

Through Individualistic Criticisms: The Need For The Canadian Welfare System

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ABSTRACT

With the ever evolving international environment, individual stability is becoming a more pressing concern. Free trade and globalization have made the average person more interconnected and aware of people from different regions, countries and even continents. The changes from an industrial based economy to a service or information based economy, have transformed the nature of Western society. Citizens can travel more freely from one country to another, working in their specific field or taking a new job altogether. Traditional sectors have suffered with this change. The average citizen is no longer working 30-40 years at the same job. The current economic crisis in the United States has also impacted individual feelings of security. In this insecure and ever changing economic environment, one can pose the question as to whether the Canadian welfare state has become more of a problem than a solution in the new global, information-based economy.

Even though the world has become even more insecure and unstable, citizens can take comfort in knowing that their government is taking care of at least some of their pressing concerns with the social welfare state, allowing Canadians reassurance that some services will always be available for them. This research paper will argue that while the nature of the Canadian economy has changed, the welfare state is still an integral part of everyday life, giving the average Canadian a feeling of security in this turbulent time.

With the ever evolving international environment, individual stability is becoming a more pressing concern. Free trade and globalization have made the average person more interconnected and aware of people from different regions, countries and even continents. The changes from an industrial based economy to a service or information based economy, have transformed the nature of Western society. Citizens can travel more freely from one country to another, working in their specific field or taking a new job altogether. Traditional sectors have suffered with this change. The average citizen is no longer working 30-40 years at the same job. The current economic crisis in the United States has also impacted individual feelings of security. In this insecure and ever changing economic environment, one can pose the question as to whether the Canadian welfare state has become more of a problem than a solution in the new global, information-based economy.

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This paper will begin with technical definitions, explaining the overarching terms of the essays. From there, this work will examine the origins of the Canadian welfare state as well as its evolution over time. The critics of the social welfare system will be addressed, as there is no consensus on the structure of social welfare or the relevance of the system. The rest of this essay will focus on a short discussion of the changing nature of work and the globalization of work, as well as the author's arguments and evidence for

the need of a social welfare system, and then finally, the conclusion.

For the purposes of this research paper, it is essential to describe the major terms that will be addressed, to ensure a complete understanding of the reference. The first is the welfare state, which will be defined as “a system in which the government undertakes the main responsibilities for providing for the social and economic security of the state’s population by means of pensions, social security benefits, free health care, and so forth”.¹ The second term is knowledge based economy. This term actually requires more of an explanation than definition. Liberal democracies, also known as Western societies or first world nations, are post-industrial, their economies are becoming increasingly based around services such as tourism and entertainment rather than industry and agriculture, which dominates the economies of poorer nations.² Knowledge based economies are those first world nations that have accumulated so much wealth they do not need to produce all their food and goods, as some are still produced in country, in their own nations, so they are able to branch out into different forms of economic growth, through services and the use of knowledge.

The history of the Canadian welfare state actually derives from the British model, like much of the Canadian government. Dickerson and Flanagan noted that, “they [members of the Liberal Party of Great Britain] laid the foundations of the welfare state when they came to power in the first decade of the twentieth century,” they continued with noting, “they adopted the income tax as a means of redistribution; involved the state in unemployment insurance, old-age pensions, and other social-insurance programs; and encouraged, through permissive legislation, the rise of organized labour.”³ The Canadian move into a welfare system was slower than their British counterparts. Shortly after the founding of the Co-operative Commonwealth Federation or CCF, one of Canada’s first and largest cohesive socialist political parties, in 1933 they held their first convention where they approved a political manifesto that advocated for social planning through a series of welfare methods such as universal health coverage, unemployment insurance and pensions.⁴

While the CCF, who were the New Democratic Party’s (NDP) predecessor, were instrumental at placing social welfare on the minds of average citizens and garnering support, William Lyon Mackenzie King of the Liberal Party of Canada was the prime minister who initiated the Canada evolution into the welfare state we currently know today, “while he chose to move slowly through the complexities of Canadian federalism, by the time he retired as prime minister in 1948 he had launched the welfare state.”⁵ The present Canadian welfare system, including such as systems and bureaucracies, has

¹ McLean, Iain, McMillan, Allister, Eds., *Oxford: Concise Dictionary of Politics: Second Edition*, (Great Britain: Oxford University Press, 2003), page 570.

