



The Canada UK Colloquia

The Future of Social Welfare Systems in Canada and the United Kingdom

Ottawa/Meech Lake
17 - 18 October 1986

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Annex B - Participants

Canada

Colloquium Co-Chairpersons

Mr. Claude Forget
Chairman
Commission of Inquiry on Unemployment Insurance
P.O. Box 3432
Ottawa, Ontario
K1P 5K0

Dr. Rod Dobell
President
The Institute for Research on Public Policy
3771 Haro Road
Victoria, B.C.
V8P 5C3

The Institute for Research on Public Policy

Ms. Shirley Seward (Colloquium Coordinator)
Director
Studies in Social Policy
The Institute for Research on Public Policy
275 Slater Street, 5th Floor
Ottawa, Ontario
K1P 5H9

Mr. Stanley Mansbridge
Advisor to the President on Social Policy
The Institute for Research on Public Policy
3771 Haro Road
Victoria, B.C.
V8P 5C3

Mr. Mario Iacobacci
Research Assistant
Studies in Social Policy
The Institute for Research on Public Policy
275 Slater Street, 5th Floor
Ottawa, Ontario
K1P 5H9

(Rapporteur)

Members of Canadian Parliament

The Honourable Douglas **Frith**, MP (Liberal critic for Health and Welfare)
Room 439, Confederation Bldg.
House of Commons
Ottawa, Ontario
K1A 0A6

Dr. Bruce **Halliday**, MP (Conservative)
Chairman, Standing Committee on
Health and Welfare
Room 348, West Block
House of Commons
Ottawa, Ontario
K1A 0A6

Ms. Margaret Mitchell, MP (New Democratic critic for the Status
of Women and Social Policy)
Room 760, Confederation Bldg.
House of Commons
Ottawa, Ontario
K1A 0A6

Professor Keith Banting
School of Public Administration
Queen's University
Kingston, Ontario
K7L 3N6

The Honourable Monique **Bégin**, P.C.
Joint Ottawa-Carleton Chair in Women's Studies
University of Ottawa and Carleton University
143 Wilbrod
Ottawa, Ontario
K1N 6N5

Ms. Chaviva **Hošek**
Past President
National Action Committee on the Status of Women
152 Cambridge Avenue
Toronto, Ontario
M4K 2L8

Professor Al Johnson
Department of Political Science
University of Toronto
100 St. George Street
Toronto, Ontario
M5S 1A1

Mr. Patrick Johnston
Senior Advisor for Research and Policy
Social Assistance Review Committee
10th Floor, 2195 Yonge Street
Toronto, Ontario
M4S 2B2

Mr. Michael Mendelson
Deputy Minister of Community Services
Government of Manitoba
310 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Mr. T. Russell Robinson
Assistant Deputy Minister
Federal-Provincial Relations and Social Policy
Department of Finance
and
Chairman
Task Force on Tax/Transfer Programs
Department of Finance
15th Floor, East Tower
L'Esplanade Laurier
140 O'Connor Street
Ottawa, Ontario
K2P 2H6

United Kingdom

British High Commission

Sir Derek Day, KCMG
High Commissioner
British High Commission
80 Elgin Street
Ottawa, Ontario
K1P 5K7

Foreign and Commonwealth Office

Mr. Richard Bone
Director, Atlantic Region
Research Department
Foreign and Commonwealth Office
London SW1A 2AF England

Members of the British Parliament

Mr. Frank Dobson, MP (Labour)
Member of Parliament
Holborn and St. Pancras
House of Commons
London S.W.1 England

Mr. Nigel Forman, MP (Conservative)
Member of Parliament
Carshalton and Wallington
House of Commons
London S.W.1 England

The Lord Kilmarnock (Social Democratic Party)
SDP Deputy Leader, House of Lords
(SDP spokesman on health and social security)
House of Lords
Westminster
London S.W.1 England

Dr. Denis Balsom
Senior Research Associate
Department of Political Science
University College of Wales
Aberystwyth SY23 3DB Wales

Professor Jonathan Bradshaw
Director, Social Policy Research Unit
Department of Social Administration and Social Work
University of York, Heslington
York YO1 5DD England

Dr. Martin Knapp
Deputy Director
Personal Social Services Research Unit
Cornwallis Building
University of Kent
Canterbury CT2 7NF England

Dr. Julian Le Grand
Senior Research Fellow
Suntory Toyota International Centre for Economics
and Related Disciplines
London School of Economics and Political Science
University of London
10 Portugal Street
London WCA 2HD England

Mr. Jeremy **Laurance**
Health and Social Services Correspondent
New Society
5 Sherwood Street
London W1V 7RA England

Ms. Ruth Lister
Director
Child Poverty Action Group
4th Floor, 1-5 Bath Street
London EC1V9PY England

Mr. Michael **O'Higgins**
Reader in Social Policy
Centre for the Analysis of Social Policy
University of Bath
Claverton Down
Bath BA2 7A4 England

Professor Jeremy Richardson
Professor of Politics
University of Strathclyde
Glasgow G1 1XQ Scotland

Dr. Margaret Storrie
Senior Lecturer in Geography
Queen Mary College, (University of London)
and
Deputy Convenor and Editor
London Conference for Canadian Studies;
and
Convenor
UK Steering Committee of the Dalhousie Colloquia
Mailing Address:
Department of Geography and Earth Science
Queen Mary College
(University of London)
Mile End Road
London E1 4NS England

Mr. Brian Walmsley
Under Secretary
Department of Health and Social Security
Room 45 1, New Court
Carey Street
London WC2A 2LS England

Mr. B.R. Rayner
Deputy Secretary
Department of Health and Social Security
Alexander Fleming House
Elephant & Castle
London SE1 England

Observers

Canadian and British Officials

External Affairs Canada

Mr. Peter Duchinsky
Deputy Director
Human Rights and Social Affairs
External Affairs Canada
125 Sussex Drive
Ottawa, Ontario K1A 0G2

Health and Welfare Canada

Miss Krys Rudko
Executive Officer
Review of Demography and Its Implications
For Economic and Social Policy
Health and Welfare Canada
Room 2158, Jeanne Mance Building
Tunney's Pasture
Ottawa, Ontario K1A 0K9

British High Commission

Mr. Nigel Wenban-Smith
Deputy High Commissioner
British High Commission
80 Elgin Street
Ottawa, Ontario K1P 5K7

Foreign and Commonwealth Office

Miss Vivien Hughes
Canada Desk Officer
North America Department
Foreign and Commonwealth Office
London SW1A 2AH England

Annex A - Agenda

Thursday, October 16, 1986 - Ottawa

7:00 p.m. Reception - Hosted by British High Commission at Earnscliffe

Friday, October 17, 1986 - Ottawa

Chairperson • Claude Forget

9:00 a.m. - 9:30 a.m. Introductory Remarks

9:30 a.m. - 10:00 a.m. The historical evolution and current status of social welfare systems (Canada)

"Social Policy in Canada: The Past as it Conditions the Present" • Al Johnson

Discussant • Stanley Mansbridge

10:00 a.m. - 10:30 a.m. Discussion

10:30 a.m. - 11:00 a.m. Break

Friday, October 17, 1986 • Ottawa (cont'd)

