CALEDON
INSTITUTE OF SOCIAL POLICY

Proceedings of Caledon's 20th Anniversary

Presentations by:

Alan Broadbent
Ken Battle/Andrew Jackson
Sherri Torjman/André Picard
Michael Mendelson/Richard Simeon
Michael Adams
Tom Barber

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1354 Wellington Street West, 3rd Floor
Ottawa, ON K1Y 3C3
CANADA
Tel./Fax: (613) 729-3340
E-mail: caledon@caledoninst.org
Website: *www.caledoninst.org*

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Welcome and Introduction: *Alan Broadbent*

ALAN BROADBENT *is Chairman and CEO of the Avana Capital Corporation, and founder and Chairman of the Maytree Foundation. Maytree focuses on poverty issues in Canada, with a special interest in refugees and immigrants. Maytree is the initiator of the Toronto Region Immigrant Employment Council (TRIEC) and ALLIES (Assisting Local Leaders with Immigrant Employment Strategies), which facilitate immigrant success in the labour market; and DiverseCity, which is reshaping leadership in society to better reflect the diverse citizens of Canada.*

Alan also co-founded and chairs The Caledon Institute of Social Policy (1992); Tamarack – An Institute for Community Engagement (2001); and Diaspora Dialogues (2005), which supports the creation and presentation of new writing that reflects the diversity of Canada. These and other related organizations create and support civic engagement projects to strengthen the public discourse on civil society, including: the Jane Jacobs Prize, which celebrates "unsung heroes" in the Toronto Region; the Institute for Municipal Finance and Governance at the Munk Centre, University of Toronto; and Ideas That Matter, a public discourse initiative.

Alan is Co-Chair of Happy Planet Foods; Director of Sustainalytics Holdings B.V.; a Director of Invest Toronto; past-Chair of the Tides Canada Foundation; advisor to the Literary Review of Canada; Member of the Governors' Council of the Toronto Public Library Foundation; Senior Fellow of Massey College and Member of the Governing Board; and Member of the Order of Canada and recipient of the Queen's Diamond Jubilee Medal. He is the author of the book "Urban Nation" and co-editor of "Five Good Ideas: Practical Strategies for Non-Profit Success." Alan was awarded an honorary Doctor of Laws degree from Ryerson University in 2009.

Good day, ladies and gentlemen. My name is Alan Broadbent, and it is my pleasure to welcome you to this 20th Anniversary of The Caledon Institute of Social Policy. I am the Chairman of Caledon, and its co-founder along with Ken Battle, Caledon's President.

It was more than 20 years ago that Ken and I began to discuss setting up what became The Caledon Institute of Social Policy. I had been following Ken's work at the National Council of Welfare, because the private foundation my wife Judy and I had established 30 years ago, The Maytree Foundation, was interested in poverty issues.

Ken and I had our first Caledon related meeting in the late spring of 1991, at a point where we were both thinking about transition. After a significant period of time at the Council, where he had created a powerful voice, Ken was looking for ways to broaden and deepen the work he was doing.

At Maytree, we had been funding efforts to ameliorate the symptoms of poverty in Canada, but were feeling we should be doing more to deal with the causes of poverty, which led us to an interest in the most powerful instrument available, public policy. I began to look around at who was doing the best analysis and commentary on social policy, and realized that it was the work Ken had been producing at the Council.

At that initial discussion, and in the ones in the following weeks and months, we found that we had a remarkable degree of agreement on what Caledon should look like and what it should do. And, over the 20 ensuing years, they have pretty much remained intact.

First, and most importantly, Caledon would do high quality work, starting with data and working toward conclusions. This sounds like an obvious approach for an organization doing public policy analysis and commentary, but it is remarkable how many of them mitigate their aspirations to quality by beginning with conclusions and finding data to back them up. Ken's dedication has been to study data, discern patterns and create knowledge.

That dedication to letting the data speak has underpinned Caledon's non-partisan, non-aligned approach. Caledon has both critics and friends across the spectrum, and its work does not fit neatly into a traditional left-right analysis. Much of the work has been myth-breaking, challenging preconceptions of people from various perspectives. Some, such as the exposure of "bracket creep" in the tax system, has been popular among those who have been less enthralled with the design of the Child Tax Benefit, for example. Caledon has been an advisor to governments of different stripes across Canada, and remains prepared to be helpful to anyone with a sincere interest in what is actually happening in social policy, and in developing better policy.

Another early agreement was that Caledon would be solution oriented. Much of social policy writing and commentary in Canada is part of what I call a *culture of complaint*, bent on describing problems and assigning blame. Some of it offers solutions, but not of a very practical nature. Our early ambition was to offer policy alternatives. It would be necessary in analyzing a problem to describe issues and problems, but we did not want to stop there, and Caledon never has. Whether it was with the broad brush of policy advice to the next Prime Minister during an election campaign, or the finely crafted recommendations on a National Child Benefit, Caledon has worked at offering practical solutions. One observer has noted that what separates Caledon from many other policy organizations is that its work is "policy ready."

Caledon has had a broad concept of social policy. It is not simply something the federal government does, but is generated by governments, civil society organizations, corporations and citizens. Caledon has also had a role in shaping the vocabulary of social policy. Ken's infusion of the word "stealth" is the most obvious, but a review of Caledon's work with an ear to current discourse will show the strong Caledon influence on the way people talk about social policy.

Another design element of Caledon was a desire to influence the public agenda. Ken had no desire to sequester himself from the issues of the day, but at the same time did not have a desire to get lost in the din of public discourse. Caledon has chosen its issues carefully. It has chosen those issues where it has or can develop expertise, can produce high quality work, can discern policy alternatives and can be heard.

And finally, we both agreed that Caledon should be lean, nimble and independent. That independence extends to maintaining an honourable distance from its primary funder, Maytree. And we remain lean in our governance structure, with a three-person board I chair including initially Tom Barber and Paul Gallagher, and Colin Robertson who has replaced Paul in recent years.

As I look back on these 20 years, I find it remarkable at how durable and successful our design has been. Caledon has produced a remarkably high level of quality in its work, and it has produced an astounding amount of work. People who receive Caledon publications often believe that there must be more than a dozen researchers at work. They are astonished to discover how lean and virtual Caledon has remained.

Caledon is, first, Ken Battle, one of Canada's signal intellectual treasures. Perhaps the smartest thing he has done is to attract Sherri Torjman, who has been principally responsible for broadening both the research program and the community reach of Caledon. Sherri has done groundbreaking work on a range of issues, including disability policy, aging and caregiving, and community capacity building.

Caledon was strengthened immensely when Michael Mendelson became Senior Scholar. Michael is a rare individual who has been both a top public servant in the governments of Manitoba and Ontario, and a leading economist and social policy thinker.

The other talented members of the Caledon staff are Anne Makhoul, who creates Caledon's *community stories*, the short papers written with and on behalf of communities to help them share their trials and triumphs, which reach a broad audience across the country and internationally.

And Melanie Burston is the able administrator who keeps track of the finances and keeps Caledon running productively.

I would like at this point to pay tribute to some people who have made contributions to our work, and who have unfortunately died over the last two decades.

Stan McRoberts was an economist and senior finance official in the federal government, one of Ken's first government colleagues, and a friend of Ken and me. It was Stan who recommended that I talk to Ken about Maytree's interest in policy, and who played an early role in Caledon's development. Stan remained a great supporter of our work over the years.

Katharine Pearson was Program Manager at the J.W. McConnell Family Foundation who initially contacted Caledon to carry out a study on respite for caregivers. That request marked the beginning of Caledon's policy work on caregiving.

Caledon also had a long-standing relationship with Katharine (and McConnell president Tim Brodhead) around a pan-Canadian initiative called Vibrant Communities, created and led by Paul Born of the Tamarack Institute. Vibrant Communities was a 10-year project in which 14 Canadian cities joined in a learning partnership to find local solutions to reduce poverty. Katharine was central to Vibrant Communities, and remained a close colleague and supporter of Caledon.

David Woodsworth was a Professor at McGill University and Director of its School of Social Work from 1966-1976. He followed Caledon's work closely and would always send comments on Caledon papers, sometimes with a critique as to what more was needed and always with policy proposals of his own. He never failed to pass along words of support about keeping up the good work and fighting the good fight on behalf of Canadians living in poverty.

Tom Kent was one of the chief architects of postwar Canadian social policy. He played a key role in shaping the policies 50 years ago as Policy Secretary to the Prime Minister and a Deputy Minister, and was equally active in the implementation of those policies, including medicare and the immigration "points system," by the Pearson government.

Tom was that rarest of breed these days, a polymath, meaning a person of great learning in several fields. He was a codebreaker, journalist, editorialist, policy advisor to politicians, senior public servant, teacher and expert in a wide range of areas of public policy. He was, in the end, a true public intellectual, and always courteous and generous with his advice and his work.

Today's event will cast a large net of ideas and proposals for the reform of Canadian social policy. However, it cannot possibly reflect all of Caledon's work over the last 20 years.

Inevitably there had to be omission. These include:

- our pioneering work on community-based poverty reduction and poverty strategies in New Brunswick, Ontario, Nunavut and Alberta
- the *community stories* series
- Aboriginal labour markets and education
- community economic development
- early childhood development and child care
- customized training
- recreation.

We also undertake work on key socioeconomic and program data, including our provincial/territorial monthly policy monitor and our ongoing rescue of the National Council of Welfare's welfare incomes and poverty profile series.

A look at our website will show just how far we have travelled in our search for policy ideas. A good place to start is our commentary on the federal Budget each year.

And now it is time to move to our program. We have structured it around some of the major work of Ken, Sherri and Michael over the past two decades. Our intent, though, is not to be retrospective, but to use the past as a platform to look at future policy development. So we have invited Andrew Jackson, André Picard and Richard Simeon to each join a session, to give their own views, and help propel the discussion towards our present issues and problems, and into the future.

And we will finish with a presentation from Michael Adams, a longtime friend of Caledon, on issues related to our data crisis in Canada.

To act as our guide through the following session, I'm pleased to introduce and welcome Jim Hughes. We got to know Jim when he was the deputy minister of social development in New Brunswick, where he included Caledon in the design of the New Brunswick poverty reduction strategy. Prior to that, Jim ran the Old Brewery Mission, Montreal's leading agency to work with the homeless and issues of homelessness.

Poverty and Inequality

Architecture of Federal Income Security in Canada: Ken Battle

KEN BATTLE *is President of the Caledon Institute of Social Policy. Educated at Oxford University and Queen's University, Mr. Battle is one of Canada's leading social policy thinkers. He has played a key role both inside and outside government in the reform of social policy, including the development of the National Child Benefit and the proposed Seniors Benefit. He served as a member of the Ministerial Task Force on Social Security Reform in 1994 and as policy advisor on child benefits reform to the Minister of Human Resources Development in 1996 and 1997. Mr. Battle has published widely on social policy, including income security programs, taxation, medicare, social services, poverty and income inequality, social spending and the politics of social policy. In 2000, he was awarded the Order of Canada (social sciences category), and in 2005 the Government of Saskatchewan awarded him its Distinguished Service Award.*

A brand new study from the Centre for the Study of Living Standards, *The Impact of Redistribution on Income Inequality in Canada and the Provinces, 1981-2010*, written by our colleague Andrew Sharpe and his associate Evan Capeluck, has arrived just in time for Caledon's 20th anniversary event. It adds valuable evidence on the redistributive role of the Canadian state – which is the topic of my talk today.

Contrary to what many people believe, government – by means of income taxes and transfers – significantly reduces market income inequality. At last count, 2010, taxes and transfers reduced market inequality by close to one quarter (by 23.7 percent), mostly (70.7 percent) as a result of income security programs, with 29.3 percent due to income taxes. Looking over the long term, from 1981 to 2010, government has made a significant difference, offsetting rising market income inequality by 44 percent.

But Canada could do a lot better. In 1994, at their peak, taxes and transfers reduced market income inequality by 28.7 percent, but that share has fallen to 23.7 percent in 2010. The redistributive power of Canadian governments has, overall, weakened since the mid-1990s, due in large part to cuts to two of Canada's most important income security programs – Employment Insurance and welfare. Canada is below the OECD average and ranks 23rd out of 34 countries in terms of after-tax inequality.

Sharpe and Capeluck come away from their slew of statistics and conclude, bluntly, that "Canada thus has much room to increase its redistributive effort. What is needed is political will."

I and my Caledon colleagues Sherri Torjman and Michael Mendelson have worked hard over the last 20 years to invent and improve income security programs, and to foster the political will necessary for progressive reform of social policy. At the same time, we know that income programs alone cannot vanquish poverty and inequality, which are complex, diverse and tough issues that require a range of interventions (involving both income and services) by a number of actors – all three orders of government, employers, unions, educational and health institutions, voluntary organizations and communities.

But we firmly believe that the federal government has the lead role in tackling poverty and inequality in Canada through the tax/transfer system. And it should be doing more. Today I will discuss a number of proposals Caledon has made to strengthen Ottawa's income security system.

We also have worked over the years on reform of provincial/territorial income programs, including social assistance (welfare), workers compensation and refundable tax credits. However I will not discuss them here, since the federal government is the dominant player in income security policy and my time is so tight. Nor can I deal here with the variety of federal and provincial/territorial tax credits – another area where Caledon as done a lot of work.

My talk casts a broad net across six key federal income security programs in the areas of child benefits, adult benefits and senior benefits. My colleague, Sherri Torjman, will discuss Caledon's proposal for reforming disability income programs in her talk. I will end with a brief look at a program that does not exist. My discussion of these programs must be fleeting given the broad territory to be covered in a limited time.

Most of what I have to say involves what we call the 'architecture' of social policy, meaning broad structures and functions of social programs. But reform can be accelerated and implemented by incremental changes, typically improvements in benefit rates. In our world, incrementalism is not a dirty word.

Several principles inform and guide Caledon's critiques and proposals. These are: progressive and regressive, targeted and broad-based, fair and unfair, simple and complex, and transparent and stealthy. These terms will crop up throughout my talk.

Child Benefits

1993 was a breakthrough year in Canadian social policy. It launched a large structural reform of federal child benefits that replaced family allowances and the refundable and non-refundable child tax credits with a single, geared-to-income Child Tax Benefit. Finally Ottawa had a sound architecture of child benefits to better fight poverty and inequality.

The new Child Tax Benefit replaced three programs that differed in purpose, design and distributional impact. Family allowances were mildly progressive and universal (though with an income test in its last few years that effectively ended its universality). The refundable credit was very progressive and geared to poor families. The non-refundable child tax credit (which had replaced the regressive children's tax exemption during the income tax reforms of 1988) was a quasi-universal demogrant that delivered the same federal and provincial/territorial income tax savings to all non-poor families – except the poor, who got nothing.

This mismatched troika of child benefits was inequitable, complicated and virtually incomprehensible to most parents and probably most politicians too. The combined distribution of benefits bore no logical or defensible relationship to need as measured by level of family income. Families with the same income received different amounts of benefit depending on each parent's share of family income. The core aims of child benefits – reducing poverty and helping parents with their childrearing costs – were in tension.

By contrast, the new Child Tax Benefit offered several advantages. It was a non-stigmatizing, inclusive program that delivered its benefits to the large majority of Canadian families through the same vehicle. It was 'portable,' providing a stable and assured supplement to income no matter where families live or move. It was progressive, meaning benefits declined as incomes increased. It paid the same amount to all families with the same income, regardless of the sources of that income, where they live or their family type.

But Ottawa was not the only game in town. The provinces and territories also delivered child benefits, targeted to families on welfare. This resulted in the inequitable situation where families on welfare received twice as much child benefits as the working poor.

Welfare-embedded child benefits formed part of what Caledon's resident wordsmith Sherri Torjman dubbed the 'welfare wall' when she and I did a project on the interaction of the tax and welfare systems for the Ontario Tax Reform Commission. The term welfare wall refers to the fact that it might be more rational in financial terms for a poor family to get on and stay on welfare because they got cash benefits for spouses and children, and might receive a variety of other cash and in-kind benefits, such as supplementary health, dental and drug care; subsidized housing; and access to crucial supports for recipients with disabilities. But if families left welfare and worked for low wages, they would not only forfeit welfare-provided income and services but also see their typically meagre incomes reduced by income taxes and payroll taxes, and work-related expenses such as clothing, transportation and child care.