² McCormick, John, *Comparative Politics in Transition, Fourth Edition*, (United States: Thomson Learning, Inc., 2004), pages 24-25.

³ Dickerson, Mark O., Flanagan, Thomas, *An Introduction to Government and Politics: A Conceptual Approach, Sixth Edition*, (Ontario: Nelson Thomas Learning, 2002), page 153.

⁴ Bumsted, J.M., *A History of the Canadian Peoples: Second Edition*, (Canada: Oxford University Press, 2003), page 309.

⁵ Dickerson and Flanagan, page 153.

evolved over time.

The Liberal Pearson government in the 1960s introduced new reforms to the welfare system. His government improved social insurance at the insistence of the NDP. In 1965 the federal government introduced a national contributory pension scheme, but was only able to institute it by allowing Quebec to have its own plan. In 1966 the Medical Act of 1966 was introduced and by 1968 all the provinces and territories had agreed on a cost-sharing arrangement that allowed all Canadians access to health care without charge⁶, which was predominately influenced by the NDP, their leader Tommy Douglas, and the success in Saskatchewan at the provincial level at implementing such a program.

More changes came in the 1970s. In 1971 a new insurance plan was introduced and initiated, the “Unemployment Insurance Plan of 1971 extended and increased coverage.”⁷ Education was also improved in this era. Bumsted noted, “by 1970 over 90 per cent of Canadian children of high school age were in school,” and continued with stating, “by 1970 public spending on education had risen to 9 per cent of the gross national product, and represented nearly 20 per cent of all taxes levied by all three levels of government.”⁸ There have been many other changes over the decades and it could constitute a paper in and of itself. The welfare system allowed the Canadian people to engage actively in the economy, going to work with the security of healthcare and a pension plan, as well as knowing their children had access to education and supervision by respectable adults while they are at work. It allowed Canadians to be part of the international economy and aided in Canada’s development as a state.

Now that the history of the Canadian welfare system has been explained, along with many of its programs and initiatives, one can now address the question of whether the welfare state is still relevant in the new economic realities. Many criticisms have been levied against the welfare state and its importance since its conception, but they appear to have increased over the decades as Canada, Canadians and the Canadian economy has evolved into a post-industrial based reality. There has never been a complete consensus on the idea of social welfare, and while it was implemented in Canada, it has never escaped criticism. As the number of critics to social welfare is great, only three will be addressed in this work.

One of the criticisms that has been stated against a social welfare system is the cost. This is a criticism that has been against the social welfare system since its birth. Bumsted noted, “the year 1970 had already seen the publication of a federal White Paper [a report] called ‘Income Security for Canadians’, which pointed out the escalating costs of social insurance and criticized the principle of universality that had previously governed Canadian policy.”⁹ But cost cannot outweigh the fact that many Canadians feel that these social policies give them an identity, uniformity among the people. As Katherine Fierlbeck stated, “Canadian identity has become closely tied to issues of social

⁶ All Pearson related information was taken from Bumsted, pages 388-389.

⁷ Bumsted, page 390.

⁸ Bumsted, page 390.

⁹ Bumsted, page 390.

well-being (manifestly, health care but also child care, gun control, same-sex marriage and the medical use of marijuana).¹⁰ So cost could be a significant argument for the reform of social welfare, but not an adequate critic for its abolition, as it has become part of the Canadian identity.

Governments have previously attempted to scale back programs in favour of curtailing costs. Donald Savoie noted, “governments throughout the Western world have not been able to cut spending and programs as much as their promises. Thatcher, Reagan, and Mulroney all tried, but the overall size of government did not decline much during the 1980s in their countries.”¹¹ Efforts to minimize costs of governmental programs, such as social welfare programs, have been ineffective. While Savoie’s example is only one instance of attempted cutbacks, there have been many cases throughout the history of the Canadian welfare state yet it has continued to function for its citizenry.

