the income support plans was to be left almost entirely to the provinces. It was the same case with respect to the quality of the welfare services. Furthermore, the plan did not include or require some version of a guaranteed annual income for needy people. In short, CAP was essentially a social assistance plan. It did not entail any financial incentives for the recipients to move from welfare to low-paid, temporary, or part-time employment. In a certain sense, CAP symbolized an end to the major reforms of the 1950s and 1960s.

Much of the change with regard to the social security system in Canada was accompanied by optimistic expectations about a growing economy. The economy was buoyed by the expansionary consumer demand related to the post-war baby boom, in addition to extensive immigration in the 1950s and 1960s. The growing economy would produce increased revenues, without the need for massive tax increases. Therefore, social programmes were affordable, both those launched by Ottawa and others launched by increasingly expansionary and aggressive provincial Governments. Indeed, the early years of the Trudeau administration promised more social reforms, under the label of “the just society”. His Government promised to renew efforts to

reduce regional disparities and to improve linguistic, cultural, environmental and individual rights.⁶³

3. 1970s and 1980s: troubled times

The decades of the 1970s and 1980s were troubled times not just for Canada but for the rest of the Western world. At that time, there was an increased redistribution of production and income from the traditionally industrialized West to the rest of the world. Several factors led to increased competition for resource producing countries like Canada. These were as follows: the oil crisis; the fact that newly industrialized countries could now compete with the industrialized West for world markets; and the discovery by third world countries of their rich natural resources and the comparative advantage of their low labour-cost economies. "It is now no longer a matter of foreign aid to the developing countries of the world; it would increasingly become a matter of foreign trade with them. This means decline in the rates of growth of production and income in the West".⁶⁴

During that period, Canada, like other countries in the West, had to endure lower rates of growth and higher levels of unemployment. Furthermore, the labour force in Canada expanded very rapidly, more so than in the rest of the West. The workforce was joined by the offspring of the post-war baby-boomers, an increasing number of women and immigrants. Unemployment rates grew drastically.

The Government of Canada was faced with the challenge of increasing the competitiveness of Canadian industries in world markets. Moreover, it had to avoid falling victim to the protectionist policies of its trading partners. Furthermore, the social security system was threatened as a result of unemployment induced by slower economic growth and the attendant shortcomings in the social security system. Concerns about poverty were reinforced by a number of reports published in the early 1960s by various Canadian organizations. These proposed detailed three-tier plans to cope with the problem of poverty and the working poor.

As declining economic growth and high inflation rates became apparent, politics, policy and the allocation of resources increasingly amounted to very little. Gains for one group, region, or class increasingly became a visible loss for another group, region or class. By the early 1980s, social policy programmes came under attack as beleaguered debt-ridden Governments sought to redeploy scarce tax dollars to shore up the industrial base of the economy or to reduce huge deficits.

⁶³ R. Bothwell, I. Drummond and J. English, *Canada Since 1945* (Toronto, University of Toronto Press, 1981), chapters 31 and 32; and G. Radwansky, *Trudeau* (Toronto, Macmillan, 1978).

⁶⁴ A.W. Johnson, "Social policy in Canada: the past as it conditions the present", *The Future of Social Welfare Systems in Canada and the United Kingdom*, S. B. Seward, ed. (Halifax, Nova Scotia, Institute for Research on Public Policy, 1987).

Despite this, the revived Liberal Government of Trudeau began the 1980s with a remarkably aggressive and interventionist agenda. Its content centred on the National Energy Programme. This in turn encouraged the pro-market counter-agenda enunciated and later largely put into place by the Mulroney Conservative Government.

4. *Social policy reforms in the 1970s*

Prime Minister Trudeau wanted to make public policy processes more rational. He was critical of what he perceived to be the disorganized nature of the previous Pearson Government. Following the return of his majority Government in 1974, Trudeau made efforts to enhance the legitimacy of the priority-setting process among Ministers and their officials. Moreover, he attempted to define the priorities of Government with the aim of guiding its activities and its allocation of resources. The priority-setting exercise of 1974 and 1975 involved a small group of officials from the Privy Council Office and the Office of the Prime Minister. Each Minister was interviewed and, a list of priorities was consequently produced. It identified five themes and sixteen priority policy areas. These were: a more just and tolerant Canadian society that encompassed social security and minority rights; greater balance in the distribution of people and the creation and distribution of wealth between and within regions; rational use of resources that would be sensitive to the natural and human environment; new international responsibilities; and the evolution of a federal State capable of effective national policy and sensitive, responsive and competent Government at all levels.⁶⁵

However, by autumn of 1975 the priority exercise had disintegrated. It was overshadowed by other looming political and economic crises. For the next couple of years, priorities lurched in different directions. These vacillating concerns guided the major policy reforms carried out by the Trudeau Government in the early 1980s. Moreover, during the Trudeau period as a whole, Canadian social and labour market policy was characterized by four major initiatives, all cast under the label of “the just society”.

The aim of two of the major policy reforms of the 1970s was to achieve a guaranteed income as a complementary instrument to employment creation. These reforms were, namely, the family Income Security Plan of 1972 and the Social Security Review of 1973 and 1976. The process of reform began with the publication, in June 1970, of the White Paper entitled *Unemployment Insurance in the 1970s*. This set the stage for the policies that were legislated by Parliament one year later. The essence of these policies can be stated as follows: UI would become universal; its coverage would cover 80 to 95 per cent of the population; and the UI benefit would increase from 40 per cent to 66 per cent. Additionally, the benefits of UI would be widened to include interruptions in employment due to childbirth or sickness.

⁶⁵ Adapted from G. B. Doern and R. W. Phidd, *Canadian Public Policy: Ideas, Structure, Process*, 2nd ed. (Scarborough, Ontario, Nelson Canada, 1992), pp. 143-144.

Furthermore, they would provide a transitional benefit for people turning 65 years old. UI was not only generous, it also provided for the first time, a short-term guaranteed income for intermittent and short-term workers.

The UI reforms were radically different from the system that was in place and, therefore, were not universally applauded. There were serious concerns about their viability and some critics even questioned the wisdom and judgment of the Government in this respect.

The political and economic situation of the 1970s offers some insights into the situation. With regard to politics, there was a change of Prime Ministers. Trudeau replaced Pearson, who retired in 1968. One of the major policies in his electoral programme was social justice. The Minister of National Health and Welfare was also keen to reform the social security system. However, the economic and employment prospects for Canada at the time seemed bleak. Sweeping technological changes were widely expected, and these were predicted to cause high levels of transitional or, even worse, extended unemployment. Social security measures were required to ensure that technological displacements were handled humanely.

The new UI plan was in trouble from its inception. Heavy criticism resulted in a series of amendments to the plan. However, the fundamental problem of mixing social insurance with income support measures was not solved. This, combined with resentment related to abuses of the system and perceived unfairness, led to a major inquiry into this issue in 1985.

The second major reform initiative of the 1970s was Guaranteed Income. The White Paper on income security was published in November 1970. It proposed a guaranteed annual income for families with children, instead of the Universal Family Allowance plan. Several factors motivated this move. These were: the fact that fresh concerns about social security had arisen in the 1960s; the higher level of unemployment; the rediscovery of poverty; and the recognition of the working poor. Another important reason for these initiatives was that universal family income supplementation was not a good policy instrument for increasing the flow of support to the poor. Its cost was too high. Instead, the White Paper proposed that family allowances be paid on the basis of family income.

However, these initiatives were also influenced by political factors: the Liberals had a majority Government; Prime Minister Trudeau favoured such initiatives; federal-provincial tensions seemed to have abated; and the polls suggested public support. The House of Commons, though, was ambivalent about the moves. While it was difficult to oppose the redistribution of income support in favour of the poor, there was strong opposition to the abandonment of universality. Therefore, an all-party agreement was not reached with regard to passing the bill before the House of Commons in July 1972. The unanimous consent required to end debate on the measure was not granted and the bill died.

The third major policy reforms were initiated when the Government of Canada launched a major federal-provincial review of the society security system in Canada. Trudeau had suffered a severe setback in the general election of 1972 when his Government was re-elected but without a clear majority. Once again, the NDP held the balance of power. Facing many priorities and challenges and considering his minority situation, Trudeau settled on a comprehensive review of the social security system in Canada. The possible driving forces argued to be behind his initiative were the fact that the NDP held the balance of power and the desire for a “just society”.

The review process was initiated by the appointment of a new Minister and deputy Minister of National Health and Welfare. They were instructed to launch a major review of the social security system in Canada. The review had to be federal-provincial in nature. Moreover, it had to pre-suppose the presence of universal income supplementation in the social security system and would not include a re-examination of UI. The Working Paper on Social Security in Canada (known as the Orange Paper) emerged on 18 April 1973.

The propositions in the Orange Paper were tantamount to a blueprint for the future. Five strategies and their goals were advanced as follows: (a) employment, aimed at “near universal income from employment”; (b) social insurance, with an emphasis on contributory social insurance; (c) income supplementation, through which income from employment or from social insurance would be supplemented to meet family needs using a mix of universal and income tested supplements; (d) an income support plan, which would meet the basic needs of people who could not work, could not find work or could not be expected to work; and (e) employment and social services, through which social services would be provided with the object of contributing to the optimum personal function and self-reliance of the beneficiaries.

Two propositions underlined these strategies: that a successful social security system depends on sound economic policy; and that a successful social security system depends on an effective system of income support and supplementation. A successful strategy would provide financial incentives for beneficiaries to return to work as soon as possible in addition to maintaining adequate social services.

The review was launched in 1973. It ended in 1976 without the introduction of an income supplementation plan for the working poor and without the replacement of social assistance plans with an income support plan along the lines of a guaranteed annual income. While it did not advocate a guaranteed annual income approach, it provided nonetheless, an early example of the intense political difficulties involved in attempting to radically alter social policy reform. Its demise came about due to provincial opposition and fiscal pressures. However, it is clear that it set the stage for future reforms undertaken by the provinces. It contributed to the Family Income Plan of Saskatchewan (1974); to the Work Income Supplement Programme of Quebec (1979); and to the child-related Income Support Programme of Manitoba (1980).

Moreover, the Lalonde Review contributed to the adoption, in the late 1970s, of the child tax credit (Canada's Tax Credit in 1978).

5. 1975 to 1985

The preoccupation with the Social Security Review ended long before the review process came to a conclusion. In 1976, the Parti Québécois was elected in Quebec, thus increasing the possibility that the French Province would seek independence from Canada. The Trudeau Government was concerned with this issue until 1980 when the Quebec referendum on sovereignty was held and the proposition defeated.

By 1976, the Government of Canada was also deeply preoccupied with economic problems. It launched a major drive to bring inflation under control through the introduction of price and wage control programmes. In 1978, it announced major reductions in Government expenditures. Another issue threatening the economy during this period was the major increase in oil prices and the subsequent shock to the global economy. With regard to federal-provincial relations, the effort of the Government of Canada to cope with the regional consequences of the increase in oil prices led to a renewal of federal-provincial frictions.

When the upward pressure on spending coincided with the economic downturn of the 1970s, the federal Government began to look for ways to limit its fiscal obligations to the provinces. The Established Programmes Financing (EPF) system was set up in 1977. Under this programme, the federal Government agreed to make an annual fiscal transfer comprising tax points—the estimated yield of part of the income tax—and cash transfers, whose level was based on 1976 levels of cost-sharing payments adjusted for increases in gross domestic product (GDP).⁶⁶ EPF was the first of a long series of federal actions to transfer fiscal and programme responsibility to the provinces, to limit federal fiscal responsibilities and to make transfers more redistributive. In 1990, Parliament amended the original law so that cost-sharing payments under CAP could not increase more than 5 per cent per year for those provinces that were not receiving equalization. As of 1992, only 28 per cent of social assistance outlays came from the federal Government, compared to 50 per cent in 1989/90. Furthermore, equalization payments moved from an open-ended to a capped programme.

However, the Act retained the health insurance legislation of the Medicare principles of universality, comprehensiveness, portability and public administration. The Federal Government passed legislation in April 1984 in part to adhere to these principles and partly in response to the growing practice in some provinces of the extra billing of patients by doctors under the Medicare plans. The new measures were

⁶⁶ L. Pal, "Financing Canadian social programs: the end of the line", *Social Policy in the Global Economy*, T. M. Hunsley, ed. (Kingston, Canada, Queens University, 1992).

designed to bring about a dollar-for-dollar reduction in federal payments to the provinces whenever patients were charged for Medicare services outside, or above and beyond, the universal Medicare plan.

There were other challenging and political developments that kept the Government preoccupied between 1975 and 1985. There was a change of Government in 1979-1980, albeit brief: from the Liberals to the Conservatives and back to the Liberals again.

6. 1980-1984: the years of transition

The liberal post-election speech in April 1980 promised constitutional renewal, economic reforms, an industrial strategy and major changes in social programmes, especially the federal-provincial arrangements for financing health and education. In terms of resource allocation, the liberal expenditure plans indicated that economic development and energy expenditures would be given top priority while social expenditures would be given low priority.

However, a major social policy event of the early 1980s was the entrenchment of the Canadian Charter of Rights and Freedom in the Constitution. It became a central part of the Canadian Constitution in 1982. It aims to protect basic freedoms and legal rights. Moreover, it aims to protect certain rights relating to equality, including equal protection and equal benefit of the law without discrimination based on race, national or ethnic origin, religion, sex, age or mental or physical disability.

The equality provisions have influenced the content of social policy with regard to areas such as maternity benefits and other eligibility provisions. Furthermore, as policy is developed, proposals are even more carefully assessed within the Government. This is to ensure that they do not violate the Charter and that they do not involve the Government in litigation.⁶⁷

With the advent of the Charter in 1982, the federal Government expanded its social responsibilities to all Canadians. In section 36(2), the Government of Canada committed itself to making equalization payments to the provinces to ensure that they have “sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation”.⁶⁸ The purpose of that section is to promote equal opportunities and to guarantee mobility rights.

⁶⁷ G. B. Doern and R. W. Phidd, *Canadian Public Policy: Ideas, Structure, Process*, 2nd ed. (Scarborough, Ontario, Nelson Canada, 1992), p. 27.

⁶⁸ P. Hogg, *Constitutional Law of Canada*, 3rd ed. (Toronto, University of Toronto Press, 1985), p. 152.

Some observers were concerned that the Charter would entail dangerous consequences because of the increasing role of the courts in social policy. There have been legitimate questions about whether unaccountable judges, who have not been elected, should be allowed to make decisions that could have a profound effect on the policy process.

However, by giving citizens direct access to the social policy process, the Charter has forced Governments to consider equality issues when passing legislation. Furthermore, by giving individual and groups explicit recognition, the Charter has legitimized their concerns. This in turn could help change perceptions about who can and should be able to participate in the social policy process.⁶⁹

Another important development that has had a significant impact on social policy was the recession of 1982. The recession was largely policy-induced and partly reflected the efforts by the administration of the United States of America to break the back of high inflation with a monetarist policy. Neo-conservatism or the “new right” agenda, comprises a mixture of monetarism, expenditure cutbacks, deregulation and privatization. It is centred on the theory and early practices of both the Conservatives of the era of Margaret Thatcher in the United Kingdom of Great Britain and Northern Ireland and the Republicans of the Ronald Reagan era in the United States. The “new right” agenda was firmly entrenched by 1983, when it was selectively borrowed and adapted in Canada, first by the Trudeau Liberals and then by the Mulroney Conservatives. The Canadian version of this agenda included the Free Trade Agreement (FTA) between Canada and the United States, expenditure constraints, deregulation and privatization and the downsizing of bureaucracy. All these measures had a great impact on the social security system.

1984 marks the beginning of a new era with major changes to the social security and economic systems in Canada. Trudeau retired in 1984. In that year, the Conservatives came to power led by Brian Mulroney.

7. 1984-1993: a new era, a new Government

The first Mulroney Government speech, the first two budget speeches and an important economic renewal statement in autumn 1984, all indicated a considerable adherence to early conservative priorities. The Conservatives stressed four main themes: economic renewal, national reconciliation, social justice and constructive internationalism. Ideological influence of the “new right” agenda was clearly depicted in the renewal statement, which advocated “removing Government obstacles to growth”, the encouragement of “private investment and competitiveness” and a long term deficit reduction strategy centred on expenditure cuts. The national reconciliation theme reflected the desire to practice a new form of consultation with the provinces.