In a rare act of cooperative federalism, Ottawa and the provinces and territories got together and launched the National Child Benefit reform in 1998.

The main engine of reform was the 1998 Canada Child Tax Benefit (CCTB), a restructured version of the 1993 Child Tax Benefit. The new program was composed of two layers – a basic benefit serving both poor and most non-poor families, on top of which is the National Child Benefit Supplement (NCBS) targeted to low-income families. Children with disabilities also received a top-up to their benefits.

As Ottawa incrementally increased payments under the NCBS portion of the Canada Child Tax Benefit, the provinces and territories were free – and indeed expected – to reduce their welfare child benefits by the amount of the federal increases. The provincial and territorial governments agreed to 'reinvest' the resulting savings in other programs and services for low-income families with children – such as early learning and child care services, supplementary health care, income-tested child benefits (now offered by all jurisdictions except for PEI) and earnings supplements.

The goal was to raise the federal Canada Child Tax Benefit to the point where it alone, or in combination with provincial/territorial income-tested child benefits, displaced basic welfare-embedded child benefits – estimated at about $2,500 per child in 1998 or $3,300 in today's dollars. That amount would achieve the goal of an 'integrated child benefit': All low-income families, regardless of their major source(s) of income, would receive the same amount of federal child benefits, and the distinction between child benefits for the working poor and the non-working poor would be eliminated by displacing welfare-embedded child benefits.

The National Child Benefit architecture succeeded because it made both good politics and good policy – an all too rare combination. All provinces and territories signed on. Each order of government made joint structural changes to their respective child benefit systems that they could not have accomplished on their own. There is empirical evidence from government, think tank and academic researchers that the National Child Benefit has had positive income and behavioural effects, reducing poverty and helping lower the welfare wall.

But social policy reform can be fragile and fleeting. Although both Progressive Conservative and Liberal governments had contributed to the long evolution of child benefits over the years, the current government wanted to put its own stamp on the system by boosting child benefits for middle-class voters and offering families cash instead of services for their child care. While it left the Canada Child Tax Benefit pretty much alone, except for cutting the young person supplement, the federal government reached into the past and resurrected two social policy zombies – the Universal Child Care Benefit (similar to the family allowance) and the non-refundable child tax credit (the same as its 1980s version). These two retreads deliver sizeable benefits to upper-income families and reintroduce both vertical and horizontal inequities into the child benefits system.

The Universal Child Care Benefit is a classic case of social policy by stealth. Benefits are subject to federal and provincial/territorial income taxes, which means that most families do not end up with the full $1,200 per child. Families of different types (i.e., single parents, one-earner and two-earner couples with children) but with the same income get different amounts of after-tax benefits (for most of the income range, one-earner couples end up with larger benefits than single parents and two-earner couples with the same total income). Families with the same income also receive different amounts of after-tax payments depending upon the province or territory in which they live.

Despite its title, the Universal Child Care Benefit is not tied to use of child care: Families can spend it however they wish. Even if used for this purpose, its $1,200 per year (less after taxes) buys little in the way of child care. Ironically, the Universal Child Care Benefit is not indexed, so loses value each year: The $1,200 payment in 2006 is now worth only $1,080 in constant 2006 dollars (a loss of $120 or 10 percent). The Universal Child Care Benefit is nothing more than a poorly designed child benefit. To compound these inequities, the government subsequently decided to exempt single parents' Universal Child Care Benefits from taxation, though couples' benefits remained taxable. Go figure.

Caledon's child benefit reform proposal is to axe the Universal Child Care Benefit and non-refundable child tax credit and use the resulting savings to boost the Canada Child Tax Benefit. The maximum amount under our proposal, payable to low-income families, would be $5,300 in 2012 dollars, up from the current maximum CCTB payment of $3,582 for a first child. Benefit increases would be incremental, as when Ottawa grew its new Canada Child Tax Benefit. To improve benefits for modest- and middle-income families, we would increase the base Child Tax Benefit rather than the National Child Benefit Supplement. For despite our emphasis on child benefits as a key poverty reduction instrument, their parental recognition objective must not be abandoned.

Adult Benefits

I will now turn to two income security programs – one for the working poor and one for the unemployed.

Working Income Tax Benefit

Half of poor Canadians work but traditionally have received little help from Ottawa, with the exception of the National Child Benefit. The current federal government made a major advance in income security policy when it created the Working Income Tax Benefit (better known as WITB) in 2007. The program has two key aims: to reduce disincentives to work for welfare recipients stuck behind the welfare wall, and to enhance incentives to work among the working poor.

The Working Income Tax Benefit seeks to lower the welfare wall by supplementing low earnings from employment to 'help make work pay.' WITB is intended to help welfare recipients make the often difficult move from welfare to work by topping up their typically low earnings.

WITB's other purpose is to increase incentives for people to join the workforce, keep working (even for low earnings) and not have to resort to the tangled safety net of welfare.

WITB provides an additional benefit for persons with disabilities. Another laudable feature is that provinces and territories can opt to vary WITB's parameters to better fit with their own income security programs and policy priorities.

While the design of WITB makes sense – it is a classic refundable tax credit delivered through the income tax system – its original parameters made for a very modest and highly targeted program that excluded many of the working poor. Maximum benefits were only $500 a year for a single person and went to recipients with work earnings between $5,500 and $9,500, eligibility ending at just $12,833. Single workers working full time at the minimum wage did not qualify for any WITB. Payments for single parents and couples were a maximum $1,000, payable between work earnings of $8,000 and $14,500, and ended at net income of $21,167.

Caledon enthusiastically supported WITB but called for better benefits that extend higher up the income ladder. Minister Flaherty listened, and his 2009 Budget boosted WITB's benefits and broadened its reach to help more of Canada's working poor. For single workers, the maximum benefit rose from $510 in 2008 to $925 in 2009 – a hefty real increase of 77.2 percent. The maximum payment, $925, went to workers earning between $6,700 and $10,500. Eligibility for the program ended at $16,667.

Indexation has brought the maximum WITB payment to a maximum $970 in 2012 for single recipients, payable between $6,880 and $11,011, and eligibility for benefits ends at $17,478. Families receive up to $1,762 a year and no longer qualify for benefits at net family income of $26,952. The WITB disability supplement is a maximum $485 and ends at $20,711 for singles and $30,183 for families.

But that still leaves WITB substantially below minimum wage. The disappearing point for single recipients remains thousands of dollars below minimum wage everywhere but Nunavut, which opted to vary its parameters so that WITB extends much higher up the income scale, ending at $36,173 compared to a minimum wage of $22,880.

Caledon's advice to the federal government: Keep on building WITB through incremental improvements over time.

Employment Insurance

Income support for the unemployed is, along with child benefits, one of the oldest provisions of the welfare state. The federal government took over responsibility for unemployment benefits from the provinces in 1940, spurred by the devastating Great Depression. Unemployment Insurance grew to cover virtually the entire workforce by 1971. But in the decades since, the trend has been to restrict coverage and reduce benefits. There has been concern that an overly generous Unemployment Insurance program will create work disincentives, resulting in higher costs.

Canada's Unemployment Insurance program – in Orwellian fashion renamed Employment Insurance (EI) in 1996 – was tightened in the 1990s. Employees had to work longer to qualify for benefits when they lost their jobs, payments were lowered and the maximum duration of benefits was reduced.

Coverage has shrunk to about half of the unemployed today because many more of the unemployed cannot get enough hours of work to qualify. Especially hard hit is the growing population with non-standard jobs – the self-employed (who are not part of unemployment insurance), multiple jobholders, contract workers and part-time workers – that now make up about one-third of the labour force. Some of the jobless who don't get any Employment Insurance benefits pay premiums but cannot get enough hours of work. Others do not even pay into the program, because they did not work in the preceding year or did not have insurable earnings, despite having worked.

Employment Insurance is a complex program, largely due to its regional feature which affects both eligibility and duration of benefits. The division of Canada into 58 'unemployment regions' leads to inequitable treatment of the unemployed. Entrance requirements range from 420 hours for regions with unemployment rates over 13 percent to 700 hours for regions with unemployment rates less than 6 percent. The maximum duration of benefits ranges from only 19 weeks to 50 weeks. These regional rules can lead to the absurd situation where two people working side-by-side for the same employer for the same number of hours are laid off – and one gets Employment Insurance while the other does not because they live in adjacent economic regions. Yet there is no evidence to suggest that the average rate of unemployment in a region is the determining factor for how hard it is to get a job. Other factors – such as the particular skills of the unemployed person, education and personality – are likely much more significant.

Employment Insurance should be made stronger. Caledon has proposed that the earnings-replacement capacity of EI be increased from the current 55 percent of insurable earnings to 70 percent, raising maximum weekly benefits from $485 to $618. There should be one uniform set of rules for work requirements and length of benefits for all Canadians wherever they live and work. The amount of benefit should be calculated on the best 12 weeks of earnings of the previous 26, so as to allow flexibility to take part-time jobs.

These are badly needed and practicable improvements, but they would still leave many of Canada's unemployed frozen out of EI.

At present, welfare is the only resort for the unemployed in financial need who are not eligible for Employment Insurance. But welfare is a highly stigmatizing, invasive and archaic program.

Caledon has therefore proposed that Ottawa develop a new income-tested program 'between' welfare and Employment Insurance which would provide limited and temporary financial assistance to those in need who are actively engaged in job search but do not qualify for EI. Such a 'Temporary Income Program' would complement a strengthened Employment Insurance. The new program would pay temporary, time-limited and income-tested benefits to unemployed workers with low or modest incomes who cannot qualify for Employment Insurance. It would be federally run and financed out of general revenues. To find out more about this intriguing proposal, have a look at Caledon's December 2011 report *Fixing the Hole in EI: Temporary Income Assistance for the Unemployed.*

Seniors Benefits

One of the few bright spots in Canada's poverty record is the remarkable decline over the years in the poverty rate for seniors. This improvement is often attributed to the federal Guaranteed Income Supplement (GIS) for low-income seniors. But in fact other programs and factors have also contributed to the downward trend, including Old Age Security (OAS), the Canada and Quebec Pension Plans (CPP/QPP), provincial and territorial senior supplements, and the revolutionary rise in women's labour participation rate which makes them eligible for pensions in their own right.

But a closer look at the poverty statistics reveals that single seniors fare much worse than the elderly living in couples. The poverty rate for single elderly women in 2010 was a still substantial 15.6 percent and 11.5 percent for single elderly men, as opposed to just 3.2 percent for seniors in couples.

Caledon has put forward several proposals for strengthening income security programs for elderly and retired Canadians, including the Guaranteed Income Supplement and Old Age Security that form the foundation of Canada's three-tier retirement income system, and the Canada Pension Plan that constitutes the second tier (private pension plans and retirement savings vehicles form the third tier).

Guaranteed Income Supplement

In 2005, the current federal government announced a modest but historic raise for the Guaranteed Income Supplement – the first real increase since 1984. Over 2006 and 2007, maximum payments rose by $432 for single recipients and $696 for couples. Ottawa followed up in 2011 with another increase to the Guaranteed Income Supplement. In July 2011, Ottawa raised the maximum GIS so that it resulted in a $600 annual maximum increase for poor single seniors and a maximum $840 increase for poor couples.

Note that Ottawa substantially boosted GIS payments for poor couples as well as singles. This means that most poor single seniors who receive the maximum GIS will remain thousands of dollars below the poverty line, even with the increase, while all couples with maximum GIS payments will be substantially above the poverty line.

We propose instead that the Guaranteed Income Supplement for single seniors should be increased by $1,000, bringing the maximum OAS/GIS to $16,339 in 2012. This would cost an estimated $976 million – close to the $920 million cost of the pension income splitting boondoggle for affluent senior couples, which should be scrapped. Boosting the GIS for single seniors by $1,000 is not enough to slash their poverty rate and fully close the poverty gap. Further incremental increases to the Guaranteed Income Supplement for single seniors are required over the years.

Old Age Security and Guaranteed Income Supplement

Pension politics heated up in the 2012 Budget with the federal government's plan to gradually increase the age of eligibility for the Old Age Security program (i.e., OAS, GIS and the Allowance) from 65 to 67, phased in over many years. Anyone age 54 or over as of March 31, 2012, will be exempt from the scheme. The age of eligibility will rise gradually, over six years, starting April 2023 and will reach 67 in January 2029.

Lifting the age of eligibility for the Old Age Security program is a regressive and unnecessary move that will hit lower-income seniors hardest. They most rely on Old Age Security for their income and will suffer most as the program is *de facto* cut by reducing the number of years that seniors will receive benefits: Keep in mind also that poor seniors have a shorter lifespan than others. Low-income seniors (including those with disabilities) who are on welfare or in the low-wage workforce will have to wait two more years to move up to the better benefits from Old Age Security and the Guaranteed Income Supplement.

There is a practicable fix for this problem: The federal government should create an income-tested patch to tide poor seniors over the 65 and 66 period when they no longer receive Old Age Security. The current Allowance, part of the Old Age Security program, could be adapted for this purpose. The Allowance for the Survivor could be extended to all low-income single near-seniors (persons ages 60 to 66, since 67 will be the age of eligibility for Old Age Security), and the Allowance could be extended to all couples in which both members are 60 through 66.

A more far-ranging structural reform would be to combine Old Age Security, the Guaranteed Income Supplement, the age credit and the pension income credit into a single income-tested program, based on family income, with a progressive design. A decade ago the Caledon Institute – which had proposed such an integrated benefit – worked behind the scenes with the federal government on this reform, what was christened the 'Seniors Benefit.' However, Ottawa withdrew its proposal in the face of opposition from women's groups and RRSP sellers on Bay Street.

An integrated benefit remains the most sensible design for benefits for the elderly. If the federal government had gone ahead with the Seniors Benefit, we probably would not be having this debate now, since the Seniors Benefit would already have slowed spending on elderly benefits – and not on the backs of the poor.

Canada Pension Plan

The debate over raising the age of eligibility for Old Age Security has deflected attention from a much more important issue – the need to expand the Canada and Quebec Pension Plans to boost their contribution to the earnings-replacement goal of the retirement income system. There are two key problems – the overly modest design of the Canada Pension Plan and Quebec Pension Plan, and declining coverage of employer-sponsored pension plans and RRSPs.

When the Canada and Quebec Pension Plans were created in the mid-1960s, they were deliberately designed to pay modest benefits. The maximum retirement amount is only one-quarter of average earnings, for a maximum payment of just $11,840 in 2012. Private pension and savings were supposed to provide most of retirement income for middle- and upper-income pensioners. But today fewer than one in four private sector employees have a pension plan compared to nearly nine in ten within the public sector. Coverage of RRSPs is also weak – only one-quarter of taxfilers contribute to an RRSP.

Periodic debates on the pension system over many years have led us finally to just modest increases in the Guaranteed Income Supplement and the creation of a new private pension scheme called Pooled Registered Pension Plans (PRPPs). But Canada already has in place a voluntary supplementary system of pensions in the form of Registered Retirement Savings Plans (RRSPs). These vehicles are used mainly by taxpayers in upper-income levels who have the money at hand and enjoy a hefty federal and provincial/territorial tax break in return. How will PRPPs be any different?

The earnings replacement needs of many modest- and middle-income Canadians will remain unresolved. It's time to expand the Canada Pension Plan.

The Canada Pension Plan is one of the nation's most important social programs and stands as an exemplary model in the world of a solid and secure earnings-financed pension plan. We propose that the earnings replacement rate rise by 1.5 times from its current 25 percent to 37.5 percent of Yearly Maximum Pensionable Earnings. The Year's Maximum Pensionable Earnings also would increase by 1.5 times, from its current $50,100 to $75,150. These changes would be of particular assistance to middle-income earners, especially those who work in the private sector and are unlikely to enjoy coverage of employer-provided pension plans.

