



**CANADA-EUROPE TRANSATLANTIC DIALOGUE:  
SEEKING TRANSNATIONAL SOLUTIONS TO 21<sup>ST</sup> CENTURY PROBLEMS**

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*Policy Paper March 2009*

**Canadian social policy in comparative perspective with the  
Baltic (and Nordic) welfare states: how have elephants'  
neighbours developed their social policies?**

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*Canada and the Baltic states have both developed their social policies in the shadow of a great power, the United States and Russia respectively. The desire to distinguish themselves from their powerful neighbour led, on the one hand, Canada to develop some universal measures and, on the other hand, the Baltic states to liberalize their social policies.*

*Based on the presentations made at the Forum for Comparative Dialogue. Promotion of Social Policies: An Investment in the Future and on some additional research, this paper seeks to identify peculiarities, strengths, and weaknesses of Canadian social policy, as well as possible vehicles for improvement informed by comparison with Baltic (and Nordic) social policy.*

*First, the comparison confirms that the Canadian welfare state is first and foremost a liberal regime with few universal programs, that results in high poverty rates, on the one hand, but also, on the other hand, on political mobilization encouraged by its universal measures.*

*On specific policy areas, the comparison highlights some of the strengths of the Canadian model (such as universal health care coverage, and success in fighting poverty among seniors), as well as*

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<sup>1</sup> *I would sincerely like to thank Denis Saint-Martin (who advised me throughout the editing of this paper), as well as Alain Noël, Joan DeBardeleben, Helen Morris, and Marie-Eve Veilleux. The views expressed are attributable only to the author in a personal capacity and not to any institution with which they are associated.*

*some of its weaknesses (such as restricted unemployment benefits, and parental leave and day care systems outside Québec). The paper also outlines a number of areas where policy may be developed in the future, including birth and school grants.*

*Finally, the evaluation of the (mature) Canadian welfare state shows that social policy doesn't only impact on poverty, but also directly on the health of the population. Moreover, the Candian paradigm shift from a welfare state to a social investment state confirms that social policy can be complementary (rather than opposed) to economic development.*

Canada and the three Baltic states (Estonia, Latvia, and Lithuania) evolved in very different geographical, historical, economic, sociological, and political contexts. Canada is a large federal country, and a member of the G8. The Baltic countries were part of the USSR until its collapse in 1991 and have been EU members since 2004. Despite these distinctions, Canada and the Baltic states share at least one political characteristic: they “sleep with an elephant”, whether that be the United States or Russia/ex-USSR. It is interesting to study the way Canada (since the Second World War) and the Baltic states (since the early 1990s) have evolved in this parallel context. It is especially true from a social policy perspective, as there is an established relationship between social policy and nation-building. How have these elephants’ neighbours developed their social policies? How have Canada and the Baltic states defined their national identity through their social policies?

In Canada, developing some universal measures (such as health care coverage) was a means of distinguishing itself from the United States. As Antonia Maioni explains:

“When Canadians are asked what sets them apart from Americans, a substantial number invariably mention the health care system as a distinctive feature of the Canadian identity (National Forum on Health, 1997). Most Canadians consider health care, in common parlance, a right of citizenship. Even though health care is a provincial responsibility, the presence of the Canada Health Act reinforces the symbolic link between being “Canadian” and being a recipient of health care services. [...] In particular, the emphasis on universal coverage, equal access and portable benefits have come to define the citizenship dimensions of health provision in Canada” (Maioni, 2002).

In the Baltic states, under the USSR, “social policy was anchored by an overarching employment guarantee, but also by a strong commitment to education and training, universal health care and pensions, and family allowances” (Haggard and Kaufman, 2008: 4). However, the low quality of (some) services offered and the denial of unemployment (among others) also characterised that

era. Therefore, when the Baltic states became independent, they undertook (neo)liberal reforms of the theoretically universal communist social policy programs.

Based on the presentations made at the *Forum for Comparative Dialogue. Promotion of Social Policies: An Investment in the Future*<sup>2</sup> and on some additional research, this paper seeks to identify peculiarities, strengths, and weaknesses of Canadian social policy, as well as possible vehicles for improvement informed by the comparison with Baltic (and Nordic) social policy. This comparison can help to, not only better characterise the Canadian social policy model, but also to evaluate specific programs (health care, unemployment benefits and pensions, and family policy), and to assess the broader mature welfare state which has evolved over the years. The paper will discuss these various elements from a Canadian perspective.

### ***1. Canada and the Baltic states: two hybrids***

At the outset, it should be noted that the Canadian welfare state differs from the Nordic and Baltic systems. Since the Second World War and through provincial-federal relations, it was developed gradually and now has universal programs in a few areas (similar to those in the Nordic countries). It however remains first and foremost a liberal welfare state regime, with some exceptions (therefore, to some extent, comparable to the Baltic states). The Canadian social policy model distinguishes itself from others, in its fundamentals (as a liberal welfare state) and their implications (which are not only theoretical), and in the way it operates within the federal state.

#### ***1.1. Classification as a liberal welfare state***

Esping-Andersen's typology identifying three welfare state regimes (social-democratic, corporatist/conservative, and liberal) has helped understanding of the different possible patterns for welfare state development, and particularly the unique features of Nordic social policy. The Nordic states stand out with their high level of decommodification,<sup>3</sup> based on generous benefits and extensive public services. However, a number of authors have noted that Esping-Andersen's typology does not encompass all national circumstances, especially those in Southern European countries and in the Antipodes (Australia and New Zealand) (Arts and Gelissen, 2002: 142-147). The Baltic states have also, in the 1990s, been identified as exceptions. In 1996, Esping-Andersen "rejected the possibility of using his regime types for a comparative analysis of the

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<sup>2</sup> The *Forum for Comparative Dialogue. Promotion of Social Policies: An Investment in the Future* was held in Riga (Latvia) on November 6-8<sup>th</sup>, 2008 and brought together scholars and experts from various fields and different countries. Its main objective was to facilitate exchanges on practical experiences and social policies between Canada, the three Baltic states, and (to some extent) the Nordic (Scandinavian) countries.

