

“A New Welfare Architecture for Europe?” Lessons for Canada

Introduction

“A New Welfare Architecture for Europe?” is the title of a major September, 2001 report which was commissioned by the President of the European Union to provide an overview of needed changes to European social policies and institutions. It was prepared by four leading social scientists – Gosta Esping-Anderson, Duncan Gallie, Anton Hemerijck and John Myles – and a revised version will soon be published by the Oxford University Press. (A summary is available from <http://vangool.fgov.be/Europe%20conf2%20report%20intro.htm>.)

The report offers a sweeping and prescriptive overview of social policies which has been widely noted and discussed in Europe and beyond. In May, 2002, the Canadian Council on Social Development and the Canadian Policy Research Networks jointly hosted a seminar to discuss the major themes of the report and their relevance to Canada. What follows is the introductory presentation made by Andrew Jackson, Director of Research at CCSD. Presentations were also made by one of the authors of the report, John Myles of the University of Toronto, and by Jane Jenson of CPRN and Universite de Montreal.

A Relevant Report for Canadians

“A New Welfare Architecture for Europe?” is worthy of note because the authors are leading and highly influential analysts of ‘welfare regimes’, and because their report draws on solid academic research to advance a comprehensive, progressive social policy agenda. In calling for a new ‘welfare architecture’ the authors recognize the interdependency of the many elements of the overall social welfare system, and the need for them to ‘hang together’ in such a way as to meet the needs of individuals over the ‘life course’ and to secure the broad social goal of inclusion.

Many of the key themes in the report are very familiar to Canadians from our own recent social policy debates:

- The need to counter growing social exclusion and to promote the inclusion of all citizens in the new ‘globalized’, ‘knowledge based economy’;
- The need to foster healthy development and good life chances for children by supporting families and investing in early childhood development programs;
- The need to invest in training and ‘life long learning’ so as to ensure the social inclusion of working age adults through paid work;
- The need for social policy to respond to ‘new needs’ and ‘new risks’ arising from changed and more fragile families (eg. lone parent families) and from a changing labour market which is undermining stable ‘lifetime jobs’;
- The need to meet the challenges to public pension programs and social services which arise from a rapidly aging population.

Despite being commissioned by the European Union, the report is highly relevant to Canadians for several reasons.

First and foremost, the report begins from a normative or values-based framework which would be supported by most Canadians interested in social development. Its key goal is social inclusion, broadly defined as the ability of all citizens to develop their talents and capacities to the full, to actively participate in society, and to enjoy a broad equality of 'life chances.' This report clearly spells out that social inclusion means the eradication of poverty, which is seen as a practical social policy objective. Like the CCSD, the report defines poverty, not in terms of lack of the essential means of life which could be eliminated through a basic minimum, but more inclusively as too great a distance from the social mainstream.

Second, the report is relevant because globalization and the challenges of the 'new economy' are shared by all of the advanced 'post industrial' countries. Structural change has the potential to exclude some citizens because of unemployment and precarious work, and the potential to create greater income inequality and job insecurity. Canada has much to learn from those European countries which have been able to maintain more inclusive societies in the face of similar economic challenges.

Third, the report is explicitly written to be relevant to social policy issues in 'liberal welfare states' such as Canada. In the work of lead author Gosta Esping-Anderson, 'welfare regimes' are divided into three types depending upon the extent of regulation of the labour market, the extent of citizen dependence upon market incomes as opposed to income transfers from governments, and the extent to which services such as health are delivered by governments rather than by the market. 'Liberal' welfare states such as the US, the UK and Canada are characterized by 'flexible' labour markets with relatively weak unions and a low level of employment standards; by relatively ungenerous state income supports such as public pensions, EI and social assistance; and by limited state provided social services. The other models are social democratic welfare states such as Sweden and Denmark, and the 'social market' welfare systems of continental Europe. The main differences between the continental welfare regimes and social democratic welfare states are that the former tend to provide state funded social benefits through employment rather than as a right of citizenship, and rely more on families than on governments to provide many social services.