As a result of these two changes, the maximum CPP retirement benefit in 2012 would more than double from $11,840 to $28,181. Caledon is exploring the increased contributions required to finance this expansion of the Canada Pension Plan.

Guaranteed Annual Income (GAI)

Some people argue in favour of a "start-from-scratch" approach to tackling poverty and inequality. They would scrap the existing array of income security programs and replace them with a single "guaranteed annual income" – better known as the GAI – that would raise all poor Canadians over the poverty line.

The problem with simple solutions such as this is that they are simplistic – and would not necessarily do much to get at the root causes and dynamics of poverty and inequality. In the words of the American satirist HL Mencken: “For every complex, human problem, there’s a neat simple solution; it’s just that it’s wrong.” Poverty is a complex and multidimensional problem that cannot be vanquished with a silver bullet. Poverty reduction and prevention require a variety of strong income programs – both income-tested and social insurances – and a range of effective services.

Most of its proponents would deliver the GAI as a negative income tax, using the income tax system to deliver cash to the poor. But, in fact, Canada already makes extensive use of the negative income tax concept in the design of a number of income-tested programs for various groups, including the Guaranteed Income Supplement, the Canada Child Tax Benefit, the Working Income Tax Benefit, the GST/HST credit, and provincial and territorial refundable tax credits. If we were to abolish these important measures and replace them with a guaranteed income, we likely would end up having to reinvent current benefits to meet the needs of specific groups in Canadian society.

There would be formidable obstacles to a big-bang GAI that replaced everything with one thing. These barriers include cost, political and bureaucratic inertia, concern about work disincentives and dependence, fear of the unknown and public objection to giving people something for nothing.

For die-hard guaranteed incomers, there is an alternative to ‘profound demolition’ of the whole income security system, to borrow Michael Wolfson’s wonderful term. Ottawa could bolster the existing GST/HST credit to create a supplementary guaranteed income that left the rest of the income security system intact. Sort of a stealth GAI.

At Caledon we view income-testing as a proven technology – call it GAI technology or DNA – to help build a fair and efficient income security system, delivering benefits in a transparent, non-bureaucratic and non-stigmatizing manner.

The foundations for income security are in place: They do not have to be built – but rather built upon.

Five Reasons Why Inequality Matters: Andrew Jackson

ANDREW JACKSON *is Senior Policy Advisor to the Broadbent Institute. He is also the Chief Economist and National Director of Social and Economic Policy with the Canadian Labour Congress, a position he stepped down from in August after working with the CLC since 1989. He was also the Chief Economist and National Director of Social and Economic Policy with the Canadian Labour Congress, where he has worked since 1989.*

Mr. Jackson is also a Research Professor in the Institute of Political Economy at Carleton University, a Research Associate with the Canadian Centre for Policy Alternatives and a Fellow with the School of Policy Studies at Queen's University. During a leave of absence from the CLC in 2000-02, he was Director of Research with the Canadian Council on Social Development.

Mr. Jackson's areas of interest include the labour market and the quality of jobs, income distribution and poverty, macro-economic policy, social policy and the impacts of globalization on workers. He has written numerous articles for popular and academic publications, and is the author of "Work and Labour in Canada: Critical Issues," published by Canadian Scholars' Press Inc. (Second Edition, 2010.)

Andrew Jackson was educated at the London School of Economics B.Sc. (Econ.); M.Sc. (Econ.) and at the University of British Columbia. Prior to joining the CLC, he worked for the then leader of the New Democratic Party, Ed Broadbent, and for the Canadian Labour and Business Centre.

First, let me congratulate the Caledon Institute, which has made an enormous contribution to progressive social policy in Canada through reasoned, evidence-based advocacy. The survival of Caledon amid the shrinking world of social policy think tanks is testimony to the quality of its work, and to the commitment of those who have provided support over the years. Events have borne out the view of Caledon's founders that we can make incremental progress even in tough times.

My focus in these brief remarks – which build on the recently-released Broadbent Institute report *Towards a More Equal Canada* – is on why we should be concerned, not just about poverty, but also by the growing gap between the middle-class and the very affluent, the top 1 percent.

The Nobel prize-winning economist Amartya Sen has argued that every defensible normative theory believes in equality of something. For classical liberals, whose ideas are once again the conventional wisdom, equality is about individual freedom to participate in the market. The returns from the market are held to reflect the productive contributions of individuals and are thus fair, while market incentives promote efficiency. An efficient economy provides the resources which can be used to support those who cannot meet their basic needs from the market. In this view, poverty is a problem which should be addressed, but inequality as such is not an issue of great concern.

Five major objections can be made to this argument

1. Market Outcomes Do Not Reflect Individual Productive Contributions

As cogently argued by Joseph Stiglitz in his recent book *The Price of Inequality*, the rapidly rising income share of the top 1 percent does not reflect so much the extraordinary productive contributions of some individuals as it does the ability of CEOs and corporate insiders, especially in the financial sector, to manipulate markets in their favour. Highly-speculative hedge funds and deregulated investment banking produced outsized returns for the few at the expense of real investment and productivity, not to mention the losses to the millions who lost their jobs and retirement savings when the bubble economy imploded.

Further, it is by no means the case that less market income inequality comes at the price of economic efficiency. The wage structure of Germany, for example, is significantly more equal than that of the US or Canada, but the level of productivity is at least as high.

2. Individuals Do Not Come to the Market as Equals

While the wage structure of advanced industrial countries might be seen as reasonable in terms of rewards to skills and effort, ownership of productive assets which give rise to substantial property income is highly concentrated in the hands of relatively few individuals, many of whom inherited their wealth. Intellectually consistent liberals, like John Stuart Mill, have favoured high taxes on large concentrations of wealth, especially inheritances, to equalize market returns.

Further, there can be no genuine equality of individual opportunity for children – a value embraced by the great majority of Canadians – without some broad equality of condition among parents. Research has shown that the chance of a person rising or falling in the social and economic hierarchy compared to their parents is strongly conditioned by the overall level of equality. Precisely because Canada is more equal than the United States, there is much more genuine equality of opportunity for Canadian children.

3. Inequality Undermines Public Purposes

Excessive economic inequality gives rise to the "secession of the affluent" and erosion of the values of shared democratic citizenship. Those who can afford to meet their needs for health care, education and so on from the market are quite likely to resist paying taxes to support high quality services for others. This disposition is compounded by the excessive political influence of the very rich in countries, like the United States, where money fuels “winner take all” politics on top of “winner take all” markets.

Classical liberals often argue that the wealth created by a strong “free market” economy should be used to alleviate poverty, as in the guaranteed annual income once supported by Milton Friedman. That could be the case in principle, but the fact of the matter is that equalizing social spending is a far greater share of national income in those countries where market incomes are the most equal – like Sweden – and lowest in those countries, like the US, where market incomes are the most unequal. Citizens in egalitarian societies are much more supportive of the needs of those at the bottom, and seem to be much more willing to pay the taxes needed to pay for quality public services and social programs for all citizens.

4. Inequality Undermines the Life-Chances of the Middle Class

Research shows that many important indicators of well-being, such as health and life expectancy, vary with income along a gradient, such that those at the bottom do worst, while those in the middle do worse than those at the top. For example, at age 25, Canadian men in the top one fifth of the income distribution can expect to live 2.3 years longer than those in the middle 20 percent, and 7.1 years longer than those in the bottom 20 percent. Inequality is, quite literally, a matter of life and death.

As comprehensively documented by Richard Wilkinson and Kate Pickett in their influential book *The Spirit Level*, differences in outcomes by income groups are not only less marked in more equal societies, so is the overall incidence of social pathologies such as violence, crime and mental illness. They make a strong case that the level of inequality, and not just poverty, is very strongly linked to individual well-being and the quality of community life.

5. Inequality Undermines Economic Efficiency

Even the International Monetary Fund has recently embraced the argument of Nobel prize-winning economists Paul Krugman and Joseph Stiglitz that rising economic inequality in the 1980s and 1990s helped set the stage from the recent Great Recession and the painfully slow global economic recovery.

The key argument is that growth in the US, the UK and other very unequal countries was fuelled by the massive growth of household debt and the expansion of a housing bubble which temporarily compensated for the stagnation of the wages of the middle class and the falling incomes of the poor. The savings of the rich who were reaping disproportionate share of all gains in national income were recycled to fuel this growth of debt, but this ultimately became unsustainable. In this view, the return of prosperity will critically depend upon restoring a linkage between rising productivity and middle-class wages.

To conclude, poverty certainly matters a great deal, but so does inequality in the sense of a large and growing gap between the middle class and the most affluent. Rising economic inequality demands a major re-think of the dominant policy frame of “neo liberalism” which replaced the “embedded liberalism” or social democratic frame of the postwar years.

Our goal must once again be shared progress, or we will make no progress at all.

Disability/Aging Society

Social Policy Challenges for Canada: Sherri Torjman

SHERRI TORJMAN *is Vice-President of the Caledon Institute of Social Policy. She has published in a wide range of policy areas including welfare reform, customized training, disability income and supports, caregiver needs and community-based poverty reduction. Sherri has written four books on disability and wrote the welfare series of reports for the National Council of Welfare. She was co-Chair of the Technical Advisory Committee on Tax Measures for Persons with Disabilities that reported to the Minister of Finance and the Minister of National Revenue in 2004. In 2012, Sherri was named recipient of the Queen Elizabeth II Diamond Jubilee Medal for her policy work on caregivers. Sherri received the Champion of Human Services Award from the Ontario Municipal Social Services Association in 2011 and the Top 25 Canadians Award from the Canadian Association of Retired Persons in 2010.*

I am proud to say that I am part of a team that has built one of the most influential policy institutes in Canada. I would like to thank Alan and Judy Broadbent for your support over all these years, and Colin Robertson and Tom Barber for your unwavering assistance.

I am also honoured to work with Ken Battle and Michael Mendelson, two of the sharpest policy minds in the country. Going to work every day is both exhilarating – and humbling. Finally, I am sure you share my appreciation of the work of André Picard, who gives us all a public and eloquent voice on issues related to health care, disability and the aging society.

These are obviously big policy areas and we can't possibly cover all their dimensions in this short time. I hope today to highlight key areas of work in which Caledon has been involved and to identify core challenges that I believe we face in future.

Over the past two decades, Caledon has focused on several aspects of disability including poverty, disability supports and participation in society. Our work will continue to address those issues. We have broadened our scope in recent years to include some distinct, but related, issues around an aging population.

I will discuss disability and the aging society separately. While these areas are linked, they are clearly distinct. The disability community has always warned against confounding disability issues with seniors' concerns. But there are a few crossover points, especially with respect to community supports.

Current work

Close to 4.4 million Canadians – or 14.3 percent of the population – experience some form of disability, though the rate of disability among Aboriginal Canadians is almost three times that level.

There is significant variation in the population of persons with disabilities. Some are born with a disabling condition, such as spina bifida or developmental disability. Others acquire a disability over the course of their lifetime as a result of illness or accident. Still others may experience impairment in function due to the effects of aging.

Some disabilities are stable and predictable. Others are degenerative conditions that tend to get worse over time. Still other conditions are episodic because their symptoms recur and remit. When symptoms recur, they can cause serious impairment. But when they remit, functioning is near normal. Individuals may be able to work, for example, albeit at a slower pace or for fewer hours.

So the term 'persons with disabilities' refers to a very diverse group. Despite the variation, they all have three distinct needs.

They require *adequate income* to pay for basics such as food, housing and utilities. They often face *additional costs* associated with disability. Perhaps most important, they seek to be valued as *full citizens* and to participate in all aspects of society.

I first became involved in these issues as a staff person to the House of Commons Committee on the Disabled in 1981, the International Year of Disabled Persons. The Committee's mandate was to propose recommendations to reduce barriers to participation.

It was the first time in Canada that such an exhaustive inventory had been undertaken on disability. My initial task was to review relevant legislation to find references to moron, idiot, imbecile and feeble-mindedness – unfortunately, terms found all too frequently in our legislation.

The Committee produced the *Obstacles* report, which made recommendations on all major policy issues including human rights, income security, technical aids and communications. The most important result was the inclusion of physical and mental disability as a proscribed ground of discrimination in the newly-introduced *Charter of Rights and Freedoms*. Canada became the first country in the world to provide constitutional protection of disability rights.

Significant progress was made in the country as a result of the *Obstacles* report. But many of the advances assumed the form of improved physical access, including closed captioning for the hearing impaired, ramps on sidewalks, accessible airports and Braille currency.

We have still not done well enough from a policy perspective on developmental disability and mental disability. The other areas that have not seen sufficient advances are income security and disability supports. They are far less black and white than installing a ramp or widening a doorway. Income programs and disability supports need to accommodate highly variable circumstances. Our work at Caledon has focused on those areas that remain problematic.

i. Income security

Most Canadians with disabilities live on low incomes. They typically have been underrepresented in the paid labour market. Slightly more than half of workers with disabilities have jobs, compared to 75 percent among workers without disabilities.

Fortunately, in the decade ending in 2008, the bleak picture had started to brighten. The proportion of persons with disabilities who worked at some point had *increased*. Faced with a tighter labour market, employers seemed more inclined to accommodate and hire individuals with disabilities. At the same time, more people with disabilities were seen as potential employees because, overall, they had improved their educational attainment and skills.

But there are still about one million people with severe disabilities who are not in the workforce. They rely on Canada's income security system.

The current disability income system can best be described as a 'patchwork quilt.' Eligibility for most programs is determined by where and how claimants became disabled and by the nature and severity of their disability.

There is a set of disability income programs whose main purpose is to *provide compensation* for accident or injury. Another set of programs *replaces lost earnings*. A third set of programs *pays income support* for those with few or no earnings.

Social assistance (or welfare), administered by provinces and territories, is the primary source of income for more than 500,000 Canadians with severe disabilities. Because welfare was designed as a last-resort safety net, it virtually guarantees a life of poverty. It never was intended as a lifetime guarantee. If nothing else, social assistance benefits for people with severe disabilities should be bolstered and indexed to ensure that welfare does not equal poverty.

Better still, these individuals should not have to rely on welfare but would qualify for a separate income program, ideally run by the federal government. Caledon proposed this option in a paper *A Basic Income Plan for Canadians with Severe Disabilities*. Resulting provincial and territorial savings would be reinvested in disability supports.

There is another problem in the income security system regarding sickness and moderate disability. Most income programs expect applicants to be in or out of the labour market – with very few shades of grey. But many conditions, as noted, have periods of remission during which people are able to work. They need interim or periodic financial assistance.

In 2008, Caledon published a study by University of Victoria Professor Michael Prince called *Canadians Need a Medium-Term Sickness/Disability Income Benefit*. The paper set out three possible options to address this problem, including enhancement of the Employment Insurance sickness benefit.

Caledon was also involved in the design of the Registered Disability Savings Plan (RDSP), which helps parents accumulate a pool of funds on behalf of their children with severe disabilities. The idea had been proposed by Al Etmanski at the Planned Lifetime Advocacy Network (PLAN).

We commissioned two studies to help advance the idea. The first focused on the 'quantum' – or parameters of the proposed plan in terms of eligibility and cost. The second study explored potential interactions to ensure that the positive impact of a new savings plan would not be offset through clawbacks to existing programs. The RDSP was announced in the 2007 federal Budget.

In addition to low incomes, persons with disabilities often face another challenge that arises from disability costs, which may be relatively minor or very significant. There are both direct and hidden costs.

Direct costs are readily itemizable and include, for example, technical aids and devices or home modifications. The medical expense tax credit and the disability supports deduction recognize many of these costs. But households must have incomes high enough to afford them in the first place.

Other disability-related expenses are considered hidden because they are more difficult to quantify with precision. They include hiring a trained caregiver rather than a babysitter for a child with a disability or paying higher prices because of fewer shopping options.