An add-on to the last criticism, is the notion that the welfare system is not only costly but also ineffective. Conservative critics and even some economists have argued that this can be addressed through privatization, which would make the institutions under social welfare more effective, cost less and allow others to take the responsibility for them instead of the government.¹² Arguing with such critics is difficult because it is so subjective. If one subscribes to a conservative ideology, less government, less taxes and more economic freedoms are preferred over intrusive government and universal policies. But if one is more left leaning or socialist, more social welfare policies are a must. Taking care of all citizens and ensuring no citizens fall between the cracks of institutions is one of the accepted purposes of government. As this author falls into the category of socialist, capital is not as important as security, money can never make up for the suffering of citizens. Privatization would give the Canadian citizenry less security. An example of this, which will be elaborated on in greater detail later in this work, is healthcare. In the United States, there is no national healthcare policy, yes there is provision to take care of the elderly and the poor, but average citizens must gain health insurance from their jobs, pay for insurance themselves or pay for their services. Some go bankrupt because of medical problems. This is not the fate one would wish for the Canadian people.

The questions of cost have been long standing when discussing social welfare. Before there was a national healthcare plan, there was much debate in the House of Commons about the ability of the government to effectively institute such a large scale program. CCF leader Tommy Douglas most eloquently argued, “the people of this province now are spending \$18 million to \$20 million a year for medical care. This is not a new cost. It is a different distribution of the cost- that is all. This money had to be paid before.”¹³ With, or without social welfare, citizens will have to pay the costs of things

¹⁰ Fierlbeck, Katherine, *Political Thought in Canada: An Intellectual History*, (Canada: Broadview Press, 2006), page 83.

¹¹ Savoie, Donald J., *Breaking the Bargain Public Servants, Ministers, and Parliament*, (Toronto: Toronto University Press, 2008), page 212.

¹² Herd, Pamela, “Universalism Without the Targeting: Privatizing the Old-Age Welfare State,” *The Gerontologist*, Vol. 45, Issue 3, (June 2005), page

such as healthcare, insurance and pensions, social welfare simply allows the government to take responsibility and ensure national standards. Douglas also noted, “I think there is a value in having every family and every individual make some individual contribution. I think it has psychological value. I think it keeps the public aware of the cost and gives the people a sense of personal responsibility.”¹⁴ While it does cost money to implement social welfare programs, that cost gives people a sense of community, everyone is taking care of each other through this.

The final criticism that will be discussed in this work is the idea that ethnic diversity is weakening the public demand and support for social welfare. Banting explained it more eloquently with noting, “a growing number of analysts argue that greater ethnic diversity in Western democracies is weakening public support for redistribution, and that this underlying tension is exacerbated by the adoption of robust multiculturalism policies.”¹⁵ In his article Banting refuted this, stating “the evidence about public attitudes in Canada also stands as an antidote to fatalistic assertions that ethnic diversity weakens support for social programs; and the evolution of Canadian politics suggests that immigration, multiculturalism policies and social redistribution can represent a stable political equilibrium.”¹⁶ While Banting’s point is significant, one can also see social welfare and redistribution as needed because of ethnic diversity. With our ever globalizing world and society, more and more people are immigrating and emigrating. Social welfare gives all citizens, new or old, a common ground. They all receive the same benefits, ensuring none fall below national minimums, it allows citizens to connect through these policies and give them security in their everyday lives.

The evolution from industrial-based economies in First World countries to globalized informational/service-based economies created changes in everyday life and business. Free trade agreements became more prevalent as nations needed to branch out in order to ensure they were able to offer all the products and services that their citizenry wanted, which was more difficult now that they no longer produced all their products in-house. These agreements also promised economic prosperity for member states and their citizens, but they failed to deliver. Polaski found:

“NAFTA’s predecessor, the Canada-United States Free Trade Agreement (CUFTA), took effect in 1989 and at first led to substantial net job losses in Canada’s traded sectors. After about five years, the losses stopped and export manufacturing began to grow again. A decade after the enactment of CUFTA, manufacturing employment recovered to the levels seen before the trade pact and has continued to grow modestly since then.”¹⁷

¹³ Fierlbeck, Katherine, Ed., *The Development of Political Thought in Canada: An Anthology*, (Canada: Broadview Press, 2005), page 117.