Despite similarities, it is also important to bear in mind some key differences between Canada (and the US) and European countries. (These were underlined by John Myles at the seminar). Much of the social policy debate in Europe is being driven by the fact that the long-term sustainability of public pension systems is being challenged by a very rapidly aging population and by low fertility rates. This leads to a strong focus on bringing more women into the workforce without further undermining low birth rates. In Canada, by contrast, the population is aging less rapidly, public pension financing is not an intractable issue, and immigration has helped to counter the impacts of a falling birth rate. Further, the participation of women in the work force is already much higher in North America (and in the Scandinavian countries) than in much of continental Europe.

Finally, long-term unemployment in North America is less of a challenge than in much of continental Europe. Our pressing labour market challenge is not so much very long-term unemployment leading to social exclusion as high levels of precarious work – with the working poor alternating between unemployment and insecure, often low paid jobs.

Despite some key differences, Canadians can still learn a lot from this report.

Caring Services and Gender Equality as New Lynchpins of Social Policy

This report clearly recognizes and takes into full account the fact that social welfare, broadly defined, is based upon three key pillars – government social programs, the health of the labour market in terms of producing inclusive outcomes, and the state of the household. The third dimension is frequently forgotten in debates on social policy, even though many social welfare needs (notably care of young children, the sick, the elderly and persons with disabilities) are very much the business of households.

One of the major themes of the report is that most European governments need to do much more to help families. This is necessary to promote the healthy development of children, particularly children at risk due to low income or long-term parental exclusion from the job market; to promote the full and equal participation of women in the workforce; and to promote a healthy balance between work and family life and responsibilities.

A major focus of the report is on child care, which is viewed as the key hinge of a new social policy. As noted, a key European challenge is to promote higher rates of labour force participation by women so as to help replace older workers, pay for public pensions, provide greater income security for families than is possible with one earner, and promote greater equality of life chances between women and men. As the report summarizes, “gender equality is the lynchpin of post-industrial equilibrium.” But this is a distant goal in many continental European countries, because families (meaning, almost always, women at home) are still mainly responsible for the care of children and the elderly, and because both public and market-provided caring services such as child care are thin on the ground. Affordable, accessible, high quality child care is needed, along with generous leave provisions from work, to encourage women to enter the work force without compromising the well-being of children. The key point is that child care – which can be seen as one key example of caring services along with home care and care for persons with disabilities– is seen as a central part of the new ‘welfare architecture’ needed to deal with a changing economy and a changing society.

While this theme is more than familiar to Canadians, child care and home care still tend to be seen by most of our governments as household rather than public responsibilities. The assumption, as in other ‘liberal’ welfare states, is that care will be provided either by family members (mainly women) in the home, or by the market in the case of dual-earner couples. For example, the great majority of families (outside Quebec) have to find and pay for child care by themselves (albeit assisted though the tax system) and have no access to a universal, publicly funded system. For us, the report underscores that lack of

decent, affordable child care in Canada is still a huge barrier to entry into the work force on the part of (mainly women) lone parents, still compromises genuine equality of opportunity for women in the job market, and undercuts real equality of opportunity for less affluent children who often receive inferior, informal care. Further, market-delivered child care and home care mean low wages in caring services, because of limits on how much working families can afford to pay. That said, as called for in the report, Canada has taken a major step towards a balancing of work and family responsibilities through a relatively generous maternity and parental leave program.

While underlining the importance of child care, the report has rather little to say on precisely how community social services such as child care, home care and care for persons with disabilities should be delivered. The Scandinavian system of near universal access to high quality, taxpayer-funded social services (often in partnership with the non profit sector) is commended as a system which promotes inclusive social goals and also sustains a very high level of employment for women. But the authors are concerned about sustainability because of the cost in terms of high taxes. An alternative option is a Dutch type system of work-family balance achieved through high levels of part-time work among women (and some men) and thus the ability to combine work and family responsibilities. But this option means that caring responsibilities still remain mainly with women, and that women do not enjoy the same access to good careers as men. Further, this approach undercuts the development of Scandinavian type social services as a direct source of high quality, skilled 'post industrial' jobs.