The disability tax credit is intended to help offset these additional costs. There have been significant problems with this measure, including the fact that persons with impairment in mental function face serious eligibility barriers.

Caledon had an opportunity to influence this system. The 2003 federal Budget announced the creation of a Technical Advisory Committee on Tax Measures for Persons with Disabilities. I was appointed co-Chair of this Committee. Our mandate was to advise the Ministers of Finance and National Revenue on ways to improve disability tax measures.

While we proposed a range of changes, our basic conclusion was that the tax system generally is an inappropriate vehicle for offsetting disability costs. Existing measures basically provide no help to low-income Canadians who most need assistance. We argued that disability supports should be more readily available through provincial/territorial programs.

ii. Disability supports

The current system of disability supports defies simple description. These include both equipment and a range of personal services. The supports that may be provided in one jurisdiction may not be available in another. Two people with the same functional ability may be eligible for very different supports depending on their condition.

Over the years, Caledon has argued for increased investment in disability supports. In various papers, we set out several ways to effect such investment, including a federal-provincial/territorial commitment similar to the Early Childhood Development Agreements signed in 2000 and 2003.

Another option is a National Child Benefit-type arrangement in which Ottawa would assume responsibility for income security for persons with disabilities currently on welfare. Under a negotiated agreement, as explained, provinces and territories would direct the resulting savings toward the supply of disability supports.

At the very least, provinces and territories should improve their existing systems of supports. There are substantial changes that can be made, which we discussed in our report *Five-Point Plan for Reforming Disability Supports*. They include:

- enabling access
- clarifying eligibility
- ensuring more effective delivery, including portability of supports
- moving toward a client-centred approach, which can involve individualized funding
- creating an enabling context for participation.

iii. Participation

A third area in which we have worked moves beyond the availability of disability supports. Rather, it seeks to change relevant environments to make them more accommodating of disability needs. Disability-sensitive design is helpful not only for persons with disabilities. It makes the world more manageable for everyone.

In fact, far more attention is being paid to the need for accessible environments. The conversation started in the country as a disability-related issue but has since expanded to include the general population. The World Health Organization, for instance, has been spearheading an Age-Friendly Cities initiative in which several Canadian cities now participate.

Accommodation involves more than physical adaptation. Individual needs often can be accommodated through adjustment of rules or procedures.

Accommodation may involve, for example, allowing a friend or assistant to help someone carry out a certain task or participate in an event.

But accommodation goes even beyond these elements to include *a sense of belonging*. André Picard makes this point in his piece on January 30 this past year:

> Real integration requires a lot more than building ramps, adopting human rights legislation and funding programs. Grudging accommodation, with a dash of tokenism, is not enough. If we want people to be healthy – physically, mentally, emotionally – and to reach their full potential, they need to be full citizens.

And herein lies the first major challenge for future work – linked to our values and our humanity.

Future challenges

i. Clarifying our values

We have not had a *serious* conversation in this country about the notion of citizenship relative to persons with disabilities. We typically talk about citizenship in terms of new Canadians, often in relation to our national symbols and history. But we rarely consider *deep citizenship* – what it means to truly *belong* to a community and a country.

To their credit, disability groups have been speaking the inclusion language for years and have rallied around full citizenship. A conversation about this ideal doesn't start, in the first instance, with a discussion about income or services. It begins with a focus on belonging.

At the turn of the millennium, I wrote a paper called *Reclaiming Our Humanity*. It was all about what it means to live in a decent, civil society in which every person is deemed worthy of dignity and respect.

Citizenship means that we need to talk – first and foremost – about natural environments and supports. It means ensuring a decent affordable place to live, like the Housing First movement, for example, for people with mental illness and homeless individuals. It means circles of support and informal networks of family members and friends. It means inclusive education. It means access to recreational and cultural opportunities. It means caring communities that provide welcoming public space.

We can *start* by thinking differently about disability and aging. We need to shift our conceptual foundations.

Disability used to be seen as a characteristic or defining feature of an individual. A person *was* disabled or *had* a disability. Appropriate interventions involved treating or fixing the identified impairment.

Over the past few decades, our understanding of disability has moved away from the functional limitation of an individual to more of a social understanding of the person in context. In this social view, persons with disabilities are seen as restricted in their daily activities because of a complex set of factors, pertaining to both the person and the environment.

The implications of this social model of disability are profound. It means that appropriate adjustments to the environment can help overcome serious functional impairments – in which case, these may result in minor or no limitation at all. The social model of disability calls for investments in the modifications and personal supports that can dramatically reduce – if not eliminate – the effects of disability. The problem lies more in physical and attitudinal barriers rather than in the people labelled as 'less than adequate' in some way.

Marcia Rioux at York University has helped advance this conceptual shift by arguing for well-being and social justice as the foundational underpinnings of our work. Nobel-prize winning economist Amartya Sen employs a capability framework that focuses on how to foster *ability*, regardless of age or functional limitation. Traditional policy frameworks typically use problems and deficits as their starting points. A capability framework, by contrast, would ask: What are the strengths and capacities that we need to enhance?

We face similar challenges related to the aging society. By 2036, 23 percent of Canadians will be age 65. If we were to read only the press headlines, we would conclude that the heavy boatload of seniors is about to sink our demographic ship.

Their so-called 'dependency ratio' is deadweight on the economy and society. The International Monetary Fund warns that the toll of aging on G20 nations will be 10 times greater than the recent financial crisis – and will be even higher in Canada.

We need to shift this conversation so as not to write off a huge portion of the population as a burden to the economy and society. Thankfully, work under way at the International Federation of Aging and McMaster University, for example, is trying to counter these negative stereotypes.

As if there is not enough to do, several *new* ethical challenges have emerged related to both disability and the aging society. Certain medical advances mean that we can now identify many more potentially disabling conditions *in utero*. If prospective parents subsequently choose to abort their fetus, the disability community argues that these actions effectively devalue all people with disabilities. The message is that *theirs* is not a life worth living.

We face similar challenges at the other end of the life spectrum in determining who will have access to sophisticated medical treatments and who is considered 'not worth' the investment. Who will get the expensive liver or stem cell transplants? How will we make good decisions about rationing health care services which, for all intents and purposes, is already happening?

There don't appear to be any informed, apolitical venues for dispassionate discussion of this issue. It's not good enough to think that we can debate these questions every so often on the commentary pages of the *Globe and Mail* or *National Post*.

Of course, scientific and technological advances have had a substantially positive impact as well. Mobility and communication devices, for instance, enable independent living. But even here we face ethical challenges – related largely to access.

Those who can afford new technologies are able to purchase them on their own. They can even deduct these costs through the medical expense tax credit or disability supports deduction. Those with modest or low incomes may have access to some technical aids and equipment through provincial/territorial programs or the special assistance budgets of social assistance. But access is by no means guaranteed.

In one study of disability supports, I interviewed an individual who noted that welfare refused to help pay for his sports wheelchair. While the equipment was vital for his health, it was deemed a 'luxury item' not essential for his life.

Finally, the aging society will rely increasingly on at-home technologies to monitor bodily functions, such as blood pressure, pulse and glucose levels. They can also be programmed to set off an alarm in case of a serious fall, heart attack or stroke. These are all exciting developments.

I don't believe we have begun to scratch the surface regarding the social impact of these technologies. While they may enhance independence, could they inadvertently result in greater isolation if fewer personal visits are required? I don't even think we know the full range of questions to ask – let alone begin to have any satisfying answers. This is definitely a national conversation waiting to happen.

ii. Bolstering informal supports

If we start with belonging and citizenship as the conceptual foundations of our work, the second challenge moves us to the next level: informal supports in communities. Informal supports take many different forms but today I will focus on our work related to informal caregivers.

These are the family members and friends who provide an estimated 85 percent of care required by individuals with long-term conditions. Caregivers contribute more than $5 billion of unpaid labour annually to the health care system – though some studies peg this closer to $25 billion.

As a workforce that provides an essential service, caregivers need the same provisions as the workforce in all other fields: money, decent working conditions and training to do a good job.

When it comes to money, most caregivers experience financial stresses that arise from three factors. I called these factors the "three ghosts of poverty" in an op ed published several years ago on Hallowe'en. They are *ghosts* of poverty because these stresses haunt caregivers throughout their caregiving careers.

The three ghosts relate to the income security of the care receiver, the vulnerable employment status of the caregiver and the cost of health- and disability-related supports. The spectre of poverty is ever-present in a caregiving relationship.

Millions of people with severe disabilities and elderly Canadians live in poverty. Their caregivers often spend much of their own money paying for basic food and rent for the care receiver.

Part of the solution is to shore up the disability and retirement income systems, as we have been trying to do through our work at Caledon. Unless we make significant shifts in various income programs, the *poverty* of the care receiver effectively becomes the *poverty* of the caregiver.

Second, caregivers' employment status can be jeopardized by the pressures of their caregiving responsibilities. Many caregivers must reduce their hours or leave work altogether in order to carry out their caring role. They put at risk both their current income and future pensions.

The third financial strain derives from additional expenses linked directly to age or disability. More than one-third of caregivers report extra expenses due to their caregiving responsibilities. Two-thirds spend more than $100 per month.

There are several tax credits in place to recognize the additional costs of caregiving. But beware of these tax gifts – what you see is *not* what you get. This aid is worth only 15 percent of the amounts announced in federal Budgets. The caregiver allowance that was billed as $2,000 when introduced in 2011, for example, is actually worth only $300 – or 15 percent of the "amount."

Moreover, these amounts are not paid as a direct benefit. They simply allow taxfilers to reduce the taxes they owe. Higher-income households enjoy the full value of this tax credit. Modest- and lower-income income households derive little or no benefit from these tax measures.

We have argued that turning these measures into refundable credits would ensure that all households receive some money in respect of their caregiving costs. Both Manitoba and Québec provide a refundable tax credit for caregivers – so there is policy precedence for this approach.

Alternatively, a small direct payment could be made to help offset these additional expenses. The UK and Australia, for example, pay a cash benefit to the family caregiver of persons requiring chronic at-home care with supplements for households that incur especially high costs.

Here at home, Nova Scotia has introduced a $400 per month caregiver allowance. Throughout the country, the federal government pays a Child Disability Benefit, which delivers an annual maximum $2,575 to low-income parents with children with severe disabilities. This amount could be raised and the benefit extended to low-income households caring for adults over age 18 with severe disabilities.

But financial compensation is not enough. A workforce that provides an *essential service* must also have good working conditions that respond to their needs.

Flexibility at paid employment is one of the most important considerations. The needs of the elderly, in particular, are often unpredictable and require adaptability on the part of the caregiver. The same can be said for someone with an episodic condition, such as multiple sclerosis, where symptoms recur and remit. Some companies are beginning to recognize that employees may need more than personal or vacation time to deal with caregiving responsibilities.

There are important policy precedents at the international level. As part of its Carer Strategy, the UK introduced wide-ranging employment measures. In 2007, the *Work and Families Act* was amended to allow caregivers the right to request flexible work.

In New Zealand, caregivers who have worked with their employer for at least six months have the right to request flexible arrangements, such as compressed work weeks, flex-time and work from home. These rights do not guarantee that the employer will say yes. But at least they protect the security of employees who ask for flexibility.

Paid leave is another core working condition. In Canada, some practical changes can be made. The current Employment Insurance program includes Compassionate Care Leave. This measure allows up to six weeks' paid leave to care for a gravely ill relative who is likely to die within 26 weeks.

We are *fortunate* to have such a measure in place. But the eligibility criteria are too stringent to provide meaningful help to most caregivers. This provision can be expanded to permit leave for other caregiving circumstances, not just terminal illness, and can be extended in terms of the duration of the caregiving period.

Finally, future income can be affected when caregivers must drop out of the workforce due to their caregiving responsibilities. It is essential to find ways of protecting the value of pensions in future.

Several countries, including Australia, the UK and Norway, provide a special pension intended specifically for caregivers. Others make pension contributions on behalf of caregivers so that they are not penalized later in life for lost employment time during their working years.

One possible remedy is to expand the general drop-out or child care drop-out provisions of the Canada Pension Plan. The latter provisions allow workers to discount from the calculation of their pensions the years during which they were caring for a child under age 7. These measures could be expanded to apply not only to child care but also to caregiving responsibilities.

Good working conditions at paid employment must be supplemented by training and support at home. Caregivers need high-quality information about various conditions and advice on how best to handle them. Despite some positive models, there is insufficient training to handle this big responsibility – especially when it comes to mental illness and degenerative disorders, such as dementia.

A significant development in the caregiving field involves the use of social technologies that create networks among caregivers, care receivers and formal services. These networks provide information, emergency intervention and day-to-day assistance with caregiving tasks. In Canada, Vickie Cammack and colleagues from the PLAN Institute, for example, have established the online Tyze personal networks program.

While wide-ranging measures are required to support informal caregivers, there is little appetite for a national strategy in Canada – at least one coordinated by the federal government. The impetus for anything that resembles a pan-Canadian strategy likely will have to come from the voluntary sector working closely with provinces, territories and the private sector.

iii. Financing formal supports

Finally, we need to move beyond natural environments and informal supports to the third concentric circle in this policy ring: formal community supports. These include home care and long-term care.

As they age, most people would prefer to remain in their own homes for as long as possible. Only a more adequate supply of community supports can make this possible.

Home care is the primary community support. In this context, I am using it to refer to a cluster of services that enable independent living. These include:

- home health care for health-related functions, such as administering medications, changing bandages, cleaning breathing tubes and carrying out dialysis
- attendant care for the personal activities of daily living, such as feeding, bathing and dressing
- homemaker assistance for essential home-related tasks, such as shopping, cooking and cleaning.

These services are in short supply relative to demand. There are simply not enough of them to go around.

Population aging itself does not equate with increased demand. We are a healthier population, overall, than in the past. However, an aging population *does* mean that more people are living longer with chronic conditions acquired at some point in their lives. Many require some form of medication or health-related supervision on an ongoing basis.

Lack of home care means that many patients cannot be discharged from hospital. An estimated 7,500 Canadians currently live in hospital because they have nowhere to go. At an average $1,500 a day, total costs amount to about $11.3 million a day, a sum that could help resolve the problem if it were invested in home care.

Many older Canadians eventually require placement in a residential home or long-term care facility if their health-related needs become too great for care at home. There is also a shortage of affordable, long-term care facilities in Canada. Statistics Canada reports that Canadians have a 50 percent chance of needing long-term care by age 75.

The Canadian Life and Health Insurance Association estimates that the cost over the next 35 years of providing care to baby boomers is almost $1.2 trillion (in current dollars). Government programs will likely cover only about half this cost. As a result, Canadians will face a long-term care funding shortfall of close to $590 billion – or about $54,000 for each baby boomer in Canada today.

It is essential to tackle the financing challenge for home care and long-term care. Many would argue against additional funding and would recommend instead that funds be saved through introducing efficiencies and innovation in hospitals and expensive acute care, which consume the lion's share of provincial/territorial health budgets. I agree. In fact, selected innovations are starting to achieve noteworthy shifts.

There has been modest success, for example, in enhancing the quality of care through improved coordination among parts of the health care system, and between hospitals and community care agencies. Significant progress through monitoring technologies and software programs that link, in real time, the formal and informal health providers engaged in caring for a given individual.

Another area that is ripe for innovation involves the reassignment of health-related tasks. With adequate training, many health care functions can be performed in the community by nurse practitioners or physician assistants, personal support workers or care attendants at lower cost than when provided by physicians. It is important to ensure, however, that the workers who carry out these crucial functions are paid a decent living wage. Innovation should not be equated with downward pressure on wages and working conditions.

But health care innovations, while *vital*, are not sufficient. The community sector is so drastically underfunded right now that it needs a substantial infusion of money to improve the quality and quantity of available supports.

The purpose of new financing options is to generate additional money for the community care sector – not to replace existing forms of financing. While new financing options require substantial study and debate, at the very least Canada should be engaged in this conversation.

Some form of public or social insurance, for example, might be considered for long-term care. Social insurances generally are employed in the event of a shared risk that affects a substantial proportion of the population – in this case, the provision of long-term care for the elderly.

