**The Development of the Urban Welfare State:
A Case Study of the Regional Municipality of York**

By

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A thesis submitted to the Faculty of Graduate Studies and Research
in partial fulfillment of
the requirements for the degree of

Doctor of Philosophy

School of Public Policy and Administration
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A Case Study of the Regional Municipality of York*

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in partial fulfillment of the requirements
for the degree of Doctor of Philosophy

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Abstract

This study examines the potential development of semi-sovereign *urban welfare states* that provide and deliver human services within the context of growing urban poverty, income disparities and other social needs within Canadian cities.

Three urban welfare state models are developed and tested in the case study of York Regional Municipality, an affluent urban region north of Toronto, Ontario. The *urban polis welfare state (UPWS)* model assumes a highly developed urban welfare state with a strong civic base, autonomy and the capacity to implement urban welfare services in response to urban needs. The *embedded urban welfare state (EUWS)*, shaped by state and non-state sectors and political economies, has more limited autonomy and capacity to respond to urban social service needs. The *residual urban welfare state (RUWS)*, with its assumption that welfare state services are best provided by upper level governments, is the most limited state form. Diverse sources of literature were drawn upon in building the UWS models, including: regulation and regime theory, new localism, public finance and public choice theory.

The case study reveals that the EUWS best describes York's neophyte urban welfare state. The EUWS consists of local state and non-state welfare institutions that mobilize resources and form partnerships for human service delivery and advocacy. The EUWS is embedded and shaped by vertical (between state levels) and horizontal (across public, private and voluntary sectors) welfare state governance arrangements, local politics, and specific political economies. The degree of urban welfare state autonomy varies, depending on the service and the policy process stage. In this case study, the autonomy of York's EUWS was quite limited (from sectors and state levels), particularly at the funding and policy stages of the policy-making process. Its fiscal and democratic capacity was also quite limited.

The dissertation's major finding is that there are a number of semi-sovereign welfare state levels in Canada, rather than one national welfare state. In light of the limited research in this area, an urban welfare state research agenda is proposed.

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Chapter One - Introduction

The Context for the Development of City-State Forms

In post-industrial societies, the welfare state has gone through a dramatic period of restructuring, retrenchment, downsizing and/or devolution. The post-World War Two Keynesian welfare state paradigm, built on a consensus of using fiscal policy to stabilize aggregate market demand and create employment through counter-cyclical state spending, was largely abandoned during the late 1970s period of high inflation, unemployment and declining productivity. Economic liberalism, based on the belief that economically efficient societies and economies are best served by a liberalized market economy and a more constrained state, has become a powerful international and national economic paradigm (Banting 1996; Cox 1994; Courchene 1992; Mayer 1992).¹ National welfare state restructuring has occurred worldwide, based on the specific historical circumstances, institutions, political economies and societies of nation-states.²

From the late 1970s until the present time, welfare state restructuring and retrenchment have increased the pressures on cities to respond to growing urban social needs. The powers of the nation-state, according to Bob Jessop, have been displaced upwards to supra-national institutions and downwards to local institutions (Jessop 1993). Thomas Courchene refers to this phenomena as *glocalization*, arguing that globalization erodes the national government's capacity and importance (in Simeon 2001).³

¹ Federal and Ontario provincial budgets, particularly from the mid 1990s, reveal political support for promoting market growth and reducing the size of the state, and social expenditures.

² Esping-Andersen, for example, argues that Canadian liberal welfare state restructuring developed much differently than the northern European social democratic welfare states.

³ Courchene emphasizes the increasing economic competition occurring between Canadian provinces. His focus is more upon provincial region-states rather than city-states and urban economies. However, his analysis supports the idea of the Canadian nation-state based on a number of state levels.

Jessop (1993) makes the argument that the national welfare state has *hollowed out*. While this can be applied to the Canadian case to some degree, the Canadian welfare state shows the signs of more of a *selective dismantling*. Social welfare functions and services with the potential to garner the best electoral returns have not been devolved to provincial and municipal state levels. The federal government has retained some policy and funding roles in social programs such as health and post-secondary education.⁴ While provincial governments have always had the constitutional responsibility for social services, during the post-World War Two expansionary welfare state era until perhaps more recently, the federal government provided funding and some policy support for these services. Yet with the dissolution of the Canada Assistance Plan in 1996, the federal government withdrew from funding and broad policy support for income-redistributive social services (referred to as *residual* or *redistributive social services*).⁵ These responsibilities have now been nearly fully devolved to provincial governments.⁶ Provincial governments, depending on the province, have devolved some of these service responsibilities to municipal governments, the voluntary sector, and to a large degree, households and families.

The test of the post-Keynesian, post-welfare state will occur largely within cities, including the ability of this governance level to prevent social and economic marginalization, poverty and homelessness. Currently, the social trends are disturbing.

⁴ Constitutionally, these services are within provincial jurisdiction. However, the federal government has maintained policy and funding involvement through federal legislative acts and its spending power (e.g. previous Canada Assistance Plan or current Canada Health Act).

⁵ Income-targeted programs are a particular type (based on income and sometimes other criteria) of income-redistributive social service. Income-redistributive services are oriented to low income households, financed by taxes from higher to lower income households. These services are often referred to as *residual* social services. They include, but are not limited to, social housing, childcare and social assistance. All terms will be used in this thesis, although they have somewhat different connotations.

⁶ Constitutionally, however, these services have always been within provincial jurisdiction.

Cities have experienced accelerating rates of income disparity and poverty (CCSD 2000), suggesting that developing urban welfare states are currently unable to respond to urban social needs, or stem the tide of increasing income polarization. However, neophyte forms of city-states, despite the limitations on their autonomy and capacity, are becoming more visible and responsible governance entities.⁷ Cities are likely to continue to be sites of future experimentation in the provision and governance of welfare state services.

The Urban Welfare State: The Rationale, Concept and Approach

The 20th and 21st centuries have witnessed the dramatic rise of cities as new players in the global economy (Mayer 1995; 1992; Fainstein 1995; Markuson 1995; Cox 1993).⁸ Canada continues to urbanize, from 63% of its population residing in urban areas (of more than 10,000 people) in 1951 to the 80% residing in urban areas in 2001 (Statistics Canada 2001).⁹ Social welfare needs, to a large extent, have become *urban* social needs, requiring specific local or regional solutions to unique and different urban communities. Federal or even provincial program decisions and responses are often ill suited to these diverse urban social welfare and community needs. Potential urban welfare states that have the autonomy, and fiscal and democratic capacity to design and deliver urban social programs, are more important to consider in this context.

⁷ It should be noted that urban municipal governments have very different forms and responsibilities in different Canadian provinces, particularly in social welfare services.

⁸ Some analysts have noted that cities have been global, economic and political players historically, and that there is really “nothing new under the sun” when evaluating the importance of cities as actors. However, the technological revolution has assisted the frequency, magnitude and ability to trade in large volumes between major cities. These changes are quantum leaps in the new world trading order.

⁹ According to the 2001 census data, four urban regions (the Golden Horseshoe, Montreal and environs, the Calgary-Edmonton corridor, and the Greater Vancouver Area) account for 49% of Canada’s population. The “extended” Golden Horseshoe, from Barrie to Windsor (including Greater Toronto Area) accounts for 59% of Ontario’s population (*Globe and Mail, The Census*, March 31, 2002: A6).

This dissertation develops alternative models of an *urban welfare state (UWS)*, a novel concept and approach for examining welfare state governance in urban regions. The models are tested against a case study, allowing for an examination of UWS forms, features and content. At a broad level, an urban welfare state is conceived of as the constellation of state-societal institutions that provide welfare state services within the political boundaries of cities. Institutionally, it is the part of the local state that is functionally and politically oriented towards welfare state service provision. Functionally, it is also a particular type of local state – one that provides urban welfare services in pursuit of social equity goals. A conceptual premise of this study is that UWS development may be occurring within complex governance arrangements that are fragmented between national welfare state levels (vertical governance), and a host of public, voluntary and private welfare state institutions (horizontal governance).

The UWS models are tested within the context of Ontario, given that social programs have been downloaded to local governments in Ontario more than any other Canadian province. Ontario cities¹⁰ face significant challenges in the provision of welfare state services, in light of pressing urban social needs. The models are developed and tested against the Ontario case study of the Regional Municipality of York, an urban region and government that is part of the Greater Toronto Area (GTA).

Traditionally, state concepts have been based on Weberian foundations, including its criteria of formal sovereignty (i.e. legal, legitimate and ultimate authority), territory, administrative institutions, and the monopoly over the legitimate use of physical force (Pal 1994: 39-40; Bendix 1977: 417-18). Many dominant welfare state analyses examine

¹⁰ Welfare state devolution has also occurred in the more remote and northern regions of Ontario, as well as in urban regions. However, the nature of this process has been different in these two types of different regions. This study focuses on urban regions.

national welfare states (Rice and Prince 2000; Haddow 1993; Pierson 1991; Esping-Anderson 1990; Banting 1987; Gough 1979). This study assumes that a number of semi-sovereign state forms and levels may exist within national welfare states. A local (or urban) welfare state¹¹ concept and focus allows for an examination of specific local state forms and functions, and a reconceptualization of the welfare state.