Equality of Condition and Equality of Opportunity

A second major theme of the report which is relevant to Canadians is the insistence that social inclusion (equal life chances for all) demands not just equality of opportunity, but also a significant level of equality of condition in the here and now. The authors call for the elimination of child poverty (defined in relative terms as income less than one half of the mid point), maintenance of a 'European social model' of limited differences in after-tax family incomes, action to limit the disturbing rise in income inequality to be seen in some European countries (notably the UK); and maintenance of citizen access to a range of non market programs and services.

The report makes the very important point that social exclusion (which overlaps with long term, deep poverty) is least likely to occur in countries where the overall level of relative poverty is low. Tolerance of growing inequality is likely to produce exclusion. The authors also argue explicitly that there can be no genuine equality of opportunity for children if there are large income gaps between parents. Genuine equality of opportunity also demands a high level of provision of publicly funded services, from early childhood education programs to post-secondary education and opportunities for periodic training and retraining.

By contrast, in Canada the accent is most often put on equality of opportunity, and growing income inequality is often seen as unimportant provided a helping hand is extended to the very poor so as to help them meet their basic needs.

A Life –Course Perspective

The report adopts a ‘life course’ perspective to emphasize that ‘getting things right’ at all stages of life is essential to equal life chances. As in Canada (indeed in part because of the Canadian example) great stress is laid on the importance of the early years, early childhood education and high quality child care to life chances and opportunities as adults. But the point is also made that precarious and insecure work for young adults has to be minimized to ensure that jobs are real ladders of opportunity and sources of skill development through the working life. Stable employment in the middle-years is critical to income security in old age.

At the CCSD-CPRN seminar, Jane Jenson argued that it is extremely difficult for social policy-makers to discern the trajectory of future life-courses given that many future risks cannot be foreseen. For example, middle-aged men who fell victim to economic restructuring in the 1980s had planned their life-course on the basis of assumptions about the future labour market which later proved to be incorrect. To some extent, then, a life-course perspective simply points to the importance of providing individuals with the skills and supports needed to confront an inherently uncertain future

Income Transfers Still Important

In line with the dominant discourse of social policy in almost all advanced countries, the report stresses that access to paid work is central to social inclusion and that long-term unemployment is a key source of social exclusion. Participation in the job market is central to the ability of individuals to develop their talents and capacities and to meaningfully participate in society. Unemployment is deeply harmful to workers, families, children and communities.

Where this report differs from others is that a ‘generous’ income transfer system for the unemployed is seen to matter a great deal. Often in social policy debates, it is argued that countries have to move from ‘passive’ income support programs such as social assistance and Employment Insurance (EI) to ‘active’ programs such as training; from ‘hand outs’ to ‘hand ups’, from ‘safety nets’ to ‘trampolines’. Yet the authors argue that the supposed ‘work disincentive’ effects of ‘generous’ income support programs are greatly overstated. While accepting that social benefits can promote ‘dependency’ and ‘poverty traps’ if they are not twinned with ‘active’ measures, the authors note that countries like Sweden and Denmark which combine high unemployment benefits with well-funded active labour market and training programs have just as high a level of employment as the US. Providing access to child care and training is seen as a much better way to promote entry of lone parents into the work force than punitive levels of income support which inflict poverty on young children, compromise equal life-chances, and create self-perpetuating cycles of social exclusion. Similarly, very low benefits serve to marginalize rather than include high risk groups such as youth without skills and the long-term older unemployed. Further, the report argues that ‘making work pay’ by continuing income

supports as people move from welfare to work is important to inclusion in the job market. In short, the authors call for major social investments in ‘carrots’ – training, child care, income supplements for the working poor – rather than wielding the ‘stick’ of benefit cuts.