⁶⁹ M. Hess, *An Overview of Canadian Social Policy* (Ottawa, Canadian Council on Social Development, 1993), p. 45.

The social justice theme included a promise to reform the UI programme with the aim of producing a more economic insurance instrument than a welfare policy instrument. Furthermore, it contained the concept of constructive internationalism, thereby denoting the desire of the Conservatives to build closer economic ties with the United States.⁷⁰

As part of the social security review or examination, the Government announced that it would adjust social programmes so that benefits would target the most needy, with the objective of freeing funds for other social priorities. The aim was to target three areas: (a) OAS pensions which would be de-indexed; (b) family allowances which would be de-indexed in a similar fashion to the OAS; and (c) child tax credit which would be substantially increased. The child tax credit bracket would also include a reduction in the income levels at which the child tax credit began to phase out and a planned reduction, from 1987, in tax exemptions for families with dependent children. Underlying these proposed reforms, however, was the elimination of universal programmes in favour of income-tested programmes. However, the protests against these proposed measures were so strong that the Government was forced to withdraw them in June 1985. The message was clear: a challenge to the most widely endorsed element with regard to the income security system in Canada was not going to be easily accepted.

Subsequently, the Government established a Commission of Inquiry in July 1985. Its aim was to examine the role and effectiveness of the UI programme. The Commission comprised representatives from management, labour and the general public. A former Minister of Social Affairs for Quebec, C. Forget, was appointed chairperson. However, CLC and NDP condemned and rejected the report of the Commission, which presented a critical analysis of the UI system and suggested sweeping recommendations. It was also rejected by other politicians who saw it as a political landmine. As a result, the Government quickly distanced itself from the report.

Meanwhile, negotiations were underway with the United States with regard to a free trade agreement. It was a critical and controversial issue at the time. There is little doubt that the heated social policy concerns that arose during the free trade debate during the period 1986-1988 were as much the product of criticism of the evolving set of the Mulroney Government social policy decisions as they were of criticism of FTA.

In this context, three elements of conservative policy deserve discussion: the universality debate, UI and training and adjustment policy related to free trade. However, all of these issues were overshadowed by the looming presence of the huge federal deficit. As mentioned above, the Conservatives were forced to backtrack with regard to their proposal to eliminate the principle of universality because of a public

⁷⁰ G. B. Doern and R. W. Phidd, *Canadian Public Policy: Ideas, Structure, Process*, 2nd ed. (Scarborough, Ontario, Nelson Canada, 1992), pp. 147-148.

outry. This earned them animosity from both the policy community and the business community. They argued that social programmes need not go to upper-income Canadians and that social spending should be cut back to solve the deficit problem.

However, in both phases of the tax reform initiatives of the Conservatives, the Mulroney Government greatly expanded the use of social tax credits. This led policy commentators to argue that these reforms pioneered the eventual full-scale adoption of a guaranteed annual income concept universally available to all Canadians in principle, but taxed back progressively.

In the area of unemployment insurance and training, the Conservatives seemed to be sympathetic (in theory but not in practice) to ideas presented by the Liberals. In 1988, they sought to shift UI towards a purer insurance system. They also sought to link unemployment insurance benefits to compulsory training programmes. This required increased resources. However, this has not materialized. In fact, Conservative spending on training was reduced in the mid-1980s. Failure to commit additional resources to training was attributed to the deficit and opposition among the Conservatives to social spending.

The Mulroney Government pursued a market-oriented approach to labour market issues in several areas. A modest 1985 programme ensured that limited funds would be allocated to reflect new Conservative principles. The programmes would be “decentralized in decision making, more privatized in delivery, and retrenched in program funding”.⁷¹ Similarly, the 1989 Labour Force Development Strategy stressed that training would be efficiency-oriented in that it would focus on skill shortages and upgrading, rather than on employment. However, as it did not involve new resources allocation, the level of human resource investment was inadequate.

There were enormous pressures on the Conservatives from the opposition (Liberals and NDP) to announce an adjustment support programme for those adversely affected by the FTA. Confusion with regard to this issue led to the establishment of the Advisory Council on Adjustment whose aim was to advise the Government on the feasibility of such a programme. The de Grandpre report was tabled after the 1988 election and basically rejected the notion of any specific FTA-related adjustment programmes. The report stressed that: “a fundamental obstacle in this regard is the problem of distinguishing between the effects of the FTA and those of the larger global economy”. Instead, the report focused on ways to “promote the swift reintegration into the workforce of all workers displaced by economic change of any kind”. It also stressed the need to link social policy and adjustment by referring to a “trampoline” instead of the conventional imagery of the social policy “safety net”.⁷²

⁷¹ See M. J. Prince and J. J. Rice, “The Canadian job strategy: supply side social policy”, *How Ottawa Spends 1989-1990*, K. Graham, ed. (Ottawa, Carleton University Press, 1989), p. 273.

⁷² Advisory Council on Adjustment, “Adjusting to win” (Ottawa, Supply and Services, 1989), p. xvii.

The social policy agenda of the Mulroney era was also influenced by issues such as regional policy, day care, gender policies, and the possible privatization of some social services. In early 1990, the Conservatives announced an elaborate environmental Green Plan. It was centred on the concept of sustainable development and backed by a \$3 billion fund. The initiative and the undoubted public pressures to increase social regulation had the potential of defining all economic and social policy in quite radical ways by the late 1990s. However, the Conservatives were defeated by the Liberals in the 1993 elections and the Plan never materialized. The new liberal Government launched the social policy review process in the mid- 1990s. This led to major social policy reforms.

8. *Social reforms in the 1990s*

The 1990s were a period of fundamental change with regard to social programmes in Canada. This can be attributed to a number of reasons, but can be explained in particular by fiscal restraint, the need to modernize the safety net programmes and proposals for restructuring the roles and responsibilities of Governments. Concerns about the efficacy and capacity of the social programmes to respond to new demands and challenges were behind these changes.

The anticipated reforms came in the 1990s. The unemployment insurance programme underwent sweeping changes in 1994 and 1996. These resulted in fewer people qualifying for less money. The 1994 changes increased the eligibility requirements by lengthening the number of weeks that a person was required to work. In 1996, the new Employment Insurance Program converted eligibility criteria from a weeks-worked to an hours-worked basis. This was partly so that part-time workers would be treated more fairly. Furthermore, the percentage of income that a person could collect was lowered. Changes to ensure the long-term viability of the CPP were also introduced in the latter half of the 1990s. Meanwhile, the diminution of federal cash transfers to provinces continued. For example, “by 1992, only 28 per cent of social assistance outlays came from the federal Government, compared to 50 per cent in 1989/90”.⁷³

The height of these reforms came in connection with the 1995 budget of the Government of J. Chrétien. It introduced the Canada Health and Social Transfer (CHST) to replace EPF and CAP. EPF and CAP previously provided funds to the provinces for post-secondary education, Medicare, hospital insurance and income support. While these two financing programmes had undergone a number of changes and effective reductions over time, their replacement with CHST, initiated on 1 April 1996, was a watershed in social policy. This change cut more than \$6 billion worth of cash transfers to provinces. In the case of CAP, the CHST enabled termination of the

⁷³ A. Berry, “Firm or plant size in the analysis of trade and development”, *Trade Policy, Industrialization and Development: New Perspectives*, G.Helleiner, ed. (Oxford, Clarendon Press, 1992), p. 5.

national standards of the programme. These had previously limited the way provinces could spend the funding.⁷⁴

The majority of provinces had dealt with indebtedness for a number of years prior to the 1995 budget. However, federal cuts in transfers to provinces exacerbated the impact of provincial budgetary cuts. Some observers viewed these cuts as a necessary adjustment to a welfare state and a Government that had over-extended itself. Furthermore, many analysts argued that the welfare state was not solely responsible for debt and deficit levels in Canada. Other factors that contributed to this were low productivity growth, economic restructuring, high levels of unemployment and high interest rates that increased the carrying costs associated with accumulated debt.

The process of social policy review and renewal began with the announcement by the Prime Minister of an agenda for jobs and growth. In 1994, the federal Government issued a discussion paper entitled *Improving Social Security in Canada*. It outlined the framework for change and offered a range of options with regard to redesigning federal programmes in the areas of working, learning, and security. These programmes included unemployment insurance, employment services and federal support for post-secondary education and social assistance. The paper also provided a framework for a consultative process. It announced that a parliamentary committee would hold public hearings and would generally be the focal point of the consultations.

The *Report to Premiers*, which was generated by the Federal-Provincial-Territorial Council on Social Policy Renewal, argued that “clarifying the respective roles and responsibilities of both orders of Government is crucial to effectively reforming Canada’s social safety net”. Additionally, it revealed an increasing interest in reconfiguring federal and provincial roles and responsibilities in a number of areas, including social policy.⁷⁵

However, the most significant aspect of both the Council report and the Federal Speech from the Throne in 1994, and arguably one of the three most important developments in social policy in Canada in the 1990s, was the acknowledgement that Governments must work together with regard to social policy reform and develop new ways to manage the increasing interdependence between and among orders of Government.⁷⁶

⁷⁴ R. Blake, P. Bryden and J. F. Strain, *The Welfare State in Canada: Past, Present and Future* (Concord, Ontario, Irwin Publishing, 1997), p. 106.

⁷⁵ Federal-Provincial-Territorial Council on Social Policy Renewal, *Report to Premiers* (Ottawa, Department of Intergovernmental Relations, 1996), p. 1. Available at: <http://socialunion.gc.ca/news/96nov27e.html>.

⁷⁶ K. O’Hara and S. Cox, “Securing the social union: next steps”, *Reflexion*, No. 2 (Ottawa, Canadian Policy Research Networks Inc., November 1997), p. 3.

Therefore the following conclusions can be noted:

(a) Social policy in Canada is the outcome of conflicting political objectives and is guided by the pervasive ideology that prevails during a particular cycle of social policy formulation. Regional interests, social forces and an influential labour movement all play a part with regard to social policy. Several positive ideas in this sphere have been abandoned as a result of a lack of consensus. However, certain concepts re-emerge and are adopted later in certain provinces. This has led many to argue that social policy in Canada lacks a coherent framework. This has also led many people to argue that federal Government should play a larger role with regard to social policy and to ensure national standards in the provision of social services and programmes;

(b) Parties/Governments have adopted an interventionist approach to social policy with the aim of engaging civil society in the policy process. This has been represented in a strong labour movement, business and other interest groups. In the 1990s, however, new strategies and approaches were adopted. These reflected the dominant neo-liberal ideology. Public consultation and citizen engagement, encompassing a wide range of societal interests, has become a popular way to encourage participation and has been deemed essential to ensure transparent and accountable decision-making processes;

(c) An important factor that enabled the vision of social justice and equality to become a reality during the 1960s and early 1970s was the influence of Keynesian values. These deemed State intervention to be essential to build post-war national economies on the one hand, and to influence levels of investment and domestic income and to regulate employment on the other. The latter, according to Keynes, represents a political compromise with the working class. It was necessary to moderate the business cycle, ensure the reconstruction of capitalism, and diminish a growing interest in socialism. Social values such as redistribution and social justice were integral to the doctrine of Keynes and the reluctant collectivists. The Labour movement and the Socialist Party played a prominent role, during that period, in instilling socialist values in the Canadian social security system.

III. SOCIAL POLICY IN CANADA: CHALLENGES AND RENEWAL

The evolution of social policy in Canada can be divided into several major phases. The pre-World War II period was basically characterized by efforts to assist those people who were weak and disadvantaged and who were not taken care of by the families and by private charity. The period after World War II to the mid-1960s saw the full flowering of the modern welfare state, including key universal programmes such as pensions, Medicare and family allowances. The 1970s saw an initial effort to define even more comprehensive social welfare and preventative health care measures. However, these efforts were quickly displaced by stagnation, oil crises and the resurgence of the political right. The 1980s were characterized by fiscal restraints and the need to respond to globalization. This period also saw the aforementioned rise of a rights-oriented set of political demands. Moreover, the 1980s was a time of both conspicuous wealth and conspicuous need, with the homeless sleeping in the streets and lining up at food banks.

Social policy entered a fifth phase in the 1990s. This was a period that saw fundamental changes with regard to the social programmes of Canada. These changes can be attributed to a number of reasons that include fiscal restraints and the need to modernize safety net programmes. Furthermore, social policy at this time was the result of proposals for restructuring the role and responsibilities of Governments.

A. THE SOCIAL POLICY REVIEW PROCESS

In 1994, the process for social policy review and renewal began with the announcement by the Prime Minister of an agenda for jobs and growth. Its components included improving social security, ensuring a healthy fiscal climate that would support economic and job growth, reviewing Government programmes and strengthening the performance of the Canadian economy with regard to investment, innovation and trade. It was to that end that the federal Government issued a discussion paper entitled *Improving Social Security in Canada* in 1994 (see chapter II, C, 8).

On 5 October 1994, the Minister of Human Resources Development Canada (HRDC) released a discussion paper on social security. The discussion paper outlined three objectives for a renewed set of social programmes. These were: to help Canadians to obtain and keep jobs; to support those most vulnerable, especially children and those living in poverty; and to ensure affordability. A number of guiding principles were also proposed. These included creating opportunities, investing in people, sharing mutual responsibility, preventing future problems, putting people first and ensuring greater fairness and affordability. The *Report to Premiers* was also

important with regard to the role of federal and provincial Governments and social policy.⁷⁷

Broadly, the major trends with regard to criticism of income security programmes over the past few years have come from the traditionalists, who advocate improving the old approach to income security programmes and those who advocate a more radical break with the past. Income security programmes are seen as part of the problem rather than part of the solution and are therefore to be reduced or even eliminated rather than expanded. However, the one thing that these two views shared was a belief that the system was not working.

B. GLOBALIZATION AND SOCIAL POLICIES

The setting for the debate on social policy reform in Canada paralleled that of other industrialized countries in many respects. Common features among countries included a recession in the early 1990s, an ageing population requiring higher transfer and health care expenditures, the rising needs and costs associated with the increasing prevalence of the single-parent family and public pressure to widen the coverage of various social services to new categories of recipients. These factors, which affected the demand for, and availability of, public funds, have contributed to the near-universal fiscal crises of industrialized countries. By the end of the 1980s, despite austerity measures, budget deficits remained high and Canada was one of the more extreme cases.

These factors seriously challenged the traditional social security structures. Other common contextual factors were rapid technological change, especially with regard to information and increasing globalization. The majority of industrialized countries were also involved in economic blocs, which implies regional economic integration. Other important factors, which played a part in influencing social security structures, were the signing of FTA in 1989 and the creation of the North American FTA (NAFTA) in 1993.

Several features are unique to the social policy crisis/challenge in Canada. A number of these relate to the country's small size in comparison to the United States, its main trading partner. While Canada is largely in tune with the United States, its social goals differ significantly from those of its neighbour. No other member of a major trading bloc is in such a delicate situation. Available data would appear to confirm that the widening income disparities that afflicted the United States and various other industrialized countries in the 1980s were significantly less marked in

⁷⁷ Federal-Provincial-Territorial Council on Social Policy Renewal, *Report to Premiers* (Ottawa, Department of Intergovernmental Relations, 1996), p. 1. Available at: <http://socialunion.gc.ca/news/96nov27e.html>.

Canada.⁷⁸ This difference is often interpreted as a result of different social policy systems.

Canada has always had a relatively open economy. Trade has been concentrated, with the United States share accounting for some 75 per cent of the total. Tariffs and quantitative restrictions on trade between the two countries have been on the low side. However, many of the structural changes in the Canadian economy over the past decade appear to have materialized primarily as a result of technological progress. This has destroyed middle-income, middle-skill jobs while creating high-skill, high-income jobs in smaller numbers. This can also be attributed to the massive entry of low-income (mainly Asian) countries into the world trading system to a degree that has destroyed the competitiveness of many industrial country industries in the more labour-intensive segment of the economy.⁷⁹ The labour force in both Canada and the United States has tended to strongly criticize FTA and NAFTA on the grounds that they reduce wages, union power and worker welfare. One econometric study concluded that FTA appeared to have played a role with regard to job loss.⁸⁰

In Canada, concerns about the pressures for convergence have focused on the relationship with the United States. American and Canadian economies have become steadily more integrated over the post-war period. Canadian financial markets and trade patterns are now tightly linked with the United States. However, Canada has traditionally had more ambitious redistributive goals than those of its neighbour. It is not surprisingly, therefore, that there are fears that the distinctive social programmes in Canada are incompatible with increasing economic integration with the United States.⁸¹

The broad challenge for social policy is simultaneously to meet both the social goals and associated economic goals and constraints. Meeting this challenge calls for a more effective and subtle decision-making process than has been previously evident in Canada.