This dissertation study's approach differs from traditional analyses that focus primarily on the Canadian federal welfare state. Welfare state forms and features have changed significantly during the period of welfare state restructuring in Canada, especially at the urban level. The UWS models are based on the assumption that local welfare state functions and developments are essentially non-constitutional in nature. A premise of this study's approach is that modern states and welfare states are not autonomous and self-contained in their ability to exercise decision-making authority, but are semi-autonomous and constrained by both states and markets. An urban welfare state is assumed to be institutionally fragmented and semi-autonomous, consisting not only of municipal governments, but rather, of a broader mix of local welfare institutions. The degree of autonomy and the capacity (to exercise state powers or responsibilities) of the UWS vary, depending on the stage of the policy-making process.¹² These premises, however, remain to be tested.

Current theoretical literature from a variety of different traditions has much to offer in considering the governance issues and implications of local state service

¹¹ Urban welfare states are local welfare states within urban areas. The two terms will be used interchangeably, with the understanding that this study focuses on local *urban* governance issues.

¹² The stages of the policy-making process include policy-making functions, service management, funding and service delivery.

provision. Municipal (or local) human service¹³ design, management, funding and delivery have been examined, to some extent, in government policy studies.¹⁴ However, there is a gap in literature that analyzes local or urban state functions based on local state *governance* that involve a variety of institutions and levels of government, rather than just municipal governments. There is also fairly limited examination of the *nature* of local involvement in the different policy-making stages. The degree of local state involvement in welfare programs also depends on the particular program. Some of these issues will be addressed in this study.

The local (or urban) welfare state concept remains at a fairly preliminary stage of theoretical development. Margit Mayer introduced the local welfare state concept, mainly as a description of the changes that have occurred within national welfare states with the shift from the fordist, redistributive Keynesian welfare state to a post-fordist, neo-liberal and minimalist central state (Mayer 1992: 261). Welfare, Mayer argues, is becoming redefined through the economic success of regions, and the management of welfare provision by the local state and a multiplicity of public, private and voluntary partners.¹⁵ Local politics, partnerships and economic activity define local welfare provision in ways that vary significantly between regions. Mayer, however, does not provide an in-depth examination of local welfare state forms, features and functions.

This dissertation examines and builds upon the local (urban) welfare state concept and governance arrangements. Theoretical developments relating to the urban welfare

¹³ Human services and welfare state service definitions will be elaborated upon in chapter two. However, human services are generally a broader group of programs including public health, social assistance and services, recreational programs, and in some definitions, protective services (ambulance, fire and police).

¹⁴ Much of this literature exists in government documents, studies and task forces (e.g. Golden Task Force on Metro Toronto), rather than in academic literature.

¹⁵ Mayer concentrates mainly on local welfare state and regime *outcomes* within post-fordist economies, including labour market inclusion/exclusion and increasing income/social polarization.

state or governance will be based primarily on the case study findings. The testing of urban welfare state models allows for an examination of its institutional structure, content and governance arrangements, as well as the forces that shape a particular UWS within a specific political economy. Analyzing the *boundaries* of local state institutions sheds light on the issue of whether the state consists primarily of local government institutions, or a broader institutional mix that is based on both vertical and horizontal governance arrangements. The concluding chapters, after testing the models, further develop theoretical observations and discuss policy implications.

An urban welfare state concept has some implications for analyzing the broader *local state*. While some concepts and definitions of the local or urban state have been offered in the literature,¹⁶ this concept remains somewhat elusive. Allan Smart claims that “the definition of what is and what is not part of the local state is a difficult and unresolved challenge.” (Smart 1994: 2) Although the local state is not the focus of this study, it is important to differentiate it from the local welfare state. This study views the local state in a similar manner to that of the urban welfare state. It is contended that the local state is a semi-autonomous, non-constitutional state level that exists within a politically defined territory. It possesses the democratic legitimacy to engage in local politics and decision-making within its sphere of responsibilities, and it provides urban services. The local state is institutionally complex, as it may consist of a number of state, market and societal institutions that link together through a number of governance arrangements. It is a larger, complex and multi-purpose state with a much broader mix of state and other institutions that perform a number of diverse functions. A local (or

¹⁶ Graham, Phillips and Maslove (1998: 35) define the local state as comprising municipal governments, special purpose bodies and voluntary associations. Other theorists that have developed local state concepts are Stone (1993), Magnusson (1985), and Mayer (1992).

specifically urban) welfare state is a sub-set of institutions within the local state that deals with urban welfare services¹⁷ in pursuit of social equity goals.

The *national welfare state* consists of all welfare state levels (e.g. federal, provincial and local) and their interdependencies. The *federal welfare state*, in contrast, refers only to the welfare state of the federal government and its associated institutions. Urban welfare state forms and features depend quite significantly on national welfare state changes and developments. This broader national welfare state context will be analyzed for its effects on the shaping of a potential urban welfare state level.

The Urban Welfare State Models

Based on the presumption that cities have the potential to develop welfare state forms and functions, three urban welfare state models are tested against the York case study: 1) the Urban Polis Welfare State (UPWS); 2) the Embedded Urban Welfare State (EUWS); and, 3) the Residual Urban Welfare State (RUWS). Based on a number of assumptions, predictions for the implications of each of these models are developed. The models are tested against the empirical findings of the case study to arrive at some observations and conclusions about urban welfare state forms, features and characteristics.

The Urban Polis Welfare State is a model based on some of the assumptions and theoretical foundations of regulation and new localist theory. The premise is that fairly extensive and effective urban welfare state governance has the potential to reduce labour market, social and income polarization in urban regions. According to a UPWS model,

¹⁷ Urban welfare services are conceived of in the broad sense of the term – including health, education and welfare services that are often associated with the welfare state.

the urban welfare state is a fairly autonomous welfare state level that has the fiscal and policy capacity to implement urban social welfare responsibilities in response to urban social needs.

The Embedded Urban Welfare State is based on some of the premises of regime theory, placing importance on local politics and the political economy in shaping its forms and features. The local state is viewed as part of the local regime of governance in which local government does not act alone in governing or implementing local public decisions – it is linked with other public and private interests. It is a fragmented welfare state, subject to systemic biases. The EUWS has more limited autonomy, policy and fiscal capacity than the UPWS.

The EUWS model describes and assesses some of the vertical linkages and constraints by other state levels, and in particular, the provincial state level. This differs from regime theory. It is also *embedded* and contextualized within a broader national and global political economy than described or elaborated upon in regime theory. All the UWS models in this dissertation study are based on certain theoretical traditions, but are not purely a product of such theory.

Finally, the Residual Urban Welfare State model has been built from some of the theoretical foundations and literature of public finance and public choice. With this type of UWS, the welfare state functions and responsibilities are much more limited at the urban or local level. Based on a number of economic and federal public finance criteria and concepts, the urban level of governance is regarded as a less effective locale for providing income redistributive services than other federal welfare state levels.¹⁸ The

¹⁸ In this study, income-targeted and redistributive social services refer to programs that provide benefits to lower income households or individuals.

RUWS is based on a residual view of the state in which state services are provided only in cases of market failure.¹⁹

Predictions are made for each of the models, which are then applied to the case study. On this basis, the closest “fit” to the evidence demonstrates the most accurate form of urban welfare state within an urban region in Ontario. The implications of this type of urban welfare state, including some of its strengths and weaknesses, are commented on. While this UWS model may best fit the Ontario context, however, the other models may be useful to consider as potential alternatives within Ontario or other jurisdictions.

It is not expected that the models will be completely distinct from each other. There may be some features of each of the other models that also apply, to some degree, to the urban welfare state form in the case study. The UWS model may also require some revision and further specification as a result of the case study findings. The intent of this approach is to develop a more theoretical framework and models that best describe potential urban welfare states.

The Case Study: The Regional Municipality of York

The Regional Municipality of York is located within both the Greater Toronto Area and the Toronto Census Metropolitan Area.²⁰ It is a two-tier regional government structure, consisting of the lower tier municipalities of Vaughan, Markham, Richmond Hill, Whitchurch-Stouffville, King, Aurora, Newmarket, East Gwillimbury and Georgina.

¹⁹ The determination of *market failure* for social goods ranges from quite narrow to very broad interpretations, depending on the theorist. However, it is assumed that government should provide social goods or services only where the market fails, as opposed to a more institutionalized and universal state commitment to social welfare provision. This concept will be elaborated upon in subsequent chapters.

²⁰ A Census Metropolitan Area is a statistical census area, while the GTA and regional/municipal boundaries are created by provincial statute.

The 2001 population of this regional territory was 738,000, and is expected to grow to 1,280,000 people by 2026 (Regional Municipality of York: 2001). Over two-thirds of the York regional population lies within the three largest southern cities of Vaughan, Richmond Hill and Markham (CCSD 2000: 19), all located in the southern part of the region.

The case study of the Regional Municipality of York is interesting and relevant for a number of reasons. First, it represents the growing trend of urban-suburban growth patterns, referred to as “citifying suburbs” by Raphael Fischler,²¹ that have been witnessed across some of Canada’s largest urban regions. Older, central cities such as Toronto are not growing as quickly as their urban-suburban counterparts. For example, Markham, a lower tier municipality within York Region, experienced a 20.3% growth rate between the 1996 and 2001 census as compared to 4% for the City of Toronto (*Globe and Mail*, March 13, 2002: A7). The citifying suburb of York and other urban-suburban regions are grappling with rapidly growing and ethnically diversifying populations that require new and possibly unique local social governance responses from the welfare state.