- 11:00 a.m. - 11:30 a.m. The historical evolution and current status of social welfare systems (the UK)

 "Was There Ever Consensus? Public Attitudes to the Welfare State in Britain" - Denis Balsom

 "The Welfare State Under Mrs. Thatcher"
 - Julian Le Grand
- 11:30 a.m. - 12:00 p.m. Discussion
- 12:00 p.m. - 1:30 p.m. Luncheon
- 1:30 p.m. - 2:00 p.m. Implications of demographic change for social policy (Canada)

 "Demographic Change and Social Policy: Implications and Possible Alternatives" - The Honourable Monique Begin

 Discussant-Shirley Seward
- 2:00 p.m. 2:30 p.m. Discussion
- 2:30 p.m. 3:00 p.m. Implications of demographic change for social policy (the UK)

 "Social Politics and Demographic Pressures: Is the Response Adequate?" - Michael O'Higgins

 "Health and Welfare: Searching for Efficiency in Long-Term Care" - Martin Knapp
- 3:00 p.m. - 3:30 p.m. Break
- 3:30 p.m. - 4:00 p.m. Discussion

Friday, October 17, 1986 - Ottawa (cont'd)

- 4:00 p.m. - 4:30 p.m.** **Unemployment and poverty: problems, prospects and options for the future (Canada)**
"Can We Reform Canada's Income Security System?"
- Michael Mendelson
Discussant - Keith Banting
- 4:30 p.m. - 5:00 p.m.** Discussion
- 5:00 p.m.** Adjournment

Saturday, October 18, 1986 - Meech Lake**Chairperson - Rod Dobell**

- 9:45 a.m. - 10:15 a.m.** **Unemployment and poverty: problems, prospects and options for the future (the UK)**
"The Political Management of Unemployment in the United Kingdom: Another Issue Absorbed by the Welfare State?"
- Jeremy Richardson
"Poverty in the United Kingdom: A Challenge for Policy and Politics" - Jonathan Bradshaw
- 10:15 a.m. - 10:45 a.m.** Discussion
- 10:45 a.m. - 11:00 a.m.** Break
- 11:00 a.m. - 12:00 p.m.** General Discussion (including brief summaries by one member of Canadian and one member of UK team)
- 12:00 noon - 12:30 p.m.** Concluding remarks
- 12:30 p.m. - 2:00 p.m.** Luncheon

Overview

Mario Iacobacci

Introduction

This overview is intended to provide a coherent framework and thematic structure for the papers and proceedings of the Canada/UK Colloquium on the Future of Social Welfare Systems. It offers summaries of the 12 papers, a selective account of the general discussion and, in conclusion, an analysis of how the main arguments in the papers and discussion link together.

The 12 papers are organized into three thematic sections: (I) historical developments and forces for change, (II) the influence of the political process on social security developments, and (III) the nature of policy responses to demographic change. With some exceptions, each summary is followed by an account of those parts of the discussion directly relevant to the main arguments in the papers. Although the order in which the papers are considered does not correspond to the chronological order of the colloquium deliberations, this grouping of papers provides a coherent framework for analysis.

The first section addresses the historical developments in social welfare policy and their contribution to the present configuration of programs and to the forces making for change. It includes papers by

At the time of writing this overview, the author was a research assistant in the Studies in Social Policy program at the Institute for Research on Public Policy. He is currently enrolled as a doctoral student at Cambridge University.

Al Johnson, Stanley Mansbridge, Denis Balsom and Jonathan Bradshaw. The second section examines how the outcome of social welfare reforms can be conditioned by the demands and constraints of the political process and by the lobbying effectiveness of various socio-economic groups. It includes papers by Michael Mendelson, Keith Banting, Julian Le Grand and Jeremy Richardson. The third group of papers, by the Honourable Monique Begin, Shirley Seward, Martin Knapp and Michael O'Higgins, analyzes the policy responses of political institutions in Canada and the UK to demographic change and related issues.

The concluding section of this report summarizes the principal points that emerged from the colloquium deliberations and provides an analysis of how the main arguments of the papers and the discussion link together in a supportive, and sometimes in a contradictory, manner.

Historical Developments and Forces for Change

The first colloquium paper provided an overview of the historical developments and the confluence of forces that led to the social security system in Canada as it stands today. The author, **Al W. Johnson**, is professor of political science at the University of Toronto and a former senior public servant in both federal and provincial governments.

Johnson identified two long cycles of social policy developments in Canadian history: the post-war period and the early 1970s onward. The first cycle was marked by a grand post-war vision tantamount to a blueprint for social security in Canada. Central to this blueprint were Keynesian policies for full employment, state social insurance schemes for the elderly, the sick and the unemployed, and an income support plan for the poor and the chronically unemployed. Johnson's account of how, in the next two decades, federal and provincial governments implemented, or to be more exact, "muddled through" this blueprint, sought to identify the forces that explain Canada's trajectory in social policy. The permissive conditions created by rapid economic growth, the effects of industrialization and urbanization and the political difficulties inherent in the constitutional division of jurisdiction are examples of these forces. Each of these forces played a critical role in the establishment of the major social programs: Old Age Security (1951), the Canada and Quebec Pension Plans (1966), the Canada Assistance Plan (1966) and Medicare (1968). Thus, by the late 1960s, the post-war blueprint was largely in place, even though serious problems remained to be resolved.

The second long cycle in social policy formulation was marked by a sharp downturn in the performance of the economy. The decline in

aggregate demand and accelerating inflation led to persistent increases in unemployment and to policy makers' disillusionment with the old Keynesian remedies. Johnson explained that, prior to the downturn, the federal government had enacted a major reform of Unemployment Insurance (UI) by grafting onto that program the income supplementation objectives generally attributed to social assistance. This did not eliminate the need for some form of guaranteed income. Yet, when the Federal/Provincial Social Security Review (1973-1976) attempted to deal with this gap in our income security system, the UI reform served as a major impediment. In particular, Johnson argued that the failure to reach a federal/provincial agreement was because the terms of reference of the review ruled out any modifications to the reformed UI program and to the universal element of income supplementation — Old Age Security (OAS) and Family Allowance (FA) benefits. As a result, the income support and supplementation programs proposed by the review engendered additional costs, which the parties involved were unwilling to bear.

Reflecting on the political pitfalls encountered by subsequent attempts at reform, such as the Forget Inquiry on Unemployment Insurance (1986), as well as on past developments in Canadian social policy, Johnson arrived at the following conclusion: it was the absence of a family income supplementation program that created the pressure to graft income supplementation objectives onto the UI plan in 1971 and that will continue to place unrelenting pressure to use universal (as opposed to income-tested) income supplementation (OAS/Guaranteed Income Supplement and FA) instead. According to this view, the only viable alternative is to supplement family income up to a guaranteed level, with a stigma-free income test and similar benefits to all Canadians.

Originally presented as a discussant's comments on Johnson's essay, the paper by Stanley H. Mansbridge offered a number of observations on Canadian social policy, including the tensions of social policy formulation inherent in a federal state, the reasons for the failure of the Social Security Review, and the strategic considerations that influence the outcome of social policy reforms. Currently senior adviser to the president of the Institute for Research on Public Policy, Mansbridge has also held senior appointments in federal and provincial governments.