<sup>3</sup> The degree of decommodification can be defined as: "the degree to which a (social) service is rendered as a matter of right, and the degree to which a person can maintain a livelihood without reliance on the market" (Arts and Gelissen, 2002: 141).

Eastern European countries since they were ‘a virtual laboratory of experimentation’’’ (Szelewa and Polakowski, 2008: 117, referring to Esping-Andersen, 1996: 267).

More recently, following social policy development in the Baltics in the 1990s and 2000s, some authors have studied the Baltic welfare states in light of Esping-Andersen’s typology. Despite the opinions of Baltic experts that “the Scandinavian model had some impact on social policy development in the Baltic countries,” especially in Estonia (Aidukaite, 2003: 413-415), authors agree that Baltic welfare states are rather similar to the liberal welfare state regime (Paas et al., 2004: 61-62; Aidukaite, 2004: 41-42). However, there is no consensus on whether they are part of this regime or form a regime *per se*. Some consider that the Central European corporatist influence has had an important impact on the development of the Baltic social security models, but that throughout the 1990s and the turn of the century, they established themselves as liberal welfare state regimes (Paas et al., 2004: 61-62). Other authors argue that Baltic welfare states, precisely because of their corporatist and liberal influences, are part of the post-socialist (or post-communist) welfare regime or form a unique regime: the neoliberal welfare state (Böhnke, 2008: 136; Aidukaite, 2004: 41-42; 2008).

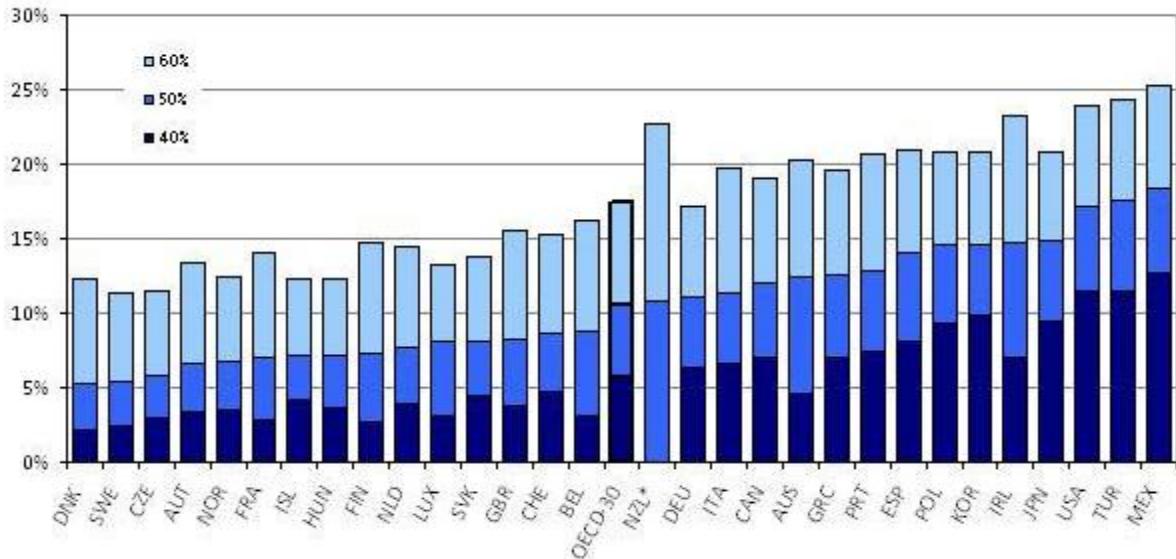
Analysing the Canadian case in light of the Baltic and Nordic welfare states gives us a different and new perspective on the implications of its social policy model. As in the Baltic states, a bidirectional trajectory in the development of the Canadian welfare state has been noted by Canadian authors. However, contrary to the situation in the Baltic states, its characterization as a liberal welfare regime is well acknowledged, even if it is seen as being an “impure” one (Haddow, 2008: 229; Haddow and Klassen, 2006: 37-38; Myles and Pierson, 1997), and even if the complementary influence to its liberal model is more Nordic than corporatist (examples of universal measures in Canadian social policy include health coverage, as well as specific measures such as Old Age Security). According to Rianne Mahon, the Canadian model may be situated near to Scandinavian countries given the design of some programs, however, because expenditures stay low, its classification as a liberal regime remains clear (Mahon, 2008a).

### *1.2. Canadian model and its consequences*

The (impure) liberal framework of the Canadian model has had concrete results in terms of poverty levels and political mobilization around social policies.

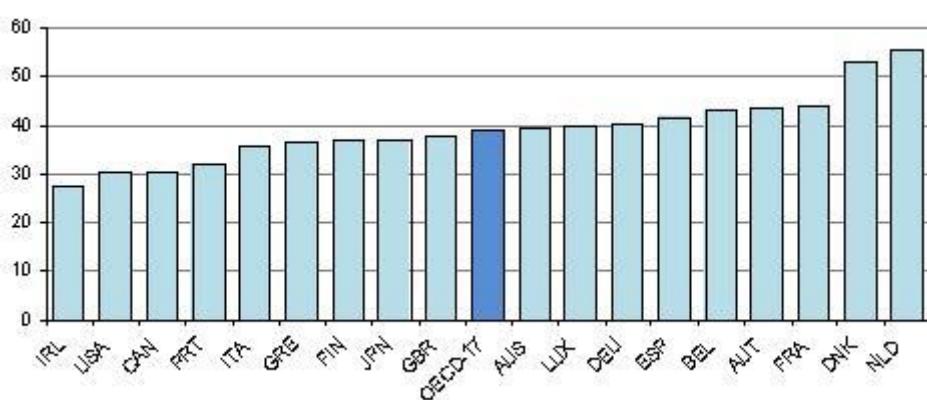
*Poverty levels.* On the one hand, high Canadian poverty levels are consistent with its liberal welfare state. The October 2008 OECD report *Growing Unequal? Income Distribution and Poverty in OECD Countries* shows that Canada has a higher Gini coefficient (i.e. has greater income/wealth inequality), higher poverty rates, and lower exit rates from poverty than the OECD average. This is a clear contrast with the situation of inequality and poverty in the Nordic countries, which distinguish themselves with low Gini coefficients and low poverty rates (Lightman, 2008b; and see figures 1 and 2).

