Redesigning Social Policy for the 21st Century

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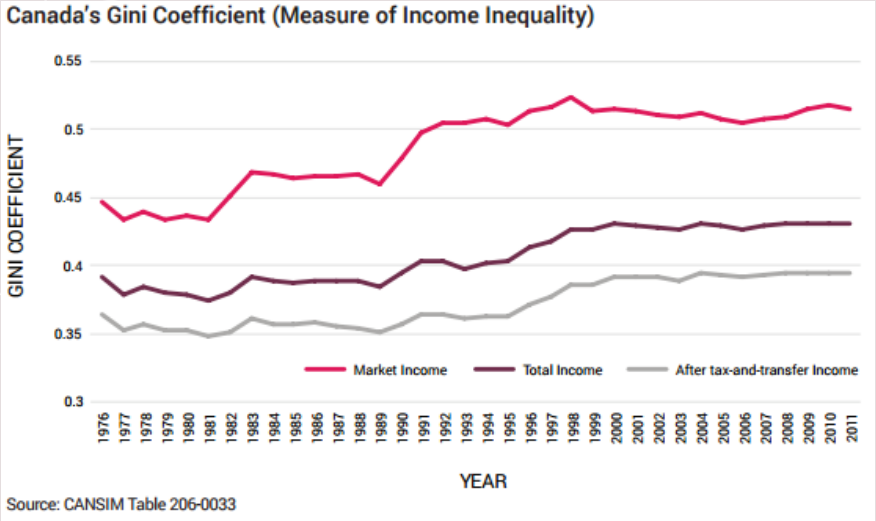
Mowat Centre
ONTARIO'S VOICE ON PUBLIC POLICY

Key Trends

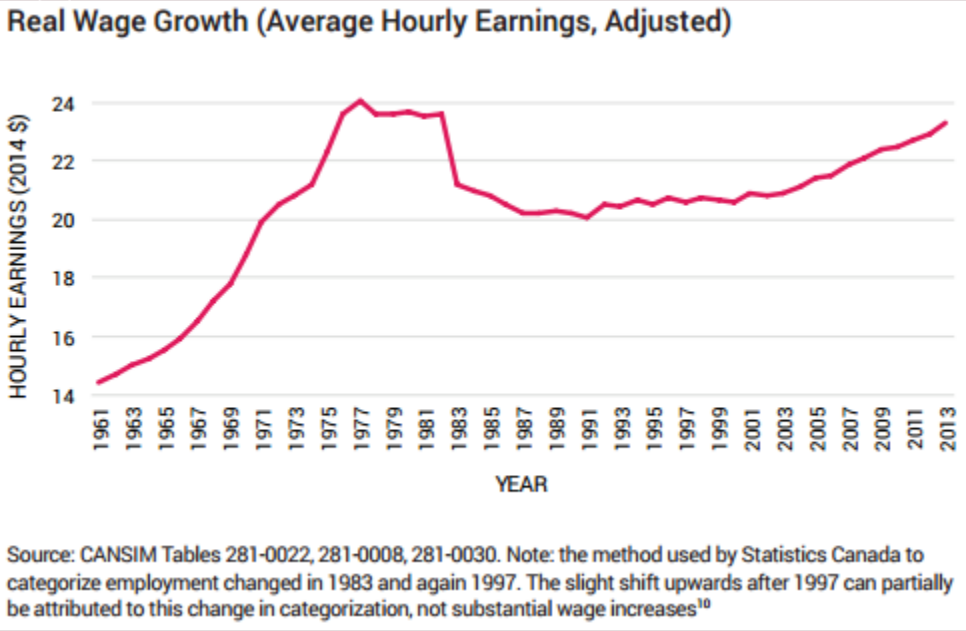
Unequal Prosperity



Income inequality continues to grow by all measures

Canada's top 1% of earners accounted for 37% of the country's overall income growth between 1981 and 2010