Canada's social insurance experience is confined to income security programs. But several developed nations, including Germany, Japan, Korea, the Netherlands and Luxembourg, employ a social insurance model to help pay for long-term care.

In Germany, for example, participation in the Long-Term Care Insurance Plan is mandatory. The Plan offers a number of options, which can be adjusted according to need. Every six months, recipients must choose between cash benefits for individuals who require lighter care or home care services, or in-kind benefits intended for those who require more intensive care in nursing homes. The Long-Term Care Insurance Plan also provides benefits to family caregivers.

Other financing options include some form of individual savings accounts to be used for long-term care. The Canadian Life and Health Insurance Association recommends a form of Registered Education Savings Plan (RESP) for long-term care. Alternatively, these plans could be designed like Tax-Free Savings Accounts.

There may be new financing options that draw from other sectors. Governments sometimes provide tax incentives, such as tax deductions that are higher than the actual contributions, for certain types of investments they seek to encourage. Tax incentives have been employed in the past to incentivize investment in the film industry, various forms of research and multi-unit residential buildings, known as 'MURBs.' There could be, for example, a tax break for contributions made to a new Home Care Investment Fund.

Another new fiscal instrument might be developed in support of other discrete areas, such as health technologies. This is a broad umbrella terms that includes technologies for screening, treatment, health monitoring, and information and communications.

There may be a way of raising funds through a designated, short-term Health Technology Bond modelled on the design of the Canada Savings Bond. In order to be attractive, a new bond would need to promise a higher return on investment than current offerings.

Alternatively, Australia employs a form of interest-free loan to assist with the costs of long-term care. There are other important examples of work under way in Canada that are employing some form of financial bond for social purposes.

All these proposed financing options require considerable study to determine their cost implications and administrative viability. For example, earmarked revenues should not be overused. Governments need a robust pool of general revenues in order to meet their wide-ranging responsibilities.

Moreover, most measures that reduce federal income tax also lower provincial/territorial income tax, which is calculated as a percentage of the former. It would be essential to ensure that funds through any new measure would always exceed the sums derived through current arrangements. There must be a net gain to provinces and territories in order to consider any new instruments a viable option.

Finally, the receipt of new funds must come with conditions for accountability. It is not enough to say that more services were delivered in a given period or that additional tests were carried out. In fact, excessive and unnecessary medical procedures actually can harm health.

Bottom line: the purpose of extra dollars is not to embed inertia or reinforce the status quo. Rather, the goal is to foster and drive improvements in health outcomes for a more healthy population.

All this to say…

There is a substantial policy agenda with respect to disability and the aging society. Some of the work will involve continued efforts to reform income security, improve disability supports and enhance participation.

But there are several new challenges that have emerged in recent years that relate to informal and formal supports, and more fundamentally, to our values as a society and as human beings.

At the end of the day, the goal of *reclaiming our humanity* remains as relevant as ever.

Disability and Aging – Response: André Picard

> ANDRÉ PICARD *is a health reporter and columnist at The Globe and Mail and the author of three bestselling books. He has received much acclaim for his writing, notably as a six-time finalist for the National Newspaper Awards, Canada's top journalism prize. André is currently serving as the scholar-in-residence at the Conference Board of Canada, where he is writing a book on health care reform. He lives in Montréal.*

My role is to respond to Sherri Torjman's talk. That puts me in an unenviable position because I agree with most everything she has said.

It would have been so much easier, for example, had you asked me to respond to Agriculture Minister Gerry Ritz after he uttered more inanities about food safety.

So, what I'll do in the brief time I have is reiterate and expand on what Sherri has said and, of course, give her views, my personal spin.

The numbers are important. We heard that 4.4 million Canadians are living with a disability – almost 15 percent of the population.

More importantly, we need to recognize that we will almost all experience a period of significant disability in our lives.

How do I know this?

According to Statistics Canada, life expectancy in Canada is about 82 years. But disability-free life expectancy is just over 70.

That means that, on average, we can expect to live a dozen years with a significant disability.

Disability is a mainstream issue.

Yet, in our public policies, disability is marginalized.

As Sherri demonstrated so eloquently, we don't have a system – health or otherwise – for those with disabilities. We only have piecemeal programs.

Our social safety net has a lot more holes in it that we care to admit. Part of the problem is that the net is old and worn out.

Our social programs – mother's allowance, medicare, old age security, etc. – were conceived in the 1950s and 60s when we were a young, homogeneous country.

For example, when medicare became a national program – 1957 – the average age was 27. There were very few people living with disabilities (mental and physical) and chronic conditions. Or to be more clear, there were few living openly in society; we were still warehousing people in institutions.

Today, there is far more integration – which is a good thing. But services have not moved into the community. There is a void.

We're also a much older country – average age 47 – and that, coupled with medical advances, mean that a lot of people live a long time with chronic conditions like heart disease, diabetes, cancer and so on. (And, yes, cancer is a chronic illness now; 5- and 10-year survival rates exceed 80-90 percent for most major cancers.)

We need to shape our social safety net to the needs of the population and stop expecting everyone to adapt to outmoded programs.

I think it's important to stress too that the disability community is as diverse as Canadian society itself – it is a community of communities.

Our programs need to be much more targeted and specific, clumsy one-size-fits-all offerings.

I think that's actually the future of social programs – targeting the needs of specific subpopulations rather than our traditional shotgun approach.

We have to get away from the notion that universality means everyone gets the same services.

Sherri spoke of the three principal needs of those with disabilities:

- adequate income
- assistance with additional costs
- full citizenship.

I fully agree that the needs are social much more than medical. I'm especially pleased she stressed the need for people to belong, to be full citizens. That has been a recurring topic of mine for many years. It's an important lesson that I learned from my friend Al Etmanski, who founded PLAN – the Planned Lifetime Advocacy Network.

The purpose of social programs has traditionally been to redistribute wealth. That's important. But I believe that we need to redistribute power as well – and that should be an equally important goal for our social programs.

Yes, we have to ensure that people with disabilities have an adequate income – like everyone else in society hopefully.

But money is not enough. Inequality is not solely an economic issue. It's not sufficient to level only one part of the playing field.

We have to ensure that people have the opportunity to fulfill their aspirations. For example, if they can and want to work, they need meaningful work, not token positions in woodworking shops and the like.

The same applies to Sherri's second point – the need to provide assistance with additional costs that people with disabilities may incur like equipment, health aides, translators and so on.

These are not gifts, they're necessities. Real integration requires more than building ramps and adopting human rights legislation. We need an overarching philosophy of equality, not grudging accommodation and tokenism.

I need to stress something that I often repeat when discussing medicare because it applies to other social programs and rights legislation as well: Equity is not the same thing as equality.

Needs vary. If we want an equitable society – a fair society – we must necessarily provide assistance in unequal measures.

Now Sherri's point number 3 – citizenship. What do we mean by full citizenship? For me, it means that everyone has the same opportunity to reach their full potential. It does not mean that everyone has the same potential or the same aspirations.

At the risk of sounding a bit too much like Deepak Chopra, step back for a moment and think about what we all desire, our fundamental, universal wants. Fundamentally, I think we all want to belong, to be loved, to live our lives to the fullest. When people are lonely, when they are marginalized, we have failed. We have failed as a society.

To quote Mother Teresa: "Loneliness is the greatest poverty."

In Canada's disability communities, in its communities of seniors, there is way too much poverty, way too much loneliness. That is a testament of social policy failure. To correct that failure, we have to be intentional and bold. We need a vision of a fairer, more inclusive society – not just on paper, but in practice.

Let me turn now to the second big element in Sherri's masterful paper – the aging society. As she said in her talk, it's important not to confound disability and aging. While there is a lot of overlap, they are different issues in many ways.

I want to say up-front that I'm not a believer in the notion that we're about to be swamped by a grey tsunami – in medicare or otherwise. The evidence simply does not support this hysterical position. Yes, aging Baby Boomers pose particular policy challenges, like maybe requiring more health care resources. But, collectively this poses no greater a challenge than the Baby Boom itself in the post World War II period. The Baby Boom led us to reshape society and social programs – for the better. Responding to the needs of those same Boomers now that they cross the threshold of age 65 should do the same.

The coming of (old) age of Boomers is not a disaster-waiting-to-happen, it's an opportunity waiting to be seized. Canada is older than it's ever been but it's also healthier than it's ever been. We not only live longer, we live better. People work longer and they contributed more as they age; they don't suddenly shrivel up and die. We need to stop looking at aging exclusively as a cost and look at the benefits, and provide the opportunity for Canadians – regardless of age – to be active members of society.

I don't know about you but I know a lot of healthy 70-, 80- and 90-year-olds.

My 90-year-old uncle plays the tuba in a touring Dixieland band. Don't tell me he's a burden on the health system or a strain on the social safety net.

Older does not mean sicker and more disabled.

Yes it's true that a lot of people are living with chronic conditions. But they are living with them, not dying with them. Almost all chronic illnesses are manageable, not disabling.

Much is made of the fact that most of our lifetime health costs are consumed in the last few months of life. That is perfectly normal, and it has always been the case. And it's true regardless at what age we die.

It's not aging that's driving health care costs, it's utilization.

According to a study by the Urban Futures Institute, over the past decade, aging had accounted for 24 percent of increased health costs; greater utilization accounted for 59 percent, while inflation gobbled up 19 percent and population growth.

Now, I've strayed a bit from the topic at hand so let me get back to my more direct response to Sherri's paper.

I want to underscore another important point she made: A lot of care is informal but we need to take much better care of the unpaid caregivers. We need to provide them with training, respite and relief at work and in their taxes.

No one I know wants to end up in a nursing home, to be warehoused. Most people are dependent on their loved ones for care, and they provide that care willingly. But we need to stop exploiting the caregivers.

Still, I don't want to sound too negative – even though I'm a journalist and that's my job!

We have some really good programs for the frail elderly. But our programs are too sporadic and inflexible and not nearly accessible enough.

Being flexible is one of our biggest public policy challenges – in health care and elsewhere.

Disability and chronic illnesses are rarely linear; there are ebbs and flows. Many illnesses are episodic and there are wide variations in the needs of patients at any given time.

Yet, almost all our programs assume that needs are binary – you either need something forever or never – and that death will come gradually and swiftly.

That's not how things work in the real world.

Just last week there was a story that illustrates the new reality. A 93-year-old Toronto woman lost her home care because she had not died within the six-week period of benefits she was allocated. So everything was pulled from her home – the equipment, the palliative care support, etc. – and the family was left with a dying Mom with zero support.

That's Kafkaesque. We can do better than that, and we do better.

In closing let me address one last issue, one that's not always popular in social policy circles.

We live in a rights-based society. We feel entitled to all manner of social programs, chief among them medicare.

"I paid into it with my taxes and I'm going to use it goddamit," is the prevailing attitude.

But there's a flip side to rights – called responsibility.

If we're going to embrace a philosophy of keeping seniors in the community, of granting full rights of citizenship to those with disabilities, we have to make real efforts as individuals as well.

We can't just sit back and assume there will be programs for everything. We have to pitch in.

Practically, what does that mean?

It means befriending the neighbour who uses a wheelchair, not contenting yourself with waving from across the street.

It means not just feeling sorry for the lonely widow up the street, but taking the time and effort to shovel her walk and invite her for dinner.

It means reaching out to an office mate whose son is suffering from schizophrenia, not just feeling sorry from afar.

Social policies, if they're going to be successful, can't be mere bureaucratic creations, and they can't be abstract. They have to be hands-on.

Fiscal Federalism

MICHAEL MENDELSON *is Senior Scholar at the Caledon Institute of Social Policy. He has held senior public service positions in both Ontario and Manitoba: Deputy Secretary of Cabinet Office in Ontario; Assistant Deputy Minister in Ontario's Ministries of Finance, Community Services and Health; Secretary to Treasury Board and Deputy Minister of Social Services in Manitoba. He has published many articles on social and fiscal policy including: "The UK in 2011 is not Canada in 1996" published by the Barrow Cadbury Foundation (UK); "Why We Need a First Nations Education Act" (Caledon Institute of Social Policy);"Financing the Canada and Quebec Pension Plans" (American Association of Retired Persons); and "Measuring Child Poverty: Measuring Child Benefits" (Caledon Institute of Social Policy).*

Is Canada (Still) A Fiscal Union?: Michael Mendelson

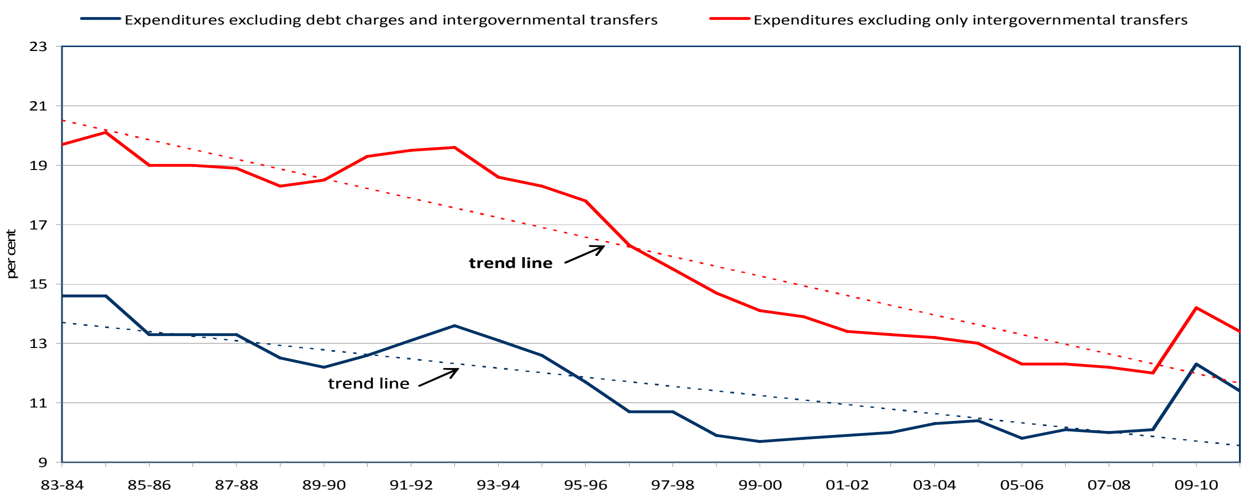
If the economic commentators are to be believed there is at least one lesson from the never-ending Euro crisis: Monetary union without fiscal union is unsustainable. Canada is a monetary union, but are we still a practising fiscal union? Or has our fiscal union become so weakened that we are now more like the Euro-zone: ten more or less sovereign provinces tied together in a monetary union without effective programs to compensate adequately for fiscal imbalance between the provinces?

Canada is among the most decentralized federations in the developed world. Unlike most federations, our provinces are sovereign in their own areas of jurisdiction, meaning that the federal government cannot override provincial laws. Perhaps more importantly, the provinces also have sovereign taxing power and the ability to tap all significant tax sources. The original Constitution, the *British North America Act*, intended to give the federal government fiscal supremacy by according it the sole right to levy indirect taxes – mainly customs duties, which at the time were the overwhelming source of government revenue. But things did not turn out as planned. Custom duties have become trivial in the modern world. By contrast, provinces have sole access to most revenue derived from selling the rights to exploit natural resources. Natural resources have turned into such a significant source of revenue that provinces in aggregate likely now have greater fiscal capacity than the federal government. But provincial resource revenue is extremely unevenly distributed. This uneven distribution of a major source of revenue compounds already unequal economic levels among the provinces, making it doubly difficult for the federal government to address fiscal imbalances – even if it had the will to do so.

There are two main ways in which a fiscal union may offset fiscal imbalance among the constituent states (in Canada's case, the provinces) within a monetary union: by increasing the size of the federal state relative to overall GDP, and thereby minimizing the importance of the constituent states; or by directly transferring money from the federal government to the constituent states proportionate to their fiscal needs.