**Figure 1: Relative poverty rates (40, 50, and 60% of median income)  
for different income thresholds, mid-2000s**



Source: OECD, 2008: 127.

**Figure 2: Exit rates (in percentage) from income poverty  
(50% of the median), early 2000s**



Source: OECD, 2008: 164.

In Canada, there is also a “polarisation of incomes and work time”, with a “growth of non-standard jobs (now one third)” and 21% of working Canadians with a low-paid job (compared to 7% in Finland and 13% in Germany) (Mahon, 2008a). Moreover, aboriginal poverty remains a major issue, with “one in four First Nations children [living] in poverty” and “more than half of First Nations people [being] not employed” (PSAC, 2008).

It should be noted that the Canadian poverty and employment figures are consistent with a liberal welfare state regime, but also distinguish the Canadian welfare state from the U.S. one, where poverty and inequality are higher (for example, in the United States, the relative poverty rate in the mid-2000s is approximately 5% higher than in Canada), and from the Baltic states (which are among the EU-27 countries with the highest deprivation, poverty indicators, and income inequality) (OECD, 2008: 127; Aidukaite, 2008).

*Political mobilization.* On the other hand, the type of welfare state regime has clear implications for political mobilization. As the paradox of redistribution stated by Korpi and Palme suggests, benefits designed only for the poor will be “poor benefits”; therefore, to avoid this and give legitimacy to welfare institutions, it is necessary to “include the middle class in the benefit systems, not only as tax payers” (quoted from Palme, 2008; referring also to Korpi and Palme 1998).

Canada’s health care system can be seen as an example of a universal (not liberal) measure that encourages political mobilization. In fact, this tax-based system, through which everyone is covered, is undeniably supported by the population: “Of all of Canada’s social policies [the health care system] is the most prized, and is central to Canadians views of what is necessary for a high quality of life” (Conference Board of Canada, quoted by Townsend, 2008a).

Although the Canadian health care system is not perfect, it definitely shows the potential of universal measures, including in liberal welfare state regimes. It should also be noted that health care is mainly under provincial jurisdictions, therefore also underlining another fundamental feature of Canadian social policy: the federal-provincial-territorial dynamic.

### *1.3. Multi-level governance*

A study of social policy in Canada needs to take into account the federal-provincial-territorial dimension, which is central to its development, its financial support and its implementation<sup>4</sup>. On the one hand, “much of the social policy domain rests in the provinces”; on the other hand, the “federal government still has a role”, namely through taxation and transfers (Townsend, 2008c). The distribution of resources between the two orders of government has direct consequences for social policy (the drastic federal cuts of the 1990s are a clear example of this), and the provincial

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<sup>4</sup> Canadian territories are part of this dynamic; but because they have very small populations and governments, they constitute particular cases and will not be dealt with in this paper.

jurisdiction on social policy implies interprovincial differences and specificities. Québec's employment standards, universal child care system and antipoverty framework, as well as Newfoundland and Labrador and Ontario's poverty action plans are great examples of how federalism allows sub-national experimentation (sometimes heading towards the Nordic model) in provincial politics (Mahon, 2008a; 2008b; Lightman, 2008a; Noël, 2008a; Townsend, 2008b).

The comparison of the Canadian federal state with the EU-Nordic/Baltic states dimension is, of course, not of the same nature (the division of competences and jurisdiction are quite different). But it is nevertheless enlightening for the Canadian case. In Europe, even if social policy is fundamentally the responsibility of the member states, the potential of the European Union to act as a catalyst for change is perceived as important and multidimensional, translating into various actions: “to set and reach common objectives [...], to raise awareness and build strong knowledge base, to share experiences and practices, to support local, regional, national action, and to set a legal framework” (Lerais, 2008a). The European Union has also put in place the Open Method of Coordination on social inclusion and social protection<sup>5</sup>, pursuing the objective of favouring learning from one member state to another. Of course, EU social policy has different implications in each country. In the Baltic states, Jolanta Aidukaite states that “European integration no doubt helps hold Estonian, Latvian and Lithuanian social policies to solidarity and a more universal character” (Aidukaite, 2008). The Nordic countries, which have more developed and generous social policies, are more suspicious of the EU’s social dimension (Kvist, 2007: 196; Saari and Kangas, 2007: 153).

In Canada, provinces also have different points of view concerning the role of the federal government in social policy. However, contrary to the case for member states of the European Union, provinces do not have extensive exchanges among themselves on their own policies and practices (Saint-Martin, 2004: 39-40). There are though important differences between the provincial approaches in various areas of social policy, as will be noted hereafter in some aspects of health care, unemployment benefits, and family policy.

## **2. Health care**

Since the 1990s, the Baltic states have reformed their “Soviet health care systems, characterized by centralized planning, inefficiency, hospital overcapacity, a poor quality of health care and universal access” (Bankauskaite and O’Connor, 2008: 156). The total number of physicians has not increased since 1992, but there has been a focus on and significant improvement in the

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<sup>5</sup> The Open Method of Coordination on social inclusion is a soft mode of governance that was created in Lisbon in 2000 (and expanded to cover social protection in 2005). Based on common European objectives agreed by the member states, it has concretized itself with the production of national plans/strategic reports by the member states and their evaluation by the Commission. It has also established common indicators and favoured exchanges of best practices between member states. In sum, the Open Method of Coordination “is a mutual feedback process of planning, monitoring, examination, comparison and adjustment of national (and subnational) policies, all of this on the basis of common objectives agreed for the EU as a whole” (Marlier et al., 2007: 22).

provision of primary health care, with the number of general practitioners per 100 000 inhabitants increasing in all three countries from 1993 to 2004 (and more drastically in Latvia, which had a clear lack thereof in 1993, therefore the increase allowed Latvia to partially catch up with the other two Baltic countries in 2004). In addition, Estonia and Lithuania identified family medicine as a priority. As for the percentage of GDP spent on health by the governments, despite its increase in Latvia (which once again was the latecomer in 1992), it was around 4% (3.6 to 4.5) in the three Baltic countries in 2004 (Bankauskaite and O'Connor, 2008: 157-159, 162; Joksts, 2008; and see tables 1 and 2).