Second, like all upper-tier and city governments in Ontario, the Regional Municipality of York has been granted additional responsibilities by the Ontario provincial government for redistributive social services, such as social assistance and employment programs, child care, and social housing. According to the Federation of Canadian Municipalities (FCM) and numerous municipal officials/politicians, these responsibilities have not been accompanied by compensating fiscal transfers or tax

²¹ Raphael Fischler, a Canadian urban studies academic, used this term in a *Globe and Mail* interview that was published on March 13, 2002 (A7).

points. The FCM Quality of Life Reporting System (FCM 1999) reveals that while poverty rates in York Region are lower than Toronto, it has the fastest growing poverty rate in the country. As a case study of Ontario's fastest growing and polarizing urban region, it is an ideal opportunity to examine and test the potential for urban welfare state developments, opportunities and limitations.

The Regional Municipality of York has also been a forerunner in human service planning. In 1999-2000, through its Human Services Strategy, York Regional Municipality evaluated its human services roles and responsibilities within the context of planning for growth. This Strategy was strongly supported by both state and non-state regional human service providers, as well as by regional municipal politicians and staff. The Strategy resulted in a number of studies relating to human service planning and funding in the Region.²² The Human Services Strategy Final Report, unanimously endorsed by York regional council, was the basis for the formation of the multi-sectoral Human Services Planning Coalition (HSPC) for York Region. This Planning Coalition institutionalizes human services planning across state and non-state service providers in York Region to better plan, coordinate, deliver and leverage resources for more integrated human services.

Ontario has been a leader in its devolution of welfare state responsibilities to regional and city governments, and as such, it is an interesting jurisdiction to examine. The Regional Municipality of York provides both a relevant case study and urban welfare

²² Two reports, participated in by the author, were produced by Carleton's Centre for Policy and Program Assessment in 2000. Additional independent research, fieldwork and interviews were also conducted for this thesis. York Regional Municipality undertook or contracted data collection and analysis, public opinion surveys and a literature review, providing for much analysis and evaluation in this area.

state “laboratory” for assessing emerging urban welfare state forms under conditions of devolution.

Methodology

The dissertation case study approach allows for an in-depth assessment of potential UWS forms, features and governance issues in an urban region. The case study research methods included literature reviews, examination of government documents, participant observation,²³ and a total of 43 personal and telephone interviews. The interviews were conducted with key respondents in York’s upper (regional) and lower-tier municipalities, with municipal politicians, provincial officials within relevant Ministries, voluntary sector respondents, municipal association representatives, and other relevant and involved persons. These methods and sources of evidence provided a strong foundation for assessing the urban welfare state model predictions.

The limitation of a case study approach is that it is difficult to make generalizations about urban welfare state forms based on one case study, within one Canadian province.²⁴ Urban welfare state forms are shaped by the local political and institutional context, and by the specific nature of the local political economy. However, in an effort to overcome some of these issues, sources of evidence obtained were not limited to the Regional Municipality of York. Interviews occurred with provincial officials and politicians, and key respondents from the City of Toronto, the former Greater Toronto Services Board, and Ontario municipal associations. Given that Ontario

²³ Fieldwork included attending a number of York Regional Municipality meetings during the development of the Human Services Strategy, observation of a focus group in Vaughan, and numerous discussions with the Human Services Strategy Manager. Travel within the Region allowed for a better understanding of its urban, suburban and residential layout, and differing communities.

²⁴ Provincial-municipal social governance arrangements, and particularly the social program responsibilities of municipalities, vary a great deal within Canada.

urban municipalities²⁵ have similar legislative and funding contexts, there is a greater possibility that the findings will be applicable to other urban municipal jurisdictions in the province, particularly in the Greater Toronto Area.

Dissertation Outline

This dissertation is organized into eight chapters, including the introduction and conclusion. Part I of the thesis consists of chapters two, three and four. Chapter two examines theory, concepts and definitions relating to the urban welfare state. Chapter three articulates the three urban welfare state models conceptually. Chapter four examines the historical, political economy and institutional context for Canadian and Ontario welfare state restructuring that is relevant for the analyzing of potential urban welfare state forms.

Part II of the thesis, comprising chapters five, six and seven, presents the case study application of the urban welfare state models, and the findings and observations. Chapter five tests the UWS models within York Region. York's political economy is analyzed and the UWS model predictions are applied to evaluate which model best fits York's urban welfare state form. Chapter six analyzes York's UWS form in terms of its linkages, constraints, and interdependencies with other state levels. Chapter seven focuses more on horizontal welfare governance, examining the dispersion of urban welfare state functions and powers to both the state and non-state sectors. Chapter six examines the restructuring of welfare state functions between different state levels of the Canadian welfare state, while chapter seven considers urban social governance functions

²⁵ Urban municipalities refer to single-tier large cities and upper-tier, urban municipalities.

between the state and civil society. Both of these chapters build upon the urban welfare state concept, forms and features that form the basis for UWS theory.

The conclusion of the dissertation summarizes the study's major findings and emphasizes the potential application of the UWS models and findings to urban jurisdictions beyond York Region. It also mentions some of the study limitations, emphasizing the need for more research and case studies of other Canadian urban regions to further develop the models and potentially, some urban welfare state theory.

PART I

The Context and Conceptual Development

of Urban Welfare State Models

Chapter Two - Theorizing the Urban Welfare State

The Conceptual Development of Urban Welfare State Theory

Theoretical examination of the *local state* has occurred mainly from the 1970s onward, in Canada and elsewhere. Municipal governments in Canada, despite the notable absence of their constitutional status and recognition, have generally become more important social policy players in human service program design and delivery.²⁶ Yet while there are theoretical contributions examining local state form and function within capitalist political economies (Smart 1994; Magnusson 1994; Jessop 1993; Harvey 1987; Gurr and King 1987), or within the Canadian federal system of government (Hobson and St. Hilaire 2000; Andrew 1995; Sancton 1994), there has been little theoretical and empirical investigation of the changing nature of welfare provision by local state levels in urban regions.

Current theory and literature is examined in this chapter to develop *urban welfare state (UWS)* definitions and concepts for the building of the three UWS models. The UWS concepts are derived from current literature on state, regime, regulation theory,²⁷ and public finance and public choice theory. The models demonstrate different potential urban welfare state forms, functions, and institutional and governance arrangements. In chapter five, the models are tested and evaluated against the urban case study of the Regional Municipality of York. This research plan and methods are used provide a *spotlight* on the theory and the reality of emerging forms of urban governance.

²⁶ As mentioned previously, municipal roles and service responsibilities vary a lot between provinces.

²⁷ New Localist theory, which has its origins in regulation theory, will also be examined.

Urban Welfare Provision - The Ontario Context

Municipal urban governments and community organizations in Ontario and elsewhere have increasingly been called upon to provide services once funded and provided by the federal and provincial welfare state. In recent decades within the Province of Ontario, urban municipal governments and other urban sectors have entered human and welfare state service areas to a much greater degree, particularly during the restructuring of the welfare state at the national level in the 1990s. It is within this context that the research issues of whether or not welfare state forms are forming at this urban governance and territorial level becomes interesting.

The province of Ontario is particularly important for an analysis of urban welfare state forms. It is distinct from most other provincial governments in Canada, where municipal service responsibilities differ quite significantly. Ontario is an example of a province with the highest municipal level of responsibility for social service management, delivery and funding responsibilities. Upper tier regional municipalities in Ontario have, nearly since their origins in the 1960s and 1970s, been tasked with social and human service delivery and some funding responsibilities. They have been involved in the delivery of social assistance (and 20% of its funding) for decades. The Ontario municipal sector is responsible for service delivery and management of the social service system.²⁸

The biggest change in the service responsibilities of urban governments in Ontario occurred with the Ontario Conservative government's *Local Service Realignment* (LSR) in 1997/98. In this "swap" of service responsibilities, the Ontario government assumed

²⁸ British Columbia, as a polar opposite, has few municipal social service responsibilities, though urban governments are contending with political pressures relating to their visible urban social needs.

more service and funding responsibilities for education, while the human service responsibilities for social housing, social assistance, childcare and child development, the Ontario Disability Support Program (ODSP), land ambulance and public health were further downloaded to upper-tier and large city municipalities.²⁹ Provincially legislated social program requirements and standards have added to the funding burden of these urban municipalities. The significant social program policy, funding and delivery changes represent a fundamental change to Ontario's welfare state.

Some of the traditional welfare state functions and services, such as health, education and welfare, once mainly within the policy and funding realms of federal and provincial welfare states in Canada, have been devolved to a greater degree to provincial governments. Provincial governments, and Ontario in particular, have devolved additional social service management and funding responsibilities to municipal governments. This has occurred particularly with the *residual* or *income targeted* social services (as opposed to the more universally provided social services, i.e. health care) such as social housing, social assistance and childcare.

Education policy and funding, since 1998, is now more within Ontario's service and funding responsibility area, contrary to the downloading to the municipal sector of many of the income-targeted social services. The provincial welfare state has retained most health care policy, funding³⁰ and provision, with the exception of public health and

²⁹ Some service responsibilities have been downloaded more through legislative changes/regulations than formal funding ratios. For example, legislated service standards for long-term care (LTC) and land ambulance (EMS) have required more regional funding than the formal funding ratio (at 100% provincial and 50:50 provincial: municipal, respectively, on paper). The funding ratios, municipalities argue, do not reflect true service costs, transition costs, and costs from additional provincial service standards.