Mansbridge placed considerable importance on explaining the failure of the Social Security Review. Like Johnson, he referred to the federal/provincial jurisdictional conflicts and to the pressure for fiscal restraint that accompanied the 1974 cyclical downturn in the economy. Yet he also referred to the decision of the federal government to triple Family Allowance payments in 1973 for reasons

of political expediency and with only superficial consultation of the provinces. Understandably, this created a political stake in maintaining Family Allowance benefits (at least until after the 1974 general election), thus explaining why they were exempted from modifications under the review.

Strategic considerations often determine the fate of reform packages. Mansbridge noted that public debate on social policy has tended to focus too narrowly on the benefits being eliminated, without considering the possibility that the resulting savings may provide an improved benefit structure or improved targeting of the needy. Although such political pitfalls may be notoriously difficult for governments to avoid, as is the case with the universality/selectivity debate, other types of pitfalls are clearly self-inflicted. Mansbridge referred to the latter when he discussed the absence of meaningful and effective consultations with non-governmental groups, which creates the need for these groups to coalesce and seek media publicity as the last recourse for influencing public policy.

Discussion expanded on the theme of taxation and income security, bringing out that high effective marginal tax rates and other provisions of taxation and transfers constitute disincentives, or even poverty traps, preventing welfare recipients from accepting gainful employment. Thus, for many employable welfare recipients, the net result of holding a job would add a negligible amount or could even reduce their income relative to the level of benefits they received on social assistance. In this context, it was argued that refundable tax credits, such as the Child Tax Credit (1978), represented an innovative instrument for supplementing the employment earnings of the working poor, thereby avoiding the creation of poverty traps.

The refundable tax credit is, in fact, a mechanism for integrating taxation and transfers. In 1986 the Government of Canada set up an inter-departmental review of federal social tax/transfer programs to explore this and other mechanisms for harmonizing taxation and social transfers, with the object of eliminating poverty traps and reducing the inequities of the current system. In the UK, however, it was noted that there is no predisposition to integrating personal income taxation and social transfers at present, even though the Liberal-SDP Alliance has made a major proposal along those lines. Tax/transfer integration is considered further in the conclusion of this Overview.

The author of the third paper is **Denis Balsom**, senior research associate at the Department of Political Science, University of Wales. His paper focused on one dimension of the forces for change in the UK welfare system—the impact of public opinion on the formulation of policy. The author set the analytical framework by distinguishing between government policy as a product of political will and policy as

a response to public opinion. In the latter sense, public opinion can be influential at various stages of policy formulation: agenda setting, delimiting of choices open to policy makers, and legitimization of decisions.

The post-war consensus on the welfare state in the UK, based on the recommendations of the Beveridge Report, was made possible by a favourable climate of high public expectations about the range of services that ought to be available from the state. This was translated into government policy by the common acceptance among all major political parties of the need for state intervention and a mixed economy. By the late 1970s however, this consensus deteriorated into ideological dissension over such issues as reversing the ratchet effect of growing state intervention. Yet in spite of this collapse, Balsom noted that all three political parties continue to claim the welfare state as their patrimony. Therefore, the current consensus is supportive of the welfare state as a whole rather than any specific component, such as the National Health Service or the National Insurance Scheme.

Balsom explained that, in order to affect electoral outcome significantly, an issue must be clearly understood and one party must enjoy an advantage over all others in terms of public confidence in its ability to handle the issue. An interesting example, illustrated in Jeremy Richardson's paper, is the depoliticization of the unemployment problem in the UK. Although surveys ranked this issue as the primary concern of British voters, it did not have a noticeable impact on support for the incumbent Conservative government in the 1983 election, largely because public opinion was not confident that the opposition parties could provide a superior solution.

In an analysis of public opinion trends on welfare issues, Balsom concluded, among other things, that support for greater welfare provision has been rising steadily between 1979 and mid-1986. Yet this cannot necessarily be interpreted as uniform support for all welfare programs. In fact, the author argued that there are important differences in the level of support for the various components of the welfare state. Therefore, policy makers would enjoy some freedom of action in altering unpopular programs, if these could be properly identified.

Balsom drew three conclusions from his analysis. First, the welfare state policies of opposition parties always appear to be gaining in attractiveness, but governments will never be able to satisfy the demand for these welfare services. Second, although many welfare state issues enjoy high electoral salience, they are unlikely to determine electoral outcome unless coupled with public urgency for a change of government. Third, the unpopularity of cutting welfare

services is such that the welfare state is more likely to suffer from policies of attrition and neglect than from ideologically-driven cut backs in state provision. These three points suggest that the consensus on welfare provision remains sufficiently solid to ensure that political-strategic considerations will continue to triumph over any radical and ideologically-based programs for reforming the welfare state.

Discussion brought out two divergent views on the nature of the consensus about welfare provision in the UK. The first claimed that the post-war consensus, reflected in the work of Keynes and Beveridge, was based on a partnership of public and private provision as opposed to a state monopoly for providing services. From this perspective, the Fowler Reviews of social security simply proposed to redress the balance in favour of private provision. A second viewpoint claimed that there had never been complete agreement on the principles of the welfare state at the time of the implementation of the Beveridge recommendations between 1944 and 1950. The so-called consensus was in fact a conception of the welfare state that established itself as a dominant vision. From this perspective, it would be pointless to pursue an all-party consensus approach to enacting reforms, because the success of all major reforms in the past was based on a dominant vision, not on consensus.

The fourth paper in this volume was prepared by **Jonathan Bradshaw**, professor of social policy at the University of York. It analyzed two concepts of poverty, explained the different treatment of client groups dependent on social security, and provided an overview of the three main schools for the reform of social security in the UK.

Bradshaw explained that the concept of poverty used for the Beveridge Report and for the social programs implemented subsequently was based on the notion of minimum subsistence requirements. Critics of this notion developed a concept of relative poverty, or "relative deprivation", based on criteria for minimum participation in society. Although the latter concept proved useful in focusing attention on inequalities in income and wealth, it has made very little impact on policy formulation in the UK.

The author then described how the various groups that constitute 'the poor' are treated under the UK system of social security. Most of the registered unemployed, for example, depend on the means-tested supplementary benefit, the British social assistance scheme, because they no longer qualify for the unemployment benefit. Single-parent families are another group whose needs were not provided for adequately in the Beveridge foundations of social security. Although it was noted that the Beveridge Report, in its initial draft, provided benefits to single parents afflicted by "marriage injury", the fact remains that the final draft made no such provision,

with the exception of widowed families. Gaps in the social security system also exist for the working poor. The absence of a stigma-free income supplementation scheme has made this group vulnerable to or even captive of the low pay and high unemployment conditions endemic to certain industries and regions of the UK.