**Table 1: Number of general practitioners and physicians per 100 000 inhabitants in the Baltic states and EU15, in 1992/1993 and 2004**

	Number of general practitioners per 100 000 inhabitants		Number of physicians per 100 000 inhabitants	
	1993	2004	1992	2004
<b>Estonia</b>	45.8	65.1	326.4	320.9
<b>Latvia</b>	1.9	53.2	360.2	311.2
<b>Lithuania</b>	39.6	82.96	392.8	390.0
<b>EU15</b>	103.7	102.6	307.2	335.6

Source: Bankauskaite and O'Connor, 2008: 158-159, referring to WHO/Europe, HFA Database, June 2007.

**Table 2: Public health expenditure as percentage of GDP in the Baltic states, in 1992 and 2004**

	Public health expenditure as % of GDP	
	1992	2004
<b>Estonia</b>	4.5	4.0

<b>Latvia</b>	2.8	3.6
<b>Lithuania</b>	4.2	4.5

Source: Bankauskaite and O'Connor, 2008: 162, referring to WHO/ Europe, HFA Database, June 2007.

In sum, the reform of health care systems in the Baltic states has focused on efficiency and quality, and apparently on equity, although the results of the latter are less clear (Habicht and Kunst, 2005; Kahur, 2008; Dobravolskas, 2008).

The public expenditure invested in the Canadian health care system (as well as in the Nordic systems) represents a significantly higher percentage of GDP than in the Baltic states. As table three shows, in 2006, the percentage of GDP spent on health by Canadian governments reached 7.0% (corresponding to around 70% of the total health expenditure in the country).

**Table 3: Public health expenditure as percentage of GDP  
in Canada and some EU15 countries, in 2006**

	<b>Public health expenditure as % of GDP, 2006</b>
<b>France</b>	8.9
<b>Germany</b>	8.1
<b>Austria</b>	7.7
<b>Sweden</b>	7.5
<b>Norway</b>	7.3
<b>Portugal</b>	7.2
<b>Canada</b>	7.0
<b>Finland</b>	6.2
<b>Spain</b>	6.0

Source: CIHI, 2008: 50.

Of course, a large amount of money spent on health care does not necessarily translate into accessible services. One of the strengths of the Canadian system is its accessibility, which is guaranteed through universal coverage. However, because of long wait times this does not always mean there is equal, universal access. A parallel but still marginal private system can provide shorter wait times allowing those with the means to access health care in a much shorter time than those individuals dependent upon the universal system.<sup>6</sup> Drug coverage needs to be considered separately and adds a footnote to the universal accessibility of the health care system. Almost all residents in Québec, Ontario, Manitoba, Saskatchewan, and British Columbia have “some form of coverage” (but only in Québec do 100% of residents rely upon non-catastrophic/conventional plans, through the instigation of a public/private prescription drug insurance program in 1997, under which it is mandatory for every resident to have drug insurance coverage and now free for all social assistant beneficiaries and low-income seniors to do so). In the Atlantic provinces and Alberta, 70 to 80% of residents have drug coverage (Kapur and Basu, 2005; Québec, 2007: 28).

Besides, because the population believes in the honesty and transparency of the health care system in general, it is possible to rely on existing social solidarity to address its remaining weaknesses. As Armine Yalnizyan concluded in her analysis: “the transcendent message from the Canadian experience is resonant everywhere: the more a nation can share risk, the more a nation can turn access to health care into a universal right rather than a strictly market transaction, the better are its population health outcomes. That is a lesson worth heeding” (Yalnizyan, 2006: v).

### ***3. Unemployment benefits and pensions***

The comparison of the Canadian case with the Nordic and Baltic countries highlights the fact (that may sometimes be forgotten in Canada) that benefits and pensions can effectively combat poverty. In fact, the generous Scandinavian benefits are an important factor in explaining the low poverty rates encountered in those countries, while the social security systems developed in the Baltic states following their independence concentrate on relieving extreme poverty (therefore are less effective in addressing poverty overall, where rates remain high) (Paas et al., 2004: 46-49).

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<sup>6</sup> Indeed, in the *Chaoulli v. Québec* case, the Supreme Court indirectly recognised that a prolonged wait time could compromise access and invalidated Québec’s prohibition of private insurance for medical services offered by the public system. However, the response of the Québec government to this decision did not open up the whole health care system to private insurance: the government clearly limited the scope of the ruling.

The low-level of benefits in the Baltic states needs, however, to be viewed in light of their national contexts. After a communist era during which unemployment was invisible, Estonia, Latvia, and Lithuania have created social security systems where previously there were none (for details, see Aidukaite, 2006a: 267). In 2003, the OECD estimated that, although “some increases could [...] be justified, [...] the relatively uneven income distribution in the Baltic States’ employed populations and the role of the informal economy [makes it] appropriate to keep social assistance benefits at a modest level, while seeking to target them on the most needy households” (OECD, 2003: 133-134).

The post-communist social policy development in the Baltic states can nevertheless be linked to a broader perception of poverty, that is common in the Anglo-Saxon countries. According to Jolanta Aidukaite:

“In the Baltic countries, the perception of poverty seems to be similar to those seen in the United Kingdom and United States. It can therefore be concluded that up to the present time, support for the idea of the equal social worth of all citizens is low in the three Baltic countries, in particular, in Estonia and Lithuania. It is difficult to deny that such an attitude in society might affect the development of social security by pushing it in a less universal direction in these countries” (Aidukaite, 2003: 20).