First, with respect to the size of the central government, in Canada in 2010-11, excluding transfers to provinces and debt charges, federal spending amounted to only 11.4 percent of GDP. But even 11.4 percent is an overstatement. Figure 1 shows total federal expenditures on programs and transfers to persons, with and without debt service charges, from 1983-84 through 2010-11 as a percentage of GDP [Department of Finance Canada 2011]. 2010-11 reflects an upward spike due to the recession beginning in late 2008. The recession of the early 1990s resulted in a similar upward spike in spending as a percentage of GDP, which turned out to be temporary. The bump in 2010-11 will also almost certainly turn out to be transient. Yet, despite including these upticks, the trend has been downward. Were 2010-11 on the trend line, Ottawa's spending on programs and transfers to persons would likely be somewhat less than 10 percent. This is too small to make a significant contribution to constraining fiscal imbalance.

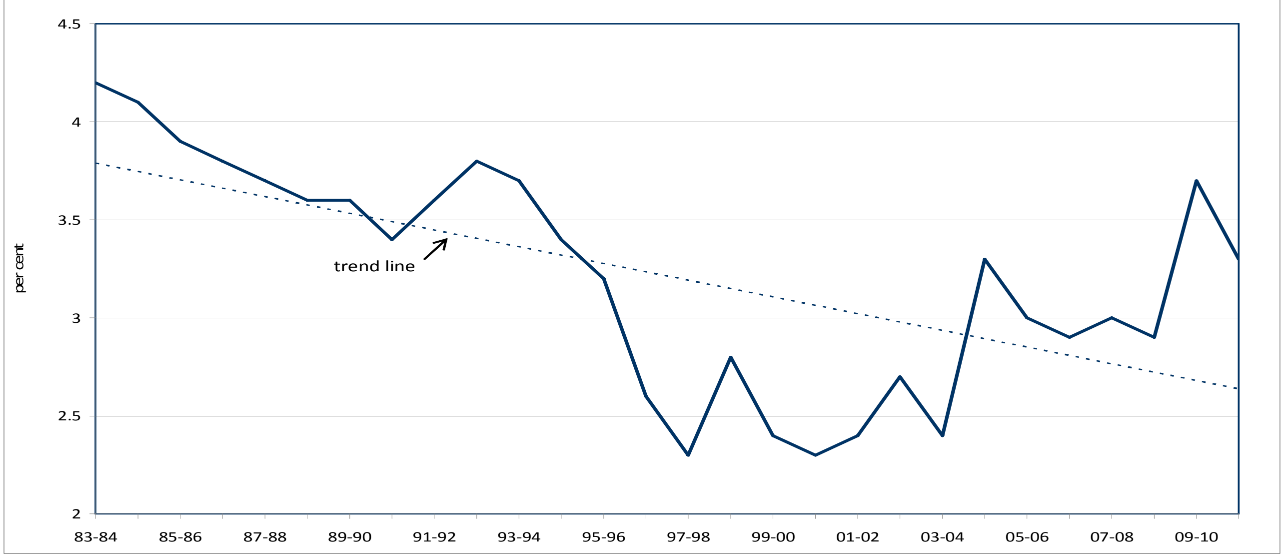
Figure 1
Federal government expenditures, as percentage of GDP, 1983-84 to 2010-11



Second, federal transfer payments may directly assist less well-off provinces so that their fiscal capacity is closer to that of wealthier provinces. Figure 2 below shows federal transfers to other governments (including territories and municipalities) from 1983-84 to 2010-11 [Department of Finance Canada 2011]. The pattern is almost identical to federal expenditures in Figure 1. There is a downward trend with two upticks during the recessions of the early 1990s and 2008-09. In 2010-11 federal transfers to other governments equaled 3.3 percent of Canada's GDP, but if 2010-11 were on the trend line, federal transfers would likely be below 3 percent of GDP.

While federal spending of 10 percent of GDP is too small to have a meaningful impact on fiscal imbalance, 3 percent of GDP spent on direct transfers to provinces could potentially have an impact. If we think of fiscal imbalance roughly as the comparative ratio for each province of 'fiscal capacity divided by GDP,' then federal spending affects the denominator – GDP – while federal transfers affects the numerator – fiscal capacity. And, unlike federal spending which we would anticipate to be spent more or less equally in all provinces, with relatively small variations at least in the larger provinces, we would anticipate exactly the opposite for federal transfer payments to provinces. To the degree that federal transfers to provinces are efficient in addressing fiscal imbalance, transfers will be heavily skewed towards those provinces with lesser fiscal capacity.

Figure 2
Federal transfers to other levels of government, as percentage of GDP, 1983-84 to 2010-11



So, although federal transfers to provinces are a small and decreasing percentage of GDP, they might still be important in partly offsetting fiscal imbalance *if* the transfer system is efficient and well-targeted. Is it?

In 1981 I had the privilege of working on the research staff of the Parliamentary Task Force on Federal-Provincial Arrangements. We were in a panicky rush to complete the final version of our report, *Fiscal Federalism in Canada* [Parliamentary Task Force 1981], when it occurred to me to ask whether the per capita federal transfers of the day were inversely proportional to the per capita GDP, of the provinces (i.e., bigger per capita transfers went to provinces with lower per capita GDP) – a question which, obvious though it might seem, we previously had not thought of posing.

Fiscal arrangements in 1981 were much more complex than today. The Canada Assistance Plan paid provinces half of spending on welfare and social services, the *Vocational Rehabilitation for Disabled Persons Act* provided cost-sharing of vocational services, the *Established Programs Financing Act* was a more complicated version of today's Health and Social Transfers, and Equalization was a wholly formula-driven program in its prime. In addition, there were many other smaller transfer programs almost all of which have subsequently disappeared. I added up the total per capita transfer of the sum of all these transfer programs for each province and plotted the result on a scatter diagram against the per capita GDP of each province. Then I labouriously used a handheld calculator to find the best-fitting trend line.

It was with considerable surprise that I and the other research staff saw that per capita transfers to the provinces fell almost perfectly on a straight trend line with the poorest provinces getting a much greater per capita transfer and the richest provinces much less. It turns out that in 1981 we could have substituted a simple formula based on per capita provincial GDP for the whole mixed bag of transfer payment arrangements, with almost no change at all in the amount paid to each province. This showed, as the Task Force concluded at the time, that the "system of federal-provincial transfers achieves a substantial degree of redistribution" [Parliamentary Task Force 1981: 194]. It also showed that the provinces were treated equitably in that the total per capita federal transfer in each province was equally proportionate to its per capita GDP.

That was 1981. Does today's system of federal-provincial transfers still achieve a 'substantial degree of redistribution' and is the system still equitable among the provinces? Or, to put this same question in another way: Is our small but non-trivial federal-provincial transfer system fair and efficient in addressing fiscal imbalance? To answer this question, we need to be able to measure the 'fairness and efficiency' of the transfer system.

Using per capita GDP as a proxy for fiscal capacity, the fairness of the transfer system may be measured by the extent to which every province is treated the same relative to its per capita GDP. An index for this is the 'fit' of a linear trend line when per capita GDP of each province is plotted against each of their total per capita transfers. The fit is measured by the 'R-squared' of the line, which can vary from 1 to 0. 1 is perfect fairness in that each province's per capita GDP predicts exactly its per capita transfer. 0 is perfect unfairness, with per capita GDP being no use at all in determining per capita transfers.

Figure 3 uses 1987 as an arbitrarily selected year to illustrate this concept.[1] The trend line fits the data quite closely and the R-squared is consequently 0.83. This means that the variation in per capita provincial GDP explains 83 percent of the variation of per capita transfers in each province, leaving only 17 percent to other factors. Newfoundland is above the trend line, meaning that its per capita federal transfers were higher in 1987 than the trend given that province's per capita GDP. On the other hand, BC is below the trend line, implying that its transfers were lower than the trend given its GDP. Manitoba is right on the trend line, meaning that it got exactly a 'fair' deal in that year. However no province is very far from the trend line.

Turning to the efficiency of the transfer system in redistributing fiscal capacity, as shown in Figure 3, the equation 'federal per capita transfer to province = -(0.135 x provincial per capita GDP) + $3,733.20' describes the best fit trend line of federal per capita transfers in 1987. This means that for each dollar of additional per capita GDP in a province, federal per capita transfers would be reduced by 13.5 cents. This is the 'slope' of the trend line. The bigger the slope, the more redistributive are the fiscal arrangements. So we can use the slope of the trend line as a reasonable way to measure the redistributive efficiency of fiscal arrangements – meaning how much correction of fiscal imbalance do we get for our transfer dollars?

Using these two measures, it is possible to provide a picture of how fiscal arrangements have changed over time in Canada.

Figure 3
Federal transfers versus provincial GDP per capita, 1987

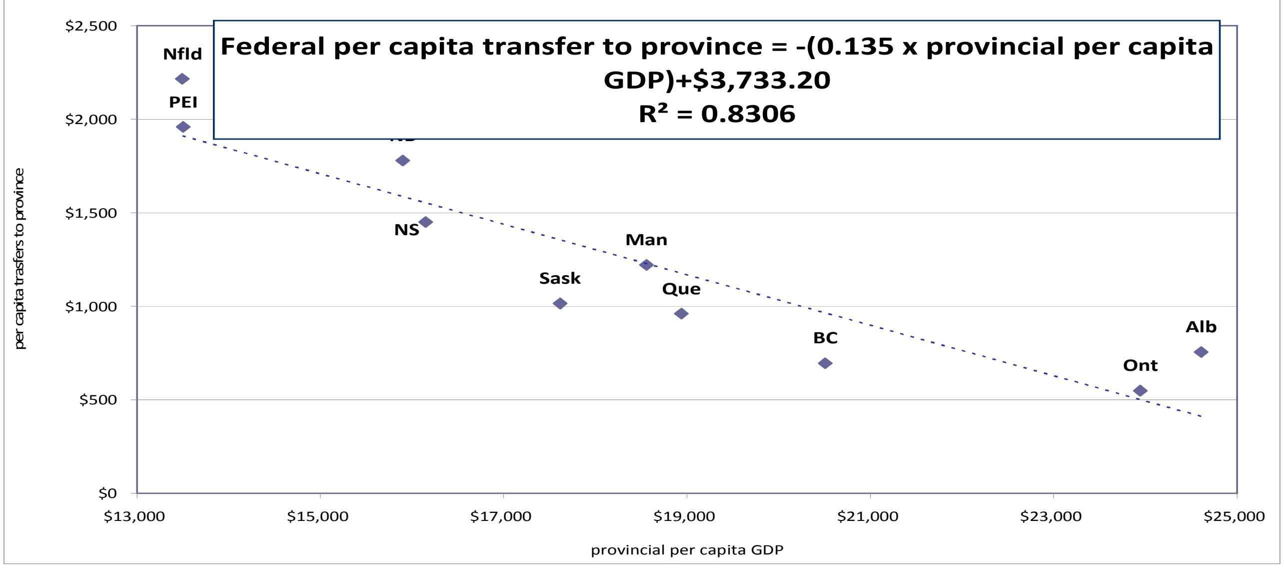


Figure 4
Degree of equity in treatment of provinces in fiscal arrangements, 1983 to 2009

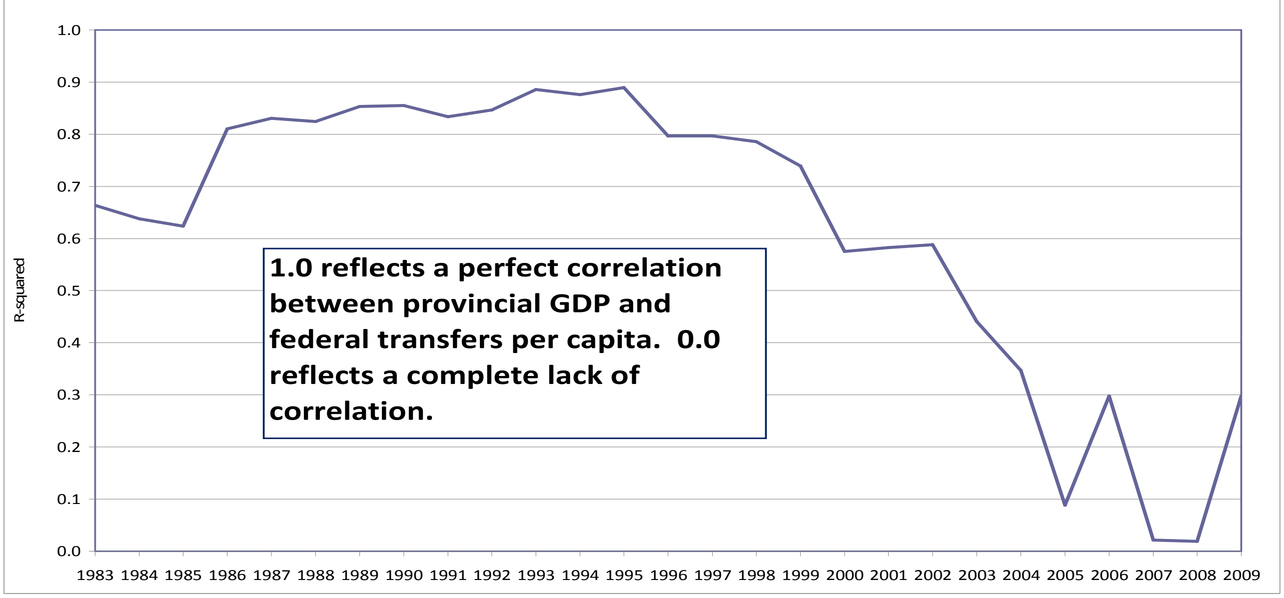
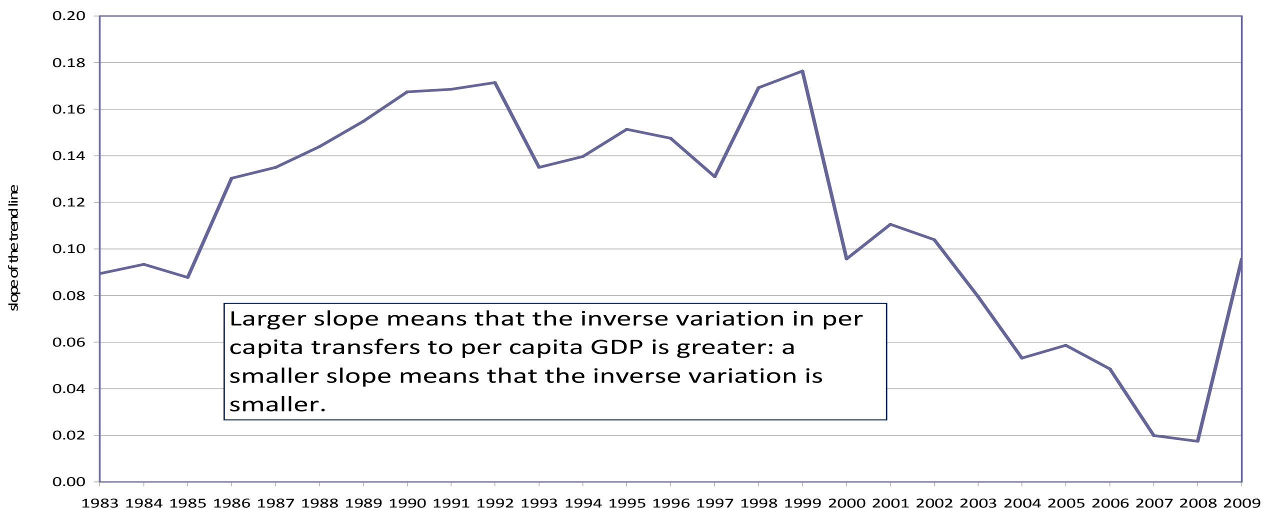


Figure 4 shows the equity of the federal transfer payments to the provinces from 1983 through 2009. Until 1995, Canada's fiscal arrangements were highly equitable between provinces, with 80 percent or more of variation between provinces explained by variation in per capita GDP for the whole preceding decade. But beginning in 1996 and accelerating in 2000, everything changed. The equity of the system deteriorated rapidly until today there is essentially no relationship at all between each province's per capita GDP and federal transfers to the province. To put it graphically, equity fell off a cliff and has not bounced back.