Bradshaw explained the configuration of forces for change in the UK through his account of the three welfare reform schools. *Incremental selectivism*, as exemplified by the Conservative government of the UK, maintains that substantial income redistribution is neither possible nor desirable and that social security must be subject to fiscal restraint by targeting the benefits to those who most need help. Thus, advocates of this reform school have sought to make means-tested benefits the central element of UK social security, rather than the purely residual element intended by Beveridge. Critics of this approach have raised several problems, however, such as poverty traps and the administrative complexities associated with targeting and means tests.

The *incremental universalist* school, as represented by the Labour party, seeks a gradual or incremental reduction in the role of means tests by improving universal schemes and by reducing market-induced inequalities through minimum wage legislation. Critics argue that this strategy would undermine work incentives and would not be financially feasible. The *big bang school*, as represented by the Liberal-SDP Alliance and the Institute of Fiscal Studies (IFS), argues that the social security system is irredeemable by incremental change and that the only viable strategy is a one-shot integration of the personal income tax and benefit systems. Big bang schemes range from proposals to replace all universal benefits by income-tested ones to proposals providing a guaranteed income (with some element of universality) to all families. However, critics argue that neither type would meet with sufficient public approval.

On the basis of his analysis, Bradshaw concluded that British social policy will continue to be based on political rather than strictly economic considerations. Crucial decisions about welfare spending and other issues can be resolved only in the political process. From his perspective, governments must identify the set of political programs for which the electorate is prepared to vote and then decide in which program to adopt.

Discussion expanded on the proposals of the big bang school. It was noted that the guaranteed income scheme would be unlikely to offer adequate benefit levels (because of fiscal constraints) and could also lead to the institutionalization of low wages in the labour market. It was also added that there appeared to be a certain rapprochement between the proponents of big bang and incremental selectivist reforms: while a significant number of Conservative party supporters

are showing interest in tax/transfer integration, the Liberal-SDP Alliance is also moving towards a more incremental selectivist version of big bang integration of taxes and transfers. Implicit in the discussion, and in support of both the Bradshaw and Balsom conclusions, was the understanding that social policy in the UK would continue to be governed by the dictates of the political process, rather than by purely ideological considerations. In light of this, it is appropriate to examine how the formulation of social welfare policy is conditioned by the demands and constraints of the political arena. This is the subject of the next section.

The Influence of the Political Process on Social Security Developments

Michael Mendelson analyzed the political-strategic factors conditioning the outcome of reforms and proposed illustrative reforms within the range of policy options deemed acceptable to the Canadian public. Mendelson is deputy minister of community services with the Government of Manitoba and was formerly involved in major social policy initiatives at the federal level.

The author explained the breakdown in the welfare state consensus in Canada in terms of the emergence of two competing views. According to the *traditionalist view*, the failure of the income security system to eliminate poverty points to the need for improved targeting to the needy, increased selectivity of benefits, and higher benefits delivered as a guaranteed income through the tax/demogrant system. Yet reform models based on this approach are unlikely to succeed, because they violate what Mendelson described as the three "outer limits" of the public's expectations about income security: (i) Canadians would not tolerate social security that provides an alternative to employment for a large number of people; (ii) middle-income groups would not accept significant reductions in their benefit levels in order to make possible greater targeting of benefits for the poor; and (iii) Canadians would not accept the large tax burdens implied by the traditionalist approach to institute programs from which they would be unlikely to benefit. The traditionalist approach is therefore incompatible with the social expectations of Canadians.

The *new radical approach* to reform claims that existing social programs have contributed actively to the poverty they were intended to alleviate. The basis for this claim is that the programs constitute barriers to participation in labour markets by reducing the incentive to work and to save for retirement. Hence, the new radicals advocate reductions in income security benefits as a way of increasing labour supply and economic efficiency. Reform models based on this

approach, however, violate the minimum standards Canadians expect from social security – Mendelson's three "inner limits". The first of these requirements is a reliable safety net to prevent utter destitution. The new radical approach also violates the second requirement – a realistic approach to labour markets that does not justify the elimination of institutions, such as collective bargaining, on the basis of economic efficiency. Finally, this approach fails to accommodate the specific needs of cultural and social groups, such as Native people, that are alienated from Canadian society. Thus, in light of Canadian expectations, new radical models are no more feasible politically than the traditionalist models advocating extensive redistribution of income.

Mendelson argued that a new scaffolding of income security programs is required to provide for the needs of the growing number of groups that are falling through the social insurance safety net and are thus forced to rely on residual social assistance programs. Such a reform would make the social insurance system sufficiently comprehensive to effectively reduce the residual population that must rely on social assistance. This Beveridge-type conception of social security is driven by the concern that programs targeted exclusively to the poor are inevitably programs of poor quality.

As an illustration of such a reform package, Mendelson presented a nine-point program focusing on the redistribution of employment opportunities instead of income. It included, for example, a universal retraining scheme, giving all workers one or two retraining sabbaticals during their working careers, an adequate system of child care services, and a restructuring of income security programs so as to allow local organizations maximum flexibility in devising innovative approaches to delivering benefits. The package would be financed through increases in payroll taxes and savings from the reduced need for unemployment insurance and social assistance benefits.

More important, the reform package takes into account the political-strategic considerations in income security – that is, the minimum requirements and maximum limits of reform as determined by public attitudes and expectations. Consequently, the reform package can be deemed politically viable, because it would provide middle-income groups with benefits, such as retraining leave, that would justify their support for the tax burden required to fund the whole package.

The sixth paper in this volume was prepared by **Keith Banting**, professor of public administration at Queen's University. Originally presented as discussant's comments on the Mendelson paper, it analyzed the development of the two principal conceptions of the role of the welfare state in post-war Canada.

The first such conception predominated in the 1940-1965 period with the establishment of universal programs such as Old Age Security, Unemployment Insurance and Medicare—the *universal welfare state*. These programs were intended as a response to the mass drive for economic security arising from the rapid and unexpected changes in industrial society and aimed at avoiding a repetition of the hardships of the 1930s. The second objective of the universal welfare state was to foster social integration and cohesion, using social security as an instrument for moderating the intensity of social and regional divisions.

The mid-1960s saw the rise of a new vision of the welfare state to replace the universalist notion—the *redistributive welfare state*. This change was sparked by the re-emergence of anti-poverty campaigns and by the realization that the poor were not the major beneficiaries of universal programs. These programs were challenged, because they failed to narrow the income inequalities of modern society, even though the universal welfare state had never set this as its primary objective. The new emphasis on redistribution was reflected, in Canada, in the introduction of income-tested benefits such as the Guaranteed Income Supplement for the elderly and the Child Tax Credit for low-income families, at the expense of the universal Old Age Security and Family Allowance benefits respectively.

The economic experiences of the last decade—inflation, recession and soaring interest rates—reawakened a sense of economic insecurity in Canadians. Therefore it is no coincidence, according to Banting, that the current advocates of state intervention are returning to the universalist conception of Beveridge and Marsh. He referred to the Mendelson paper as a clear example of this orientation, with its objective of ensuring that the middle classes are prepared to support the cost of economic security for all by devising programs to provide benefits that are otherwise difficult for the middle classes to obtain. Banting lamented this retreat from redistributive concerns and argued that Mendelson's outer limits on redistribution underestimated the willingness of Canadians to accommodate incremental moves towards a more equal distribution of income. In the support of the redistributive role of the welfare state, the author credited income security programs with having offset the greater inequality in income distribution generated by the private market economy during the last recession.