⁷⁸ A. Berry and F. N. D. Stewart, "Market liberalisation and income distribution: the experience of the 1980s", *Global Development 50 years after Bretton-Woods*, A. Berry, R. Culpeper and F. N. D. Stewart, eds. (New York, Saint Martin's Press, 1996).

⁷⁹ A. Berry, "Firm or plant size in the analysis of trade and development", *Trade Policy, Industrialization and Development: New Perspectives*, G. Helleiner, ed. (Oxford, Clarendon Press, 1992).

⁸⁰ N. Gaston and D. Trefler, "The labour market consequences of the Canada-U.S. Free Trade Agreement", a paper presented at the Conference on El Impacto del Ajuste Estructural en los Mercados de Trabajo y en la Distribución del Ingreso en América Latina conference (San José, Costa Rica, September 1994), pp. 21-23.

⁸¹ K. Banting, "Economic integration and social policy: Canada and the United States", *Social Policy in the Global Economy*, T. M. Hunsley, ed. (Kingston, Canada, School of Policy Studies, Queen's University Press, 1992).

Economic changes generate social needs. People who are insecure about their economic future expect their Governments to defend their interests and to maintain and even strengthen the social standards that are essential to their perception of a good future. However, a globally integrating economy is reducing the policy scope of national Governments, as economic and trade regulations become increasingly international. Increasing pressures on the labour force to compete internationally for jobs and resistance to tax increases to pay for mounting Government deficits have led to speculation about the sustainability of the present social structure.

The economic and social consequences of globalization and the associated restructuring of the economies of the West in general, and of Canada in particular, have generated contradictory pressures on the welfare state. On one hand, economic change generates an atmosphere that demands greater flexibility in labour markets and the easing of expenditure pressures on Governments. On the other hand, economic dislocation has increased the number of people dependent on unemployment and social assistance benefits. Moreover, social support for the welfare state remains strong. While high levels of unemployed workers have weakened organized labour movements in many countries, new social movements and organizations, representing women, the elderly, disabled and other beneficiaries, have become more active.

Canada has launched a major review of its systems of social protection and has issued proposals for a major overhaul of unemployment insurance, education and training programmes. The thrust of the discussion paper prepared by the federal Government—noted above—is to withdraw resources from income transfers to the unemployed, especially repeat beneficiaries such as seasonal workers, and to enhance training and child benefit programmes with the aim of reducing associated payroll taxes and easing the large Government deficit.

C. THE SOCIAL SECURITY SYSTEM IN CANADA

1. *The income security system*

(a) *The retirement income system*

The retirement income system in Canada consists of two pension systems: a public system comprising a variety of programmes, and a private system based on occupational pensions sponsored by employers. The public pension system is composed of three distinct tiers. The first of these tiers is the OAS, a programme that pays a universal flat-rate pension to all those aged 65 and over. It is subject only to a qualification based on years of residence in Canada.

The second tier comprises the Guaranteed Income Supplement (GIS) and similar provincial supplements. It constitutes a guaranteed annual income for elderly Canadians. GIS provides a supplementary benefit for those pensioners who have little or no income other than that provided by OAS. Furthermore, six provincial

Governments have special programmes that essentially top up the combined OAS-GIS payment for the poorest pensioners.

The third tier plan comprises the CPP/QPP. The CPP is a federal-provincial plan established in 1966. It is a mandatory contributory social insurance programme. It provides premium payers with basic income protection against the loss of earnings as a result of retirement, disability or death. The plan operates throughout Canada with the exception of Quebec where the Régie des rentes du Québec manages the QPP programme. Reciprocity between CPP and QPP and comparable eligibility criteria, benefits and financing, ensure continuity of coverage for contributors who move between Quebec and other provinces. CPP/QPP retirement, disability and survivor benefits are all related to the level of insured earnings on which contributions are paid. Retirement income replacement is equal to 25 per cent of average career earnings up to the year's maximum pensionable earnings (YMPE). This approximates the average industrial wage. In 1991, CPP/QPP payments accounted for 15 to 18 per cent of the gross income of seniors aged 65 years and over.

In comparison to other countries in the West, this three-tiered approach is a money-saving system. Expenditures on public pensions as a proportion of GDP in Canada were 2.8 per cent in 1960, 3.8 per cent in 1976 and 4.6 per cent in 1981. These figures compare favourably to France, where the percentages were 5.9, 8.4 and 11.9 for the respective years; the United States, where the percentages were 4.2, 6.9 and 7.4; the United Kingdom of Great Britain and Northern Ireland, where they were, 4.1, 6.3, and 7.4; and Denmark where the percentages were 4.6, 7.8 and 9.2. However, the proportions of GDP for Canada were larger than proportions of the GDP spent by Japan. These were 1.6 per cent in 1960 and 2.9 per cent in 1976.⁸²

Part of the reason for this pattern is that the elderly in Canada represent a smaller proportion of the total population than elsewhere. Another reason is that benefits are lower. However, the Canadian system is unusual in that a flat-rate benefit and an income-tested supplement (the OAS-GIS tiers) play an important role within the system. As a result, low-income earners fare much better in Canada than they do in most other Western nations. Nevertheless, a substantial portion of middle-income Canadians, who are dependent primarily on public pensions, face a much sharper drop in their living standards when they retire than do their counterparts elsewhere in the West.⁸³

CPP/QPP also provides ancillary benefits, including a disability pension, a surviving spouse's pension, a disabled contributor's child benefits, orphan's benefits

⁸² K. Banting, "Institutional conservatism: federalism and pension reform", *Canadian Social Welfare Policy*, J. Ismael, ed., Institute of Public Administration of Canada (Kingston and Montreal, McGill-Queen's University Press, 1987), p. 51.

⁸³ Ibid.

and death benefits. These ancillary benefits take the form of flat rate plus earnings-related income paid to beneficiaries. CPP/QPP is funded equally by employee and employer payroll taxes. In 1995, each contributed 2.7 per cent of pensionable earnings minus the basic exemption of \$3,400, up to the annual maximum on pensionable earnings of \$34,900. Unlike the UI programme, the self-employed are required to participate in the CPP/QPP programme. However, their tax rates differ from those for wage and salary earners. In 1994, the self-employed paid a combined employer-employee tax rate of 5.9 per cent, up to a maximum annual CPP/QPP tax contribution of \$1,701 per person.⁸⁴

The private pension sector has grown rapidly since World War II in Canada and by 1982 over 15,000 occupational pensions were in operation, covering approximately 4.5 million workers. Despite this record growth, private coverage remains partial: some 44 per cent of paid workers enjoy the protection of a private pension. Personal savings supplement the private retirement income system and are subsidized through the device of registered retirement savings plans, a tax-deferral technique.

As in other countries, demographic trends pose the greatest problem for the public sector with regard to the retirement income system. OAS and GIS are financed exclusively from general tax revenues. They are, in effect, purely pay-go programmes. These can be defined as programmes that are funded by income tax payers and which have a cost that increases steadily. CPP and QPP are partially funded; contributions and the interest earned by the accumulated reserves have always exceeded benefits paid out. In mid-1984, the flow of benefits began to exceed revenues. There were concerns that were this pattern to persist, the two funds would be exhausted by the early years of the twenty-first century. Fortunately, this was not the case and no drastic changes to the pension programmes were deemed necessary.

Retirement pension programmes were central to the social policy reforms process. In 1997, an agreement was reached between the federal and provincial Governments concerning the CPP, a newly proposed seniors' benefit plan (that came into effect in 2001) and changes to improve and better target and expand tax assistance for retirement savings. Several of the proposed reforms are reviewed below.

(i) *The seniors' benefit*

Viewed as the "most significant policy initiative on elderly benefits in the past 30 years", the seniors' benefit programme is scheduled to replace OAS, GIS, the Age Credit and the Pension Income Credit. It takes the form of a super GIS. It aims to do the following: (a) target seniors with average and low family income (the benefit will be income tested on a family basis, with each spouse receiving a separate and

⁸⁴ A. Nakamura and G. Wong, "Canada's social security programs and payroll taxes", *Labour Market Policies in Canada and Latin America: Challenges of the New Millennium*, A. Berry, ed. (Boston, Kluwer Academic Publishers, 2000), p. 117.

equal monthly cheque in eligible families); (b) fully index the benefit and the income threshold to the rate of inflation (prices); (c) be tax-free; and (d) increase the benefit rate for the lowest income seniors (for couples and singles) by an additional \$120 per annum over and above what they receive through the combined OAS and GIS.⁸⁵

(ii) *The Canada Pension Plan*

In February 1997, the federal and provincial Governments announced changes that are envisaged to restore the financial sustainability of the plan and to make it fairer and more affordable for future generations. The proposed measures were the result of the statutory review of the CPP undertaken by the federal and provincial Governments. These included nationwide consultations. During these consultations, Canadians were unequivocal in demanding that their Governments preserve the plan, strengthen its financing, improve its investment practices and limit benefit reductions.

Under the existing legislated schedule, CPP contribution rates—paid equally by employers and employees—were slated to rise to 10.1 per cent by 2016. Key features of the reformed CPP agreement include: accelerating contribution rate increases so that they will not exceed 10 per cent for future generations; improving the rate of return on the CPP fund by investing it prudently in a diversified portfolio of securities that could not be touched by Governments; and tightening the administration of benefits and changing the way some benefits are calculated to moderate rising costs. Some important features of the CPP, however, remain unchanged.

(iii) *Private retirement savings*

A number of changes were introduced to make assistance to private retirement savings fairer and more effective. Rules have been developed to accommodate flexible pension plans that provide employees with the option of making additional contributions to purchase supplementary pension benefits without reducing their annual Registered Retirement Savings Plan (RRSP) contribution limits. These improvements aim to provide fair and equal access to tax-assisted retirement savings opportunities for all Canadians regardless of their employment situation.

It is envisaged that the three pillars of reformed retirement income system in Canada will guarantee retirement support to all Canadians by affording them the opportunity to build adequate retirement incomes. The seniors' benefit and CPP/QPP provide low-income seniors with at least 70 per cent earnings replacement. For modest- and middle-income seniors, a combination of public pensions and tax-assisted private savings will make it possible to achieve the 70 per cent earnings replacement level. For higher-income seniors, tax-assisted private savings can supplement CPP/QPP benefits to attain the target income.

⁸⁵ J. Pulkingham and G. Ternowetsky, *A State of the Art Review of Income Security Reform in Canada; Working Series Paper No. 4* (Ottawa, International Development Research Centre (IDRC), 1998).

(iv) *Provincial and territorial benefits*

Provincial and territorial Governments offer a variety of benefits and programmes to assist seniors. These vary according to province or territory and can include income, transportation and housing assistance, health care programmes, tax assistance and, in some cases, social assistance. In the province of Alberta, for example, the Alberta Seniors' Benefit Programme assists lower-income seniors by providing a monthly cash benefit and determines eligibility for the Alberta Health Insurance Premium subsidies.

In Ontario, the Guaranteed Annual Income System (GAINS) insures a guaranteed minimum income for Ontario seniors by paying monthly payments to qualified seniors. Qualification for this programme depends on whether total income from GIS and OAS and other income sources are determined to be below the level guaranteed by the Province. Eligibility for these supplementary retirement programmes differs in each province.

(b) *Unemployment Insurance*

The issue of UI in Canada highlights the delicate challenge with regard to providing a sound level of protection against the welfare costs of unemployment and the associated contribution to overall income maintenance, while inducing as few negative side-effects as possible. As mentioned in the previous chapter, the system underwent or was subject to several reform attempts, and has also been undergoing a process of reform that aims to alleviate some of its major perceived weaknesses. The system in Canada is unique in that it occupies the middle ground between the lean system of the United States and the generous European plans in terms of income replacement rate, duration of benefits and conditions for benefit.

UI receives a great deal of attention from many areas. Concerns with regard to Government deficits and a reluctance to raise taxes to reduce the deficit have focused attention on Government expenditure reductions. Within this context, transfer programmes such as UI are an obvious target. Economic restructuring has raised questions about the viability of passive income maintenance programmes such as UI because they could encourage people to remain in declining industries and regions. Emphasis is increasingly being placed on active adjustment assistance programmes, namely, training and mobility. These could encourage the reallocation of workers from declining to expanding industries and regions. However, there is greater demand for policies to deal with the adjustment consequences of the associated restructuring.

UI schemes have a number of policy parameters that can be adjusted to achieve the desired objectives. These are as follows: (a) eligibility rules that determine coverage; (b) a qualifying period of a certain number of minimum weeks of previous insurable work necessary to qualify for UI; (c) a benefit rate or income replacement ratio that reflects the percentage of previous earnings to be replaced; and (d) a benefit

duration period, or the length of time a recipient can remain on UI. This system pertains to amendments made in the federal budget of 1994 and has been in effect since 1995.

The majority of the paid workforce is covered by UI. The major exceptions are those aged 65 and over, the self-employed, part-time employees who work less than 15 hours per week and those who earn less than 20 per cent of maximum weekly insurable earnings.⁸⁶ Overall, slightly more than 90 per cent of the Canadian labour force is covered by UI.

The qualifying period, or minimum number of weeks of previous insurable employment necessary to qualify for UI ranges between 12 to 20 weeks. The lower qualifying period of 12 weeks applies to those whose regional unemployment rate is 13 per cent or higher. The higher qualifying period of 20 weeks applies to those whose regional unemployment rate is 6 per cent or less.

The income replacement or benefit rate is 0.55; this means that 55 per cent of the claimant's previous earnings are replaced by UI. This is increased to 0.60 for those with low earnings and who have dependents. The low-earnings cut off, \$390 per week in 1994, is half of the maximum insurable earnings.

The benefit duration period depends upon two components: the number of weeks worked in the past year and the regional unemployment rate. With respect to the work component, there are two phases. For the first 40 weeks of insurable employment in the previous year, the recipient can collect up to 20 weeks of subsequent benefits, on the basis of one week of benefits for every two weeks of work. For the remaining 12 weeks work beyond the 40 weeks, the recipient is entitled to 12 weeks of benefits based on an additional week of benefit for every week of work. The maximum benefit period is 50 weeks (including regional extended benefit component).

Special benefits are also available for sick leave (up to 15 weeks) and for maternity leave (up to 15 weeks for women plus an additional 10 weeks of parental leave that can be shared between the mother and father). Up to 10 weeks of parental benefits are also available to adoptive parents and an additional five weeks are available for natural or adoptive parents in cases which require additional benefits on account of the health of the child. The extent to which these benefits are a substitute for firms providing such benefits is empirically unknown. As of January 2001, maternity and parental benefits doubled from six months to one full year. Furthermore, the leave available to adoptive parents tripled from 10 to 35 weeks.

⁸⁶ Human Resources Development Canada (HRDC) and Organization for Economic Cooperation and Development (OECD), 1994, cited in *Labour Market Policies in Canada and Latin America: Challenges of the New Millennium*, A. Berry, ed. (Boston, Kluwer Academic Publishers, 2000).

Recipients are allowed to earn up to 25 per cent of their UI benefits without forgoing UI. After that mark they forgo a dollar of UI for every dollar earned or there is a 100 per cent tax back. UI benefits are taxable as income.