Figure 5
Index of redistribution among provinces in fiscal arrangements, 1983-2009

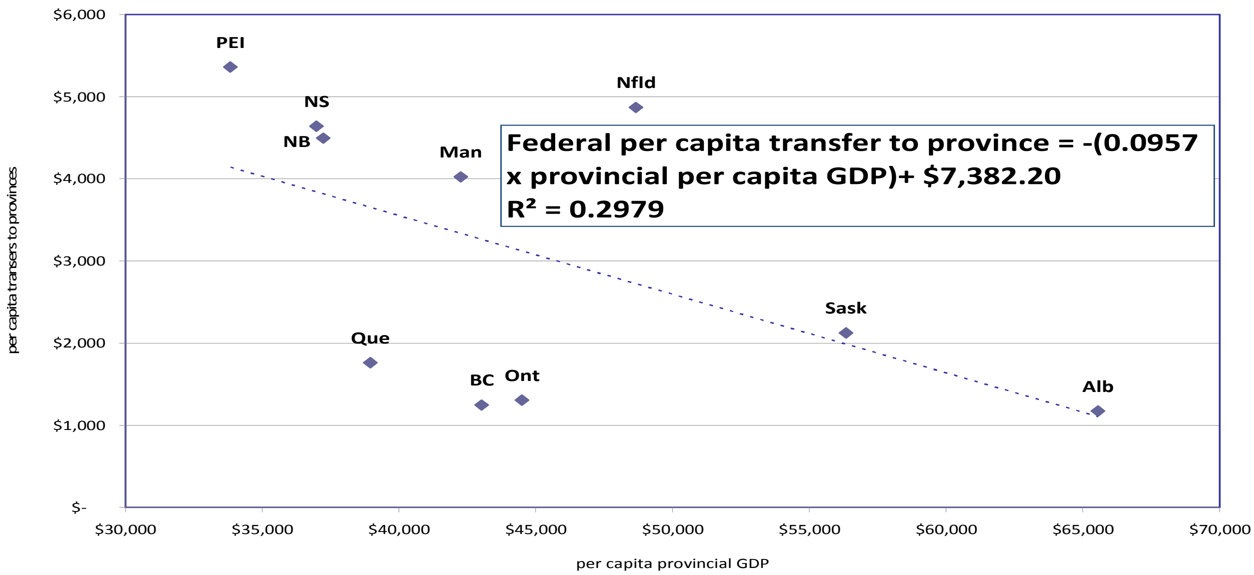


Redistribution has not fared much better in the last 25 years. Figure 5 shows the 'slope' of the trend line for each year from 1983 through 2009. The fiscal arrangements became steadily more redistributive in the 1980s, achieving a plateau of sorts in the first half of the 1990s, only to begin decreasing rapidly and reaching new lows in the first decade of the 2000s. There is a spike upward in 2009, the last year for which this data is available, but this is possibly a transient consequence of the 2008 economic crisis.

This can be seen in Figures 6 and 7, which show the distribution of federal per capita transfers to provinces against per capita provincial GDP, just as in Figure 3. In 2008, the fiscal arrangements were barely redistributive at all, despite huge differences in per capita GDP. In 2009, transfers were more redistributive, but in both years the amount going to each province was all over the map with some provinces – BC, Ontario and Quebec – far below the trend line and other provinces – Manitoba, Nova Scotia and especially Newfoundland as well as others, far above the trend.

The two indices developed in this paper are proxy and imperfect measures for underlying features of our fiscal arrangements. Nevertheless the results are so stark and unambiguous that the story they tell will stand up regardless of what measures are used. The story is this: Over the last decade and a half, Canada's fiscal arrangements have become highly inefficient in correcting fiscal imbalance. The fiscal union, to the extent that it still exists at all, is in dire straits and failing. To answer the question asked at the beginning of this analysis: Canada is no longer a practising fiscal union, at least in respect of using fiscal federalism to mitigate fiscal imbalance.

Figure 7
Federal transfers versus provincial GDP per capita, 2009

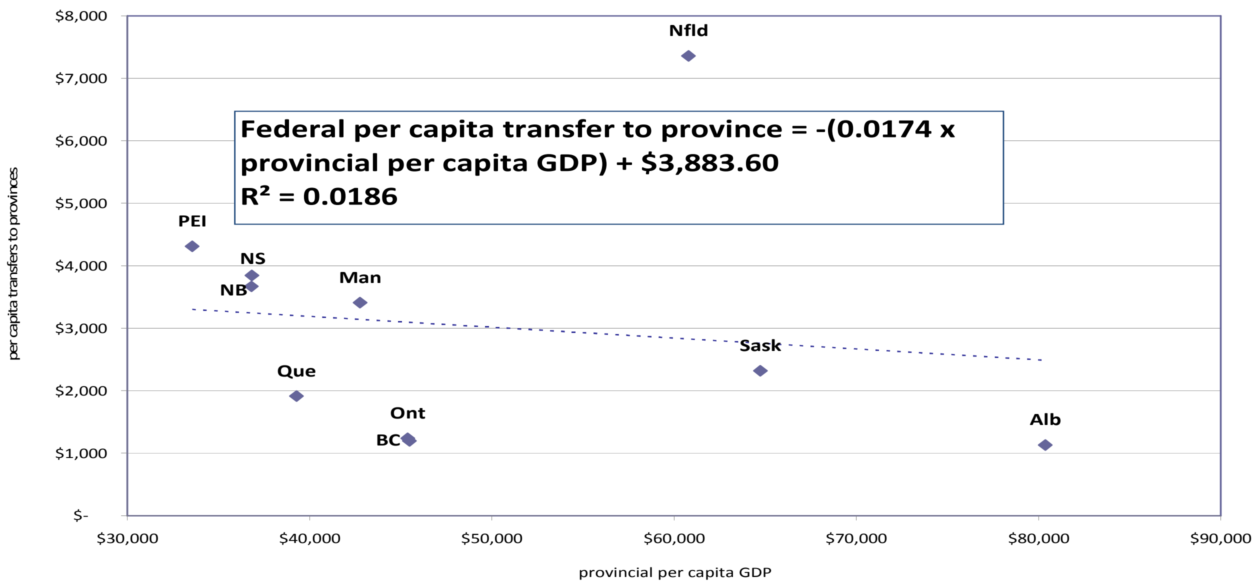


How did we get to this strait? Beginning with the large cuts in fiscal transfers in the mid-1990s and even more so in the last several years, fiscal arrangements have been subjected to a series of one-off ad hoc political deals and unilateral cuts and ceilings. One year an arbitrary ceiling would be placed on Equalization, while making a side deal to discount some provinces' revenue and half count others. Another year, health transfers would be ruthlessly cut only to be generously restored a few years later, but with different distributions among the provinces. What began as fiscal arrangements built on a foundation of principle has over time been replaced by fiscal arrangements built on political expediency.

Canada could go a long way to restoring the fiscal union by using its existing transfer funds more efficiently. The ad hoc deals of the last number of years have tied the fiscal arrangements in a tangle of knots. Untangling the mess without unilaterally breaking agreements would take some time, but the articulation of the goal could at least be a start.

Smarter spending of existing funds would be a start, but there is a quantitative limit to the size of redistribution through fiscal federalism in Canada. To offset fiscal imbalance more fully through fiscal arrangements would require not only spending what we have more efficiently, but increasing the overall amount of fiscal transfers relative to the size of the economy. The paradox of Canadian fiscal federalism is that the federal government itself must provide the funds to correct for fiscal imbalance which are increasingly caused by natural resource revenues, but the federal government does not have access to these revenues. So, if the federal government were to increase substantially the amount of funds in the fiscal arrangements, it could only do so by collecting most federal taxes in the very provinces to which it must pay increased transfers – mainly Ontario and Quebec. This does nothing to correct fiscal imbalance and might even make them worse. Thus, without measures to allow federal access to resource revenues, we are likely stuck at not much more than the current levels of 3 to 4 percent of GDP as the maximum total for fiscal transfers.

Figure 6
Federal transfers versus provincial GDP per capita, 2008



The ceiling on our total transfer system makes it all the more imperative that the arrangements be reconfigured to be more equitable and especially more efficient. The reality for Canada is that even if we were to move quickly and forcefully to get the maximum benefit out of existing transfers, these may still prove insufficient to significantly offset fiscal imbalances.

Endnote

1. Data for figures 3 through 7 are from Statistics Canada provincial economic accounts and estimates of population from the CANSIM database, supplemented by calculations by the author. These are on a calendar year basis. Figures 1 and 2 from the Department of Finance's *Fiscal Reference Tables* are on a fiscal year basis.

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Notes for Commentary: Richard Simeon

> RICHARD SIMEON *is Emeritus Professor of Political Science and Law and a member of the School of Public Policy and Governance at the University of Toronto. His primary interests are in federalism, regionalism and institutional design in divided societies. His numerous publications include the award-winning "Federal-Provincial Diplomacy" and the newly published edited volume "Imperfect Democracies: The Democratic Deficit in Canada and the United States" (with Patti Lenard). Previously he has been Director of the Institute of Intergovernmental Relations and School of Public Administration at Queen's University, Vice-Chair of the Ontario Law Reform Commission and a Research Coordinator for the Royal Commission on the Economic Union. He was a constitutional adviser to several Ontario governments, and has worked abroad in South Africa, Jordan, Sudan and Ethiopia.*

It is a great privilege to participate in this symposium, and to be able personally to congratulate the Caledon Institute on its 20th anniversary.

With just a few key players, Caledon has had a major impact on research, analysis and prescription in Canadian social policy over two decades now.

My assignment today is also humbling because I stand here in the shoes of Keith Banting, my friend and colleague, and major contributor to the work of Caledon, who is unable to be with us today.

I do not think that he would make quite the same comments on Michael's paper as I will, but I think we would share the same spirit.

Michael's paper is done with his usual elegance – clear, incisive, driven by the data, and with graphs so clear that one hardly needs to read the text.

And he has a strong thesis – that the Canadian fiscal union, to the extent that it continues to exist at all, is in dire straits and failing. Canada is no longer a practising fiscal union.

Two sets of indicators make his point.

First, the fiscal weight of the federal government, measured by federal spending as a percentage of GDP, has steadily declined since the 1980s, except for a modest up-tick during the recent recession.

It is now down to hardly over 10 percent of GDP.

Actually I think Michael slightly understates the case. The trend has been going on for a long time. I believe that the postwar high water mark of the federal share of total government spending was actually in the mid-1950s.

It is important to try to understand why this happened. In part indeed it is the result of the choices of individual governments – as in the Martin budget and transfer cuts of the 1990s for example, or Harper's austerity more recently.

But the drivers are more fundamental. They include the increasing importance of policy areas – health, education and welfare – that lie primarily in provincial jurisdiction.

This combined with the end of the era of steady economic growth in the 1970s and the growing preoccupation with debts and deficits.

And it combined with the rise of provincial assertiveness, primarily in the Quiet Revolution in Quebec, but also in other provinces as well, which challenged federal hegemony.

All these forces, combined with the virtual demise of a nationally integrative party system that can bridge regional differences, mean that the role of the federal government in the lives of Canadians has diminished.

We have a more regonalized society, economy and party system that significantly undermines federal authority and legitimacy.

And we have much stronger global and international constraints on fiscal policy.

But does this add up to the demise of the Canadian fiscal union? Perhaps not quite. It is impossible to know with precision how much fiscal weight the federal government needs in order to manage the macro-economy.

But if we look at Canada's performance through the recent global economic crisis and recession, we do not see government as powerless and ineffective. On the contrary, we seem to have performed much better than most of our peers, despite our decentralized system.

As Michael points out, even though we are perhaps the most fiscally decentralized federation anywhere, federalism has not gotten much in the way of blocking an effective response.

This, I think, is:

- First, because the federal government probably does have more room than provinces to raise revenues, even though provinces do have almost the same authority to do so. Their fiscal autonomy is more constrained than Ottawa's.

- Second, because the federal government still has a broad power to spend, again with more room than the provinces.

- Third, because the federal government has a wide variety of other tools at its disposal – monetary policy, banking, foreign trade and commerce, and so on. It is not powerless.

- Fourth, because it is the federal government that speaks for Canada in the major international economic forums. And the international actors look to Ottawa, not the provinces for Canada's position.

- Fifth, because in the recent crisis, there has been a very high level of federal-provincial cooperation in their strategic responses. Provinces have generally accepted federal leadership. Some of the tensions we saw in recent years have diminished – perhaps because of the shared sense of crisis. We have had no 'rogue provinces' like some of the Spanish regions or US states, for example, challenging or contradicting the policy. Collectively, the provinces have been pretty fiscally responsible.

There is a project currently under way at Harvard asking the question whether federalism is necessarily a barrier to effective response to fiscal crisis. We have certainly had that experience in the past – as in the 30s – but I would not say that today, despite large variations in circumstances and policy across provinces.

So I would conclude that on the first of Michael's two dimensions, the fiscal union is not a huge problem for Canada or Canadian federalism. Given the politics of Canadian federalism, we cannot equate fiscal union with federal dominance. Fiscal union in Canada has to be an intergovernmental matter.

Michael's second dimension is about equalization and redistribution. How well are we meeting the commitment of S. 36 of the constitution to ensure comparable levels of public services at comparable levels of taxation? Are we still a 'sharing federation?' Are we still what Alan Blakeney called a giant mutual insurance operation?

My own view is that equalization is one of the crowning achievements of Canadian federalism – it has allowed us to combine our high level of decentralization with a modicum of social justice and equality.

But Michael shows almost the same decline in federal transfers to provinces as a percent of GDP as in federal clout more generally.

More worrying is that starting in the 1990s, the equity of the transfer system as a mechanism for sharing deteriorated greatly, so that now there is virtually no relationship between per capita incomes in a province and the transfers it receives.

Despite Section 36, we are failing to achieve equity in the federation through federal transfers.

This is powerful stuff. Some additional data would help here. What are the consequences? For example, are variations in provincial spending per capita in areas like health or education growing such that there are growing disparities in the level and quality of services that citizens receive?

And there is the elephant in the room – the escalating revenues in Alberta and a couple of other resource rich provinces. How can an equalization program funded by the federal government without access to the revenues survive? Similarly, how can it survive when the largest province becomes a recipient?

‘Dire straits,’ indeed.

Michael is right that transfer and equalization policy has become politicized, ad hoc and arbitrary in recent years. Rules and principles seem to have little place any more. He calls for a more ‘efficient’ transfer system. An important next step would be to try to spell that out. What would it actually mean?

And does the political haggling over transfers to undermine the moral claim that has maintained the legitimacy and public support for equalization across the country?

Equalization has had very wide support in all parts of the country, even the wealthiest; but can this be sustained?

And I share Michael’s worry that the political – indeed constitutional – room to make the changes necessary to restore federal capacity to bring about equitable redistribution is very limited. Fiscal union is not a matter of which government is responsible; it is a collective responsibility in which the trick is to find the right balance among them.

And what may be more worrying in a globalized world, and in a domestic economy with greater disparities, is that the very broad public commitment that we are all in this together, and that sharing is essential both to unity and social justice, weakens both across classes and regions.

And this leads to my final point. Michael has carefully and judiciously limited himself to measuring and assessing the ‘fiscal union.’ In recent years we have discusses several forms of ‘union.’ Canada as a fiscal union, as Michael has discussed; as a broader ‘economic union,’ with free flow of capital, goods and services; as a ‘social union’ with a shared commitment to certain vales in health, education and welfare; and most important as a ‘political union.’

All these dimensions have recently been questioned and contested.

I think that some of us may have made the mistake of believing that only a strong federal government can establish and sustain union in all these dimensions.

Rather the Canadian union, or unions, are not, and cannot, be only a result of federal action. Our unions are intergovernmental. And they may exist more fundamentally in the minds of citizens and civil society than in any governments.