Discussion pointed out that the distribution of earned income in the UK had been subject to even greater deterioration than in Canada, but it was noted that the country's income security system succeeded in compensating for only about two-thirds of this increased inequality. However, Mendelson argued that income maintenance should not be the only objective of income security. It should also give

people the ability to participate as full members of society. From this perspective, his reform package provides benefits that the middle classes can purchase only from the public sector—security and leisure—in exchange for which they would be prepared to support a tax/transfer system that also provided benefits to low-income groups, the most important of which is employment, not just income.

The importance of political-strategic factors in devising a viable and sustainable reform package was also confirmed by the discussion. It was noted that real threats to the economic security of the middle classes made it possible for these groups to be co-opted into reform proposals for improving social programs and for effecting greater downward redistribution of income and employment.

The paper by **Julian Le Grand**, senior research fellow at the London School of Economics, tested the hypothesis that the middle classes are more capable than lower-income groups of defending and preserving the government programs from which they benefit, whether as users of services or as the suppliers (employees of the state) of the same services. This hypothesis was examined in light of the major ideological assault on the welfare state launched by the Thatcher government—that is, the attempt to cut public spending and to reduce other state intervention in the economy.

The ideological shift towards budgetary restraint started prior to 1979 with the popularity of the 'crowding out' theories of public spending and with the realization that state intervention could produce harmful results. The arrival of the Thatcher government added remarkable momentum to the assault on state intervention, but many areas of government activity never witnessed any reduction in subsidies or state provision. Le Grand attributed this to the role of the middle classes — the professionals, employers, managers and their immediate families. As users of welfare state services, these people have a stake in preserving or improving the services where their presence among users is at least as great as their importance in the population (22 per cent, 1971 Census). Education and the National Health Service are two examples. As employees of the welfare state, the middle classes also have a stake in preventing the privatization of those services where they constitute at least 22 per cent of the suppliers of services.

The actual pattern of public expenditures corresponded to the pattern predicted by Le Grand, with some exceptions. These exceptions were due to changes in needs (measured by the size of the client group) and possibly also to changes in the cost of services. The author reported on the results of a regression exercise that set out to explain changes in expenditure arising from the middle class effect as well as from variations in needs and in the cost of services. The results for the services supplied by the middle class showed that the

middle class effect was not significant. For the services where the proportion of middle class users is high, the results showed a statistically significant tendency to cut non-middle class services sharply and to increase expenditures slightly on middle class services during the Thatcher period. (The earlier version of the paper, presented at the colloquium, included separate regressions for the Labour period (1974-1979) that contradicted the middle class hypothesis, but they were statistically weak relative to the results for the Thatcher period.)

In conclusion, Le Grand noted that the disproportionate influence of the middle classes in the political process is such that any concerted government attack on the welfare state could succeed only at the expense of those welfare benefits and services used intensively by low-income groups. That is, the burden of reduced welfare expenditures would be borne by the groups least capable of mobilizing opposition against government cutbacks.

It emerged from the **discussion** that Le Grand's definition of the middle classes does not correspond with that used by Mendelson and other Canadian participants. For this reason, care should be taken when comparing the middle classes that Mendelson and others view as potential allies for social security reform with the middle classes that can most effectively defend the programs from which they benefit. Both concepts suggest, however, that middle classes are more effective than other groups in using the political process to defend their interests.

Participants also suggested that the targeting issue was more complex than implied by the Le Grand paper. The influence of the patrician element in the Tory party explains why the social assistance part of the safety net was maintained intact while the social insurance component (e.g., unemployment benefits) was cut back. Second, the middle class effect may have had positive repercussions for lower-income groups, partly because the middle classes can lobby more effectively for quality maintenance of services that also extend to other groups and partly because middle class services provide benefits that are more important to lower-income groups. For example, while all families receive free health services, the money value of these services represents a greater proportion of the income of poor families than it does for middle-class families. This was reinforced by the argument that the more a program is targeted to low-income groups, the greater tends to be the stigma attached to receiving the program's benefits. Thus, a universal program would benefit lower-income recipients at least to the extent that the reduced stigma would encourage higher take-up rates among those groups.

Finally, the middle class hypothesis was challenged with an alternative explanation of Le Grand's regression result. It was

suggested that internal battles in Cabinet and Whitehall, and possibly other ad hoc influences, were more important than the middle class effect in explaining the preferential treatment given middle class services. A more serious challenge to Le Grand was that the middle classes can be harnessed to serve a valuable function. Social welfare reformers could succeed in mobilizing political support for reform packages urgently needed by low-income groups only if the reforms contained elements that elicit middle class support and thereby assure the long-term viability of reform.

The eighth paper was presented by **Jeremy Richardson**, professor of politics at the University of Strathclyde. It analyzed the ability of policy makers to mold the demands and expectations of particular groups and thereby to control the impact of these groups on policy and the wider public. In this respect, it reversed the direction of causality posited in the Le Grand paper, which had examined the ability of particular socio-economic groups to influence public policy.

Richardson examined how policy makers have managed the problem of unemployment, which public opinion ranked as the most important problem facing the UK. He asked why high levels of unemployment during the 1983 elections in the UK had little or no impact on the popularity of the incumbent Conservative government, contrary to the expectations of informed observers and analysts. According to the author, this reflected the government's ability to exercise a degree of damage control sufficient to sever the link between the problem of unemployment and government responsibility for it. This campaign to downplay the government's responsibility on the issue was carried out through a two-pronged effort: enlisting the co-operation of a wide range of organizations in the campaign against unemployment and skilfully lowering public expectations about the ability of governments alone to generate a significant recovery.

The first prong was the government's attempt to organize an unemployment industry by co-opting a variety of groups, including the Trades Union Congress, business corporations and voluntary organizations, into a network of public and private initiatives for creating jobs and training the unemployed. According to Richardson, this emphasis on "corporate responsibility" and on public/private partnerships had the effect of shifting a large measure of the responsibility for unemployment to the private domain. The second prong of the strategy was to lower public expectations about solving unemployment. This was accomplished partly through special training and employment measures, such as the Youth Training Scheme, which reduced expectations that school leavers should go straight to work, and partly through the government's message that unemployment in the UK was a product of the world recession.

Although Richardson attributed the political neutralization of unemployment to an explicit government strategy, the **discussion** questioned the existence of such a causal explanation. One alternative interpretation was that there was never any need to neutralize the problem, because the socio-psychological stress experienced by the long-term unemployed is sufficient to undermine their ability to organize and to articulate their opposition to government policies. Moreover, the stigma attached to the receipt of unemployment and supplementary benefits acts as a mechanism of social control by directing public scorn to and undermining the dignity and self-worth of the unemployed.