³⁰ Broad health care standards are contained in the federal government's *Canada Health Act*. Further, the federal government finances a portion of provincial social services through the unconditional block fund transfer, the Canada Health and Social Transfer.

land ambulance services, and it has entered education policy and funding to a much greater degree. These social policy areas have experienced policy and funding reductions and devolution (federal to provincial, state to market), but not to the same degree as the residual social services. Ontario municipal governments get involved in some aspects of the health care delivery system, e.g. public health, but they have much less program management and funding responsibility than the provincial government in broad health services or education.

There are a number of characteristics and challenges for urban social welfare provision. If it is assumed that an urban welfare state form exists, the function of this state level is to provide urban social services, or welfare state services. Welfare state services and service needs tend to cross over service areas and jurisdictions a great deal at the local level of governance. For example, if social assistance payments decline, as they did in Ontario in 1995, there will be an increased demand for subsidies for social housing and other social services. Persons requiring social assistance often require social housing, childcare³¹ and most likely, subsidized public transit. There are strong linkages between employment, social housing, income assistance and childcare needs, requiring an integrated service approach for program recipients.³²

The task for municipal service providers and governments is to ensure an integrated array of services for users, linked to their needs, rather than single services.

³¹ This is particularly the case for sole or dual parent households that participate in the mandatory work requirements of Ontario Works.

³² York (Markham) regional councilor Tony Wong argued that child poverty ties in with affordable housing, income assistance levels, employment issues, and the well-being of parents. Intense service pressures for assisting single parent and low-income households have been occurring in York and other urban regions.

Prior to the 1990s, different government levels and offices delivered many of these programs. However, greater service integration has been occurring more recently within urban regions³³ in Ontario and elsewhere.

The Urban Welfare State

In order to specify and develop the concept of an urban welfare state, the analytic approach will be to take apart the concept into its constituent parts before reconsidering its full scope and content. This section examines these concepts as a precursor to building urban welfare state models.

The Urban Concept

The development of theory on urban welfare states naturally begs the question of what is meant when referring to *urban*. Political scientists, sociologists, political economists and economists have different orientations and perspectives towards this concept, depending on what they view as the defining characteristics of the urban political and economic reality.

The term *urban*, in a general sense, is often equated with the concept of the city-region or the metropolis. A metropolis, or metropolitan area, is often identified with the concept of a *city-region*. Andrew Sancton (1994: 3) has defined the city-region through the conventional definition of a Central Metropolitan Area (CMA). In the Canadian context, this translates to a population concentration within a territory of at least 100,000 persons, and a population density of at least 386 persons per square kilometer (Tindal and Tindal 2000: 71). Given that there is need of some defining criteria relating to the urban

³³ *Urban* will be further defined in this thesis. However, it relates to large municipal urban areas, which are typically a combination of urban and suburban space, such as the Region of York.

concept, this analysis accepts the conventional specification of population density as one criterion for it.³⁴

More social and economic criteria have also accompanied definitions of the metropolis and the city-region, however. A *metropolis*, as defined by the U.S. Census Bureau in a manner similar to that of Canada's Statistics Canada, states that "the general concept of a *metropolitan area* is that of a large population nucleus, together with adjacent communities, having a high degree of social and economic integration with that core." (U.S. Census Bureau 2002: 1). Graham, Phillips and Maslove, drawing on the (Golden) Greater Toronto Area Task Force, point to a *city-region* concept as having both a social and political identity, and a variety of urban, suburban and rural areas (Graham, Phillips and Maslove 1998: 67). Urban regions may be central economic and social nodes that have a well-developed and linked political economy, or more of a satellite, suburban community that accesses the central city's labour market. City-regions may be defined spatially as a constituent part of a larger urban metropolis, such as the Greater Toronto Area.

The concept of an *Edge City*,³⁵ defined by Joel Garreau (1991), is also related to this analysis, given that urban regions and governments do not refer only to the core, central city. An Edge City, with its defining criterion of 'more jobs than bedrooms', offers similar service functions and urban space of a city, but has the *look and feel* of a suburb. According to Garreau, these communities are a new politically powerful breed with a distinctive anti-government, private sector and conservative mentality.

³⁴ York Regional Municipality, in 2000, had a population of 738,000 people in their 1,756 square kilometre territory, which translates into a population density of approximately 420 persons/square kilometre.

³⁵ Edge Cities have arisen from formerly agricultural land or scrubland, and have low self-definition. See Stephen Dale's *Lost in the Suburbs* or Garreau's, *Edge City: Life on the New Frontier*.

The comparable Canadian Edge City phenomenon is somewhat different than a U.S. Edge City. They are more likely to contain urban, suburban, industrial/commercial, rural and other types of spaces, and importantly, more diverse social and political communities. The counterpart concept to an Edge City that better captures urban/suburban trends occurring within Canada is Raphael Fischler's *citifying suburb*. This refers a mixed-use territorial area outside a core city that has experienced rapid population growth and urbanization, such as York Regional Municipality.

Social and economic criteria are important but not necessarily defining characteristics of a politically constituted *urban* region. Politically defined urban regions, the central concern of this analysis, do not necessarily have a social and political identity, though this may occur over time with the formation of an urban municipality. Urban space is complex and changeable. Population migration, community settlement patterns and the changing nature of city-regional economies create some of the conditions for governance boundaries and institutions often in a state of flux.

The second criterion for an urban region is politically defined boundaries and elected governments for cities and urban regions (rather than lower-tier municipalities). Urban regions and municipal governments are often created based on political and/or historical, institutional criteria rather than their degree of social or economic integration.³⁶ Population density, politically defined boundaries, and elected

³⁶ Tindal and Tindal (2000) and Andrew (1995), amongst others, have argued that municipal governance structures have been the result more of service pressures and some provincial downloading of responsibility rather than democratic pressures at the community level.

governments are the three criteria used in this analysis to refer to an *urban region*. *Urban governments*³⁷ are the elected governments within an urban region.

This study focuses only on urban regions and governments that are designated as Consolidated Municipal Service Managers (CMSM) by the provincial government of Ontario. After the provincial LSR in 1997, the Province through separate pieces of provincial legislation designated cities, urban regional municipalities and other municipal consolidated areas as CMSMs. CMSMs are the new governance entities that manage and deliver social services, though many correspond to pre-existing city and upper-tier, urban municipalities.³⁸ Urban CMSMs now have further responsibilities in all of the 6 major LSR human service programs: Ontario Works, child care and child development services, social housing, public health, land ambulance, and Ontario Disability Support Program (Province of Ontario 2001b: 2).

CMSMs include all of the politically defined single tier big cities (e.g. Toronto, Ottawa) or upper, two-tier regional municipalities (e.g. York, Peel) within urban regions. These politically designated urban municipal units of territory and political economy designated as CMSMs, establish the spatial boundaries for the *urban welfare state* concept.

³⁷ Note that there is not a conventionally accepted understanding of *urban government*. Within the policy realm of provincial and municipal officials and politicians, this term does not have a common understanding or meaning. City or upper-tier regional municipalities are referred to.

³⁸ Within the Ontario context, this study equates urban governments with upper-tier urban regional governments and single-tier cities that have also been designated as CMSMs. While counties are upper-tier governments, they are not primarily urban (do not have CMAs), and will not be the focus of this investigation. Many of the less populated areas, such as counties and some mergers of cities and counties, have also been designated as CMSMs or DSSABs (District Social Services Administration Boards that have CMSM roles), but they are not urban. For a complete list of all CMSMs and DSSABS, see the Province of Ontario, 2001 at <http://www.gov.on.ca/CSS/page/brochure/roiresp.html>

The Concept of Welfare

At the level of the individual, *welfare* is the provision of the social and material conditions required for well being (Pierson 1991: 6). However, philosophers, political theorists, and economists have long debated the translation of individual concepts of welfare to that of social welfare. Ideas about equitable, efficient or just levels of social welfare involve differing visions of social justice. In this context, it refers generally to the social welfare (or *well-being*) and social inclusion within urban communities that is influenced by the welfare state policies and programs. Social indicators such as poverty and unemployment rates, homelessness and food bank usage statistics are some measures of the degree of urban social welfare.

The different forms of welfare that are relevant for welfare state examination have been identified by Christopher Pierson as: 1) social welfare that ‘broadly refers to the collective (and sometimes sociable) provision or receipt of welfare’, 2) economic welfare, or that which is secured through the market, and, 3) state welfare, which is social welfare provided through the state (Pierson 1991: 7). These concepts are important for the development of urban welfare state models, given that the continuum of state-market-societal provision of welfare is often shifting, particularly during welfare state restructuring. This study focuses mainly upon Pierson’s defined state welfare.

Social welfare in urban regions is influenced by the degree to which the market and the state supplies and ensures the social welfare of individuals and communities. Social welfare is influenced by state-provided social services, including their funding levels, delivery, responsiveness and adequacy. Given that urban governments in Ontario have been granted increased responsibility for human services, defining the human

services that form the program universe of the human services is important. It is this topic, within the context of Ontario, that is the focus of the following section.