Bridging and integrating our discussion of the several unions is I believe one of our central scholarly and political tasks.

Datacide: Policy in the Dark

MICHAEL ADAMS *is the president of the Environics group of research and communications consulting companies which he co-founded in 1970 and, as of 2006, the non-profit Environics Institute for Survey Research. He is also the author of six books, including: "Sex in the Snow: Canadian Social Values at the End of the Millennium" (1997); "Fire and Ice: The United States, Canada and the Myth of Converging Values" (2003); and "Unlikely Utopia: The Surprising Triumph of Canadian Multiculturalism" (2007). The Institute has conducted a number of groundbreaking projects, including the first major survey of Muslims in Canada, the Urban Aboriginal Peoples Study (UAPS), and most recently Canadians on Citizenship, the first national study to ask Canadians what it means to be a good citizen in this country. In 2008, Michael Adams was made a Fellow of the Marketing Research and Intelligence Association, the highest honour which can be bestowed upon a member, for his contribution to marketing and survey research in Canada. In the spring of 2009, he received an honorary Doctor of Letters from Ryerson University in Toronto.*

After the Long-Form: Pursuing Sound Public Policy in a Land That Has Lost its Census: Michael Adams

It is an honour for me to be asked to speak at Caledon's 20th anniversary celebration.

I have admired the work of Caledon for a very long time and count Alan, Judy, Ken, Michael and Sherri as friends as well as respected allies in the pursuit of evidence-based, progressive public policy.

I know I am not alone in my admiration for the Caledon Institute. I think it is fair to say that as Canadians we can thank Caledon for the Canada Child Tax Benefit, for the Family Caregiver Tax Credit introduced in the 2011 Budget and for substantial intellectual contributions to the federal government's move toward a *First Nations Education Act*.

My own respect for the Caledon brain trust is such that I have asked one of the brains, Michael Mendelson, to chair the board of the Environics Institute. I also regularly involve Alan and his colleagues at Maytree in my research projects, most recently our Citizenship Study. Speaking of Maytree, Ratna Omidvar, Maytree's president, also serves on the board of the Environics Institute.

All this to say, we are practically family. But this is one of those families where you have to sing for your dinner, which is coming up shortly I believe.

Despite these fond introductory remarks, I am not here to praise Caledon but to lament the cancellation of the mandatory long-form census, something I wrote about in the November 2011 edition of IRPP's publication *Policy Options*.

Policy Options editor Ian Macdonald told me the census article was the most downloaded in the history of the publication. Perhaps he tells all his contributors they are eminently downloadable – but I will assume this was not a matter of personal flattery, but actually a measure of how many Canadians who care about evidence-based public policy were deeply upset about the government's decision on the census.

I for one was surprised at the strength and breadth of the reaction. I knew that people like those of us in this room would be upset: academics, policy wonks, pollsters and other data nerds. But the decision was met with much more resistance from the public and from civil society groups than I would have expected.

The website Data Libre has tracked organizations supporting and opposed to the census decision; the tally is currently 488 organizations and opinion-leaders against, and 11 in favour.

Among the 488 are some pretty strange bedfellows: the Canadian Association of Retired Persons as well as a range of student groups; the Province of Quebec and the Canada West Foundation; the *Toronto Star* and the C.D. Howe Institute; the Rural Ontario Institute and the Federation of Canadian Municipalities; bank economists and anti-poverty groups; a group called Queer Ontario and the Roman Catholic Bishops. Strange bedfellows indeed.

I guess Canadians of all ages, ideological stripes, regions and sexual orientations love their data and value solid evidence about their society and how it is changing over time.

The census might not be a ballot question for more than about 10,000 people across the country – but I believe that in a democracy, decisions like this will ultimately come home to roost. Although annoying one group to please another is certainly a normal part of politics, the census decision seems so narrowly tactical, crudely populist and contrary to the public interest that it may have put a burr under the saddle of even some Conservative Senators, MPs and cabinet members. Who knows – with a few more burrs, they might even be inspired to speak up.

But back to the substance of the census issue. Let me take a minute to remind you of the questions that are on the short-form census, the questions that are on the long form and the uses to which Canadians' answers are put.

The short form, which I presume everyone in this room filled in, unless you wanted to test the government's tough-on-crime agenda, asks about the number of residents in your home, their relationships to one another, their age and gender, whether they farm and what languages they speak. Basic population data for the most part.

The long form (formerly mandatory, now the optional National Household Survey) asks a wider range of questions, touching on citizenship and immigration status, income, occupation, child care, housing and so on.

Long-form data has in the past been used by businesses, NGOs, religious groups – and, oh right! governments! – to make plans and evaluate the success of their activities.

You have certainly heard of the United Way's "poverty by postal code" work. Enabled by long-form data, of course.

Experts have used long-form data over the past several years to warn us about worsening employment outcomes for immigrants.

U of T professor Jeffrey Reitz has used the Ethnic Diversity Survey, itself founded on long-form data, to analyze the complex relationships among ethnic belonging, discrimination and economic inequality – important issues for a country that sees itself as a world leader in multiculturalism.

If you want to know whether the educational attainment of the Aboriginal population has improved in the last decade, you may have trouble. The long-form census was the only information we had on the number of Aboriginal students who completed high school, community college or university. There will be no similarly reliable population-based data on educational attainment not just by Aboriginal people, but by any other grouping of the population.

In addition to its research value, census data has a huge range of very practical applications. If you work in public health and can only set up one TB clinic in an area, wouldn't it be helpful to know where there is a high concentration of recent immigrants from countries with a lot of TB?

Without long-form data, there is more guesswork for people delivering public services, which makes our government not leaner but simply stupider and less efficient.

My Institute did the first ever major study of Aboriginal people living in Canadian cities. The study would have been impossible – or certainly vastly less credible – if the census hadn't enabled us to set our quotas for how many people we should be reaching in each identity group (First Nations, Métis, and Inuit) by gender, age and education, specifically for example, how many young female Métis with a post-secondary degree we should interview in Saskatoon.

No sample frame means data whose statistical reliability is greatly reduced.

The less reliable our data becomes, the more our policy decisions will be vulnerable to guess work and, of course, anecdote. And as I heard a clever person say once, the plural of anecdote is not data.

Some might protest that the long form still exists and millions of Canadians will fill it out; it's just not mandatory anymore. This is true. The problem with a voluntary census is that some people don't answer it, and those who don't answer are often the most vulnerable in our society.

The response rate for the 2011 National Household Survey (aka the long-form) was 68.6 percent. (This is 68.6 percent of the one-third of the population to which the forms were delivered; so it means we have answers from about 23 percent of Canadians.) Who didn't answer? People with below average literacy? People whose first language is not English or French? People who have come from countries where it is not safe to share personal information with the government? Maybe.

A 68.6 percent response rate is excellent for an ordinary survey. But the census is not an ordinary survey. It's the one that lays the foundation for all the others, including the Labour Force Survey and the Survey of Household Spending.

Even if the quality of the 2011 snapshot of Canada were excellent, the methodological leap we have made in this wave makes it more difficult to compare the data with data from past waves. It is also more difficult to compare Canadian data with data from other countries. Longitudinal and comparative data are the foundation of good social science (not to mention, selfishly, my six books on social change).

Readers of the *Economist* magazine will be familiar with those wonderful charts they do that so cleanly compare various countries on one metric or another. I have a nightmare in which I open my copy one day and find blanks where Canada should be – or an asterisk and some disclaimer about the unreliability of the data.

So much for Northrop Frye's observation of Canadians venerating the accountant more than any other society. You know: Americans make money; we count it.

Of course, a lot of researchers are working hard to draw sound, usable data from the National Household Survey. Environics Analytics, for instance, has made big investments in correcting for the bias expected to reside in the data. And because there are past census waves and other surveys to draw on, they should be able to get a pretty good picture of Canadian demographics and trends – at least for the 2011 census wave, if not beyond. Still, fixing the problems with the census data is a task we didn't have five years ago. Turning the National Household Survey into a source of solid insights will take a lot of extra time and analytical steps that would not be necessary if our federal government had been willing to sustain our country's traditional commitment to sound quantitative research methods.

Sometimes public policy based on conviction alone can be fine. It worked quite nicely with the abolition of slavery. But for a great many policy questions we need the tools of science to guide our decisions. The tools of natural science help us understand and respond to issues like climate change, and the tools of social science play the same role when it comes to making decisions about city planning, where to locate services, where to target social programs, and so on.

It is science above all, not ignorance of the facts, anecdote or ideology, that has vastly extended the span and quality of human life over the past few centuries. I agree with my golfing buddies that it would be nice to see that trend continue.

We have a government that has become quite selective in its use of data. In economic policy, data seems to be acceptable to them. But data does not seem very welcome at tables where social policy is being discussed. With crime in decades-long decline, for instance, this government feels it's time to build more prisons and impose stricter sentences.

If our leaders are so cavalier about the evidence when good data exists and is widely available, what will happen when the facts are actually unknown? And this is by no means a concern that pertains only to the current government. I suspect fiscal conservatives would be very troubled to see a more left-leaning government pour money into, say, teacher compensation without gathering any data about whether those investments in our educators are actually helping student outcomes. Data helps to keep us all honest, regardless of our politics. And that's one reason why all those disparate pro-census groups I mentioned earlier find common ground on this issue.

The question of data and ideology is one I would like to reflect on a little more. Some have called the elimination of the long-form census a libertarian decision. From one perspective, that makes sense. First, it makes sense that someone who is suspicious of government would not want government to be poking around asking about their religion or ethnicity. Secondly, a certain kind of small-government advocate might say that data is food for the hungry beast of government. Data exposes problems, and then government and its supporters, meddlesome bleeding hearts by nature, want to start fixing them.

People who see things this way believe that if a thing is worth doing – if a trend is worth measuring, or if a problem is worth fixing – then the private sector or voluntary organizations like religious groups will take care of it. If you want small government, the thinking goes, then you have to starve the government beast of the data that feeds its brain. This is a kind of Ron Paul take on the census, shared by the likes of the Fraser Institute north of the border in their efforts to roll back the welfare state western societies built in the 20th century.

There is, of course, another small-government perspective, articulated by William Robson of C.D. Howe, who argues that the census helps to tell you whether government programs like public education are working. "For those who want government to do less but do it better," Robson writes in a defence of the mandatory long-form census, "good information is indispensable." Unfortunately, Robson's rather sensible part of the small-government camp is not winning the battle at the moment.

The side that's winning is the side that favours a battle between your opinion and mine, your anecdote and mine, your unverifiable assumption versus mine. And as we know from American talk radio, this kind of debate is extremely rich and addictive food – but not very nutritious.

But let's not cede the field to Rush Limbaugh just yet. While we wait to see whether the long form will be restored to us or the still compulsory short form grows to include more essential items, lots of people are hard at work making the best of a disappointing situation. Caledon itself has taken over the major task of producing annual cross-Canada data on welfare. This work was previously undertaken by the National Council on Welfare, an in-house agency abolished by the federal government in the 2012 Budget.

The Canadian Council on Social Development (CCSD), under the leadership of Peggy Taillon, has pulled together more than 25 consortia across the country. These consortia comprise federal, provincial and local government bodies, social agencies such as United Ways, health agencies, police services and the like. They have created the most comprehensive data hub in Canada to increase access to good information, and also to offer more sophisticated analytical capability – all with a view to facilitating the development of data-driven, empirically-based social policy, programs and service delivery. (To mention just one example, the United Way Poverty by Postal Code project I mentioned earlier relied on the CCSD data program and received analysis support from CCSD.) Environics Analytics is providing access to its Adjusted Census Data for CCSD and its members at no cost. It is also offering a reporting and analytical tool called Envision, at greatly reduced cost.

Personally, I don't think Canadians have heard the last of the census debate. But you have heard the last of it from me tonight.

But before I end, however, in the spirit of Caledon and to mark the Institute's 20th anniversary, I would like to propose an idea. I would like to see our community of supporters of evidence-based policy celebrate some of those who have championed good data – even when that stance has been unpopular with the powers that be.

I would like us to honour those who have shown courage to speak up and stand out, in a country better known for its deference to elite power than for its appreciation of contrarians. We have many awards for those who play by club rules in the service of their country, province or city. And generally this is a good thing. But what I propose is a prize for those who dare to defy: those we have spoken truth to power in the wider public interest in the full knowledge that power can be mean and vindictive.

Munir Sheikh strikes me as an obvious first candidate for the award, the former chief statistician who resigned from his dream job rather than act as the fig leaf that covered the otherwise naked emperor of the National Household Survey. A deputy minister who resigns on principle. When was the last time that happened?

My fellow pollster Allan Gregg recently stuck his neck out at Carleton University in a rousing defence of intellectual honesty, warning of disturbing trends toward Orwellian governance. Frank Graves, another pollster, dared do scientific surveys for the Council of Canadians on the Robocall scandal and was subsequently attacked not for the quality of his research but *ad hominem* for his character and supposed political bias.

You will think of other shot messengers, I'm sure.

I think this could be a wonderful annual event for Caledon – a yearly celebration of brave Canadian nerds: people with both brains and…guts. (I might use another word on the golf course.) "Worthwhile Canadian initiatives" (as the famous boring headline put it) have a long and distinguished history. We should be proud of those whose intellectual integrity has helped lay the foundation for them. And we should be very grateful to those who make clear lenses through which we can view our society. Anyone like the idea of a Canadian Galileo award to recognize those who dare defend the ideals of the enlightenment in this country?

Wrap-Up: *Tom Barber*

TOM BARBER *qualified with honours as a lawyer in 1975 and since then has become one of Ottawa's top civil litigators. In recent years, he has successfully represented major insurance companies and individuals involved in litigation matters such as motor vehicle accidents, long-term disability, employment issues for both employers and employees, wrongful death and medical practice.*

In addition, Tom's active practice in professional liability litigation has seen him act for a major accounting firm, the Lawyers' Professional Indemnity Corporation and the Federal Commission on Judicial Affairs. Since its founding in 1989, Tom has served as counsel for the Canadian Centre for Ethics in Sport, handling their drug test appeals and athlete reinstatement cases. Tom serves as a member of the board of the Caledon Institute of Social Policy.

Thank you Alan.

First I want to say what a wonderful afternoon this has been, and how representative of Caledon's work, and work method, it has been. I hope you have not only found it informative and useful but also enjoyed the presentations. Thank you for coming.

As Alan said, I have been involved with Caledon from its inception, when Alan phoned me to report what he and Ken had been discussing – an independent, non-partisan centre of excellence for the development and advocacy of research-based social policy.

The experience for me has been a great pleasure – a long way from civil litigation!

Earlier today Alan outlined some of the conceptual or philosophical design features of Caledon's approach – i.e., assemble, review, analyze and consider the data, then reach conclusions and form opinions to advocate in a non-partisan way. The truth is that this Caledon approach was exemplified 10 years ago, when there was a similar event to this one in Ottawa on the 10th anniversary. It was interesting to see who attended: in the room were Hugh Segal of the Progressive Conservatives, Paul Martin of the Liberals and Ed Broadbent of the NDP. The program then, as it did again today, engaged voices across the political spectrum and all were welcome as long as they were interested in effective policy.

Such independence is not easy to achieve. There are always distractions: popular trends of thought; the lure of celebrity – a chance to be on the front page or the op ed page; a funder with his own ideas and opinions. Policy work, even when aimed at real solutions in real time, can often seem like toiling in the vineyard to produce a vintage which will only mature in a decade or two. Even when you believe how good that wine will be, the wait can grind you down.

The Caledon team has kept its independence, and it has kept its promise to Canadians to help create strong policy for the present and the future, no matter which party forms the government, and no matter who gets the credit.

It has been a pleasure, a privilege and indeed honour for me to be associated with Caledon for the past 20 years, so please join me in saluting my Caledon colleagues on the 20th anniversary of Caledon.

I invite you to join us at a reception just outside the doors of this room, I thank you for coming today and I move this session be adjourned.