Other comments challenged the exact nature of the decoupling of unemployment and government's responsibility for it. It was noted that although unemployment ranked as the most important concern in the polls, it dropped to a rank similar to that for health, law and order, and other social risks when survey respondents were asked to identify the most critical issue in their own lives. This suggested that the unemployment problem had been only partially neutralized, because people appeared to hold the government accountable only for the social risks they encounter among their immediate families and friends,

The Nature of Policy Responses to Demographic Change

The paper by **the Honourable Monique Bégin** examined the implications for social policy of demographic trends and socio-political forces. The former minister of national health and welfare and holder of the Joint Ottawa-Carleton Chair in Women's Studies adopted a client approach to analyzing the social policy implications of demographic change. In particular, she emphasized the relative effectiveness of different groups in pressing governments to act on their concerns.

Bégin surveyed major trends such as declining fertility, population ageing, increasing labour force participation by women, and the changing composition of households. In this context, social programs in Canada aim at two fundamental objectives: (i) providing security against economic hardship, and (ii) assuring the universal accessibility of services - the 'social contract' perceived by the Canadian public.

The author analyzed the implications of the competition for spending priority between three main client groups in social policy. Clearly, the elderly have been the most successful in mobilizing political support for funding programs. The Old Age Security/ Guaranteed Income Supplement (OAS/GIS) benefit system and the Canada/Quebec Pension Plans are examples of programs introduced

in the post-war period that have significantly improved the standard of living of the elderly. This suggests that the elderly will fare well in the bid to obtain increased financial resources for public health care and for other programs whose expenditures are expected to rise as the population ages.

Women are the second group jostling for priority in the social policy budget. Although not as successful as the elderly, they are making concerted efforts to improve the provision of child care, pay equity and other programs that make their labour force participation more equitable. The third client group, children, has been the least successful in mobilizing support and hence, most vulnerable to pressures for fiscal restraint. The traditional constituency pressing for benefits for children, the women's movement, has shifted its concerns to the issues raised above. In spite of this weakness of the child benefits lobby, however, issues such as declining fertility and substantial child poverty will continue to require urgent attention from policy makers.

Bégin concluded with an examination of possible alternatives for government policy. Two avenues for change were identified for the medium term: (i) conversion of the Child Tax Exemption into a refundable tax credit targeted at low-income families, and (ii) reappraisal of universal benefits (e.g., OAS) in light of the expected demographic pressures, on the condition that the savings from reform remain within the social security budget. As for comprehensive reform, Bégin offered comments on two proposals: (i) the Universal Income Security Plan, proposed by the Royal Commission on the Economic Union and Development Prospects for Canada, would be viable only if the income guarantees prove to be greater than the benefits currently provided to recipients; and (ii) the comprehensive Tax Policy Review (1986) launched by the federal government should be guided by the twin objectives of increased redistribution of income and greater benefits to the middle class. These comments on reform options serve to highlight the political-strategic prerequisites for successful reform.

The **discussion** elaborated on a number of themes in the Bégin paper. It was noted that even limited tax reform would require delicate negotiations between federal and provincial governments. This is because the tax collection agreements and the common tax base for the two levels of government are such that even converting a tax exemption to a tax credit cannot be undertaken without federal-provincial agreement. Otherwise, a substantial portion of the savings from eliminating the tax exemption would result in revenue windfalls for provincial coffers instead of serving to finance the new tax credit.

With respect to the implications of group effectiveness and demographic change, it was noted that the groups that have been most

effective in lobbying for improved social programs in the past are also those whose relative importance in the population is expected to increase in the future. From this perspective, we could expect the elderly to obtain an even greater share of the social policy budget, but it is not clear if and how resources will be diverted from other groups. In fact, any reform initiative will continue to be subject to the social contract conditions for that area of social policy – in other words, the “inner and outer limits” of health care, immigration and other policy areas. While recognizing the need to respect the social contract, some participants did not pursue this analysis of competition between client groups and the implied disentanglement of the interests of the different groups. Instead, they argued that social policy is intended to deal not only with problems of poverty and unemployment but also with problems, such as health and drug addiction, that affect all income groups and that can be dealt with effectively only through universal programs. Hence, there is a real need for a “universalization of concern” rather than a disentanglement of client group interests.

The paper by Shirley Seward, director of the studies in social policy program at the Institute for Research on Public Policy, was originally presented as discussant's comments on the Honourable Monique Begin's paper. It explored the implications of demographic change for the Canadian economy and public policy, with a special focus on the demographic and economic role of immigration.

The author summarized the major demographic changes that have occurred in Canada in recent decades. These include the maturing of the large and relatively well-educated baby boom generation, which has now reached labour force age; declining fertility since the early 1960s, which first slowed the rate of growth of the population and is now affecting that of the labour force; the gradual ageing of the population, along with a growing number of elderly people who are dependent on publicly provided income and services; and major fluctuations in gross immigration levels, which were relatively high in the open-door policy years of the 1950s and 1960s and much lower in the first half of the 1980s.

Projecting these demographic trends to the end of the century, Seward argued that it is likely that the population and labour force will age gradually; the rate of growth of the population and the labour force will decline (although both will remain positive); and whereas total population and labour force dependency ratios will decline, population dependency ratios will increase for the elderly population and decrease for the young.

Seward focused on the implications of these demographic trends to the end of the century by exploring two concerns: the capacity of the labour force to adapt in a changing economy and the burdens that

will be placed on governments to provide programs such as pensions and health care to an increasing population of elderly people. She concluded that the labour force may become less flexible and adaptable as it ages, therefore making labour adjustment in a changing Canadian economy more difficult. Furthermore, the ageing of the population is also likely to increase the demands on public expenditure for programs such as pensions and health care.

The author argued that these economic and demographic pressures are forcing governments to reassess the nature of social welfare systems in Canada, and initiatives are already under way to reform social programs in the areas of income security, pensions and health.

These are, of course, the traditional areas of social policy, and reform is debated on the assumption that the direction of demographic change is inevitable. However, Seward argued that alternative policies—the encouragement of higher fertility and the setting of higher immigration levels—have the potential to alter demographic trends by affecting the size, composition and rate of growth of the population and the labour force.

Seward doubted that it would be possible in the Canadian context to encourage higher fertility through explicit public policy initiatives. However, she argued that immigration has played a key role in the past and may potentially play an even more significant role in the future. In particular, higher immigration levels would contribute to population and labour force growth, as well as bringing needed skills and expertise to the country. Thus, immigration has the potential to facilitate adjustment and to moderate changes in dependency ratios associated with an ageing population.

Seward concluded by emphasizing that discussion of social policy reform must be placed in the broader context of social-economic-demographic inter-relationships, and that solutions may well be found in public policy areas—such as immigration—that fall outside the traditional domain of social welfare systems.

Discussion of Seward's paper centred on two major issues. One UK participant suggested that immigration policy should focus not so much on desired levels as on the quality of the labour supply and the expectations of the immigrants. In response, Seward explained that Canadian immigration policy includes three classes of immigrants — the economic class, selected in terms of their labour market suitability; the family class, admitted on social grounds; and the refugee class, admitted for humanitarian reasons. Seward stressed, however, that members of the independent class are not the only immigrants actively engaged in the labour force and that highly skilled and educated immigrants are not the only ones making an economic contribution to Canada.

A second observation by a UK participant was that whereas in the UK immigration is viewed as problematic, in Canada immigration is generally perceived as having a positive impact on the economy and particularly on the labour force.