Unequal Prosperity

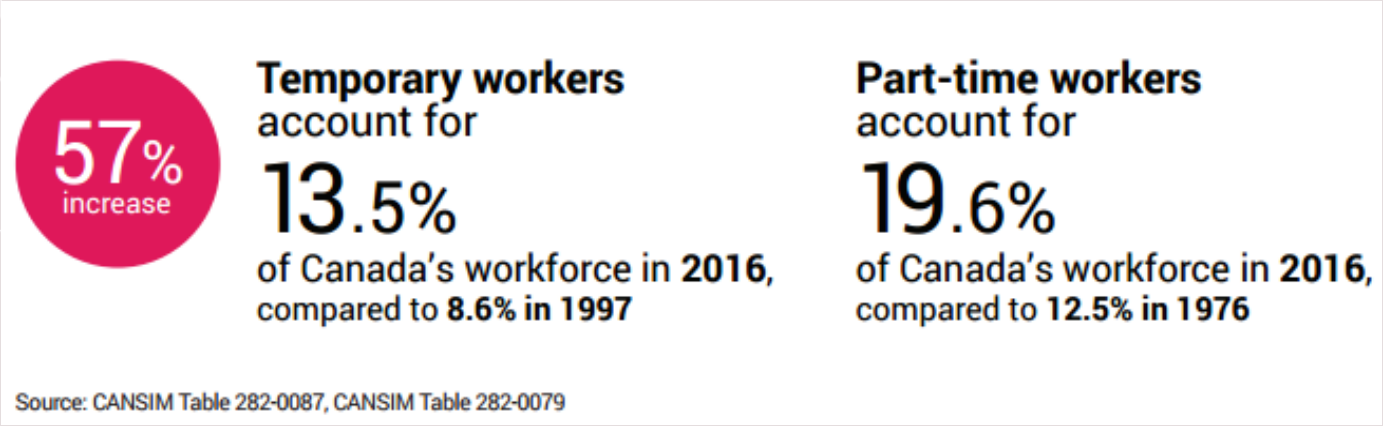


Source: CANSIM Tables 281-0022, 281-0008, 281-0030. Note: the method used by Statistics Canada to categorize employment changed in 1983 and again 1997. The slight shift upwards after 1997 can partially be attributed to this change in categorization, not substantial wage increases[10]

The “Great Decoupling” implies that while the economy continues to grow, wages have remained mostly stagnant for almost 30 years

Rise of precarious work

The standard employment relationship - characterized by full-time hours, permanency and benefits - is becoming increasingly rare



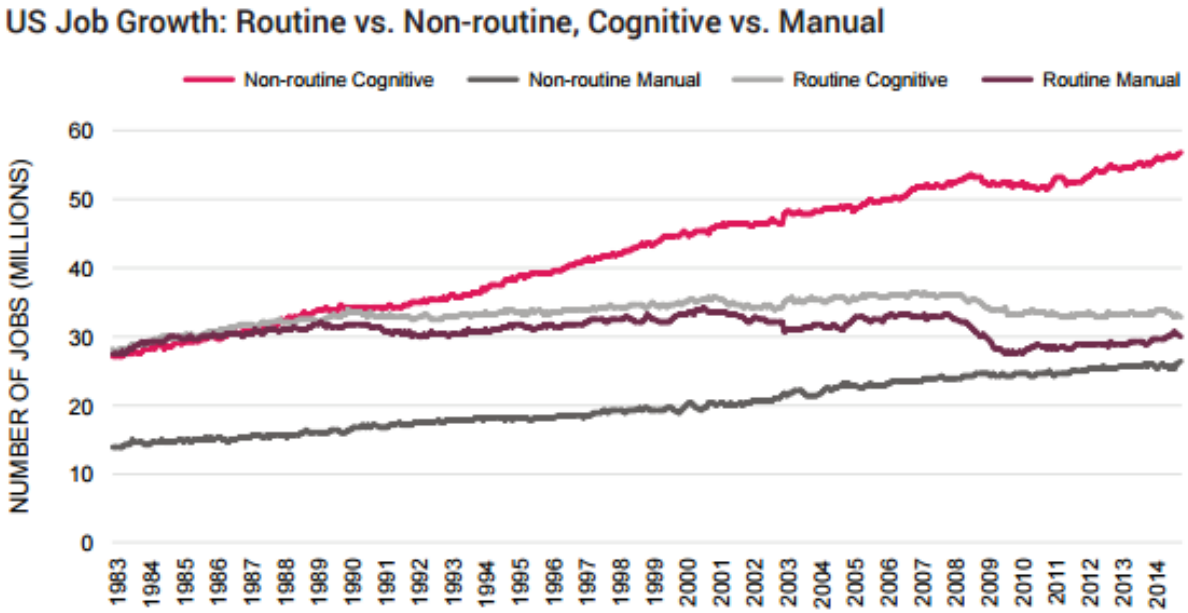
Understanding the new economy: Emerging Issues