Similarly, in Canada, even though some universal benefits exist, the idea of merit (deservingness) is still important in social security. And the distinction between “deserving/non-deserving poor” certainly underlines the great difference observed between unemployment benefits (unemployed being often categorized as “non-deserving poor”) and pensions (seniors pertaining to the “deserving poor” category).

### *3.1. Unemployment benefits*

The fact that unemployment benefits fight or limit poverty is not contested. Even in countries where unemployment benefits are generous, their reduction has an impact on poverty rates. In Finland, for instance, the lowering of benefits for “those who no longer entitled to earnings-related benefits or do not fulfil the conditions in the first place” correlates with an “increase of poverty among the unemployed (especially among the long-term unemployed)” (Kauhanen, 2008). The Finnish government itself recognizes: “The increase in relative poverty and social exclusion is connected not only with unemployment but also with the relatively low level of fixed benefits (e.g., labour-market subsidy) and last-resort (housing benefit and social assistance) benefits” (Finland, 2006: 5).

Even prior to the aim of fighting poverty, unemployment benefits are important as a means to provide security in the labour market. As Frédéric Lerais said, even though “there are two ways to protect people in the labour market by strict rule of ‘hiring and firing’ or by generous unemployment benefits [...], the feeling of security in the labour market is positively correlated

with unemployment benefits but not with strict employment protection law" (Lerais, 2008b). A clear example of security guaranteed by unemployment benefits is the Danish flex-security model.

Taking these two roles of unemployment benefits into account, weaknesses in the Canadian (un)employment insurance and social assistance complex stand out. The employment insurance coverage neither guarantees security nor does it limit poverty, in particular since its re-design in the 1990s:

"The eligibility for benefits became more stringent: the number of working hours required to qualify for unemployment benefits in the areas with unemployment higher than 13 percent increased from 180 to 420 hours and in the areas with unemployment lower than 13 percent increased from 300 to 700 hours. For those claimants, called repeaters, who collected more than 20 weeks of unemployment benefits in the previous five years, benefits were reduced by 1 percent for each additional 20 weeks of past benefit use. Newcomers who have been out of the labour market for two years are required at least 910 working hours to be eligible. The total maximum duration of benefits was shortened by two-thirds, while maximum benefits dropped from \$448 to \$413 per week" (Habibov and Fan, 2007: 8).

Due to the tightening of eligibility, the proportion of contributors to the system who qualified for receiving benefits was only 44% nationally in 2007, and as low as 24% in Alberta and 29% in Ontario (Battle, Torjman and Mendelson, 2008: 3). Long-term unemployed, casual/self-employed workers, and most part-time workers are excluded. As the unemployment insurance was re-designed during the 1990s, the purpose was clearly not to take into account the needs of the changes to working life, notably the increase of atypical work. The latter nevertheless interacts with the unemployment insurance scheme. According to Marja Kauhanen, one way to adapt this scheme to atypical work is to have unemployment insurance for atypical workers, through which "partial unemployment" would be sustained by "partial unemployment benefits" (Kauhanen, 2008).

On the other hand, social assistance in Canada (on which, among others, long-term unemployed rely) is under the jurisdiction of the provinces and, since 1995 when the Canadian Assistance Plan (created in 1966) was abolished, not supported by transfers from Ottawa. The 1995 withdrawal of the federal government funding coincided with the restructuring of social assistance conditions at the provincial level: in Ontario, rates were cut 22% (and have not been restored since) and eligibility was limited; in Québec, changes included additional penalties for young people not participating in the new employability-enhancing measures but the overall rates were not cut (except for their non-indexation); in British Columbia, there has been both restriction in benefits and addition of incentives enhancing employability; in Alberta, benefits have undergone drastic cuts (for example: 19% for single claimants); etc. (Lightman, 2008a; Haddow and Klassen, 2006: 201-238). Overall, social assistance has been cut and/or limited, with the objective of "making

work pay”. Assessing the situation in the Scandinavian countries as well as carrying out an interprovincial comparison of recent developments and available data however shows that higher levels of benefits can correspond to, respectively, higher exit rates from poverty (OECD, 2008: 164), and higher rates of employment reintegration, when these benefits are “integrated and consistent”(Noël, 2008b).

### 3.2. Pensions

As with social assistance, the pension system in Canada has been developed as a milestone of the post-war welfare state. But its evolution has been quite different. The development of a pension system started with the creation of Old Age Security in 1951, a universal benefit (that stayed universal throughout the years, although it became taxable). In 1965, a means-tested benefit for low-income seniors (Guaranteed Income Supplement) and compulsory contributory earnings-related public plans (Canada Pension Plan and Québec Pension Plan/ *Régime des rentes du Québec*) were added. Contrary to social assistance rates, benefits from Old Age Security, the Guaranteed Income Supplement and the public plans are all annually indexed to the cost of living. And, finally, Registered Retirement Savings Plans (RRSPs, introduced in 1957) and employer-sponsored pension plans added other options, as they offer significant tax advantages (Lightman, 2008a; Townsend, 2008c). The Canadian pensions system is a great example of a “liberal welfare mix”, in which universal rights, assistance, and insurance coexist. And this system has had an interesting impact on levels of senior poverty, which have been dramatically reduced:

“[...] the decline in low-income rates among elderly households from 35 to just over 5 percent was dramatic [...]. Until the late seventies, low-income rates among the Canadian elderly were higher than in most affluent democracies, including the United States. Yet by the 1990s, low income rates among Canadian seniors were among the lowest observed anywhere. As has been shown elsewhere (Myles 2000), it was during the 1980s that Canadian pension reforms of the 1960s began to exert their full effect. Specifically, by the late 1970s, more and more retirees had qualified for benefits under the Canada and Quebec Pension plans, the result of legislation introduced in 1965, and this has greatly hastened the change in low-income rates of the elderly” (Picot and Myles, 2005: 11).