In Canada, the thrust of policy has been in a different direction, towards a US style minimalist welfare state where benefits have been kept low to discourage ‘dependency.’ Eligibility for EI benefits has been cut, even though the major victims have been the working poor who alternate between involuntary unemployment and precarious employment. Social assistance benefits are well below the poverty line, and beneficiaries are subjected to demeaning and intrusive means-testing. If this European report were to be heeded in Canada, provincial governments would raise welfare benefits to counter the social exclusion of lone parent families, persons with disabilities, marginalized youth and the single, near elderly. Investments would be made in child care and training, and income and other supports such as drugs coverage would be maintained in a transition period from welfare to work. The federal government would recognize that EI is not part of an old and outmoded welfare architecture, but rather a needed source of income for those facing much higher risks of periodic unemployment in the ‘new economy.’

In fairness, recent increases in federal tax benefits for middle and lower income working families with children and for persons with disabilities have been steps towards ‘making work pay’ in Canada. But the poverty trap of social assistance remains very much in place.

Quality of Jobs Counts

The report stresses the importance of ‘good jobs’ to social inclusion, as opposed to any jobs. While entry –level jobs can be ladders to opportunities for the young, precarious and insecure work for parents is seen as harmful to the development of children. Beyond immediate job experience, young workers need access to the kind of jobs which develop skills and capacities and provide access to lifetime career ladders. Accordingly, the report is generally supportive of continued high labour standards in Europe, including decent minimum wages and widespread setting of wages and employment conditions through collective bargaining. Good labour standards are seen as part of what is needed to build and sustain highly productive ‘knowledge-based’ economies.

That said, the authors lean to the view that there is, to some degree, a trade-off between the number of jobs and the quality of employment. In post industrial societies, most new jobs will be created in relatively labour intensive services where productivity is likely to be lower than in the smaller ‘knowledge intensive’ sectors. Accordingly, the authors cite the need for ‘make work pay’ policies such as income supplements for the working poor. The US has moved strongly in this direction in recent years with a significant Earned Income Tax Credit for very low earners.

The authors do not resolve for us the question of whether we should deal with the growth of low pay jobs and widening pay gaps by raising low wages (eg. through higher

minimum wages, or wider access to collective bargaining) or by supplementing the incomes of the working poor through government transfers. In Canada, as elsewhere, a balance will have to be struck between the two approaches.

Can 'Welfare Architecture' be Renovated?

The authors of *A New Welfare Architecture for Europe?* see the evolution of social policy as 'path dependent'. Where a country has been will affect where it can go in the future. This is because the various elements of welfare systems 'hang together' in ways which make change difficult, because strong political allegiances are built-up around social programs, and because some things (such as pay as you go public pensions) just cannot be changed overnight. They also stress that the common challenges of 'post industrial' and 'knowledge based' societies are unlikely to result in a single welfare model in Europe or elsewhere, least of all a minimalist 'liberal' welfare model. Ultimately, the report makes a strong case for incremental reforms in each country, based on a broadly common orientation, and based on the fact that different welfare regimes typically face different problems. The key problem of liberal welfare states such as the UK, Canada and the US is rising income inequality; that of social democratic welfare states is the threat to solidarity posed by rising tax burdens; and that of the continental welfare states is rising social program costs in combination with low employment

Can Canada change its welfare architecture? It is striking that so many of the major themes in this European report resonate so strongly here in Canada. Even though we have moved only modestly in the direction of active labour market policies and public provision of caring services, these items have been on the agenda of social movements for a long time. Canada has been relatively successful on some welfare fronts because of some of the approaches advanced in this report. We have high levels of employment for women as well as men because of some attention to gender barriers; low levels of poverty in old age because of public pensions; and basically sound if badly stretched public education and health systems. Most of our children do well even though far too many live in poverty, and we have begun to 'invest in kids'. Our major unmet challenges are growing inequality of incomes and job opportunities among the working age population, and the prospect of growing social exclusion among some vulnerable groups – lone parents, many recent immigrants, persons with disabilities, youth at risk, the unskilled single near elderly, and aboriginal Canadians. We have much to learn from this report, not least from its ambition to pull the many threads of social policy together into a coherent policy framework. If a very diverse European Union can move towards a shared vision of inclusion through progressive social policy, then surely so can we.