Defining Urban Welfare State Services

Municipal governments often use a broad definition of *human services* or *services to people* when defining their social service responsibilities. Programmatic definitions of human services range from including more traditional social and income-targeted services to a broader definition that may include the additional services of education, public health, protective and emergency services, and parks and recreation. More recently, the realm of urban human service programs in Canada has expanded to include citizenship-based programs that foster social inclusion,³⁹ given the increased social, income and ethnic heterogeneity in large urban areas. Graham, Phillips and Maslove have defined human services as “those dedicated to the development and protection of human capital” (Graham, Phillips and Maslove 1998: 268), which captures a broad array of municipal social services.

The *municipal human services* are defined somewhat more narrowly in this study, focusing mainly on the income-redistributive social services, that were subject to significant downloading by the Ontario provincial government, i.e. Ontario Works, childcare and child development services, social housing, and the Ontario Disability Support Program (ODSP). Income-targeted or income-redistributive social services, often called the *residual* social services, form the core of this group of services.⁴⁰

³⁹ Examples include translation services, culturally sensitive programming and anti-racism campaigns.

⁴⁰ The concept of *residual* refers to income-targeted programs rather than universally provided services for all citizens and/or residents, irrespective income level. Childcare subsidies, for example, combine first-come first-serve principles with needs tests based on income levels (i.e. lower income, higher subsidy).

The human services of public health⁴¹ and land ambulance⁴² are generally not income-targeted, but were also subject to some downloading to the municipal sector as part of the Ontario government's 1998 local service realignment (LSR). These services have been devolved to urban governments, including city and upper-tier governments, and are therefore also considered part of the human services program focus definition. It is recognized that this study's human services definition is specific to the Ontario context, but the rationale for this was to provide clarity and consistency with the term's usage by Ontario levels of government. Other human services do overlap with these services (e.g. education, parks and recreation, etc.), but they are not large city or urban government responsibilities within Ontario.

In this dissertation study the term *welfare state services* (in an urban context) will be used synonymously with *human services* to recognize that urban governments are now providing a significant proportion of traditional welfare state services of health, education and welfare, but particularly *welfare* or *income-redistributive* programs. The politically defined urban human services and urban welfare state services therefore comprise the same program universe. These devolved social services have had a significant impact on the social welfare responsibilities and welfare state functions of urban governments. Provincial expenditure figures reveal that social assistance and social housing alone account for 71% of municipal human services spending (Province of Ontario 2001b).

The new human service responsibilities of urban governments and the capacity of these municipal governance levels to provide, fund and deliver these programs influence

⁴¹ Pre LSR, public health was 75:25 provincial: municipal funding, and is now 50:50. Land ambulance services were 100% provincially funded before LSR, and are now 50:50.

⁴² EMS (land ambulance) has the most significant municipal cost and staffing implications of these services.

the degree of urban social welfare. These programs comprise a significant part of state-provided social welfare programs. Urban human or welfare state services are particularly important to those individuals, families and communities who are unable to obtain their welfare from the market.

The Concept of the Welfare State

The definition of the welfare state varies quite considerably, depending upon what the particular theorist views as its most salient defining characteristics. While some theorists focus on the type of programs that are typically associated with a welfare state,⁴³ others look at its institutional structure, goals, and/or content. Pal suggests that the welfare state is a distinct institutional structure and set of practices, differentiated from other types of states (Pal 1994). Welfare state theorist Gosta Esping-Andersen, on the other hand, refers to the goals of the welfare state by defining it as “state responsibility for ensuring some basic modicum of welfare for its citizens.” (Esping-Andersen 1990: 18). He distinguishes the welfare state with *social citizenship* rights,⁴⁴ defined as the granting of alternative means to welfare via the state rather than the market. Michael Brown (1988: 5) emphasizes the primary welfare state goals of redistribution of income and opportunity, while Brans and Rossbach point to the welfare state’s defining characteristic of ‘political inclusion’ (Brans and Rossbach 1997: 430).

Welfare state contradictions within capitalist societies have been the subject of numerous welfare state analyses. T.H. Marshall’s classic work on social citizenship

⁴³ James Rice and Michael J. Prince, for example, argue that the welfare state is often viewed as “(a) a set of programs and rights offering a social safety net, or (b) a cultural form concerned with the construction of identities and status through the dominant discourse and public policies.” (Rice and Prince 2000: 4)

⁴⁴ Social rights typically are typically affiliated with T.H. Marshall’s work, which defined them as “the whole range from the right to a modicum of economic welfare and security to the right to share to the full in the social heritage...” (Marshall 1981).

discusses welfare state contradictions within capitalism by making the argument that while the welfare state enriches citizenship rights, it does not interfere with the system of class inequality. Welfare state citizenship is, according to Marshall, “the foundation of equality on which the structure of inequality could be built.” (Marshall 1981: 91).

Hasson and Ley point to the welfare state challenge of reconciling the contradiction between formal political equality and market inequality through state intervention in economic processes (Hasson and Ley 1994), while Myles emphasizes the challenge of harmonizing wealth production with its distribution (Myles 1988: 74).

Welfare state literature is useful for developing urban welfare state concepts and models. Theory on welfare state types, forms and functions can be analyzed, to some degree, in the testing of the UWS models in the case study. Determining the institutional foundations of the UWS contributes towards the assessment of the types of organizations and interests that participate and potentially have influence over the shaping of social welfare policy. Assessing the content and substance of urban welfare states is expected to provide some indications of the nature of the urban welfare state, and its potential ability to meet urban social needs. Examining urban welfare state content allows for the assessment of the ability of urban welfare states to achieve their goals.

For an analysis and assessment of potential welfare state types, forms and functions, the work of Gosta Esping-Andersen (1990), Bob Jessop (1993), Richard Titmuss (1976; 1968) and John Myles (1988) has relevance. Titmuss (1968) distinguishes between *residual* and *universalist* welfare state services, emphasizing the very different principles and approaches towards social welfare provision. Residual social services, for example, assume that the state’s responsibility is only for those situations where the

market and/or family fail to provide a minimal level of individual or social welfare, and its benefits are limited to marginal societal groups. Universalist services, on the other hand, are available and accessible to the whole population, emphasize social rights and service provision without any stigma or loss of status, and imply an institutional commitment to welfare.

In a somewhat similar manner to Titmuss's analysis, Myles (1988) refers to the *social assistance welfare state* that existed until after the Second World War, and the post-war *social security welfare state*.⁴⁵ The social security welfare state, unlike the poverty and charity-focused social assistance welfare state, was oriented more towards providing continuity of income and living standards over the economic cycle.

Jessop and Esping-Andersen's work on the welfare state and welfare state regimes is useful for analyzing welfare state types, the political coalitions or regimes that may sustain them, and the context for welfare state analysis. Esping-Andersen (1990) classifies welfare state regimes on to the degree to which they provide alternative means of welfare from the market. The Canadian welfare state regime is conceptualized by Esping-Andersen as a *liberal welfare state*, marked by means-tested assistance, modest universal transfers or social insurance, and a middle class that is more institutionally wed to the market. This form of welfare state minimizes decommodification from labour market dependence, constrains the role of social rights and benefits, and does not forge middle class loyalties to it.

Bob Jessop (1993: 7), from a post-Marxist perspective, provides a theoretical basis for examining *local welfare state regimes* with his concept of the *hollowed out*

⁴⁵ This type of welfare state service has also been called *occupational*, and in some cases, may not necessarily be fully universal if it is based on the contributions of income earners in the labour market.

Schumpeterian Workfare State (SWS). Jessop's welfare state analysis is placed within the context of the structural changes from fordist to post-fordist regimes of accumulation within advanced capitalist economies. Jessop's notion of the hollowed out Schumpeterian Workfare State refers to the displacement of state powers from the national level upwards to supra-national institutions, and downwards to local institutions. It is marked by the subordination of demand-side economic policies and redistributive services by the state to a more market-oriented, supply-side focus on labour market flexibility and structural competitiveness. Jessop's SWS is contrasted to the previous Keynesian Welfare State (KWS) of the mass production/consumption, and fordist regime of capitalist accumulation that was accompanied by the state regulatory framework of demand-side, full-employment economic policies.

Jessop's analysis also indicates that the Canadian welfare state is a neo-liberal one. This type of state is characterized by government promotion of flexi-wage and more casualized labour markets, reorientation of economic and social policy to the private sector, and market-led approaches to innovation and workfare (Jessop 1993: 30). The analyses of both Esping-Andersen and Jessop point out that welfare state restructuring occurs and is influenced by economic restructuring within advanced capitalist economies. Such shifts have important implications for the social welfare provision between the market, the state and society, and potentially between state levels. Jessop and a number of other state theorists point to the increasing prominence of local institutions (and cities in particular) in providing welfare state services.

Most welfare state analyses do not include an assessment of the urban or local welfare state. What distinguishes this analysis is its examination of the urban welfare

state as *a particular form of urban (local) state* characterized by responsibilities for the funding, policy or provision of welfare state services.⁴⁶ The urban welfare state institutions that comprise the UWS form part of the broader local state. The main focus of the study is conceptualizing the *urban welfare state*, and analyzing its form, features and content. The forces and factors that shape the UWS will also be considered.