The reduction of senior poverty in Canada from the late 70s to the end of the 90s is especially noteworthy as its intensity is unique, when compared to other countries. Canada started in the late 1970s with one of the worst senior poverty rates (higher than the U.S.) to reach senior poverty rates significantly lower than the ones in Finland, Sweden, Belgium and Germany (see table 4).

**Table 4: Relative low-income rates (50% of median family income) of elders from the late 70s to the end of the 90s**

	Late 70s	Mid-80s	Mid-90s	Most recent
United States	27.3	23.5	20.6	24.7
Canada	34.7	10.8	4.9	5.4
United Kingdom	21.6	7.0	15.1	20.9
Germany	17.6	10.3	7.0	11.6
Netherlands	n.a.	0.3	6.4	3.2
Belgium	n.a.	10.9	12.1	11.7
Finland	n.a.	11.9	5.6	8.5
Sweden	13.9	7.2	2.7	7.7

Source: Picot and Myles, 2005: 12.

This does not mean that all challenges related to senior poverty have been met in Canada, as very recent increases have shown. According to Ernie Lightman, these increases are mainly due to the fact that the “cost of living for seniors (drugs, housing, etc.) rose faster than their incomes” and to “problems for senior, unattached women without private pensions, RRSPs, etc.” (Lightman, 2008a). However, despite these increases, senior poverty remains at around 4% in the mid-2000s, therefore lower than in the Scandinavian countries (8-13%) and the OECD average (13%) (OECD, 2008: 140).

#### ***4. Family policies***

High child poverty levels are in great contrast to the low senior poverty rates in Canada, and were estimated at 15-16% by the OECD in the 2000s (they have been around 2 to 4% in the Scandinavian countries since the late 1970s) (OECD, 2008: 154; and see table 5). Moreover, the rate of child poverty is not on a downward trajectory in Canada, having stood at around 15% for the last thirty years (see table 5).

**Table 5: Relative low-income rates (50% of median family income) of all children from the late 70s to the end of the 90s**

	Late 70s	Mid-80s	Mid-90s	Most recent
United States	20.4	25.1	24.5	21.9
Canada	14.4	14.9	15.4	15.7
United Kingdom	9.0	12.5	13.9	15.4
Germany	3.4	6.4	10.6	6.8
Netherlands	n.a.	2.7	8.1	n.a.
Belgium	n.a.	4.0	4.6	7.7
Finland	n.a.	2.8	2.0	2.8
Sweden	2.4	3.5	2.6	4.2

Source: Picot and Myles, 2005: 12.

Taking this data into account, analysing Canadian family policies in a comparative perspective is potentially very revealing. Three aspects will be dealt with here: parental leave, day care systems, and income support, with a special note on birth/school grants.

#### *4.1. Parental leave*

The variety of parental leave measures, in Europe, creates a complex picture. On the one hand, these measures are a way to reduce child/family poverty. This has, for example, been clearly noted in Lithuania by Jolanta Aidukaite: “The conclusion drawn here is that the main reason behind Lithuania’s family policy in 2002 was to reduce poverty among children, particularly among poor families” (Aidukaite, 2006b: 11). On the other hand, they definitely keep mothers out of work for longer than would otherwise be the case. Therefore, there are possible consequences for their careers (Jepsen, 2008; Evans, 2007: 124). The latter is particularly observed in countries offering long parental leave, such as Finland. Finnish mothers often stay home until their child is 2-3 years old, which has a “negative impact on their re-entry on the labour market” and on their “career and income” (Miettinen, 2008). This is, furthermore, a gender equality issue, as only 3-5% of fathers use parental leave schemes in Finland (even if the impact on the family income would not be that significant). This underlines the fact that: “Improving family policy can also have consequences that are not wished for” (Miettinen, 2008).

In Canada, the federal government distinguished itself from other liberal welfare states when it extended paid parental leave significantly in 2001 (Evans, 2007: 119-120). Fathers as well as mothers were encouraged to take leave; the duration was extended to 35 weeks; the 2-week

waiting period was abolished for the second parent (but maintained for the first parent); and the qualification for part-time workers was made easier (Mahon, 2008b). The principal weaknesses of the policy are the low rate of earnings replacement (55%), the exclusion of the self-employed from the program, and the relatively low (although increasing) percentage of fathers claiming parental leave (Mahon, 2008b; Evans, 2007: 123, 127).

It should be noted that the situation in the province of Québec differs from the rest of Canada. In fact, the policy developed in Québec partly responds to weaknesses in the federal policy and provides possible options for improving the system in the rest of Canada. The *Régime québécois d'assurance parentale* (RQAP), effective since 2006, extends maternity leave benefit, eliminates the 2-week waiting period for the first parent, offers a 5-week paternity benefit, raises the rate of remuneration to 75% (to a maximum of \$57,000) for the first seven weeks, and includes the self-employed (with annual earnings of \$2,000). As a consequence of these changes, more women are now eligible for leave (77% compared to 62% in the rest of Canada) and a greater percentage of fathers are also making claims (56% compared to 10% in the rest of Canada) (Mahon, 2008b).

#### *4.2. Day care system*

According to Evans, it is “important that Canada’s system of paid parental leave receives attention”, and it is so especially considering the “losses on the childcare front”. She also notes: “The failure to begin to build a national childcare programme is extremely unfortunate. A recent OECD (2004) report was highly critical of Canada (except for Québec) for its ‘patchwork’ of childcare services that often provided nothing beyond ‘babysitting’” (Evans, 2007: 127). Following the election of the conservatives in 2006, the new liberal childcare program was terminated, and replaced by a taxable Universal Child Care Benefit (UCCB) of \$100 per month for children under 6 and “modest incentives to business to create spaces” (Mahon, 2008b; see also Townsend, 2008c). Because of its nature, the single male-breadwinner families that are relatively well-off benefit the most from the UCCB, which is more like a family allowance than a childcare credit (Mahon, 2008a).