- **Unique nature of the digital economy**
  - Increasingly firms are characterized by powerful network effects, low barriers to entry and fewer full-time employees
- **Living in an on-demand society**
  - New business models often blur boundaries of who is considered an employee (e.g. increase use of independent contractor classification)

Understanding the new economy: Emerging Issues

- **Automation of industry**
  - Advancements in automation and AI are now replacing human muscle power as well brain power
  - Deconstructing a job and outsourcing constituent tasks can be understood as part of progression towards automation

Automation of industry



Source: Maximiliano Dvorkin (2016) "Jobs involving routine tasks aren't growing" Federal Reserve Bank of St. Louis

Automation of industry

Comparing Job Loss Estimates

Study	Estimated risk of job loss to automation over 10-20 years	Percentage of workforce	Number of jobs
OCCUPATION-BASED METHODOLOGY			
Frey & Osborne (Oxford)	USA	47%	68,031,090
Lamb (Brookfield Institute)	Canada	42%	7,537,572
TASK-BASED METHODOLOGY			
Arntz et al. (OECD)	USA	9%	13,027,230
	Canada	9%	1,615,194

Source: Lamb (2016), Frey and Osborne (2013), CANSIM Table 282-0008, United States Bureau of Labour Statistics, Mowat Centre calculations

Many studies have attempted to estimate the size of job loss due to automation across various jurisdictions, using different methodologies

Automation of industry

Deconstructing a job and outsourcing its constituent tasks can be understood as part of a progression towards automation in which jobs become less stable and less well-paid

What's the impact?

- Increased uncertainty
- Pace of change
- Constant disruption and volatility
- Significant pressure on existing regulatory/social and economic frameworks
- Increased need for quick, coordinated and international responses

Public Policy Implications

Six key policy areas will face pressures to modernize

- Employment Insurance & Training Programs
- Child Care
- Public Pensions
- Affordable Housing
- Healthcare
- Employment Standards

How is our social architecture holding up?

- 39% of unemployed Canadians currently receive regular EI benefits, compared to 82% in 1978
- 48% of working-aged Canadians have not started or are currently not saving for their retirement
- Over 80% of precarious workers in Ontario do not receive benefits such as vision, dental, drug, life insurance

How is our social architecture holding up?

- Only enough centre-based spaces to care for 22.5% of children under 5 years old
- Stagnant incomes at bottom of the income distribution scale have been outpaced by private market rental prices
- A growing number of Canadians may not be entitled to various employment standards protections

Programs of the future will be…

- Delivered digitally to increase efficiency and reduce transactional costs for citizens and governments
- Clearly focused on outcomes that require policy action (e.g., increasing availability of timely, impactful skills training to unemployed workers)
- Evaluated for effectiveness and impact, and continually refreshed to adjust to emerging social and economic conditions
- Customized and flexibly designed to accommodate the varied needs of citizens
- Integrated with other service and programs offered by government and delivery partners

Two examples

•Singapore’s SkillsFuture & France’s Personal Activity Accounts.

• Both programs are designed to provide citizens with easier access to services that they need, when they need them.

•Singapore: digital platform to access learning resources, integrated training supports and an individualized credit of $500 that is periodically topped up

•The French model provides customized training supports and credits for people facing different life situations

Transformational changes

- Danish “flexicurity” model
- Portable benefits
- Work-sharing schemes (e.g. Germany’s Kurzarbeit)
- Guaranteed annual income
- National skills strategy

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