Approximately 10 per cent of UI funds are devoted to developmental uses. These are designed to help claimants become re-employed. The use of funds is determined by the department responsible for administering UI, currently HRDC. The increased share of UI outlays going to these development uses represents an adjustment from passive UI to more active adjustment assistance. Moreover, it exemplifies a process of marginal adjustments to the system, short of total restructuring. The development uses take the form of training allowances, mobility assistance, self-employment support and work sharing. In the work sharing component, for example, all eligible employees in an establishment can receive UI for one day off per week if it can be demonstrated that this would avoid layoffs that would otherwise affect 20 per cent of the workforce of the establishment. In essence, reduced employment is shared among all employees in terms of reduced work time rather than layoffs.⁸⁷

UI in Canada is financed by payroll tax with premiums of approximately 3 per cent on employees and 4.3 per cent on employers (as of 1994). The payroll tax is subject to a ceiling but does not differ according to UI usage by industry, firms or individuals. Premiums are adjusted so that the system is self-financing. Government funding ceased as of amendments undertaken in 1990. The lack of Government funding, it is argued, no longer acts as an automatic stabilizer.⁸⁸

The current system has changed considerably from the more insurance-based structure established in the 1940s. In the early years, the UI programme was fairly limited. Less than half of the labour force was covered and a fairly extensive qualifying period of 30 weeks of previous insurable employment was required. The maximum duration of benefits for an individual with the minimum qualifications requirement was only six weeks and only one-fifth of an additional week of benefits was granted for every additional week of insurable employment. During the 1950s and 1960s, each of these design features was changed, usually in such a way as to expand coverage, reduce the qualifying period and increase benefit rates and the duration of benefits.

The most dramatic changes occurred in 1971, so that by 1972, the programme was more extensive and generous. A total of 88 per cent of the labour force was covered; the qualifying period was only eight weeks of previous employment; the benefit rate was increased to 0.67; the duration of benefits increased to between 28 and

⁸⁷ Adapted from A. Berry, *op. cit.*

⁸⁸ A. Nakamura, J. Cragg and K. Sayers, "The case for disentangling the insurance and income maintenance roles of unemployment insurance", *Canadian Business Economics* (1994), pp. 46-53.

42 weeks; and substantially more weeks of benefits were added for higher national and regional unemployment rates and for additional weeks of previous work.

Since the reforms of 1971, modifications have focused on reducing the generosity of the programme. The reforms of 1989 and 1994 generally increased the qualifying period, reduced benefit rate and reduced the maximum duration of benefits. The cost savings from these reforms have been distributed in a variety of ways that include: increased allocation of funds for training and job creation measures; reductions in the payroll taxes used to finance the programme; and reductions in the amount of Government funds that supplement the employer and employee contributions.⁸⁹

UI is currently the largest single income security programme in Canada. As of the early 1990s, it accounted for slightly more than 20 per cent of total income security expenditures. This figure does not include health care spending nor does it include tax expenditures. The liberalization of UI that occurred in 1971 pushed the share of UI as a component of income security expenditures up sharply from approximately 10 per cent in the mid-1960s to some 20 per cent in the 1970s. Since then, the importance of UI with regard to total income security expenditures has fluctuated considerably, reaching peaks during recession years of high unemployment such as 1982/83 and dropping in periods of recovery. However, no clear trend can be traced.

Total income security expenditures (including UI) have increased substantially as a percentage of gross national product (GNP) since the mid-1960s, from approximately 5 per cent of GNP in the mid-1960s to more than 13 per cent in the early 1990s. The ratio has risen in periods of recession and high unemployment and fallen in periods of cyclical expansion.

On an international basis, the UI programme in Canada between the 1960s and 1990s seems to occupy middle ground in terms of generosity with respect to one key programme parameter—the benefit rate or income replacement rate. At 0.55, this rate is below that of France, whose rate is 0.80, Spain, with 0.80, Belgium, 0.79, Denmark, 0.73, and Germany, with 0.63. However, it is slightly higher than that of the United States, where the rate is 0.50 and Japan, with 0.48, and much higher than those of Italy, 0.26, and the United Kingdom of Great Britain and Northern Ireland, 0.23.

In terms of percentage of GNP spent on UI, Canada ranks highest among the Group of Seven (G7) industrialized countries. In contrast, it ranks low in terms of active income support measures such as employment services, training, youth programmes, subsidized employment and measures for the disabled, despite the fact

⁸⁹ Adapted from A. Berry, “Unemployment insurance: lessons from Canada”, *Labour Market Policies in Canada and Latin America: Challenges of the New Millennium* (Boston, Kluwer Academic Publishers, 2000), p. 76

that substantial reallocations from passive to active labour adjustment programmes have occurred in Canada recently.⁹⁰

Despite the major reforms undertaken over the year and the increase in GNP percentage spent on income security between the 1960s and 1990s, Canada has shown a steady upward trend in unemployment rate over the past 50 years. In the immediate post-war period, 1946-1950, the national unemployment rate in Canada averaged 2.7 per cent. Since that time, the average unemployment rate has moved upwards in each successive decade. It was 4.2 per cent in the 1950s, 5 per cent in the 1960s, 6.7 per cent in the 1970s, 9.4 per cent in the 1980s and 9.8 per cent in the 1990s.⁹¹ Unless more resources and funds are allocated to active support measures, namely, vigorous training and employment programmes, the unemployment rate will increase. This scenario must take into account that the mid-1990s were years of expansion in Canada and that the country has witnessed slow economic growth since the turn of the century.

(c) *Programmes for persons with disabilities*

Two major federal programmes provide support to Canadians with disabilities. These are: the Disability Tax Credit and the Tax Deduction for Part-time Attendant Care. The purpose of these programmes is to reduce the federal and provincial taxes of taxpayers with a severe physical or mental disability that markedly restricts their daily activities. The purpose of Tax Deduction for Part-time Attendant Care is to reduce the cost of care provided by a part-time attendant who is an unrelated adult to a person with disabilities and who is in the paid labour force and has a severe and prolonged impairment.

However, the International Year of Disabled Persons in 1981 served as a catalyst with regard to launching close federal Government cooperation with the disability community in Canada and with the voluntary sector. Federal actions during the 1980s worked to increase the economic and social participation of Canadians with disabilities in the lives of their communities.

The inclusion of physical and mental disability under Section 15 of the Canadian Charter of Rights and Freedoms in 1982 marked the first time that any national Constitution in the world has referred specifically to persons with disabilities. This has become an internationally respected model on the basis that it has framed disability as a citizenship and human rights issue. It has led to a much greater understanding concerning the fact that equalizing participation adds to the strength and cohesiveness of our societies. Further measures to assist those with disabilities are outlined as follows:

⁹⁰ Ibid., pp. 77-81.

⁹¹ K. Battle and S. Torjman, *Employment Policy Option* (Ottawa, Caledon Institute of Social Policy, 1999), p. 109.

(a) The addition of physical and mental disability as a prohibited grounds for discrimination in the Canadian Human Rights Act in 1985;

(b) Establishment of the Parliamentary Committee on Human Rights and the Status of Disabled Persons in 1987. It is a permanent body that consults with people with disabilities and makes recommendations to Parliament;

(c) Employment equity programmes that encourage federally-regulated employers to break down barriers with regard to employment for Canadians with disabilities;

(d) Efforts to improve accessibility in federally-regulated transportation services, namely, airlines and railways;

(e) Financial support for homeowners, landlords and others to make buildings accessible to people with mobility disabilities;

(f) Creation of the Office for Disability Issues in HRDC. This serves as a focal point for federal disability action.

During the 1990s, the federal Government took action with regard to many of the priorities of Canadians with disabilities in areas such as employment, health, taxation and social development. The Government works with disability organizations, those with disabilities and the voluntary sector to help set and act on these agendas.

The Conference of Federal-Provincial-Territorial Ministers of Social Services initiated the Mainstream 1992 Review of the federal-provincial-territorial programmes for people with disabilities in consultation with the disability community.

In 1992, the Government of Canada tabled an omnibus bill to address issues such as access to the electoral system, access to information in alternative formats, acquiring citizenship and testifying in criminal court. Subsequently, a project was undertaken with the Social Sciences and Humanities Research Council to stimulate research in the area of disability.

(i) *The national strategy for the integration of persons with disabilities*

This initiative supported hundreds of projects that have improved access to housing, transportation, education and communications between 1991 and 1996. For example, the Department of Indian and Northern Affairs and Health Canada has worked with First Nations communities to improve access to health and other services by First Nations persons with disabilities.

(ii) *Improved integration at work and in transportation*

In recent years, federal departments and agencies have continued to act on priority issues such as employment and ensuring more accessible transportation services.

In the past, it was difficult for people receiving CPP Disability Benefits to return to the workforce without jeopardizing their support. This has changed. People can now receive benefits for three months after returning to work. They can volunteer or attend school without fear of losing benefits. Moreover, vocational rehabilitation is starting to help more people return to work.

Mobility remains a challenge for Canadians with disabilities. However, the Canadian Transportation Agency has worked with persons with disabilities and the transportation industry to improve access to air, rail and ferry transportation through new regulations and voluntary codes.

(iii) *The Task Force on Disability Issues*

In 1996, the federal Government realized that there was a need for an up-to-date agenda for action on disability issues. That led to the creation of the Task Force on Disability Issues. Four Members of Parliament and three observers from the disability community began work in May 1996. They consulted with Canadians across the country. Their goal was to identify workable federal priorities.

In October 1996, the Task Force released its report entitled *Equal Citizenship for Canadians with Disabilities: The Will to Act*. The Task Force recommendations aimed to make full participation in society and the economy more of a reality for those with disabilities. These recommendations have already resulted in some important changes and are a blueprint for further action.

In the 1997 and 1998 budgets, the federal Government utilized the findings of the Task Force and allocated the following:

- a. A total of \$70 million in tax measures to expand medical expense tax credit and to help cover the costs of adapted vehicles, moving to accessible housing, sign language interpreter fees and attendant care; and a refundable medical expenses supplement for an estimated 280,000 low-income Canadians;
- b. A total of \$30 million for the new Opportunities Fund to help between 4,000 and 6,000 Canadians with disabilities find and keep jobs through projects that help improve employment opportunities for people with disabilities;

- c. A total of \$12 million to support organizations of Canadians with disabilities including a new Community Inclusion Fund that supports projects to improve integration of persons with intellectual disabilities into their communities and an increase in tax support for education, housing and employment initiatives.

Many departments are following up on the Task Force recommendations. The federal, provincial and territorial Governments are developing details of the Employability Assistance for Persons with Disabilities initiative. The new initiative will emphasize improved employability. It will track and report on the outcomes of activity, namely, the numbers of persons with disabilities who find and keep work.

The Minister of Human Resources Development is working with the provinces and territories to develop a common vision with regard to disability issues for all Governments. This vision will set out a common approach on four themes: citizenship; income support; employability; and the costs of disability.

The Minister of Justice tabled amendments to the Canadian Human Rights Act, the Criminal Code and the Canada Evidence Act in October 1997. These aim to improve access to the justice system for Canadians with disabilities and to ensure that federally regulated employers accommodate employees with disabilities. Canadian businesses and disability organizations have developed world-leading devices and services to meet the needs of those with disabilities. Industry Canada helped these businesses to form the world's first national industry association devoted to assistive devices. It has also created a Ministers' Advisory Committee on Assistive Devices.

One of the most important tax documents for Canadians with disabilities is the Revenue Canada Disability Tax Credit Certificate (T2201). This form established the eligibility of individuals with regard to the numerous tax deductions and credits related to the costs of disability. Revenue Canada has worked closely with the disability community to revise the T2201.

Western Economic Diversification Canada's Entrepreneurs with Disabilities Program is improving access to business services and financial assistance for business people with disabilities in Western Canada and those considering self-employment.

In 1998, the federal Government replaced the tax credit programmes for Canadians with disabilities with a new framework. This aimed to provide a vision and a national policy framework to promote greater equality and inclusion of those with disabilities in all aspects of Canadian society. The In Unison framework, as it is known, focuses on goods and services in three key areas that are essential to enabling full citizenship for persons with disabilities. These are: (a) disability support and services, which promote active participation at home, at work and in the community. The programme is funded by federal-provincial-territorial levels of Government in Canada; (b) employment through programmes such as the CPP Disability Vocational

Rehabilitation. This aims to facilitate and enhance employability, entry or re-entry into the labour market and access to opportunities for education and training; and (c) income, which provides essential financial resources to promote the well-being and inclusion in daily life of persons with disabilities.

The proposed reforms present a shift from previous programmes, which focused on financial assistance through tax deductions and reducing the cost for caring for people with disabilities, to focusing on enabling people with disabilities to become active participants in the community and the labour force.

(d) *Child benefit programmes*

(i) *The Child Tax Benefit*

The Child Tax Benefit (CTB) was introduced in 1993 as an income-tested benefit to replace Family Allowances and refundable and non-refundable child tax credits. The Working Income Supplement (WIS) was also introduced in 1993 to provide greater income support and to improve work incentives for low-income working families. The WIS paid up to \$500 for each family with an earned income of at least \$3,750 per year and net income below \$25,921.

Changes to CTB/WIS occurred as a result of the introduction of the National Child Benefit (NCB) programme in 1998. This was done in two phases, first by enhancing and restructuring of CTB/WIS in 1997/98, and second by replacing them with the Canada Child Tax Benefit (CCTB) in 1998.

NCB is a joint federal-provincial-territorial initiative that was introduced in 1998, to help prevent and reduce child poverty. It increased federal benefits for families with net incomes below \$30,000. This was done through the CCTB programme and provincial and territorial reinvestments in services and benefits for children in low-income families.

(ii) *Early childhood development programmes*

The issue of early childhood development has been identified by Governments as a priority under the National Children's Agenda. With this in mind, the federal Government started to make a substantial investment in this field in 2001/02 and aims to continue to do so until 2006/07. Provincial and territorial Governments will use this increased funding to promote healthy pregnancy, birth and infancy; improve parenting and family supports; strengthen early childhood development, learning and care; and strengthen community supports. These new investments are designed to help Canadians have better access to services that include prenatal classes and screening, pre-school programmes and child care in addition to parent information and family support.

Furthermore, as mentioned above within the context of UI, maternity and parental benefits doubled from six months to one year and the leave available to adoptive parents tripled, from 10 weeks to 35 weeks. This gives parents the ability to spend an extra six months with their children during the initial period following a birth or adoption. Parents are eligible for these benefits if they have worked 600 hours of insurable employment.

Moreover, families with children received tax breaks averaging 21 per cent following the 2000 Budget. By 2004, annual funding for families under CCTB is expected to have increased by \$2.2 billion. Parents will then be able to claim annual benefits of approximately \$2,500 for the first child, up from the present maximum of \$1,805. CCTB is indexed to keep up with the cost of living.⁹²

2. The health care system

Canada has a predominantly publicly-financed, privately-delivered health care system that is best described as an interlocking set of ten provincial and three territorial health insurance plans. Known to Canadians as Medicare, the system provides access to universal, comprehensive coverage for medically necessary hospital, in-patient and out-patient physician services.⁹³

This structure results from the constitutional assignment of jurisdiction over most aspects of health care to the provincial order of Government. The system is referred to as a national health insurance system in that all provincial/territorial hospital and medical insurance plans are linked through adherence to national principles set at the federal level.

The management and delivery of health services is the responsibility of each individual province or territory. Provinces and territories plan, finance and evaluate the provision of hospital care, physician and allied health care services, in addition to various aspects of prescription care and public health.

The role of the federal Government with regard to health care involves the setting and administering of national principles or standards for the health care system, namely, the Canada Health Act. Moreover, it assisted in the financing of provincial health care services through fiscal transfers thereby fulfilling the functions for which it is constitutionally responsible. One of these functions is direct health service delivery to specific groups including veterans, native Canadians living on reserves, military

⁹² HRDC, "Early childhood development framework". Available at: http://www.hrdc-drhc.gc.ca/menu/youth_child.shtml. See also: <http://www.pm.gc.ca>.

⁹³ The section describes the health care system in Canada and relies on Government sources. It has been largely adapted from the Health Canada web site. Available at: <http://www.hc-sc.gc.ca/english/care/index.html>.

personnel, inmates of federal penitentiaries and the Royal Canadian Mounted Police. Other federal Government health-related functions include health protection, disease prevention and health promotion.

(a) *How the system works*

The health care system in Canada relies extensively on primary care physicians, namely, general practitioners. They account for some 51 per cent of all active physicians in Canada. For the majority of people, they are usually the initial contact with the formal health care system and control access to most specialists, many allied providers, hospital admissions, diagnostic testing and prescription drug therapy.

Canada does not have a system of socialized medicine whereby the Government employs doctors. The majority of doctors are private practitioners who work in independent or group practices and enjoy a high degree of autonomy. Some doctors work in community health centres, hospital-based group practices or work in affiliation with hospital out-patient departments. Private practitioners are generally paid on a fee-for-service basis and submit their service claims directly to the provincial health insurance plan for payment. Physicians in other practice settings can also be paid on a fee-for-service basis, but are more likely to be salaried or remunerated through an alternative payment scheme.