¹⁴ Fierlbeck, page 123.

¹⁵ Banting, Keith G., “The Multicultural Welfare State: International Experience and North American Narratives,” *Social Policy & Administration*, Vol. 39, Issue 2, (April 2005), page 98.

¹⁶ Banting, page 112.

¹⁷ Polaski, Sandra, *Jobs, Wages, and Household Income*, (Carnegie Endowment for International Peace, 2003), page 12.

She also noted that, “the richest 20 percent of Canadian households have increased their share of national income during the period, while all others have experienced declines. Only the top 20 percent of households had higher real incomes in 2000 than in 1989,” and continued with, “because manufacturing wages performed better than wages in most other sectors, it seems clear that trade-induced wage changes were not the cause of the observed increase in inequality in Canada. In Canada, it took a decade for manufacturing employment to recover from the initial displacements caused by CUFTA.”¹⁸ These examples simply illuminate the notion that our society is more fluid, agreements which were presented as holding much economic promise caused decreases in wages and productivity. The Canadian welfare state is a constant in the lives of citizens, giving them security in a turbulent time and allowing them to develop and participate in the new economy.

As was noted earlier, citizens are no longer remaining in one job for 30-40 years, accumulating a pension from that job, ensuring their retirement. Because of globalization, nations are now more interconnected and dependant upon one another. Canada is one of the post-industrial nations; its economy is dependant upon services and knowledge as opposed to industry and agriculture, as it had been in the past. With more and more Canadians joining specialized fields, like engineering or computer science, the opportunities to change jobs and travel abroad are far greater than they have ever been before. Because of this change the Canadian social welfare system is more important than now it has ever been in the past. The Canada Pension Plan is one means which allow Canadian citizens to partake in the ever changing global economy. Instead of staying at one job for those 40 years, they are now able to travel and change jobs without fear of their retirement. This national plan allows you to contribute to a pension plan, as long as you are employed.¹⁹ This enables Canadian citizens to take jobs abroad, to change their jobs and careers at their discretion without fearing for retirement. They can now work abroad in the new economy and allow Canada to continue to evolve with the rest of the Western world. If one asks whether the Canadian social welfare system is still relevant in this new knowledge-based economy, this author would argue avidly for yes.

As was discussed earlier, social welfare has become part of the Canadian identity. This includes the national health care system. In the United States there is no national health plan, citizens must either gain health insurance from their work or pay for the insurance themselves, and their other option is to pay for the services directly to the doctor or at the hospital itself. If one does not have a health plan or benefit package, this is a stressful situation. Another issue was noted by Labonte, stating “more fundamentally, trade and financial liberalization does not inevitably lead to increased trade or economic growth. And even when it does, such growth does not inevitably reduce health-damaging poverty, and almost always leads to health-damaging inequality.”²⁰ The changing economy does not insure states will have overall health

¹⁸ Polaski, page 13.

¹⁹ Service Canada, Canada Pension Plan, <http://www.hrsdc.gc.ca/eng/isp/cpp/cpptoc.shtml>

²⁰ Labonte, Ronald, *Dying For Trade: Why Globalization Can Be Bad for Our Health*, (Toronto: The CSJ Foundation for Research and Education, 2003), page 3.

improvements.

The Canadian situation is different. The national health plan ensures all Canadians access to medical care without worrying about the cost. It allows them the security of knowing they can change jobs without fearing about the transition period without insurance. This is one of the social welfare policies that allow Canadians to participate actively in the new information-based economy. Citizens can change jobs and careers with the changes in the international economic system. They have the security to do so. If asked if the social welfare system is a solution or problem in the new economy, this author would argue that it is an essential facet for Canadians to participate in and evolve with the ever changing international knowledge-based economy.