The Urban Welfare State: Putting the Pieces Together

The concepts of urban, welfare, and the welfare state have been examined to arrive at a conceptual definition of the *urban welfare state*. This concept requires further development, given that urban governments have not really been considered as part of the Canadian welfare state, or as a distinct welfare state form. Many analysts use the term *welfare state* to describe a particular form of national welfare state. The presumption of this study is that there are important and emerging local governance trends and changes within the Canadian national welfare state.

The specific institutional form and functions of the UWS are not assumed or defined *a priori*. The urban welfare state is a concept and state form that must be examined and tested against the case study. Developing and testing urban welfare state models is part of the process of examining the urban welfare state, and urban governance changes and developments.

At a general conceptual level however, *urban welfare states* (UWS) are conceived of as the constellation of state-societal institutions within the political boundaries of city-regions that provide welfare state services aimed at reducing income and social disparities, and promoting social equity and inclusion. It is part of the broader urban state

⁴⁶ Welfare state services could include the more universal services such as health or education, or residual social services, or both.

that is functionally and politically oriented towards welfare state program provision. The UWS is linked with other national (federal and provincial) welfare state and non-state welfare institutions. The institutional form of the UWS and the nature of its linkages to other levels of government, the voluntary, private and community sectors will be theorized, tested and assessed.

Foundational Theory for Developing Urban Welfare State Models

Having explored and further defined the terms used in building urban welfare state models, a number of theoretical approaches will be overviewed to develop the urban welfare state models. Four different theoretical approaches are examined: state theory, regulation and new localist theory, regime theory and public finance/public choice. These theoretical grouping are broad, particularly state and public finance/public choice theories. State theorists in this analysis scan a number of different perspectives, including neo-Marxism, pluralism and neo-institutionalism. Public choice/public finance also contains a wide variety of approaches, but only some key arguments and approaches that relate to local governance and state issues have been assessed.

Several key approaches, albeit broad, have been reviewed. They offer different perspectives on the nature of the state, the welfare state, local governance and the local state. These divergent bodies of literature all contribute to the development and elaboration of three important concepts that are central to the UWS models and analysis of the local state. These are: local autonomy, democratic capacity, and fiscal capacity.

The intent in developing the UWS models is to provide some foundations for the representation of different conceivable local welfare state scenarios, assumptions and perspectives. Therefore, breadth and comprehensiveness *across* rather than *within*

particular traditions is the chosen method. The theory examined is not intended to be comprehensive or exhaustive within any *one* tradition. The different theoretical orientations on such issues will be incorporated, in particular ways, into the models.

Some of the key issues for consideration in developing the UWS models are the degree of autonomy and capacity of the local state to govern in social welfare areas, and the identification of some of the institutional boundaries of the urban welfare state. How does politics shape the UWS? What is the nature of horizontal and vertical governance arrangements in the UWS? And finally, what is the nature of the relationship and the linkages between the market, the state and civil society in the urban welfare state? The chapter concludes with some elaboration on the key concepts identified in the literature, as well as some areas that have not been adequately addressed by current theory.

State Theorists

State theory that has contributed to the examination of the welfare state spans a broad theoretical range, including Marxist, neo-Marxist and post-Marxist theory,⁴⁷ new localism,⁴⁸ pluralism,⁴⁹ neo-institutionalism, and other state theory.⁵⁰ State theorists do not fit into a particular tradition, other than their shared emphasis on examining the state.

Perhaps the best starting point for considering theory that has influenced the concept of the welfare state is the Weberian state approach, including the influential work of Charles Tilly and Theda Skocpol. Tilly's state definition claims that "an organization

⁴⁷ Some Marxists, post-Marxists and neo-Marxists that have offered insights relevant to the study of the nature of the state and the local state are: David Harvey (1985), Ian Gough (1979), Manuel Castells (1978) and James O'Connor (1973).

⁴⁸ The list is fairly long, but prominent analysts include Jessop (1983; 1990), Mayer (1991; 1992; 1995), Joe Painter (1995) and Patrick Boyer (1990).

⁴⁹ Here, the work of Alan Cairns (1990), Eric Nordlinger (1981), and Robert Dahl (1961) is notable, although their emphasis is more on looking at the broader level state/government than the welfare state.

⁵⁰ Gosta Esping-Anderson's work (1990) on welfare states is key here, and in the Canadian context, that of Warren Magnusson. State theorists in a broader tradition (than the welfare state) are numerous.

which controls the population occupying a definite territory is a state insofar as (1) it controls a well-defined territory; (2) it is centralized; (3) it is differentiated from other organizations operating in the same territory; (4) it reinforces its claims by acquiring a monopoly over the means of physical coercion with its territory. (Tilly 1975: 27) This type of state concept has had much influence on the tradition of equating the state with the centralized apparatus of the nation-state. Gianfranco Poggi, however, makes an exception to the Tilly state definition with respect to federal states, which divide power (Poggi 1990: 23). Nonetheless, the Weberian influence and definition has led to a tendency to associate the concept of a unitary nation-state with a national welfare state form.

A Weberian state definition sets the foundations for linking the concept of the state with sovereignty and autonomy. Poggi argues that autonomy “expresses, in somewhat muted fashion, what is often encoded in the more controversial and loaded notion of sovereignty.” (Poggi 1990: 21). Autonomy is a concept that has been used by many local state theorists in attempting to determine the degree of independence that the local state level has from (inter) state, market or civil society forces. However, it is perhaps questionable whether any contemporary governance unit, including the nation-state, can be considered truly sovereign or autonomous in terms of possessing legitimate and final authority and control over a particular territory.

Paul Hirst offers some insight on sovereignty and the nation-state by arguing that “it is essential to recognize that in a complex political system there can be no simple locus in which sovereignty and governance capacity are the monopoly of a single agency.” (Hirst 2000: 184). A more limited notion of sovereignty, and the concept of

autonomy, is relevant in considering and analyzing federal political systems such as Canada, and the local state. The local state, or urban welfare state, is clearly a state form based upon limited sovereignty, given that there is no formal constitutional foundation for municipal governments.⁵¹

The concept of the degree of state autonomy, and the nature of the relation between the market, the state and society are important contributions of state theory. Yet while some theorists focus on the state's degree of autonomy from other levels of government (Andrew 1995; Gurr and King 1987; Magnusson 1985), others focus on autonomy from civil society (Cairns 1990; 1986; Gurr and King 1987; Skocpol 1985) and from the market/capital (Offe 1984; Castells 1978; Panitch 1977). These different orientations are captured, to varying degrees, in the urban welfare state models.

Marxists and neo-Marxist state theorists view the state, and the local state in particular, as serving the instrumental or structural requirements of capital. Urban governance institutions are considered part of the broader state apparatus (Pickvance 1995: 253), and a delivery arm of the central state. The state, according to Marxist perspectives, serves capitalist interests because it is socially, structurally and functionally embedded within capitalist relations of production.

While Marxist instrumentalists view the local state as having virtually no autonomy from higher levels of state institutions, Marxist structuralists and regulation theorists view local state institutions as having some degree of autonomy in mediating and reconciling different balances of class forces and interests (Mayer 1991; Jessop 1990; Castells 1978; Panitch 1977). Yet given the presumption of limited autonomy of a

⁵¹ The creation or dissolution of municipal governments is controlled by provincial powers over them, as recognized in the Constitution Act, 1867.

capitalist welfare state from class forces, the capacity of the local welfare state to provide significant income redistribution and redistributive services is viewed as limited.

The importance of the particular political economy and the relative (and historical) balance of class interests in shaping the content of welfare state provision and determining the degree of state autonomy is emphasized by some Regulation and Marxist theorists. Panitch, for example, argues that “an interpretation of the Marxist theory of the state as claiming that the state merely acts on the direct instructions of the bourgeoisie is a crude caricature...which fails to distinguish between the state acting on *behalf* of the bourgeoisie and its acting on their *behest*.” (Panitch 1977: 4). A state that acts on *behalf* of the capitalist class, based on this perspective, requires a degree of independence from this class. However, as Alan Smart argues, while this perspective claims that some limited state autonomy exists, it is only because it is functional for capitalism (Smart 1994: 563).

Pluralist notions of state autonomy differ quite considerably from Marxist, new localist, regime theory, and many other state analyses. In pluralist theory, *government* is seen as an arbiter for competing interests (or interest groups), responding to the strength of relative societal forces in making allocation decisions. Robert Dahl (1961) is perhaps the most prominent of this group of theorists. Krasner, in his critical assessment of the pluralist conception of the state, makes an analogy of this form of state to “a cash register that totals up and then averages the preferences and political power of societal actors.” (Krasner 1984: 227). In the pluralist conception of the state, the government (as a collection of political leaders and public officials, rather than the state as an institution) is

not seen as an autonomous actor in its own right. Institutions, according to pluralist accounts, have little importance as distinct or autonomous entities.

While autonomy is not always a key concept in the pluralist tradition, Erik Nordlinger (1981) offers a pluralist analysis of certain types of decisions in which the state is a potentially independent actor. His notion of the state is the individuals who are authorized to make binding decisions for society. His definition and classification of state autonomy is the degree to which the state is able to translate its preferences into authoritative actions. However, as argued by Krasner, Nordlinger's analysis does not examine the role that state structures or institutions have on those decisions where the state imposes its preferences on society. A pluralist notion of autonomy has not been incorporated into the UWS models in a significant way, given the strong limitations of its conception of the state and state autonomy.