The paper by **Martin Knapp**, deputy director of the personal social services research unit at the University of Kent at Canterbury, examined the implications of the de-institutionalization of care and the privatization of state services in the long-term health care sector in the UK.

The move to reduce reliance on institutional provision of long-term care resulted in the diversion of resources from the institutional care to the community care sector at a time when evidence was emerging that community care services could be more efficient than institutional ones—that is, improved quality at reduced cost. Yet Knapp raised a number of practical difficulties encountered in such a transfer of resources. He noted that community services cannot be developed by simply transferring existing resources from institutional care. Instead, a large amount of double-funding is required to develop community care until a sufficient reduction in the number of patients in institutions begins to generate savings. Another difficulty arises because the effectiveness of community arrangements depends partly on the extent to which relatives of the clients are capable and willing to assume responsibility for people who would otherwise be in institutions. Yet another problem, according to Knapp, is that clients' social security benefits often serve as full payment for services in private residential care and nursing homes. This form of third-party financing of private care introduces perverse incentives; public health authorities attempt to reduce their own costs by placing clients in community care institutions, where there is pressure to prevent care costs from exceeding the ceiling imposed by the social security benefits, regardless of the impact on the effectiveness of services.

Knapp also offered several observations about the efficiency implications of privatizing health care. He noted that scant evidence exists regarding the effect of privatization on the informal care sector. It is not known, for example, whether greater reliance on the private or voluntary sector will increase the care burden thrust upon unwilling informal caregivers or whether charitable donations can expand to compensate for the reduction of state funding. Knapp also underlined the possibility that contracting out may lead to increased polarization in the private sector as some homes for the elderly are forced (by the social security payments ceiling) to lower the quality of their services, while the elderly with sufficient resources continue to purchase high-quality care. In yet another example of the considerations raised by privatization policy, the author noted that comparisons of efficiency in the public, private and voluntary sectors

have failed to distinguish cost-effectiveness from economy (cost reduction). Therefore, the actual cost advantage of the non-public sectors, while it probably exists, has been largely exaggerated. This advantage will probably disappear in the long term, because the non-public sectors historically have accommodated the less 'difficult' or dependent clients. In light of these difficulties with privatization and de-institutionalization, the author concluded that the research currently available suggests that neither policy prescription provides definite long-term solutions for the chronic health care sector.

The discussion confirmed Knapp's argument that people served by community services may be very different from those in institutional care. Moreover, it was noted that even if unit costs for community care are lower (for clients with the same characteristics), total costs will be higher because more people would be eligible for this kind of care, implying an increase in caseload. In other words, community care may be more efficient, but less economical.

The final paper in this volume was prepared by Michael O'Higgins, reader at the Centre for the Analysis of Social Policy, University of Bath. It analyzed how political institutions respond to demographic pressures, distinguishing between the government's fiscal capacity to adapt to these pressures, its ability to recognize the complexity of the issues and, ultimately, the quality of the process of adaptation to demographic change.

The author set the analytical context by explaining that political institutions in the UK can adapt to demographic pressures only by modifying spending priorities within the social policy budget. In other words, it appears unlikely that the social policy budget will benefit from additional resources, as it did in the immediate post-war period when the growth of social expenditures exceeded the economy-wide growth rate. Therefore, the social policy agenda will be governed by considerations of fiscal restraint, spending priorities and institutional rigidities.

In a survey of expected demographic changes in the UK, O'Higgins concluded that the next decade and a half will be a period of relative stability. Demographic pressures have peaked, and their impact on the size of the labour force has already been accommodated—the baby boom generation has been completely absorbed in spite of high unemployment. Since the social policy budget has already accommodated these pressures (resources having shifted from education to the National Health Service (NHS) and social services), the author asked whether institutions could be confident about their ability to respond effectively to complex issues of long-term planning in the area of demographic change.

O'Higgins responded by analyzing recent developments in two areas of social policy – NHS expenditures and pension reform. In the

former case, the author showed how evidence of resource shifts to relatively deprived social programs could be an inadequate basis for assessing the quality of policy responses to demographic change. As an illustration, it was pointed out that the substantial increase in financial resources made available to the NHS went disproportionately to the family doctor service, while the hospital sector remained chronically underfunded.

The area of pension reform provided an even more instructive example of the ability of the political system to deal with the complexity of long-term planning. Since its passage in 1975, the Social Security Act had been the object of much criticism because of its unforeseen expense and its perverse redistributive effects, both of which were due largely to state underwriting of occupational pensions. Yet when the Conservative government attempted to privatize the public pension system by proposing to abolish the State Earnings Related Pension Scheme (Social Security Review, Green Paper, 1985), it met with widespread opposition to what was aptly perceived as an ideologically-motivated reform. Although the government withdrew its initial proposals and submitted a second set reflecting the informed criticism of previous years, the Labour Party and community-based groups continued to oppose the government initiative, because it was viewed as a second attempt to dismantle public provision and not as it really was a reasonable adaptation of a defective structure.

According to O'Higgins, this distortion of the policy formulation process arose because the original Conservative reform proposals challenged a fundamental part of the pension system and thereby coloured the nature of the subsequent debate. He thus concluded that policy responses to demographic pressures fall far short of recognizing the complexity of issues and are rarely based on long-term analysis of the problems at hand. Therefore, any successful attempt to adapt the structures of the welfare system to the changing needs and conditions of society requires a framework of consensus on the principal features of that system.

Discussion expanded on the implications of the demographic trends surveyed by the author. It was suggested that in the years prior to a sharp rise in dependency ratios, it would appear that the country was sufficiently wealthy (because of the size of its labour force) to allow politicians to propose costlier programs without a view to the rapid ageing of the population. This possibility represents a real danger for Canada, whose working-age/dependent population ratio is expected to drop slightly by 2006, followed by a sharp drop by 2031. It was added that an extra source of revenue for the government could be built in through an active policy for increasing the proportion of the labour force that is employed.

Conclusion

This section attempts a synthesis of the main points that emerged from the colloquium. It gives particular attention to the themes that provided continuity and coherence to the variety of issues addressed at the colloquium.

The **integration of personal taxation and transfer programs** in the area of income security was a prominent issue. Several participants thought it a desirable direction for future policy initiatives, especially in view of the current Tax Policy Review and the inter-departmental review of federal social tax/transfer programs, both in Canada, and given the comprehensive tax/transfer integration advocated by the Liberal-SDP Alliance in the UK. It was pointed out that tax/transfer integration is not in itself an ultimate objective of income security reform, but rather a delivery mechanism for attaining important objectives, such as removing poverty traps and facilitating welfare recipients' re-entry into the labour market. There are two types of tax/transfer integration structural integration of the different components of taxation and benefit schemes and strategic integration, whereby the same components could be aligned in order to avoid disincentives. The latter form of integration enjoys many of the advantages of the former while at the same time appearing more politically feasible.