When Canadians need medical care, they usually go to the physician or clinic of their choice and present the health insurance card issued to all eligible residents of a province. Canadians do not pay directly for insured hospital and physicians' services, nor are they required to fill out forms for insured services. There are no deductibles, co-payments or dollar limits on coverage for insured services.

A number of allied health care personnel are also involved in primary health care to a certain extent. Dentists work independently of the health care system, except where in-hospital dental surgery is required. While nurses are generally employed in the hospital sector, they also provide community health care, including home care and public health services. Pharmacists dispense prescribed medicines and drug preparations and also act as an independent knowledge source by providing information on prescribed drugs, or by assisting in the purchase of non-prescription drugs.

Over 95 per cent of Canadian hospitals are operated as private non-profit entities run by community boards of trustees, voluntary organizations or municipalities. Hospitals have control of the day-to-day allocation of resources provided that they stay within the operating budgets established by the regional or provincial health authorities. Hospitals are primarily accountable to the communities they serve, not to the provincial bureaucracy. The for-profit hospital sector comprises mostly long-term care facilities or specialized services such as addiction centres.

Box 1. Principles of Medicare

The Canada Health Act stipulates the criteria that provincial health insurance plans must meet in order for a province to qualify for its full federal transfer payments. The following five criteria are known as the principles of the national health care system in Canada:

(a) *Public administration.* The health insurance plan of a province must be administered and operated on a non-profit basis by a public authority accountable to the provincial Government;

(b) *Comprehensiveness.* The plan must insure all medically necessary services provided by hospitals and physicians. Insured hospital services include in-patient care at the ward level (unless private or semi-private rooms are medically necessary) and all necessary drugs, supplies and diagnostic tests and a broad range of out-patient services. Chronic care services are also insured. However, some payment in respect of accommodation costs could be required by patients who more or less permanently reside in the institution;

(c) *Universality.* The plan must entitle 100 per cent of the insured population, namely, eligible residents, to insured health services on uniform terms and conditions;

(d) *Accessibility.* The plan must provide, on uniform terms and conditions, reasonable access to insured hospital and physician services without barriers. Additional charges to insured patients for insured services are not allowed. No one should be discriminated against on the basis of income, age or health status;

(e) *Portability.* Residents are entitled to coverage when they move to another province within Canada or when they travel within Canada or abroad. All provinces have some limits on coverage for services provided outside Canada and could require prior approval for non-emergency out-of-province services.

Source: Health Canada, available at <http://www.hc-sc.gc.ca/english/care/index.html>.

In addition to insured hospital and physician services, provinces and territories also provide public coverage for other health services that remain outside the national health insurance framework for certain groups of the population, namely, seniors, children and welfare recipients. These supplementary health benefits often include prescription drugs, dental care, vision care, assisting equipment and appliances such as prostheses and wheelchairs, in addition to independent services of allied health professionals such as chiropractors and chiropractors.

While the provinces and territories do provide some additional benefits, supplementary health services are largely privately-financed and Canadians must pay privately for these non-insured health benefits. The out-of-pocket expenses of an individual can be dependent on income or ability to pay. Individuals and families can

acquire private insurance, or benefit from an employment-based group insurance plan, to offset some portion of the expenses of supplementary health services. Under most provincial laws, private insurers are restricted from offering coverage that duplicates that of the Governmental programmes. However, they can compete in the supplementary benefits market.

(b) *The evolution of universal health insurance*

The health insurance system in Canada has evolved into its present form over five decades.

Prior to the late 1940s, private medicine dominated health care in Canada, resulting in access to care being based on ability to pay. The trend towards universal, publicly-financed health insurance began in 1947 when the province of Saskatchewan introduced a public insurance plan for hospital services. In 1956, the federal Government sought to encourage the development of hospital insurance programmes in all provinces. Therefore, they offered to cost-share hospital and diagnostic services on a roughly 50-50 basis. By 1961, all 10 provinces and 2 territories had signed agreements establishing public insurance plans that provided universal coverage for at least in-patient hospital care that qualified for federal cost-sharing.

Public medical care insurance began in the province of Saskatchewan. It provided coverage for visits to, and services provided by, physicians outside hospitals. The federal Government enacted medical care legislation in 1968 to cost-share, again on roughly a 50-50 basis, the costs of provincial medical care services. By 1972, all of the provincial and territorial plans had been extended to include physicians' services. Thus, by that year, the objective to have a national health insurance plan for hospital and medical care in Canada had been realized.

For the first 20 years, the financial contribution of the federal Government in support of Medicare was determined as a percentage—approximately a half—of provincial expenditures on specified insured health services. In 1977, these cost-sharing arrangements were replaced by per capita transfers to the provinces and territories. This was known as block funding. For the period 1977-1996, the federal contribution was based on a uniform per capita entitlement and took the form of a tax transfer (taxing power)⁹⁴ and cash payments. With the arrival of block funding arrangements in 1977, the entitlement of the provinces to the federal contribution became conditional solely on their compliance with the criteria set out in the federal hospital and medical care legislation. Given that transfers were no longer tied to provincial spending on hospital and physician services, the provinces had the

⁹⁴ Tax transfer refers to the transfer of a given number of income and corporate tax points from the federal Government to the provinces; in other words, the federal Government agrees to lower its personal and corporate income tax so that the provinces can raise their own taxes by the same percentage points as the corresponding federal tax reduction.

flexibility to invest in other approaches to health care delivery, namely, extended health care services and community health centres, or to expand coverage for supplementary health benefits, such as prescription drugs for seniors or dental care for children.

In 1979, a health services review undertaken by the Hall Commission reported that health care in Canada ranked among the best in the world, but it warned that extra-billing by doctors—requiring patients to supplement what a doctor was paid by the provincial plan—and user fees levied by hospitals were creating a two-tiered system that threatened accessibility to care.

In response to these concerns, the federal Government reaffirmed its commitment to a universal, accessible, comprehensive, portable, publicly-administered health insurance system when it passed the Canada Health Act in 1984. To discourage provincial user charges and extra-billing, the Act provides for a mandatory dollar-for-dollar penalty, deducted from federal transfer payments, if any province permits user charges or extra-billing for insured health services.

(c) *Funding*

Health care in Canada is financed primarily through taxation, in the form of provincial and federal personal and corporate income taxes. Some provinces use ancillary funding methods that are nominally targeted to health care, namely, sales taxes, payroll levies and lottery proceeds. These funds, however, are not earmarked specifically for health and are added to the central revenues of the province. They play a relatively minor role in financing health care.

Two provinces, namely, Alberta and British Columbia, utilize health care premiums. The premiums are not rated by risk in either province, and prior payment of a premium is not a pre-condition for treatment, in accordance with the Canada Health Act.

For the period 1977-1996, the federal contribution for insured health services was combined with that for post-secondary education and provided through a block funding transfer. The federal contribution was based on an equal per capita entitlement that was adjusted annually according to changes in GNP and calculated independently of provincial costs.

Beginning in the financial year 1996/97, the contribution of the federal Government to provincial health and social programmes was consolidated in a new single block transfer, the CHST. Federal funding was transferred to the provinces as a combination of cash contributions and tax points. As with the previous transfer arrangement, provincial health insurance plans must adhere to the principles of the Canada Health Act to be eligible for the full federal transfer payments.

To strengthen the health care system, the federal Government announced in the 1999 Budget that provinces and territories would receive an additional \$11.5 billion over the period from 1999-2000 to 2003-2004, specifically for health care under the CHST.

(d) *Health spending*

In 1998, total health expenditures in Canada were \$82.5 billion or \$2,694 per capita. Health expenditures accounted for 9.3 per cent of GDP in 1998, down from the 1992 peak level of 10.1 per cent of GDP. Health care spending accounts for approximately one-third of provincial programme expenditures.

In 1998, public sector funding represented some 68.7 per cent of total health expenditures. The remaining 31.3 per cent was financed privately through supplementary insurance, employer-sponsored benefits or directly out-of-pocket. The controls inherent in the single-payer approach to health care are recognized as a major contributor to Canada's recent cost containment success.

The single-payer attribute of public insurance has enabled the provinces and territories to better control the growth of health expenditures in the public sector than has been the case in the private sector. Provinces and territories have considerable power to manage health care spending. For example, the operating costs of a hospital are paid out of the annual budget it negotiates with the provincial Ministry of Health, or with a regional authority (given the devolution of many health planning and delivery functions to communities since the early 1990s). In most cases, proposals for the expansion of programmes, services and health facilities must be approved by community and provincial authorities. The acquisition and distribution of expensive high-tech equipment among the hospitals of a region is also subject to prior approval to avoid unnecessary duplication of services or their underutilization.

Compensation for physician services is also negotiated between the provinces and the provincial medical associations on the basis of fee and utilization increases, subject to various forms of individual physician or global ceilings. Salaries for the services of nurses are generally negotiated through collective bargaining between the unions and employers.

(e) *Benefits of Medicare*

(i) *Health status*

One of the most important indicators of the success of the system is the favourable health status of Canadians. The life expectancy for Canadians born in 1997 is 78.6 (81.4 years for women, and 75.8 years for men). This is among the highest in industrialized countries. The 1996 infant mortality rate of 5.6 per 1,000 live births is

one of the lowest in the world. These figures have contributed to the pole position of Canada on the United Nations Human Development Index.⁹⁵

(ii) *Economic benefits*

Medicare provides a variety of economic benefits. These arise from efficiency and cost-savings associated with public financing and the competitive advantages they provide to Canadian business. Public financing spreads the cost of providing health services equitably across society. In addition to the benefits derived from the single-payer attributes of the Canadian health system, financing health insurance through the taxation system is efficient because it does not require the creation of a separate collection process.

A 1999 study by KPMG, an international accounting and consulting firm, compared business costs in North America, Europe and Japan. It found that Canada had the lowest business costs. A significant advantage were lower labour costs, which were a result of lower Employee-Sponsored Benefits (ESB), especially medical insurance.⁹⁶

Canadian businesses support the health insurance programme not only because its efficiency has been proven but also because it provides competitive advantages to the business sector. These advantages include lower employee benefit costs and the promotion of a healthy and mobile workforce. While universal access to quality health care services helps ensure a healthy population and consequently, a healthy and productive labour force, the national character of the health insurance system in Canada enhances labour force mobility, which can be very important in responding to changing business requirements and opportunities.

Public health insurance coverage in Canada is based solely on residency. The portability principle of the Canada Health Act ensures that residents are covered when they move or while they are temporarily absent from their province. Workers, therefore, need not fear losing health insurance coverage for themselves and their families because they change jobs or move to another province in search of employment.

(f) *Renewing the health care system in Canada*

In the early 1980s, health care spending required larger portions of total provincial resources, to the point where they represented between 28 and 36 per cent

⁹⁵ The United Nations Human Development Index ranks countries according to the education of their citizens, access to health care and average income. Canada topped the index for six consecutive years during the period 1994-1999. UNDP, *Human Development Report* (New York, Oxford University Press, selected years).

⁹⁶ KPMG, *The Competitive Alternative: A Comparison of Business Costs in North America, Europe and Japan* (Ottawa, KPMG Canada and Prospectus Inc., 1999).

of provincial programme expenditures. Given that health care accounted for such a large proportion of provincial expenditures, most provinces targeted it in their drive for restraint and cost effectiveness. Provinces were able to undertake much of this cost-control by using the power of a single-payer structure.

There is a growing comprehension of a change in future population health needs and an understanding of the actual impact of health care on the general health status of the population. This is evident in the general policy shift away from discussions of the health care system to a focus on the health system. This recognizes that health is more than health care. The overall orientation of new provincial policy directions is the continuance of the shift away from an emphasis on health care towards a more comprehensive and integrated view of health.

The federal and provincial Governments have responded to the need to adapt the system to the realities of today in several ways, notably: by recognizing that, while health care is obviously an important contributor to health, its role must be placed in context as only one component of a much broader set of determinants of health; by shifting the emphasis of the health care system away from institutionally-based delivery models, namely, physicians and hospital-based care, to integrated community-based models that place increased emphasis on health promotion and prevention; and by developing strategies for the coordinated management of the health care workforce, including the remuneration, geographical distribution and appropriate use of various health providers.

Governments, health providers and the Canadian public agree that all efforts to preserve and enhance the health care system in Canada have to build upon the five fundamental principles of the Canada Health Act. Canadians regard health care as a basic right and they value their health system highly. They identify strongly with their health care system because it exemplifies many of the shared values of Canadian society, such as equity, fairness, compassion and respect for the fundamental dignity of all. Adherence to the principles of the Canada Health Act will remain an important characteristic of the health care system in Canada as it continues to evolve to respond to the needs of its citizens.

Canada has been successful in its efforts to contain national health expenditures. In the mid-1990s, health expenditures levelled off and declined even further than they already had. While cost containment within specific sectors remains a priority in order to provide for the reallocation of resources, the pragmatic concerns of containing overall costs have been largely addressed. Canada is now turning its attention towards longer-term considerations about the future of the national health care system. These longer-term considerations are determined to ensure that the health care system remains responsive to the present and future health needs of Canadians and, furthermore, that it can achieve sound health outcomes and health status for all people. There is general agreement that in order to make the health care system more responsive and accountable to the public, it is necessary to move towards an integrated, high quality health care system that can provide the necessary care in an

effective and affordable manner. Canadians expect to be informed on the performance of the health care system and to be involved in the transition of the system to address their needs in the twenty-first century and beyond.

In the 1999 Budget, the Government of Canada announced key steps to strengthen health care in Canada, improve the health of Canadians and enhance health research. Transfer payments to the provinces/territories for health services are set to increase by \$11.5 billion over the five-year period from 1999-2000 to 2003-2004. In addition to increased transfers, the 1999 Budget injected \$1.4 billion over three years into such key areas as research, information and technology, First Nations and Inuit health systems and programmes, and enhancements to health promotion and health protection programmes. This investment in the health of Canadians and their health care system represents the largest single new investment ever made by the Government.

It is anticipated that the Canadian health care system will continue its development through an evolutionary process that reflects the new vision of a health system. While health care, with its focus on hospital and medical care, continues to play a prominent and vital role, it is increasingly being recognized as one element of a larger health care system encompassing a broader range of services, providers and delivery sites. Support for, and adherence to, the national principles of the Canada Health Act across the country will ensure that the essential elements and character of the Canadian health care system remain as the foundation upon which the health system will evolve.

3. Social assistance programmes and services

Social programmes and services comprise all social areas that are not included under the bracket of the income security system. The programmes are under the jurisdiction of the provinces. Funding for these programmes was provided through the CAP cost-sharing programme. However, CAP came to an end in 1995 and was replaced by block funding through the CHST plan. Selected programmes are reviewed below.

Unlike UI, eligibility for these programmes is determined by a means test. Both eligibility requirements and the level of welfare benefits are determined provincially and benefits vary significantly between provinces. The programmes provide income and benefits to help meet the basic requirements of individual and families without other means of support and who do not have enough money to provide adequately for themselves.

These programmes have been challenged on the grounds that poverty has not been eradicated despite the extensive commitment of Canada to this large income security system.⁹⁷

⁹⁷ Ibid., p. 119.

Box 2. Canada: selected facts

(a) <i>Demographics</i>	Amount (million)	Year
Population	30.9	1999 ^{a/}
Percentage of population aged 0-24	33.2	1998 ^{a/}
Percentage of population aged 25-44	32.3	1998 ^{a/}
Percentage of population aged 45-64	22.2	1998 ^{a/}
Percentage of population aged 65+	12.3	1998 ^{a/}
 (b) <i>Health indicators</i>		
Life expectancy at birth (years)	78.6	1997 ^{a/}
Median age of women	36.1	1996 ^{a/}
Median age of men	34.5	1996 ^{a/}
Infant mortality rate per 1,000 live births	5.6	1996 ^{a/}
Potential years of life lost per 100,000 population	3 483	1996 ^{a/}
Major causes of death (percentage of total causes)		
Cancer	27.2	1997 ^{a/}
Heart disease	26.6	1997 ^{a/}
Cerebrovascular diseases (mainly stroke)	7.4	1997 ^{a/}
 (c) <i>Health care providers</i>		
Total number of physicians	55 243	1997 ^{b/}
Active physicians per 100,000 population	183	1997 ^{b/}
Number of general practitioners	28 108	1997 ^{b/}
Number of physicians who are general practitioners	50.9	1997 ^{b/}
Number of specialists	27 135	1997 ^{b/}
Number of physicians who are specialists	49.1	1997 ^{b/}
Specialists per 100,000 population	90	1997 ^{b/}
Registered nurses	229 813	1997 ^{b/}
Registered nurses per 100,000 population	763	1997 ^{b/}

Source: Health Canada, available at <http://www.hc-sc.gc.ca/english/care/index.html>.