A departure from the pluralist notions of the state arose with the theoretical contributions of statist theorists (primarily in the 1970's and 1980's), with the work of Theda Skocpol as perhaps the most influential of this theoretical tradition. Skocpol examined the state not only as an independent *actor* or group of leaders, but as an institution and structure possible of exerting autonomous decisions that did not necessarily emanate from society. This approach has strong linkages to a Weberian approach (Pal 1994: 45; Skocpol 1985: 8), given its emphasis on the structure, long terms patterns and activities, and enduring institutional nature of the state. The state has autonomy, according to this perspective, given that it does not merely respond to or reflect the interests of society, classes or social groups (Skocpol 1985: 9). The state may affect the ability of groups and individuals to have influence over it or access to it.

Depending on structure of state institutions, states may be “strong” (autonomous) or “weak” (limited capacity for autonomous actions), though cases of autonomy can occur within weak (e.g. federal) states in certain policy areas at particular historical periods.

The critique of statist theoretical literature has mainly been that the categories of *strong* and *weak* states are too blunt, and that the differences between states with different state structures too general (Pal 1994). The most obvious difficulty of this type of state analysis for a local (welfare) state analysis is that statist concentrate on national state levels without examining potential state structures within (or below) national states. Further, there are more constraints on state autonomy at sub-national state levels, and less capacity to exert autonomy given limits on the constitutional mandate and fiscal resources of such state levels.

Statist literature has largely been followed up by more neo-institutional approaches to examining the state, which is generally much more diverse and includes a number of different approaches (Weaver and Rockman 1993; Tuohy 1993; Cairns 1990; Atkinson and Coleman 1989; March and Olson 1989). While there are some linkages to the statist literature in recognizing potential state autonomy and the effect of institutions on the exercise of autonomy, there is more emphasis placed on state-societal linkages, state-societal policy communities across state levels, and different policy capacities.

While some neo-institutional theory could possibly be applied to a study of the local state and the urban welfare state, some of the neo-institutional work of Alan Cairns is particularly important for examining state concepts within a federal system of government. Cairns’ original work on the *embedded state* within Canada points to the strong linkages between state and societal institutions in governance, and politicized

societies “caught in webs of interdependence with the state” (Cairns 1986) that lead to a more fragmented state and society. Cairns argues that the Canadian federal system of government leads to divided state powers, fragmentation, and the scattering of state structures and policies.

This analysis offers the prospect for the development of semi-autonomous and fragmented state forms and structures within a disaggregated state. The concept of the local state is not referenced in Cairns work given its focus on federal and provincial state levels, but based on this approach, the potential exists for the consideration of a local state. Cairn’s concept of state-societal linkages and interdependence is particularly relevant for analysis of the local state level in which formal sovereignty does not exist.

Warren Magnusson has a relevant concept and theory on the local state and its institutional composition. Through his analysis of the Canadian federal context, he lays the foundations for analyzing local state forms. Magnusson attempts to define the local state’s institutional composition by arguing that the local state is “those agencies that are *physically present* in the local community and *specifically concerned* with its affairs (Magnusson 1985b: 123) This includes, according to Magnusson, locally elected or appointed governments or authorities, and other government field offices that are concerned with local affairs. He views local governments as the *autonomous* part of the local state.

Unlike many other state theorists, Magnusson attempts to bring the Canadian federal perspective into his analysis. State theorists often do not focus on the importance of vertical governance arrangements on social welfare provision within national welfare state levels. The politics of territory and different government levels affect both

governance boundaries and community identities, influencing welfare state organization and service provision. Within a territorially fragmented Canadian federal system, Magnusson points out that territorial and federal politics cannot be underestimated.

Magnusson's conception of the local state is useful for defining fairly precisely the criteria for local state involvement, as well as showing that some parts of the local state are more autonomous than others. However, his local state definition is quite similar to the concept of governments rather than governance institutions. While this study will concentrate on the institutional nature of the urban welfare state, it is not presumed that this state consists only of governments. Public-private or voluntary institutions might be so integrally linked with the state that they become constituent parts of it. Magnusson may have underspecified the horizontal nature of the state, and the influence of other non-governmental institutions and bureaucracies on the local state. The testing of the UWS models and following analysis allows for examination of the institutional composition of the urban welfare state, rather than presuming the specific institutions of the UWS in advance of some empirical verification.

State theorists offer a wide range of perspectives and concepts, reviewed in this section, that are useful for the development of the urban welfare state models. While potential UWS forms are part of the national welfare state, the prospect has been raised that urban welfare states may be relatively autonomous state levels.

Regulation and New Localist Theory

Regulation theory has spawned a number of studies that have relevance to the analysis of the local state. This theoretical tradition is derived from the neo-Marxist, French regulation school of political economy, a school of thought that was developed

from the late 1970s and onwards. Margit Mayer (1995; 1992; 1991), Alain Lipietz (1992), Bob Jessop (1990; 1993), Michel Aglietta (1979), and Robert Boyer (1990) are amongst the most influential of this group of theorists. The state, according to this theoretical tradition, has a distinct role to play in providing the institutional foundations for the emergence towards newer forms of capitalist development.

This tradition analyzes state forms within the *regime of accumulation* that specifies and stabilizes the relationship between economic production, consumption and investment, and the *mode of regulation* that specifies the political and social institutions and practices that secure a regime of accumulation (Painter 1995: 277). According to theory, neo-liberal economies have entered a post-fordist regime of accumulation from the previous fordist regime of mass production and consumption, and the Keynesian welfare state. Their political economies are now based more upon innovation and specialized production, and flexi-price and flexi-wage commodities and labour markets (Jessop 1993). A post-fordist regime type accompanied by a neo-liberal welfare state is based upon supply-side rather than demand-side macroeconomic policies (Jessop 1993).

In some regulation accounts (Mayer 1992; Stoker 1995), cities have influence over state restructuring within the current post-fordist regimes. In the global economy, cities and their place-specific differences put them in more privileged and important roles than in the past. Such differences offer the potential for a new forms of politics based upon the need for flexible strategies to secure economic growth (Mayer 1995: 113; Clarke 1993). According to Painter, some regulation theorists argue that service decentralization has occurred as a response to the remoteness, unresponsiveness and inflexibility of the fordist character of welfare state production (Painter 1995: 282).

It could be deduced from this type of regulation analysis that localized, responsive and integrated welfare state service delivery based on community needs might be more effective than other state levels. For example, city governments, states and various forms of local public-private partnerships might be able to develop locally responsive training and employment programs aimed at integrating excluded workers more effectively than other levels of government. Many aspects of welfare state service provision, as a result, are tailored best at this state level, rather than the centralized and bureaucratic approaches of national governments. This is largely normative theory, however, given that empirical evidence to support such statements is in short supply.

Some key observations about the role of local politics in shaping welfare state provision are identified by the analyses of Mayer and other regulation school writers (Painter 1995; Jessop 1993; Clarke 1993). This type of analysis implies a relative autonomy of the local state. Mayer, in her comparative analysis of European cities, concludes that “locally-specific, historically-transmitted structures and styles of politics played a decisive role” (Mayer 1992: 264) in accounting for differences in local social provision. The politics of local institutions and their communities cross program lines, traditional parties, and the public and private sector. Mayer argues that these forms of politics and political economies require cross-class coalitions and mobilization.

Mayer identifies a number of trends in urban governance, situated within the context of new urban production and consumption sites in advanced, capitalist (or post-fordist) economies. In her research examination of urban political economies in Europe, she emphasizes three major trends that have relevance to urban governance and welfare issues: 1) intensified social and political polarization at the regional level, between cities

and within cities, accompanied by a reduction in national efforts at territorial fiscal equalization, 2) the mobilization of local politics to support economic development, and 3) decreased social provision by the state that has been replaced by various forms of private, voluntary and semi-private arrangements (Mayer 1992: 256).

According to Mayer, social and economic inequality and polarization are occurring within urban regions, given the tendencies of the post-fordist labour market to create dual sectors of the urban economy and labour markets. This observation reveals the potential influence of the production regime within a capitalist urban economy to shape the substance and outcomes of social welfare provision within cities. The *dual city* includes the relatively privileged advanced services and the high-tech sector, and the less privileged sector (or city) of flexible, contractual and casualized jobs that service the urban economy. The result of the new growth patterns is more socially segregated urban space. These social trends are accompanied by welfare state restructuring at all levels of government that favour employment and labour market policies rather than the traditional income redistributive policies of the Keynesian, fordist welfare state (Jessop 1993; Mayer 1992).

Mayer's analysis has some applicability to the Canadian context. In Canadian cities, increased social and economic polarization is well documented (CCSD 2000), even during periods in which there are not economic recessionary conditions. Mayer's statements that reduced state social provision has been replaced by other social provision arrangements with the private and voluntary sector will be assessed.

This study, however, is mainly focused on examining urban welfare state forms and features, recognizing that this has consequences for urban social welfare. Mayer's

analysis is based on her assessment of broad level changes in advanced capitalism and the resulting changes to urban political economies. Based on Mayer's analysis, local state governance is shaped by this. Yet there is little exploration in her analysis of the local welfare state forms, functions and features. Rather than looking at how changes in advanced capitalist political economies shape local welfare states, this study looks more at how developing urban welfare state forms and functions influence welfare state provision and production, and social welfare governance.

