

# ***Social investment in times of growing inequality – education, activation, employment***

**Jane Jenson**

Département de science politique  
Université de Montréal  
[www.cccg.umontreal.ca](http://www.cccg.umontreal.ca)

Prepared for QIISP, 21 August 2012

*Where are we going? The changing social model in Canada*



## **Outline and issues**

- How has the social model changed, and particularly since the 1990s?
- Is it working?
- What are the limits and why worry?



## How has the social model changed?

### Social policy:

Long-period of change since the mid-1990s, with the recognition of two “facts,” key to the activation strategy

- ❖ Existing social programmes sometimes set up a “welfare wall” and THEN that “any job was not a good job.”

Stage 1 - Redesign to reform social assistance and, for some, to “make work pay”

- NCB took children off welfare and encouraged labour force participation
- Eligibility rules adjusted for single and young adults
- Provinces given greater leeway in policy direction after CHST and federal “step-back.”



## Education, including ECEC

- Tuition increases in tertiary education concentrated in mid to late-1990s

- On average, increases of 40%
- Now 7<sup>th</sup> highest of 21 OECD countries
- ↑ Individual responsibility

CONTRIBUTION OF TUITION TO REVENUE		
CAN	13,1	20,5
NL	12,6	13,9
PE	14,3	23,2
NS	15,4	29,9
NB	18,4	27,2
QC	9,4	9,6
ON	14,8	25,9
MB	14,3	19,2
SK	13,2	15,4
AB	13,4	19
BC	13,9	23,3

- Childcare agreements
  - First the saga and then ...
  - From fall 2005 to January 2006

- Quebec – partial – exceptionalism, plus some followers, such as Ontario and Manitoba



## But in the 2000s, poverty was rising

### The labour market was failing to provide sufficient income

- Conference Board of Canada: “Canada’s working-age poverty rate increased from 9.4 per cent in the mid-1990s to 12.2 per cent in the mid-2000s.”

### Even more worrisome was the rise of the working poor.

- As the OECD put it in 2009: “**While having a job reduces the risk of poverty, in-work poverty is also a large and growing problem in Canada.** Even before the current downturn [the 2008 crisis], almost 70% of Canada’s working-aged poor lived in households where at least one person was working. The rate of relative in-work poverty is 9%, slightly above the OECD average of 7%.”



## response

### *Provincial poverty reduction plans*

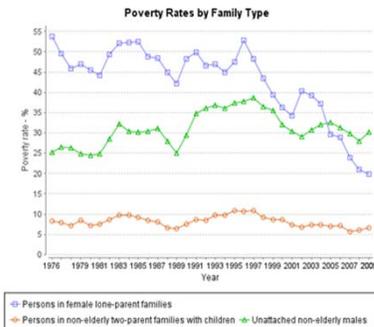
province	date	Link
Manitoba	2009	<a href="http://www.gov.mb.ca/fs/allaboard/">http://www.gov.mb.ca/fs/allaboard/</a>
New Brunswick	2010	<a href="http://www2.gnb.ca/content/gnb/en/departments/esic.html">http://www2.gnb.ca/content/gnb/en/departments/esic.html</a>
Newfoundland and Labrador	2006	<a href="http://www.hrle.gov.nl.ca/hrle/poverty/index.html">http://www.hrle.gov.nl.ca/hrle/poverty/index.html</a>
Nova Scotia	2009	<a href="http://www.gov.ns.ca/govt/povertystrategy/">http://www.gov.ns.ca/govt/povertystrategy/</a>
Ontario	2010	<a href="http://www.children.gov.on.ca/htdocs/English/breakingthecycle/index.aspx">http://www.children.gov.on.ca/htdocs/English/breakingthecycle/index.aspx</a>
Quebec	2004	<a href="http://www.mess.gouv.qc.ca/grands-dossiers/lutte-contre-la-pauvrete/plan_en.asp">http://www.mess.gouv.qc.ca/grands-dossiers/lutte-contre-la-pauvrete/plan_en.asp</a>

Social assistance rate increases PLUS working earned income supplements / credits – federal and some provincial, to compensate for market failure.



## Did all this work?

- NCB reports less poverty among children after more than a decade of CCTB & NCBS,
- but UNICEF reports that between 2000 and now, both before and after T & T rates are almost at the same level.
- The OECD 2012 (following Statistics Canada) reports “the share of Canadian living below the nation’s low-income cut-off has fallen sharply such that basic needs are being met for most.”



Employment rates up overall, but especially for women. Lone parents are now less than a point below national average.



## But inequality is on the rise

- OECD, *Growing Unequal* (2008)
- Conference Board of Canada,
  - Since the 1970s, only the 5<sup>th</sup> quintile has increased its share of national income; others have lost.
  - Effect of taxes and transfers on lowering the GINI has weakened.
  - Increase in income inequality > in Canada than USA
- OECD *Canada Report 2012*, “... after-tax, after-transfer income has become much more unequal.”
  - Now – 4<sup>th</sup> from bottom of 33 countries for redistribution effects
  - In mid-1990s – 10 were lower



## If inequality is higher ...

- Does this mean the social model has changed?
- Keith Banting (2006): main goal after 1945 was to ensure income security rather than redistribution.
- John Myles – “market solutions to welfare problems.”
- The market (and education) was supposed to provide social mobility, and therefore distribution. With T & T effects high in the 1980s.
- It is these mechanisms that are not working as much to produce equality.



## Education is more income dependent

- Numerous studies showing link between tertiary education and parental income (Finnie, et al).
- Policy reinforces this – for example, tax credits and tuition increases.
- OECD *Canada Report 2012* calls for reworking student aid to de-link it from “universalism” and to provide greater access to low-income students.



## ECEC still not adequate

The labour force participation rate of mothers with children under 6 had more than doubled since 1976.

2 of every 3 mothers with children under age 3 are employed.  
70% of those with children aged 3 to 5 are employed.

But ECEC costs high, limiting other possibilities (housing, leisure, employment, future income).

Globe & Mail 4 July 2012

**Today's modern parent: Daycare  
poor, with little to save**



## Despite early start, Canada has not committed to the SIP

**It did not “modernise” as others did towards full-  
scale Social Investment Perspective**

**What is the SIP?**

- **constant learning**  
as the basis for individual security
- **orientation to the future**  
notion of time and objective: to break the  
intergenerational cycle of poverty
- **investments in individuals enrich the common  
future**  
we all benefit from individuals succeeding



## The social model remains residualist more than “new”

### 1<sup>st</sup> – constant learning

We see the limits on learning in Canadian policy

- Limits to innovation of unused “training” possibilities
- Now a truism – but ignored – that an early start is the basis for future success.

### 2<sup>nd</sup> – orientation to the future

Despite activation and reoriented spending, social policy interventions are only holding the line.

- Working poor
- Child poverty



## Why worry?

3<sup>rd</sup> dimension – the most costly to ignore

- We are all at risk as the gradient of inequality steepens

“The gradient means that although societies need to be concerned with those in the lowest socioeconomic groups, the largest overall burden of adverse outcome is spread, albeit at lower prevalence, across the more populous middle class. ... International comparisons of school success show that societies with the flattest social gradients have smaller absolute differences in children’s basic competencies.”

Hertzman et al., 2010

- Social policy makers are not listening to health and other epi experts.



## Where are we going?

- Collective infrastructure such as schools, colleges, and universities as well as ECEC were / are meant to flatten the gradient (improve equality) in the future
- While supporting well-being in the present by allowing the educational system and labour market to do its work of distributing income, or not.
- Without the 1<sup>st</sup>, the second becomes much less effective, and social cohesion returns as an issue.