^{a/} Statistics Canada.

^{b/} Canadian Institute for Health Information.

Furthermore, a wide range of social services are administered and funded by the provinces. These provide people with goods and services to meet basic human needs and encourage their well-being. They include the following:

(a) Information and referral services, which provide people with information on available social programmes and methods of obtaining social services;

(b) Crisis intervention centres, which provide immediate and short-term assistance to people in distress as a result of emergencies, namely, family violence;

(c) Services and aid societies for children, which help children who are potential victims of neglect and who require protection and residential services;

(d) Rehabilitation services, which provide work opportunities for people with disabilities and help them to participate in daily life;

(e) Transportation services, which help people with disabilities with regard to mobility;

(f) Social integration services, which help people participate in social and community activities;

(g) Day care, which provides assistance to adults living at home;

(h) Childcare, which provides care for all or part of the day to pre-school and school-aged children whose parents require assistance, primarily because they are employed outside the home;

(i) Employment services, which prepare people for employment, especially those experiencing unusual difficulty in finding or keeping a job;

(j) Health, recreation and cultural services, which enable people to improve their health and to pursue leisure and physical fitness activities;

(k) Legal aid, which helps people with regard to legal matters when they cannot afford to pay for lawyers;

(l) Social housing, which helps families and individuals who cannot obtain affordable, suitable and physically adequate shelter in the private market.⁹⁸

The social security system in Canada consists of programmes that provide financial assistance in the form of cash transfer programmes or income in kind, commonly known as social services. Cash transfer programmes are intended to support, supplement or stabilize income.

A minimum level of support is provided to Canadians who do not have regular earnings or other private income. Income supplements are intended to raise the income of those engaged in either intermittent or low-paying employment. Income

⁹⁸ This material has largely been adapted from M. Hess, *An Overview of Canadian Social Policy* (Ottawa, Canadian Council on Social Development, 1993), pp. 22-26.

stabilization is designed to protect people who are unemployed, sick, entitled to maternity leave, have children, have a disability, have had an accident or are retired.

Income-in-kind programmes provide people with goods and services that they cannot afford or which are not supplied through the market economy. Social services include childcare, shelters for the homeless, meals-on-wheels for the elderly, counselling for people with personal problems and family planning.

Social services are provided and funded by three different sectors: the public sector, the private for-profit or commercial sector, and the private non-profit sector. This subject is reviewed in the next chapter.

Social services are usually available free of charge. However, with regard to services such as childcare or housing, recipients can pay a full or partial fee, depending on their income. When users cannot afford to pay even a partial fee, Governments can pay the full amount.

The availability of social services varies both within and between provinces. Rural areas have fewer services than metropolitan areas, and poorer provinces cannot afford certain services.

While social programmes are widely available for Canadians in need, people rarely have an automatic right to assistance. Instead, they must apply and qualify for help. One of the major determinants of eligibility is the income of an applicant. Social programmes use one of four financial eligibility criteria to determine who qualifies for assistance: universality, social insurance, income testing or needs testing.

The amount of benefits available to programme recipients is crucial. Equally important is whether these benefits are protected against inflation or not. For example, federal programmes for the elderly are fully indexed to the cost of living and CTB is partially indexed. However, the majority of social assistance programmes are not indexed.

Decisions to change social policies and programmes are usually taken by federal and provincial Government officials. However, individuals, NGOs and civil society are demanding a voice in that process with the aim of ensuring that social programmes are fair, effective and available to every one who needs assistance.⁹⁹

4. *Labour market policies*

One of the main objectives of labour policy is to protect workers from a variety of threats to their economic welfare. One such objective is to protect workers against low wages, unemployment and job loss and to provide training.

⁹⁹ Ibid., pp. 28-29.

Training is one of the major issues for all major actors in the labour market in both developed and developing countries. It is an important labour policy instrument that is capable of dealing with unemployment and adjustment to new economic and market imperatives. Training is of particular relevance since it is subject to policy control. This policy control pertains to making decisions with regard to assessing the need for training, devising an adequate training programme and ensuring that resources are available for that purpose. In Canada, the continued importance of training is highlighted by the fact that it has been examined in a wide range of reports and task forces.

In this era of global economic integration and competition, the comparative advantages of high-wage countries such as Canada, no longer lies in natural resources and heavy industry but rather in the strategic use of highly priced human resources. This often translates into an increased emphasis on managerial, professional, technical and administrative positions in the knowledge-based, business-oriented services and in research and development. These changes suggest that training needs are being redirected towards the following: high value-added activities often associated with the information-oriented sectors; quality and customer satisfaction; and people skills as much as production skills. If the aim of developing countries is to move up the value-added chain, away from low-wage assembling and manufacturing that is common to developing economies, then training needs must shift upscale.

Labour markets in developed economies face severe adjustment consequences as a result of global competition, technological change, trade liberalization, industrial restructuring, privatization and general downsizing. These have led to massive layoffs, the closing of plants and an increased demand for flexible and contingent workforces. These changes have profound implications with regard to training. Training is vital if it is to deal with the downside adjustment consequences of these factors and also if it is to assist with the associated upside adjustment consequences—such as the creation of new jobs—that are the result of these processes. New jobs often require new skills and retraining. A failure to meet these requirements can create problems that result in a loss of customers and associated jobs for other workers.

Moreover, the changing nature of the workforce has important implications with regard to training. There has been a dramatic increase in the number of women participating in the labour market over the past several decades. The post-World War II baby boom population is now middle-aged and approaching early retirement. Furthermore, the workforce in Canada is becoming increasingly ethnically diverse. In addition, the Canadian economy has been subject to lengthy periods of high unemployment, especially associated with the recessions of the early 1980s and early 1990s. As noted above, Canada has an upward trend with regard to unemployment rates. This can be read as a sign of structural unemployment, reflecting a mismatch between job vacancies and the unemployed. In this case, training is an important instrument for matching the skills of the unemployed with the skills required to fill the job vacancies.

Wage polarization, however, has increased dramatically in Canada over the past decade. This reflects a variety of interrelated forces, namely, technological change that is biased towards skilled labour, de-industrialization away from middle-wages, blue collar manufacturing jobs and a move towards jobs at the polar ends of the wage spectrum: high-wage professional, technical, managerial and administrative jobs on one hand, and low-wage service jobs on the other hand.

Changes and restructuring are not exclusive to the private sector. Public sector restructuring in Canada has taken the form of wage freezes, hiring restrictions and an increased use of limited term contracts, subcontracting and privatization. These changes have similar implications for training in the public sector as they do in the private sector. The skills required for new tasks imply different training needs. Therefore, retraining will become more of an issue as this restructuring proceeds.

The constitutional division of power in Canada is such that the federal Government is responsible for the state of the economy and the provincial governments are responsible for education. Given that training relates to both the state of the economy and education, it falls under the jurisdiction of both the federal and provincial administrations. This joint responsibility has given rise to federal-provincial disputes over how training should be administered with each party often blaming the other for shortcomings.

The federal Government mainly provides employment assistance and skills development through employment benefits and support measures under the Employment Insurance Act. At present, the programmes are delivered by the following:

- (a) The provincial or territorial government in Alberta, Manitoba, New Brunswick, the Northwest Territories, Nunavut, Quebec, and Saskatchewan;
- (b) HRDC in British Columbia, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, and the Yukon.

Federal training programmes are regularly repackaged under various initiatives and legislative regimes. These include the Technical and Vocational Act of 1960, the Adult Occupational Training Act of 1967 and the Labour Force Development Strategy of 1990.

The present structure consists of five main programmes, each with a number of components. They are administered by HRDC, the Government department responsible for employment services, social services and labour issues. The five programmes are as follows:

(a) Employability improvement, which aims to improve the overall recruitment process and facilitate the successful integration into employment of selected individuals who require assistance to overcome labour market barriers;

(b) Labour market adjustment, which aims to induce employers, particularly in key adjustment situations, to meet changing skill needs;

(c) Community development, which aims to support the development of local employment opportunities and to assist communities that face severe labour market problems;

(d) Information and special initiatives, which aims to provide information with regard to the labour market and employment opportunities;

(e) Programme for older workers, which aims to provide long-term assistance until the age of 65 to older workers who have been permanently discharged, who have exhausted their UI benefits and who have little prospect of finding new employment.¹⁰⁰

These programmes are funded from general tax revenues. A growing portion of employment programmes are financed by UI funds. In most cases, these programmes allow for the receipt of UI benefits by groups who conventionally would not be covered by UI, namely, those engaged in work sharing or job creation programmes. These UI development funded programmes include the following:

(a) Unemployment insurance work sharing, which provides UI benefits to those people on approved programmes who agree to reduce hours to avoid lay-offs;

(b) Unemployment insurance job creation, which provides UI benefits to qualified claimants participating in limited term jobs on job-creation projects;

(c) Unemployment insurance training income replacement, which provides UI benefits, training costs and supplementary allowances for people in full-time training in other HRDC programmes;

(d) Self-employment assistance, which provides UI benefits and helps with costs related to projects with the aim of assisting claimants to set up their own business.¹⁰¹

¹⁰⁰ This material has largely been adapted from M. Gunderson and C. Riddell, "Unemployment insurance: lessons from Canada", *Labour Market Policies in Canada and Latin America: Challenges of the New Millennium*, Albert Berry, ed. (Boston, Kluwer Academic Publishers, 2000), pp. 243-263.

¹⁰¹ Ibid.

A total of 60 per cent of training and other employment programmes in Canada are financed by UI funds. Within this framework, conventional payment of UI has been reallocated to those who are unemployed but who are involved in a UI development funded scheme, namely, work sharing, job creation, training or self-employment. However, such schemes only cover 8 per cent of programme participants. Within this context, UI benefits that provide income support to people in training account for 31 per cent of total programme expenditures while the costs of training programmes account for an additional 20 per cent.

In terms of total public expenditures on labour market programmes as a percentage of GDP, Canada now occupies the middle ground compared to other nations in the Organization for Economic Cooperation and Development (OECD). It has tended to rank at the lower end with respect to its expenditures on active, as opposed to passive, income measures. This change could reflect the recent emphasis on re-allocation from passive income maintenance programmes, such as UI, to more active measures, particularly the use of UI funds for training.

The OECD categorizes Canada as weak with regard to combined employer and Government support for training in industry.¹⁰² Extensive reliance on immigration as a source of skilled labour could have deterred the development of an indigenous training system.¹⁰³ Furthermore, the training system in Canada is also characterized by the fact that there are few links to the education system. This can be partially attributed to the low status of vocational education.¹⁰⁴ Relative to other countries, Canada would appear to have missed opportunities for higher productivity and growth because of low investments in education and training.¹⁰⁵ More needs to be done in this respect.

The Government of Canada also offers programme support, through the CHST, for post-secondary education. This is primarily provided by a range of student assistance programmes. Eligible students can access the Canada Student Loans Programme, Canada Study Grants and Canada Millennium Scholarships (managed by the Millennium Scholarship Foundation) to attend any designated post-secondary institution in Canada. The Canada Education Savings Grant is an incentive to save for the future education costs of a child and is open to all Canadians. These are national programmes and are designed to support equitable access to post-secondary education.

¹⁰² Economic Council for Canada, 1991, op. cit.

¹⁰³ N. Meltz, "The evolution of worker training: the Canadian experience", *New Developments in Working Training*, L. Ferman and others, eds. (Madison, Industrial Relations Research Association, 1990).

¹⁰⁴ J. Gaskell, "Education as preparation for work in Canada", *Making their Way: Education, Training and the Labour Market in Canada and Britain*, D. Ashton and G. Lowe, eds. (Toronto, University of Toronto Press, 1991).

¹⁰⁵ Canadian Labour Market and Productivity Centre (CLMPC), *Report of the Business/Labour Task Force on Adjustment* (Ottawa, 1989); and CLMPC, *Report of the CLMPC Task Forces on the Labour Force Development Strategy* (Ottawa, 1995).

In addition, the Youth Employment Strategy offers other federal programmes. These include Youth Service Canada, Youth Internship Canada and Student Summer Job Action. These programmes are nationwide in scope and are free of residency-based mobility barriers.

5. *Social policy reforms: assessment and reviews*

The social policy review process, followed by the social union agreement framework and the introduction and implementation of major social policy reforms, did not by any means conclude the social policy review process in Canada. Moreover, policy and research communities, civil society organizations and NGO networks and coalitions play a significant role with regard to social policy-making, renewal and implementation. With this in mind, a number of research institutes and NGOs have conducted several studies and carried out research. Their aim was to assess the impact of these reforms and ascertain the level of their success with regard to decreasing poverty in Canada. A selection of these findings is reviewed at the end of this chapter.

The Canadian Policy Research Networks (CPRN) has released a series of discussion papers and organized several round-table discussions since 1995. The aim of these discussions is to define the social union that best embodies Canadian values and principles. CPRN discussion papers argue that the joint efforts of both orders of Government to secure a “social union” have been an untold success story. In many ways, the social union represents a fundamental change—a paradigm shift—in the evolution of social policy in Canada. The collaboration of federal, provincial and territorial officials to develop joint approaches to social policy reforms have led to defining a new social union that will address major social policy issues in a coordinated manner that cuts across Governments and policy sectors.¹⁰⁶

The social union framework can also be seen to integrate values and behaviour. It can be viewed as “an expression of Canadian shared values and sense of social solidarity”. The framework is an integrated approach to the “traditional social policy sections of health education, social services as well as specific programmes such as equalization”. It can also be viewed as the way that “Canadians realize constitutional commitments to principles of mobility and access to comparable services and principles embedded in the Canada Health Act and the CHST”. The framework serves as “the structure of intergovernmental arrangement for social policies and as the setting for constructing new relationships between citizens and governments—which include transparency, accountability and the engagement of citizens”.¹⁰⁷

However, other researchers and observers have viewed social reforms less favourably.

¹⁰⁶ K. O’Hara and S. Cox, “Securing the social union: next steps”, *Reflexion*, No. 2 (Ottawa, Canadian Policy Research Networks Inc., 1997).

¹⁰⁷ M. Biggs, *op. cit.*

The findings of an International Development and Research Council (IDRC) report, suggest that retrenchments since the 1990s have fundamentally altered the welfare state in Canada. There has been a clear flight from universality to selectivity, declining support for collective provisions, a move towards a decentralized welfare state and a fundamental erosion of safety net protections for the most vulnerable.¹⁰⁸

The principles of universality have been the most affected or eroded by these reforms. This is evident in changes that pertain to the health care system, child benefits, primary and secondary education, seniors retirement/income system and the elimination of CAP and the introduction of CHST. Researchers argue that all these reforms reflect the shift and impact of neo-liberalism on Canadian social and economic policies since the 1980s.

Furthermore, the introduction of CHST has had a significant impact on social safety net provisions. CHST has profoundly altered the centrist character of the welfare state in Canada. The powers of the federal Government to set national standards have been weakened by CHST. As an instrument of social policy, CHST constitutes the legislative framework for the devolution of most federal, safety net powers to the provinces. It is the backdrop for a decentralized welfare state, whereby the role of the federal Government—in terms of setting and enforcing national standards, services and priorities—is clearly curtailed.

The impact of “a declining state or centralized provisions” on NGOs is also documented in the report. The off-loading of income security responsibilities from federal and provincial administrations to other jurisdictions represents a shift from collective responsibility for individual well-being to a more individualized approach, where responsibility is viewed as an individual, family and community responsibility. Research by the Social Planning Council of Metropolitan Toronto indicates that, in addition to cuts in welfare rates, there are substantial cuts to non-profit community organizations. They provide “a picture of the disappearing social services sector”.¹⁰⁹

It has been argued that CHST operates against the best interests of many Canadians, particularly those who depend most on the social welfare system.¹¹⁰ Women fall within this category. Canadian women have had a unique relationship with the welfare state and will undoubtedly be negatively affected by the changes that CHST brings. The most problematic part of this new legislation is that jobs in which

¹⁰⁸ For a detailed discussion on the impact of the social policy reforms, see J. Pulkingham and G. Ternowetsky, *A State of the Art Review of Income Security Reform in Canada; Working Series Paper No. 4* (Ottawa, IDRC, 1998).