Tax/transfer integration can also be an important tool for avoiding some of the pitfalls of the universality/selectivity debate. To the extent that universal benefits and services have been proposed as a means of eliminating program stigma and ensuring the maintenance of quality in the long term, the delivery of benefits through the income tax system will be perceived as and have the same advantages as a universal program, because it is well known that the bulk of those who interact with the income tax system are working people. Just as crucial, however, is the fact that tax/transfer integration would generate some of the savings that normally result from income-tested selectivity. Integration schemes are in fact mechanisms for ensuring that the middle class participates and has a stake in social programs while containing the size of governments' social policy budgets. The Child Tax Credit introduced in Canada in 1978 is a small-scale example of the advantages offered by tax/transfer integration, although it has yet to be amended to respond to monthly (as opposed to yearly) fluctuations in income.

Improved **targeting of benefits** to the needy, which is also an advantage of tax/transfer integration, is another theme that pervades social policy debate on both sides of the Atlantic. It is a central tenet of the incremental selectivist school of reform, and it features prominently in the Social Security Reviews launched by the Conservative government in the UK, as well as in the terms of

reference for the review of social tax/transfer programs initiated by the Conservative government in Canada. As indicated by Bradshaw and other participants, this reform approach can create important problems, including poverty traps and the risk that "programs for the poor become poor-quality programs". While many of these problems could be addressed by tax/transfer integration, the danger remains that such integration may not prove politically feasible.

Related to the targeting issue is the question of whether greater **redistribution of income** is desirable. Improved targeting of benefits can meet at least two objectives: (i) fiscal restraint, when increased caseloads necessitate additional public funding, and (ii) greater redistribution of income to low-income segments of the population. However, both Bradshaw and Mendelson pointed out that income maintenance and income redistribution are not the only objectives of income security. Such a system should be a vehicle for meaningful participation in society. This implies that the redistribution of employment may be a more important goal for income security reform, in so far as the final effect on welfare recipients and on the poor in general is concerned. However, this does not obviate the need for pure income provision. In fact, both Johnson and Bradshaw point to the necessity of an income-tested supplementation program for the working poor, which could take the form of a non-stigmatic program such as the GIS currently directed to the elderly in Canada.

With respect to the **status of working women**, job redistribution may not hold the same appeal, relative to income redistribution, as was suggested above. The last two decades have witnessed a substantial redistribution of employment towards women, although women currently make up a much larger percentage of both the working poor and the welfare poor. It is not clear to what extent this paradox is the result of the disintegration of extended and nuclear family structures or of the necessity of maintaining two-earner status in order to remain above the poverty line (given the low-pay ghettos for women in the labour market). Nevertheless, there remains a case for improving women's access to jobs. Moreover, it was suggested that the policy that would have the most immediate effect on alleviating poverty among women is an increase in minimum wages. Therefore, it would not be unjust to conclude that one of the potential policy directions emerging from the colloquium, with the support of a significant number of participants, was that an attack on poverty and income inequality requires direct intervention in the private market economy,

Several colloquium papers discussed how **political institutions** grapple with these issues. Both Balsom and Bradshaw concluded with the observation that these issues can be resolved only in the political

arena. The implications of this statement, when considered in conjunction with the Richardson and Le Grand papers, are explosive. Richardson indirectly confirmed the Le Grand hypothesis about the relative strength of the middle class lobby, by showing the unemployed to be comparatively vulnerable to government initiatives to neutralize the electoral impact of unemployment. It may well be, however, that Richardson overemphasized the importance of an active UK government policy intended to silence the poor and unemployed. The same effect could have resulted from the absence of Balsom's "necessary conditions" for public opinion to influence voting behaviour: that is, the issue must be clearly understood by electors, and one party must enjoy the exclusive confidence of voters in its ability to handle the issue. This analysis in turn raises the theme of the disjunction between opinion surveys and voting behaviour in the polling booth. The significance of this disjunction has been to caution policy makers and politicians against relying exclusively on opinion polls as an indication of which policy initiatives would reap most electoral benefits.

Despite this disjunction, political parties nevertheless face the challenge of mobilizing support for reform. This was perceived as one of the most important challenges for social welfare reformers—how to mobilize support for reform by tapping the positive and altruistic features of people's nature and by sensitizing them to their own stake in reform. Mendelson approached this problem by defining what he thought to be the minimum requirements and maximum benefits Canadians expect and are willing to tolerate—respectively, the inner and outer limits. He proceeded to formulate a package of reforms within these limits that could be buttressed by the earning power of middle-income Canadians. In order to do so, Mendelson's reform package provided the middle classes with commodities they can purchase only from the public sector: income security and leisure. Although there may be other formulas by which to 'purchase' middle class support for reform, the general consensus was that some method is required to encourage middle-income groups to take an active interest in the reform package if that package is to be implemented and sustainable in the long term.

This consensus found significant support in the Le Grand paper. It demonstrated that the relative effectiveness of the middle classes in defending from expenditure cutbacks those social welfare services from which they derive benefits is at least proportional to their weight in the population. Although the evidence in support of this hypothesis was strong for the period of Conservative government and weak for the Labour period in the UK, it provides substance to the well-known arguments that certain groups can be very effective in posing obstacles to reforms that infringe on their interests. The Begin

paper, for example, argued that the elderly in Canada were by far the most effective group in lobbying for increased benefits and in undermining initiatives for reducing the same benefits.

The politics of group effectiveness also relates to the discussion of **policy responses to demographic change**. As implied by the Begin paper, the expected increase in the demographic importance of the elderly may further sensitize politicians to the needs of the elderly. Alternatively, it is possible that the issue of declining fertility may spark an otherwise untenable constellation of forces — including the traditional pro-natalist lobby and the women's movement—pushing for improved support services for women, ranging from child care to employment assistance and training measures. This could stem a further decline in fertility and also permit continued increases in the labour force participation of women.

The **quality of policy responses** is just as important as the actual direction of policy. O'Higgins showed that policy responses to demographic change can be qualitatively unsound in the absence of long-term analysis and sufficient recognition of the complexity of the issues. The implication is that government initiatives to remedy problematic situations can often frustrate the very groups whose lot they were intended to improve. This is the case when the policy formulation process is not set within a framework of consensus on the principal features of the social welfare system. In other words, a rational and informed policy debate is not possible without at least a dominant vision of the welfare state, because the debate becomes burdened with ideological considerations that obscure the real issues and overlook their complexity. In this context, the Knapp paper presaged the O'Higgins argument by showing that de-institutionalization and privatization are not the panacea for demographic pressures that they are sometimes made out to be. This is because there is insufficient research to support these broad policy options in such a complex area as long-term health care policy. It should therefore be noted that Balsom's explanation of the change in the nature of the welfare state consensus, and particularly the fierce electoral competition over state intervention, lends support to the O'Higgins argument about the apparent inability of the political system to recognize and respond to the complex requirements engendered by demographic change.

The colloquium deliberations brought out both diversity and similarities in the Canadian and UK approaches to social welfare policies. They also provided the basis for subsequent exchanges on policy matters, since the participants demonstrated a mutual interest in the existing programs and in continuing policy discussions in Canada and the UK. Finally, the colloquium provided participants from different professional backgrounds with a more comprehensive

perspective on social policy. From this view, the discussions constituted a forum for exchanging and clarifying ideas with a view to contributing to the quality and direction of policy responses generated by the political process.