As with parental leave, Québec distinguishes itself from the other Canadian provinces with its childcare policy. A “5\$ a day” universal childcare program was introduced for pre-school children in 1997 (now 7\$ a day), and out-of-school hours care for older children is provided through the school system (Mahon, 2008b). The system has contributed to an increased level of labour market participation among mothers (Boulay, 2007). However, this program is not perfect and its main weaknesses are the lack of availability of spaces (more than half of the children under five years old have no access to it), its high costs, and the fact that it favours high-income families in which parents have conventional work schedules (Lefebvre and Merrigan, 2003: 49; Lefebvre, 2004).

The weaknesses of the Québec (and Canada) systems stand out when compared to the Finnish day care system, through which “all families have the right to take their place”. The municipalities, who manage the program, have to offer a space within a few weeks. Moreover, the price for the service is determined according to family income, and ranges from 0 to 220 Euros per month (Miettinen, 2008).

#### *4.3. Income support*

Income-related childcare costs, as in Finland, are a way to support low-income families. Of course, income support for families is broader, and includes a range of family allowances and benefits: some universal, some means-tested. The three Baltic states have instituted several of these (see Aidukaite, 2006b: 5), as Canada and the Nordic countries have done.

In Canada, there are strong interprovincial differences on family income support. Once again, as for other family policies, Québec stands out. Comparing the impact that the 2008 income support would have on two specific families (a couple with two children and a family income of \$75,000, on the one hand, and a single parent with one child and a family income of \$50,000, on the other hand) in each province shows clearly that Québec has chosen to give stronger support to its families (see table 6). Moreover, adding the income tax dimension (which is higher in Québec) and childcare fees to the picture only confirms the stronger income support given to families by the Québec government compared to other provincial governments. The 2008 disposable income of these two specific families would be higher in Québec than in any other Canadian province (Godbout and St-Cerny, 2008: 188, 193).

**Table 6: Interprovincial comparison of income support**  
**including and excluding childcare fee measures<sup>7</sup>**

	<b>Couple with two children and a family income of \$75,000 (2008)</b>	<b>Single parent with one child and a family income of \$50,000 (2008)</b>		
	<i>Income support without taking into account childcare fee</i>	<i>Income support taking into account net</i>	<i>Income support without taking into account childcare fee</i>	<i>Income support taking into account net</i>

<sup>7</sup> The right hand column for each family shows income support taking into account net child care fees, namely: gross child care fees, the federal Universal Child Care Benefit, and fiscal measures for child care fees (for more details, see Godbout and St-Cerny, 2008: 184-187, 190-193).

	<i>measures</i>	<i>childcare fees</i>	<i>measures</i>	<i>childcare fees</i>
<b>Newfoundland and Labrador</b>	\$1685	\$(5567)	\$3267	\$120
<b>Prince Edward Island</b>	\$1967	\$(5119)	\$3555	\$428
<b>Nova Scotia</b>	\$1952	\$(5220)	\$3388	\$328
<b>New Brunswick</b>	\$1741	\$(5323)	\$3532	\$500
<b>Québec</b>	\$3640	\$2433	\$4699	\$4045
<b>Ontario</b>	\$1740	\$(5434)	\$3256	\$54
<b>Manitoba</b>	\$2129	\$(4839)	\$3601	\$431
<b>Saskatchewan</b>	\$2356	\$(4618)	\$3794	\$637
<b>Alberta</b>	\$1602	\$(5473)	\$4541	\$1233
<b>British Columbia</b>	\$1741	\$(5529)	\$3223	\$(188)
<b>Canadian average</b>	\$2055	\$(4469)	\$3686	\$759
<b>Canadian average without Québec</b>	\$1879	\$(5235)	\$3573	\$394

Source: Godbout and St-Cerny, 2008: 187, 192.

Comparing the Québec case with other countries also reveals its peculiarities. Analysing the 2007 income situation of two specific families (on the one hand, a couple with two children and a family income equivalent to 167% of average income and, on the other hand, a single parent with two children and a family income equivalent to 67% of average income) in some G8 and the Scandinavian countries shows that it is in Québec that income support is the strongest, with respectively 7.4% and 48.5% of the family income after-tax received in income support (Godbout and St-Cerny, 2008: 198, 201). When also taking into account childcare fees and income taxes, it is still in Québec that the two families keep more of their work income. As shown in table 7, the proportion of work income taken by tax income and social contributions, taking into account allowances, benefits, and childcare fees, is lower in Québec than in the countries it is compared with. Moreover, for the single parent with two children and a family income equivalent to 67%

of average income, only in Québec does the work income show a net increase as a result of the different family measures: the available income is almost 20% higher than the work income (see table 7).

**Table 7: Proportion of work income taken by tax income and social contributions, taking into account allowances, benefits, and childcare fee**

	<b>Couple with two children and a family income equivalent to 167% of average income (2007)</b>	<b>Single parent with two children and a family income equivalent to 67% of average income (2007)</b>
<b>United States</b>	34.4%	6.5%
<b>UK</b>	47.9%	20.5%
<b>Japan</b>	28.3%	24.0%
<b>France</b>	30.8%	22.0%
<b>Germany</b>	40.0%	27.0%
<b>Norway</b>	31.1%	4.4%
<b>Finland</b>	28.6%	12.6%
<b>Sweden</b>	26.7%	17.4%
<b>Denmark</b>	40.8%	20.6%
<b>Québec</b>	21.5%	-19.6%

Source: Godbout and St-Cerny, 2008: 199, 202.

The Québec case clearly illustrates how important income support is in family policy, since it can make a significant difference to a family's available incomes.

#### *4.4. Birth and school grants*

In the three Baltic countries, family income support includes an aspect that doesn't exist in Canada: "a birth grant" (Zalimienne, 2008; Eglite, 2008; Pieters, 2003: 54, 89, 113; Aidukaite, 2006b: 5). A birth grant is a lump sum given to parents for every child born. The amount varies from country to country and, in Latvia, the grant is "doubled for mothers who have undergone ongoing medical examinations commencing before the 12<sup>th</sup> week of pregnancy" (Pieters, 2003: 89). This grant clearly recognises the fact that the birth of a child implies various one-time expenses. Moreover, Estonia acknowledges the one-time financial needs related to children starting school and therefore offers a lump sum for children to start their schooling (Aidukaite, 2006b: 5).