¹⁰⁹ Ibid.

¹¹⁰ T. Jennissen, “Implications for women: the Canada health and social transfer”, *The Welfare State in Canada: Past, Present and Future*, R. Blake, P. Bryden and J. F. Strain, eds. (Concord, Ontario, Irwin Publishing, 1997).

there is a high concentration of women are particularly vulnerable to costs. Furthermore, the services and social assistance benefits upon which many women depend are being reduced.

Moreover, CHST represents a serious contradiction between the formal commitment of the federal Government with regard to advancing the status of Canadian women and its substantive policies. This is particularly disconcerting given the commitment of the Government to perform gender-based analysis on federal Government policies to ensure that they do not differentially affect women.¹¹¹

However, a report entitled *Women and the Equality Deficit: The Impact of Restructuring Canada's Social Programmes* by Status of Women Canada (SWC) stressed that many Canadian women fear the social union or the concept of a "social Canada" and that they would prefer it to disappear. Women fear that this idea would result in a diminishing patchwork of social programmes, that there would be a lack of harmony with regard to social programmes in different provinces and territories, that programmes would be inconsistent with regard to goals, forms and adequacy and, finally, that they would be vulnerable to the vagaries of politics. Furthermore, it has been argued that the restructuring of CHST has a clear impact on women in that it has increased their social and economic vulnerability. Many women depended upon the social services that were provided under CAP, namely, childcare, costs to cover re-entry into the job market, access to legal aid, shelter and transition houses. All of these are essential for the equality of women.

Furthermore, cuts to care-giving services have eliminated paid jobs that are largely held by women. This has created a situation where unpaid care-giving has been forced onto women. This restricts the participation of women in paid work and makes them more economically dependent. In light of the strong connection between social services and the equality of women, one of the biggest concerns is that the most drastic changes in social programmes of the past 40 years have been presented as a purely budgetary matter, unrelated to the rights of women.¹¹²

¹¹¹ Ibid., p. 219.

¹¹² S. Day and G. Brodsky, "Women and the equality deficit: the impact of restructuring Canada's social programs" (Ottawa, Status of Women Canada (SWC) (1998). Available at: <http://www.swc-cfc.gc.ca/publish/research/edprg-e.html>.

IV. SOCIAL POLICY IMPLEMENTATION AND PROGRAMME DELIVERY

This chapter focuses on those agencies and institutions that are involved in implementing and delivering social policies and programmes. These include the following: federal, provincial and municipal departments responsible for specific social policy programmes, namely, education, health and social services; the private non-profit sector and semi-public sector, which includes hospitals and school boards; and NGOs and civil society organizations involved in implementing and delivering social programmes.

A. FEDERAL DEPARTMENTS

The federal department of HRDC administers and contributes to the financing of the majority of social programmes. This includes unemployment insurance, student loans, senior income programmes, transfers to the provinces with regard to sharing the cost of social assistance and post-secondary education and a wide range of employment and social development programmes. Programming is administered through a decentralized network of regional and local offices. Furthermore, HRDC administers programmes that provide benefits to seniors and a number of programmes related to equity and to labour legislation in areas of federal jurisdiction.

In partnership with provincial and territorial Governments, Health Canada provides national leadership. This aims to develop health policy, enforce health regulations, promote disease prevention and enhance healthy living for all Canadians. Health Canada ensures that health services are available and accessible to First Nations and Inuit communities. It also works closely with other federal departments, agencies and health stakeholders to reduce health and safety risks.

The federal Government, 10 provinces, and 3 territories of Canada have key roles to play with regard to the health care system of the country, known as Medicare. The role of the federal health department pertains to setting and administering national principles and standards, financing provincial health care and delivering direct health services through specific groups. The provincial and territorial Governments are responsible for managing and delivering health services, planning, financing and evaluating the provision of all healthcare services and managing public health.

SWC is the federal Government agency that promotes gender equality and the full participation of women in the economic, social, cultural and political life of the country. SWC focuses on improving the economic autonomy and well-being of women, eliminating systemic violence against women and children, and advancing the human rights of women.

SWC works to provide Canadians with a strengthened and more equitable public policy. It does this by conducting gender-based analyses and promoting their

dissemination throughout the federal Government. It supports research that brings the gender dimensions of policy issues into the public agenda. Furthermore, SWC plays a vital role with regard to supporting the work of women and other equality-seeking organizations. It promotes the equality of women in collaboration with organizations from the non-governmental, voluntary and private sectors.

HRDC and Health Canada also run schemes for women to ensure that gender equity and equality are factored in all social policies and programmes that affect women. Health Canada, for example, implements gender-based analysis. The aim of this is to develop policies and programmes that will secure the best possible health for women and men, girls and boys. The department promotes understanding of gender as a critical variable to health. It developed the Women's Health Strategy, which is implemented in 64 communities and which has the objective of ensuring that the policies and programmes of Health Canada are responsive to sex and gender differences and to the health needs of women. The Strategy aims to increase the knowledge and understanding of the health of women; support the provision of effective health services to women; and promote good health through preventive measures and the reduction of risk factors that are most likely to endanger the health of women.

B. PROVINCIAL/MUNICIPAL JURISDICTIONS

The provincial Governments collaborate with municipal Governments to deliver social programmes and services. In January 1997, the province of Ontario announced the largest realignment of provincial and municipal responsibilities in the history of the province. A major aspect of Local Services Realignment (LSR) is the devolution of many responsibilities related to social and community health services to the municipal level.

In addition, the delivery system for these services has been transformed. Formerly, the province directly administered social assistance through some 200 municipalities, childcare through over 180 delivery agents and social housing through 2000 providers. Once the devolution of social housing is complete, the province will have direct relationships with only 47 municipalities and social services boards for the management of these services throughout the province.

With regard to programmes involved in LSR transfers, the province retains authority over direction setting, policy, legislation and oversight. The degree of devolution with respect to management and service delivery functions varies according to the programme. The specific objectives of devolution include increased accountability to taxpayers, streamlined service delivery and improved services to people.

Municipalities are best positioned to determine the needs of their communities, set priorities and shape service systems that address these needs and priorities. By

designating municipalities as service managers, Ontario has created a platform that recognizes the benefits of local expertise and innovation in human services management and delivery.

LSR has resulted in a significant increase in the extent to which Consolidated Municipal Service Managers (CMSMs) focus on human services. CMSMs now have the authority to administer and deliver a broad array of human services within a geographic area that in the majority of cases includes more than one municipality. CMSMs are responsible for managing a much larger human services budget than before the implementation of LSR. Total (gross) municipal spending on human services in 1997 was \$4.2 billion. In 1999, it was \$6.6 billion.¹¹³

Framework of roles and responsibilities

Each sector has defined areas over which it has ultimate authority and responsibility. However, it is important to note that the division of roles and responsibilities between the provincial and municipal sectors is essentially a partnership. The municipal sector has been involved in planning and implementing devolution from the outset of the process through a variety of working groups and advisory groups. These groups have enabled one sector to influence another by providing advice and sharing information. Furthermore, the sectors work together to develop tools, deliver training and coordinate initiatives.

Given the close collaboration that is required to sustain such a partnership, it is important to clearly delineate the responsibilities of each partner. Within the context of devolution under LSR, four of the functions of Government are particularly important for the provincial-municipal relationship. These functions pertain to both provincial and municipal Governments and relate to devolved human services. However, their scope and focus are different. They are as follows:

(a) *Policy-making*

With regard to human services, the provincial Government approves high-level policies, namely, the type of service or assistance that will be provided, those eligible for services and broad delivery strategies. Municipalities determine local approaches to governance, service system management and service delivery, within the parameters set by provincial policies and legislation. For example, municipalities determine whether to deliver services directly or contract them out. Furthermore, they decide how the local organizational structure that manages human services programmes will be structured.

¹¹³ Government of Ontario, *Roles and Responsibilities – 2001: The Provincial-Municipal Relationship in Human Services* (Toronto, Queen's Printer for Ontario, June 2000), pp. 5-13. Available at: <http://www.gov.on.ca/CSS/page/services/schs.html>.

(b) *Law-making*

The provincial Government has the authority to enact laws in certain areas, as defined in the Constitution Act. Provincial Governments enact statutes and regulations. The Municipal Act confers responsibility for governance on municipal Governments with regard to many services. In addition, municipalities derive their powers from statutes administered by many other ministries, such as the Highway Traffic Act and the Health Protection and Promotion Act. Municipalities and District Social Services Administration Boards (DSSABs) pass by-laws. Transfer payment agencies are also governing bodies and are able to pass by-laws. Their powers and responsibilities are laid down in the Corporations Act. Approved standards can be included in statutes, regulations, or by-laws.

(c) *Funding*

Municipal and provincial Governments fund their own activities, executive activities, programmes and services primarily through direct taxation and collection of fees. They also have access to additional funding sources that include federal grants. Within the context of devolution, funding policies specify the cost-sharing arrangements among partners and determine how resources should be allocated. Revenue generation mechanisms and funding commitments can be included in legislation and/or addressed through formal agreements among partners.

(d) *Oversight*

The governing body is responsible for ensuring that overall Government directions and policy goals are achieved. Governing bodies expect to be informed as to whether or not policies and legislation have been implemented as intended within the budget and are achieving the expected results.

It is important to note that the Canadian Constitution divides sovereign authority between two levels of Government—federal and provincial. The Constitution enshrines the areas of federal and provincial jurisdiction in Part VI, Sections 91 and 92 of the Constitution respectively. These pertain to direct taxation, hospitals, asylums, charities, municipal institutions, law enforcement and education.

However, municipal activities are governed by the Municipal Act. The Municipal Act is not a comprehensive statute for municipal service delivery and regulatory authority. Some 90 other pieces of legislation, many of which are administered by other Ministries, also set out municipal powers. The current Municipal Act reform initiative is designed to modernize the provisions of the Act, provide greater flexibility for improvement and efficiency in local service delivery and

provide a new balance between local authority and accountability in local decision-making.¹¹⁴

C. THE SEMI-PUBLIC SECTOR

The above discussion has shown that federal Government supports social programmes that include education and health services through cash transfers and tax credits. However, school boards, university and college administrations, hospitals and other health care agencies in the provinces and municipalities determine how this money will be spent. These bodies are generally not directly controlled by the Government or Governments that supply all or most of their money. However, schools, teachers, hospitals and doctors have a clear relationship with social policy because they provide services that are indispensable to the State. A somewhat anomalous situation exists in which Governments can determine policy in these fields, but they cannot directly control the behaviour of the organizations that actually deliver health care and educational services.

The primary responsibility for administering health care rests with the provinces. Hospital administrations, provincial associations of doctors and other health-care professionals deal with provincial Ministries of Health. Provincial Governments determine the standards with regard to the actual delivery of health services, including fee schedules under provincial programmes, the number of hospitals, clinics and various types of treatment centres, the resources made available to these institutions and the licensing of health-care professionals. Moreover, negotiations with the unions representing nurses and hospital support staff are carried out at the provincial level.

The education system constitutes another major component of the semi-public system. The primary responsibility for policy and administration in this sphere (as with health care) rests with the provincial Governments. However, important decisions on such matters as staffing, contract negotiations and administration requirements at the post-secondary level are taken by organizations other than the Governments that finance the education system. At the elementary and secondary school levels—where provincial Governments finance some two-thirds of public expenditure—locally-elected school boards make these decisions. In the case of colleges and universities, those who administer these institutions are responsible to a board of trustees appointed by the province. The relationship of provincial Governments to school at all levels is, of course, far from being merely financial. Nevertheless, the relative independence of local school board officials is emphasized by the fact that they are elected in their own right rather than appointed by the province. Members of the governing bodies of colleges and universities are appointed by the provincial Government. However, their

¹¹⁴ Ibid.

institutions operate under special charters that assign them wide powers of self-government.

Private organizations that deliver services for Government comprise a third component of the semi-public sector. These are called quasi-autonomous NGOs, or quangos. They perform public policy functions either on a contractual basis or with the assistance of funds from the Government. Most quangos operate at the provincial level with regard to the delivery of social services. Examples include extended health care and family support of the chronically and terminally ill, homecare services as provided by such organizations as the Victorian Order of Nurses and the Red Cross, community day care, seniors' day centres, the John Howard Society, the Elizabeth Fry Society and legal aid societies. These are non-profit organizations that maintain an ongoing financial relationship with the Government.

The organizations that comprise the semi-public sector are instruments of public policy. However, they operate with a large margin of autonomy from the Government that provides all or most of their revenue. The recent trend towards privatization, including the contracting out of services to private organizations that were previously delivered by the State, suggests that the semi-public sector is likely to grow in importance.¹¹⁵

D. NON-GOVERNMENTAL ORGANIZATIONS

A large network of NGOs, voluntary associations, charities, churches and community groups deliver a wide range of social programmes and services. It was recently estimated that there were more than 175,000 of these organizations in Canada and that this sector employs 1.3 million Canadians, roughly 9 per cent of the labour force and pays more than \$40 billion annually in salaries and benefits. A total of 35 per cent of these jobs are in hospitals and 21 per cent in teaching institutions.¹¹⁶

In addition, 4 to 5 million Canadians do some kind of volunteer work every year. This amounts to more than 1 billion hours in volunteer time. A total of 60 per cent of the income of charities comes from Governments, while approximately 10 per cent comes from individuals and 1 per cent from corporations. The remainder is raised through user fees, product sales, investment income and other fundraising activities.¹¹⁷

¹¹⁵ S. Brooks, *Public Policy in Canada; An Introduction*, 2nd ed. (Toronto, McClelland and Stewart Inc., 1993), pp. 106-108.

¹¹⁶ Panel on Accountability and Governance in the Voluntary Sector Secretariat, "Helping Canadians help Canadians: improving governance and accountability in the voluntary sector" (Ottawa, May 1998).

¹¹⁷ *Ibid.*

Voluntary associations play a significant role in providing and delivering health care and related services in Canada. National voluntary organizations (NVOs) are key partners of the Government with regard to health work. Many of these organizations are umbrella organizations that have a national perspective. They have links to their provincial, territorial, regional and community counterparts.¹¹⁸

These organizations often have a financial relationship with Governments, the private sector and citizens, to whom they are accountable, but are primarily autonomous and independent. NVO includes a range of groups, namely, the Heart and Stroke Foundation, the United Way of Canada, local food banks and community organizations.

In addition to delivering services and social programmes, NVOs play an important role with regard to empowering local NGOs. They do this by soliciting their input on health policy issues so that they too can make their voices heard. Parliamentary public hearings constitute an important platform for these organizations and for local NGOs with regard to influencing health policies. NVOs train local NGOs in the matter of articulating demands and formulating submissions to parliamentary committees. In 1999, NVO organized a campaign to adopt a Member of Parliament (MP). The objective was to engage elected representatives with their local communities and establish policy dialogue on poverty and health issues. NVO developed an “Adopt an MP Kit”, which contained lists of MPs and their constituencies, Parliamentary committee meetings calendar, policies scheduled to be debated in Parliamentary sessions and other information to assist local communities in public participation efforts. The campaign was part of national efforts related to “Campaign 2000”, the aim of which was to alleviate poverty in Canada and around the world.

However, there has been a major change in Canada (as in other countries) with regard to the way in which NGOs and civil society organizations participate in and affect the social policy process. These changes are a result of budgetary pressures. These pressures have eroded the financial support that a large segment of NGOs receive from federal and provincial Governments. Moreover, the initiatives of the Government to reform, reinvent and revitalize the way in which it does business have led to considerable changes in service and programme delivery patterns. For some NGOs and community-based service providers, this has meant entering into partnerships with Government agencies with regard to the provision of social and other services.