One question that has dominated Canadian political thought is the question of how we are different from our southern American neighbours. This question has inspired much debate among academics and average citizens. As Fierlbeck noted, “the United States has been a cornerstone in the evolution of Canada’s political thought, both in the ideas it has espoused and in the threats that it represents.”²¹ Canada and the United States are very much linked; similar language, similar culture, similar ideologies. While Canada follows in the Westminster tradition of Great Britain, the governments of both nations have an open line of communication. This can also be illustrated through the CUFTA and NAFTA examples used earlier in this work, free trade deals require some amount of confidence about the participants in order to become ratified. And because of this, academics and citizens have looked for ways that Canadians are independent, clear tangible examples of our difference. This question and debate is clearly illustrated in George Grant’s work *Lament for a Nation*.

One may ask what this has to do with the Canadian welfare state’s relevance in the new economy, which is a fair question. This debate about Canadian difference from America gave Canadians an identity, as was mentioned earlier in this work. Social policies and the welfare state give the Canadian people an identity. It allows them to define their distinct culture; it allows them to show how they are not American. If for no other reason, the welfare state is still significant in the information-based economy because it gives Canadians a cohesive identity in this ever globalizing world. Fierlbeck also noted, “Canada has also chosen to follow the tradition of nineteenth-century British liberalism in its attempt to use the state to construct an environment that can secure the well-being of its citizens (through, for example, health care and, tentatively, child care).”²² Another rallying point, as the Canadian model is derived from the British and not the American, it gives them another sense of distinction from their American neighbours.

In summation, the nature of the international economy has changed. First world nations, such as Canada, no longer need to be its own sole producer for their major consumer goods and agricultural supply, leaving that to predominantly industrial nations. Post-industrial nations’ economies now focus on services, such as entertainment or tourism, and information/knowledge-based endeavours. As Canada has never been the

²¹ Fierlbeck, page 67.

²² Fierlbeck, page 83.

most influential or affluent nation, the shift into the globalized, inter-connected era has not been the easiest thing for the Canadian citizenry. The welfare system and its social welfare policies has increased the ability of the Canadian peoples to partake in this new age.

The Canada Pension Plan has allowed Canadians to move from job to job and change careers at their digression instead of staying at one job for 30-40 years. The average citizen does not need to stay at the one job to accrue a pension for their retirement, ensuring their security in their elderly years. This security allows Canadians to become involved in this new post-industrial economy, allows them to be more flexible with their career and job choices and allows them to engage themselves in the changing economy, to adapt to new capital trends. This system is not perfect, but nothing is perfect and it has evolved over the years.

The health care system also gives Canadians the ability to be involved in the new economy. Citizens of the United States do not have a national health care plan; some citizens go bankrupt due to medical emergencies or long-term illnesses. People must gain health coverage either through work or pay for it themselves or pay at the doctor or hospital directly. This is a stressful situation. One could see that people may be less willing to leave their jobs or change jobs for fear of having no health insurance during the transition period. With a national plan, Canadian citizens do not have that stress. They can change jobs without fear of having no health coverage. They can become involved in new industries and new enterprises without fearing for their health or their savings. And while the medical system is not perfect nor completely universal, it does allow them to evolve with the new economy.

Not every person agrees with the ideas of social welfare or the ways it is implemented in the Canadian context. Some question whether or not it is still relevant in this new economy, costing too much money and building too much bureaucracy. But this author believes it is even more relevant in this post-industrial, information-based economy because it gives the Canadian people the security to participate in the new economy. It allows them to feel able to adapt to the changes, instead of fearing them. It also gives citizens common ground, allowing them some platform to for equality. They are all taking care of each other. The welfare state has become part of the Canadian identity. It gives them a distinction from their large southern neighbours. While the social welfare state may be costly, money will never be more important than taking care of the citizenry. The Canadian social welfare system takes care of the Canadian people but also allows them to evolve along with the national and international economic system.

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