In Canada, no such policy acknowledges nor provides for these specific expenses. A "baby bonus" program was instituted in Québec in 1989, but abolished in 1997. Its impact on fertility rates is contested: various authors reach opposite conclusions (Partenariat Familles..., 2005: 40). In the 2007 provincial election campaign, the *Action Démocratique du Québec* partially brought back the idea and proposed a \$5000 bonus for the birth of a third and subsequent children (Action

démocratique du Québec, 2007: 9). In the 2008 provincial election campaign, the *Parti Québécois* came back with a proposal for all new births, compromising to “offer a better support at the time of birth” (translating into a one-time payment). In the same vein, it also made a commitment to “introduce an allocation sustaining first school entry” (Parti Québécois, 2008). Neither the *Action démocratique du Québec* nor the *Parti Québécois* have come to power in Québec since making these proposals, but the introduction of these measures in their electoral platforms is a recognition of the one-time expenses that parents have to assume at the time of the birth and school entry.

Globally, family policy (including income support for families) is clearly an area where the province of Québec distinguishes itself from the rest of Canada, especially since the mid-1990s. However, it is only recently that one consequence of Québec family policy can clearly be observed on low-income families. From 1995 to 2006, low-income family rates have been reduced more consistently in Québec (from 18.2 to 9.7) than, for example, in Ontario (from 16.3 to 11.8) (Noël, 2008b).

### ***5. Lessons from and for a mature welfare state***

Precisely because it takes time to clearly observe the consequences of new social policies, the Canadian welfare state (and the Nordic ones), which is more mature, can be evaluated more reliably than the Baltic welfare states. In Estonia, Latvia, and Lithuania, social policy reforms have taken place in the 1990s and are yet to be consolidated. Therefore, their consequences remain to be evaluated.

In Canada, as it has already been noted, the general poverty figures are related to a liberal welfare regime. Moreover, the drastic reduction of senior poverty (from the late 70s to recent years) can clearly be attributed to policy developed and targeted at senior people. Therefore, the Canadian case is consistent with the global trend noted in industrial societies, in which: “more generous benefits for sickness and pensions are associated with large reductions in absolute poverty” (Scruggs and Allan, 2006: 901). But (Canadian) social policy does not affect only poverty levels: among other things, its relation with health and economic growth is worth analysing.

#### ***5.1. Welfare regime and health indicators***

On an individual basis, researchers have come to the conclusion that “there is little doubt that poverty leads to ill health” (Phipps, 2003: 13). As Shelley Phipps reported: “in a recent review of the literature, Benzeval and Judge provide evidence from 16 studies using eight different data sets from four different countries. [...] In summing up their review, the authors conclude: ‘All of the studies that include measures of income level find that it is significantly related to health

outcomes'." (Phipps, 2003: 13) However, the impact of social policy on health indicators is also relevant when looked at from a global perspective, as some others have done.

Based on data from 19 wealthy countries, Haejoo Chung and Carles Muntaner came to the conclusion that: "even after adjusting for GDP per capita and intra-country correlations, welfare state regime type indicators were highly significant predictors of health indicators" (Chung and Muntaner, 2007: 336). Besides, although both Canada and the United states are liberal welfare regimes, they noted the clear distinction between their health indicators, especially since Canada instituted its universal health care coverage:

“The life expectancy of all Americans has been lower than that of all Canadians since the beginning of the 20th century. Until the 1970s this disparity was the result of the low life expectancy of African Americans. Since then, the life expectancy of white Americans has not been improved as much as that of all Canadians'. The divergence after the 1970s coincides very closely with the adoption of universal health care coverage in Canada.” (Chung and Muntaner, 2007: 337; quoting from Kunitz and Pesis-Katz, 2005: 5).

The Canadian case shows clearly the impact social policy can have not only on poverty, but also directly on the health of the population.

### *5.2. Redistribution and economic growth*

Along other lines, in Canada and elsewhere, it has often been believed that "social welfare harms economic prosperity" (Midgley, 1999: 7) or that there needs to be a "trade-off between growth and equality" (Pontusson, 2005: 1). However, some studies have shown that "there is no necessary trade-off between economic efficiency and achievement of welfare goals" (Headey et al., 2000: 151; see also Pontusson, 2005) and moreover that: "controlling for the size or generosity of the state lowers the coefficient for economic growth" (Scruggs and Allan, 2006: 901).

The evolution of Canadian social policy has followed this trend as it has undergone a change in paradigm, from a welfare state to a social investment state. Similarly to other liberal welfare regimes where it first emerged in the late 1990s, Canada developed the concept of social investment, that focuses on the future, on equality of opportunity, and on human capital investments (Jenson and Saint-Martin, 2006; Saint-Martin, 2000; Townsend, 2008b). Social investment implies a complementarity (rather than an opposition) between economic development and social policies.

### ***Conclusion***

In sum, the comparison of Canadian social policy with Baltic (and Nordic) social policies and the evaluation of the more mature Canadian welfare state underline some of the strengths of the Canadian model (such as its fundamental universal health care coverage, and its success in

fighting senior poverty), some of its weaknesses (such as restricted unemployment benefits, as well as parental leave and the day care system outside Québec), and possible initiatives to be looked at (such as birth grants). However, distinctions between welfare states do not imply that the challenges are necessarily different. The current economic crisis is a great example of a common challenge, for all welfare states. The way each government chooses to address it will definitely be a determining factor in the framing of social policy, for now and for the future.

For Canada and the Baltic states, it will be interesting to see whether or not their social policy development, throughout and after the crisis, will follow the trend previously created alongside their nation-building welfare state. Will Canada protect and develop universal social measures? Will the Baltic states favour stronger (neo)liberal social policies?

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