Despite the negative impact that these cuts and changes have had on many NGOs and on the health and education sectors, important counter-trends suggest that NGOs still have an enhanced role to play. It can be argued that a “civic-realignment”

¹¹⁸ The Canadian Voluntary Health Sector, “An introduction”. Available at: <http://www.hc-sc.gc.ca/hppb/voluntarysector/index.html>.

has taken place in Canada and in many OECD countries over the past decade. This realignment entails strategies of disengagement, re-engagement and displacement.¹¹⁹

The process of civic realignment reveals a complex restructuring of the relations between the welfare state and civil society. This means that the close relation that some groups have traditionally had with Government will be severed, while processes of “re-engagement” appear underway where service programmes and other groups are being brought into the policy process. The locus of NGO-State interaction would appear to be shifting across domestic institutions and even from domestic institutions to international ones. Table 2 summarizes these patterns of civic realignment.¹²⁰

Civil society and NGOs remain important actors with regard to social policy. Moreover, they are significant providers of social services and programmes. This is a considerable shift in strategy and realignment. It is also despite the cuts that have affected the programmes and services delivered by NGOs, and indeed, the type of NGOs that have survived or withered as a result of these significant changes.

TABLE 2. PATTERNS OF CIVIC REALIGNMENT

	Traditional welfare state	Emerging State-society relations
Policy fields	Segmented	Integrated
Departments	Many, fragmented	Few, coordinated
NGO (types)	Mix of distinct types: advocacy, service, research; professional and volunteer	Pure advocacy in decline; overlapping characteristics
NGO (preferred mode of interaction with Government)	Key client organization	Broad consultations with many actors
NGO (favoured type)	Advocacy as representing constituency; professionalism favoured	Service and policy capacity
NGO focus	Balanced between federal and provincial	Increasingly divided between local and global; possible shift to courts

Source: L. Pal, “Civic-re-alignment: NGOs and the contemporary welfare state”, *The Welfare State in Canada: Past, Present and Future*, R. Blake, P. Bryden and J. F. Strain, eds. (Concord, Ontario, Irwin Publishing, 1997), p. 101.

¹¹⁹ L. Pal, “Civic-re-alignment: NGOs and the contemporary welfare state”, *The Welfare State in Canada: Past, Present and Future*, R. Blake, P. Bryden and J. F. Strain, eds. (Concord, Ontario, Irwin Publishing, 1997).

¹²⁰ *Ibid.*, pp. 88-104.

V. CONCLUSION

The present social security system in Canada was shaped by the initiatives of the 1960s and 1970s—the golden era of the welfare state. During that period, Canada introduced a number of separate initiatives that, when taken as a whole, established the Canadian version of the welfare state. The ground was laid for a huge expansion of post-secondary education (assisted by federal financing). Furthermore, the provinces embarked on a mission to double university capacity and to create a new system of colleges. The framework for adult training was also implemented at this time. The structure of the present social assistance system was fixed by the introduction of CAP. Extensive reforms were introduced in the area of health and income security for seniors. Moreover, active manpower policy was introduced in Canada at this time. This implied a stronger Government role in labour market adjustment, including counselling, training, support for mobility, and community economic development. The Canadian Royal Commission on the Status of Women highlighted equity in social security programming. Language and multicultural issues moved to centre stage.

In 1971, there was a major expansion of unemployment insurance. Since then, there has been some paring back in several areas and certain additions, namely, those related to developmental uses. However, the present UI system is still fundamentally based on the 1971 reform. In many ways, UI became, and remains, the defining Canadian social security programme for adults. It has achieved this status because it goes well beyond the usual scope of insurance and covers matters that include regional development, training and maternity leave. UI represents both the strengths and vulnerabilities of social security in Canada.

In key areas of social policy, namely, health and education, the role of the federalist system of the national Government of Canada has been to participate in the design of systems and to use federal-provincial transfers in such a way as to induce the provinces to create what is, in effect, a national system.

The result of these reforms has been the creation of a mature welfare state. It has provided Canada with the safety net that had been the goal of social policy since the Great Depression.

However, globalization and associated technological and economic restructuring have transformed the politics of the welfare state in the West and certainly in Canada. Domestic and international policy can no longer be separated, and the future of social protection can no longer be contemplated except in a global context. The pressures on the welfare state are intense. Nevertheless, the welfare state remains deeply embedded in the political economy of the Canadian State. Social programmes continue to absorb a substantial—indeed growing—portion of resources and public expenditures.

This is a challenging context for policy makers. At the broadest level, the challenge is to shift from a welfare state premised on national economy to one consistent with the dynamics of a global economy. Furthermore, this must be done in such a way as to preserve the historic commitment to social justice and social solidarity inherent in the post-war model. This broad challenge inevitably spawns an infinite number of subsidiary challenges, the most important of which are as follows: to find a balance between the social needs of the population and the fiscal pressures on the State; to devise educational and training systems that will equip citizens for a new economic order; and to ensure that social policies continue to reflect the diversity and needs of Canadian society.

It is therefore possible to draw certain lessons from the social policy model and the history of the Canadian welfare state. These are summarized below.

(a) *The principle of universality as a tool of social cohesion*

The original conception of the welfare state, which guided social activism during the middle decades of this century, was a vision of a set of universal social programmes aimed at fostering social cohesion, equality, social integration and the integration of social policy with demands for a just society. It can be argued that Canadian politics, revolves less around class division than regional and linguistic divisions, and that social integration in Canada has tended to mean building common bonds among various territorial units, language groups and regional cultures.¹²¹ Universal social programmes are important in the context of social cohesion. Furthermore, the expansion of the federal role in the social security system in the post-war era has turned the welfare state into a powerful instrument for redistributing wealth among the different regions of the country and for reinforcing social cohesion amongst Canadians.

The principles of universality have been most affected or eroded by social policy reforms. This is evident in the changes made to the health care system, benefits for children, primary and secondary education, the retirement/income system and the elimination of CAP and the introduction of CHST. Many Canadian researchers have argued that all these reforms reflect the shift and the impact of neo-liberalism with regard to Canadian social and economic policies since the 1980s.¹²² Furthermore, the introduction of CHST has had a significant impact on the social safety net provisions. This is because it altered the centrist character of the welfare state in Canada and weakened or eliminated federal powers in order to set national standards. As an

¹²¹ K. Banting, "Institutional conservatism: federalism and pension reform", *Canadian Social Welfare Policy: Federal and Provincial Dimensions*, J. Ismael, ed., Institute of Public Administration of Canada (Kingston and Montreal, McGill-Queen's University Press, 1985), chapter 4.

¹²² J. Pulkingham and G. Ternowetsky, *A State of the Art Review of Income Security Reform in Canada; Working Series Paper No. 4* (Ottawa, IDRC, 1998).

instrument of social policy, CHST constitutes the legislative framework for the devolution of most federal, safety net powers to the provinces. Hence, the shift to a decentralized welfare state has not only curtailed the role of the federal Government in terms of setting and enforcing national standards, services and priorities, it has also eroded those principles of universality that have served, through the history of the welfare state in Canada, as important and effective instruments of social cohesion.

(b) *Social policy and social rights*

A major social policy transformation in Canada has been the forging of a link between social security and human and citizenship rights. Therefore, the entrenchment of the Canadian Charter of Rights and Freedoms in the Canadian Constitution, has led to the replacement of the traditional welfare state of the 1960s with one that is rooted in social rights.

The equality provisions in the Charter expanded the social responsibilities of the Government. Section 36(2) committed the Government of Canada to make equalization payments to the provinces with the aim of ensuring that they would have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation. What this meant in practical terms was that it institutionalized integrative and equality approaches to social policy and allowed citizens direct access to the social policy process.

Some observers have noted that equality provisions have influenced the content of social policy. As policy is developed, proposals are more carefully assessed within the Government to ensure that they do not violate the Charter and that they will not involve the Government in litigation.¹²³ Hence, the Charter gives Canadians direct access to the social policy process, based on the social rights enshrined in it. Indeed, by giving individuals and groups explicit recognition, the Charter legitimizes their concerns. This, in turn, could help to transform perceptions concerning who can, and should be able, to participate in the social policy process. Anti-poverty activists in Canada are currently challenging five provinces for violating the Canadian Charter of Rights and Freedoms and for not guaranteeing the “security of the person”. They also allege that these provinces are not doing enough to protect the poor from homelessness and hunger. The case not only deals with discrimination but with the application of economic and social rights in Canada. Some people have argued that assisting Canadians who suffer from poverty with regard to meeting their basic needs is an important political and social responsibility, but it is not a constitutional obligation.¹²⁴ However, institutionalizing social and minority rights confers legitimacy on these concerns and forces courts in Canada to rule on whether welfare should be a constitutional right.

¹²³ G. B. Doern and R. W. Phidd, *Canadian Public Policy: Ideas, Structure, Process*, 2nd ed. (Scarborough, Ontario, Nelson Canada, 1992), p. 27.

¹²⁴ J. Tibbets, *The Ottawa Citizen*, 29 October 2001, section A, p. A10.

(c) *Social policy and restructuring*

Pressures on the social role of the State have not produced radical reductions in social programmes but they have generated a new trend of restructuring. The prevailing discourse in policy debates in Canada, as in other countries in the West, emphasizes the importance of adjustment to a changing economic order and ideology. It also favours a shift in emphasis from passive to active social programmes, particularly with regard to supporting the unemployed. Passive social programmes such as unemployment insurance and social assistance, which simply provide income support, are seen as less desirable than programmes that emphasize training and retraining, assistance with job searches, employment subsidies and geographic mobility. With the disappearance of millions of low-skilled jobs and the expansion of more high-skilled positions, the issue of retraining has taken on a symbolic importance in the politics of social policy far in excess of its capacity to improve the lot of the most vulnerable groups in the West.

Restructuring is also prevalent in the governance model that guides social reforms and which emphasizes accountability, transparency and participation. Restructuring of State-civil society relations is also evident in the fact that the central Government has moved away from corporatism, thereby bringing business and labour into the social and labour policy process. Furthermore, Government has started to engage NGOs and civil society institutions in policy dialogue, and this has led to the forging of partnerships to deliver social programmes, goods and services.

In addition to being shaped by international concerns and pressures, social policy is also shaped by domestic politics and cultures. Therefore, each country must respond to these demands according to the determinants of internal politics, economic and social structures, in addition to international and global challenges.

(d) *Restructuring and the feminization of poverty*

In Canada, and elsewhere in the world, many women are on the lowest rung of the social scale. The family and care responsibilities of women are inextricably tied to their opportunities for security. To remain above the poverty line, many families must have two incomes. This factor, combined with reduced Government funding for social services, has placed an even bigger burden on women. As the State retreats (both ideologically and in its direct financing/provisioning role), women are obliged to undertake more unpaid caring and rearing work. Furthermore, cuts to care-giving services have eliminated paid jobs for women, thereby forcing them to adopt an increased amount of unpaid care work. This restricts the participation of women in paid work and makes them more economically dependent.

A disproportionate number of poor people in Canada are women. Recent statistics show that 17.9 per cent of Canadians live in poverty.¹²⁵ In 1995, 57 per cent of all persons living in low-income situations in Canada were women. In absolute numbers, that amounts to 2.059 million women. The poverty rate for women at all ages and stages of life tends to be higher than it is for men.¹²⁶

Furthermore, more adult women than men receive social assistance. In addition to being poorer than men and more reliant on social assistance and other Government transfers, women are more vulnerable to becoming poor.¹²⁷ The income for women from all sources amounts to some 58 per cent of income for men. Furthermore, there is an equivalent gap in pension benefits, with women receiving only 58.8 per cent of the CPP/QPP pension benefits that men receive.¹²⁸

As of 1994, 40 per cent of women, compared to 27 per cent of men, held non-standard jobs, that is, they were self-employed, had multiple jobs, or jobs that were temporary or part-time.¹²⁹ Many of these jobs were minimum wage jobs. These jobs were unlikely to have union protection and unlikely to provide pensions or benefits.

The persistent poverty and economic inequality of women are caused by a number of interlocking factors: the unpaid role of women as carer and nurturer of children, men and old people;¹³⁰ the fact that in the paid labour force women perform the majority of the work in the caring occupations and that women's work is less well paid than it is for their male counterparts; the lack of affordable and safe child care;

¹²⁵ For a full discussion on the impact of the restructuring of social programmes on women in Canada, see S. Day and G. Brodsky, "Women and the equality deficit: the impact of restructuring Canada's social programs" (Ottawa, Status of Women Canada, 1998). Available at: <http://www.swc-cfc.gc.ca/publish/research/edprg-e.html>.

¹²⁶ National Council of Welfare, *Poverty Profile 1995* (Ottawa, Supply and Services Canada, 1997), pp. 34 and 84-85.

¹²⁷ Statistics Canada, *The Daily*, 9 October 1998; and Statistics Canada, *The Daily*, 25 August 1998. Ottawa, Canada.

¹²⁸ Industry Canada, *Women in Canada: A Statistical Report* (Ottawa, 1995), p. 84; and Canadian Advisory Council on the Status of Women, *Work in Progress: Tracking Women's Equality in Canada* (1994), pp. 43 and 44.

¹²⁹ M. Townson, "Non-standard work: the implications for pension policy and retirement readiness", an unpublished paper prepared for the Women's Bureau, HRDC, 1996, p. 11.

¹³⁰ J. L. MacBride-King, *Work and Family: Employment Challenge of the '90s* (Ottawa, Conference Board of Canada, 1990); Statistics Canada, *General Social Survey, Initial Data Release from the 1992 General Social Survey on Time Use* (Ottawa, Statistics Canada, March 1993), table 1; and Statistics Canada, *1990 General Social Survey, Cycle 7, Time Reports* (Ottawa, Statistics Canada), pp. 12 and 13.

the lack of adequate recognition and support for child care and parenting responsibilities that either constrains the participation of women in the labour force or doubles the burden they carry; the fact that women are more likely than men to have non-standard jobs with no job security, union protection, or benefits; the entrenched devaluation of the labour of women of colour, Aboriginal women and women with disabilities; and the economic penalties that women incur when they are unattached to men or have children alone. In general, women as a group are economically unequal because they bear and raise children and have been assigned the role of carer. Secondary status and income, and—for millions of women—poverty, go hand on hand with these roles.

The poverty and economic inequality of women are not only violations of the economic, social and cultural rights of women, they also restrict the enjoyment of women with regard to their civil and political rights. These factors severely reduce their likelihood of voting, standing for public office and influencing political decision-making. Additionally, they restrict the ability of women to exercise their legal rights and increase their likelihood of being jailed. These factors hamper the ability of women to leave violent domestic situations, and to protect themselves and their children from intimidation, abuse and physical harm. Poor women are also subject to different laws because welfare regulations and practices subject them to invasions of their privacy not experienced by others.

It has been reported that there has been virtually no improvement in the poverty rates of Canadian women since the Royal Commission on the Status of Women issued its Report some 30 years ago.¹³¹ In 2000, a total of 19 per cent of adult women in Canada were living below the poverty line, the highest rate in two decades.

Given these realities, it is clear that the equal rights of women will only be recognized when the gendered nature of poverty and economic inequality are acknowledged and addressed. Therefore, analysis must be undertaken from a gender perspective, with regard to policies and programmes, including those related to macroeconomic stability, structural adjustment, external debt problems, taxation, investments, employment, markets and all relevant sectors of the economy.

Furthermore, pursuing and implementing sound and stable macroeconomic and sectoral policies that are designed and monitored with the full and equal participation of women, encouraging broad-based sustained economic growth, addressing the structural causes of poverty and gearing them towards eradicating poverty, are imperative to bridging the gap of economic inequalities and forging new equity policy framework.

¹³¹ M. Townson, *A Report Card on Women and Poverty* (Ottawa, Canadian Centre for Policy Alternatives (CCPA), 2000). The CCPA web site is available at: www.policyalternatives.ca.

Finally, restructuring and targeting the allocation of public expenditure in such a way that it facilitates equal access to productive resources, in addition to addressing the basic social, educational and health needs of women, particularly those living in poverty, are just some of the concrete measures that will promote economic opportunities for women and that will help to alleviate poverty in this group. Furthermore, these measures will help to achieve the fulfilment of their social and human rights.¹³²

¹³² Canadian Feminist Alliance for International Action (FAFIA), *Toward Women's Equality: Canada's Failed Commitment, Major Inequality Issues*, see box entitled "Platform for action; Strategic objective A: Women and poverty; actions to be taken". Available at: http://www.fafia.org/Bplus5/altrepfl_e.htm#n5.

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