The importance of local institutions (e.g. public-private partnerships) in shaping more locally tailored social programs has been recognized by a number of scholars who focus on the growing importance of urban regions within a global political economy in which cities are more significant players (Mayer 1995; Painter 1995; Clarke 1993). This is often referred to as New Localism. While many of such theorists have based their analysis on regulation theory (Mayer 1995; Painter 1995), many regulation school theorists are not new localists. Susan Clarke, in commenting on the broad and rather diffuse nature of new localist theory, argues that "emergent theories about the local effects of global restructuring processes are partial and not particularly robust." (Clarke 1993: 1)

Welfare state decentralization, based on certain new localist perspectives (Painter 1995; Mayer 1990; Stoker 1989) may lead to some social welfare and governance opportunities and benefits, including more responsiveness to local communities. Firms may be attracted to localities based on the ability of these networks to foster research and development institutions, safe and healthy environmental conditions, a strong public and social infrastructure, and other factors leading to a good quality of life, rather than merely

financial and tax incentives. Susan Clarke, however, urges some caution with respect to these observations. She questions the capacity for local political action by non-governmental actors given the current forms and circumstances of market reorganization, new public-private partnerships, and reassessed central-local arrangements (Clarke 1993: 7). According to Clarke, local political opportunity structures for reorganizing a stronger public role relative to private markets vary, depending upon local and national political economies. Caroline Andrew, from another perspective, argues that federal welfare state restructuring and downsizing has resulted in new partnerships and increased governance responsibilities of a variety of social actors (Andrew 1994: 452). This, she argues, may lead to more opportunities and legitimacy for cities, via urban actors, to become participants in federal policymaking.

Critics of new localist theorists argue that the role of power, domination, segregation or exclusion is not sufficiently acknowledged by this group of theorists. Others argue that some new localist accounts of the hypermobility of capital and the nature of the new flexible production process is very over generalized (Cox 1993). John Lovering claims that “the belief that the post-fordist or post-modern urban economy creates the potential for a significant redistribution of economic benefits and social power, especially to women, minority groups, and environmental interests, remains a pious hope.” (Lovering 1995: 120). Lovering argues that the new localism is oriented towards structuring local institutions and processes to adapt to unaccountable global market forces and institutions, rather than the more important project of creating democratized local and national institutions that can influence how the “global” is

constituted. Instead of merely adjusting to international forces, localities need more ability to structure such forces (Lovering 1995).

New localist theory is useful for its theoretical and descriptive analysis of welfare state changes within capitalist economies. Yet it is largely deductive, and there is a shortage of empirical evidence to support its predictions that local political coalitions advocating for groups lacking resources or power are coalescing or that local governments are responsive to such groups. It is also unclear whether the local political conditions required for more equitable or inclusive social programs are occurring. Local governments may not have the capacity or autonomy to create community-responsive or equitable social programs, particularly in the absence of adequate fiscal resources and policy instruments. When testing urban welfare state models, some of the predictions that are based on new localist theory are examined against case study evidence.

Bob Jessop, in his regulation analysis, refines and develops state theory in a manner that has particular relevance for local (welfare) state analysis. He provides some theoretical foundation for examining state autonomy, and the nature of the linkages between civil society, the market (or the mode of production), and the state. Jessop claims that the state is fragmented and integrally linked with civil society so that the dividing lines are never entirely clear. He argues that “rather than speaking about the power of the state, we should speak about the various potential structural powers (or state capacities) inscribed in the state as an institutional ensemble...the state does not exercise power: its powers (in the plural) are activated through the agency of definite political forces in specific conjunctures.” (Jessop 1990: 366-7)

This dissertation proposes that states need not be defined by juridical sovereignty⁵² but by the operation of *state and political power within fragmented national state structures*. This theoretical approach is influenced to some degree by certain theoretical observations on the state by Bob Jessop. Jessop (1993) also argues that the state does not *exercise* power because its powers are activated through the operation of political forces in particular periods and political economies. Jessop's work lays some foundations for some of the questions and analyses that relate to the potential development of local state forms and powers that are contained within this study.

Regime Theory

Regime theory has contributed to the analysis of the local state from a different theoretical perspective than neo-Marxist theory. Regime theory is based upon examinations of local state governance and politics in the U.S. Unlike neo-Marxist theory, it is not placed largely within the context of capitalist restructuring and production regimes linked to particular modes of regulation to prevent the crisis tendencies of capitalism. Regime theory attempts to analyze local governance and the state within the context of the local political economy, as well as the political and societal forces that influence urban governance. Clarence Stone, who largely popularized regime theory in the urban context, describes an urban regime as "the informal arrangements by which public bodies and private interests function together in order to be able to make and carry out governing decisions." (Stone 1995: 6) Regime theory has relevance for urban welfare state model development in its conception of the local state as part of a regime in which

⁵² Juridical sovereignty is defined by Douglas Moggach as "the non-accountability of a state to any higher authority. Legitimacy is conferred on a state through recognition by other similarly constituted and recognized bodies." (Moggach 1999: 175)

the state does not act alone. The local state's governance capacity and autonomy is limited.

The conception of the local state in regime theory differs from the pluralist conception of the state as an arbiter of interests (Stoker 1995). The local state is based on a local regime of horizontal political arrangements and linkages between a number of public and private interests that have access to institutional resources. The regime theory approach is consistent with the idea of *relative state autonomy* from economic interests, society and other state levels. Stone claims that the complexity and fragmentation of governance prevents the state from becoming an agency of control or authority, or an arbiter of interests. The local state is more of a mobilizer and coordinator of resources. Stoker, in a similar vein, argues that "the underlying premise is that modern governance is built on complexity and fragmentation so that no one actor or set of actors can readily dominate or impose their will on society." (Stoker 1995: 58).

The concept of power between states, the market and society in regime theory goes beyond pluralist notions where governments or the state responds to a number of societal and political pressures. In assessing the nature of the local state and local political decisions, regime theory emphasizes the very unequal distribution of power and resources within the local political economy. It is argued that cities are plagued by systemic bias (Stone 1993; Elkin 1985), given that power is not equally distributed within local communities. The access, influence and privileging of business interests on local political decisions is recognized. This form of bias in the organization of politics "leads to very inadequate forms of popular control and makes government less responsive to

socio-economically disadvantaged groups...[and] does not facilitate large-scale popular participation and involvement in an effective way.” (Stone 1993: 56)

The regime theory concept of relative state autonomy, complexity and interdependence are key premises for developing urban welfare state models that do not conceive of the state as a totality, or view local governments simply as apparatuses of the central state. Stone states that “politics is about achieving governing capacity which has to be created and maintained...What is at issue is not so much domination and subordination as a capacity to act and accomplish goals. The power struggle concerns, not control and resistance, but gaining and fusing a capacity to act – power to, not power over.” (Stone 1993) The importance placed on examining horizontal governance arrangements between the state, society and the market as key components of an urban welfare state is based on some of the theoretical foundations of regime theory. Governance, according to regime theory, does not only involve governments.

Regime theory, like new localism, emphasizes the importance of local politics and the political economy in influencing local service provision and the distribution of resources. As stated by Stone, “local politics matters, but it is shaped by the political economy context” (cited in Hula 1993: 30). Magnusson (1985a) makes a similar point, noting the neglect of theorizing about the form and content of urban politics and the local state in urban literature.

The conception of the local state in regime theory has some limitations that will be addressed in the development of the UWS models. Regime theory is particularly helpful for analyzing local state horizontal governance arrangements, but it does not capture the nature or complexity of the vertical governance arrangements that are so integral to the

Canadian welfare state. Further, regime theory does not adequately explore the institutional composition and governance structures of the local state apparatus.

Regime theory is largely inductive, and has not resulted in robust methodologies or frameworks for analysis. Given the regime theory premise that regimes are shaped by the relative power and influence of local actors, as well the context of local political economy it becomes problematic to develop models with more general applicability. The goal of developing UWS models is to begin to develop theory that demonstrates the potential forms, features and implications of different types of urban welfare states. However, regime theory helps to develop some of the assumptions and considerations for the UWS models.

Public Finance/Public Choice Theory

Public finance and public choice theory are useful approaches for the development of urban welfare state models, given that they offer different theoretical perspectives and concepts for analyzing the state. Like other theoretical traditions, their range of theories is broad and diverse, particularly if public finance, public choice and fiscal federalism studies are included. Public finance concepts that relate to some of the potential benefits and disadvantages to locating and financing human service programs at different levels of government and between the public and private sector are particularly useful for model development.

The role of the state in public finance literature is generally a residual one, based on the premise that public goods should be provided only in those cases where the market fails. Musgrave and Musgrave (1987; 1973), in their classic text on public finance, argue that market failure for social goods occurs for a number of reasons. In some cases,

externalities occur when benefits cannot be limited and charged to a particular consumer, or where economic activity results in social costs that are not paid for in the price system by the producer or consumer. It is also argued that markets respond to the demands of consumers based upon the prevailing income distribution, but this may not be an income distribution that the broader society wants. And finally, it is argued that unemployment, inflation and economic growth do not take care of themselves automatically, do not necessarily result in market clearing, and do not stabilize automatically. These *market failures* for social goods, based on Musgrave and Musgrave's analysis, create the need for state intervention in the private market.

The market failure criteria and justifications for providing collective goods by the state vary from providing limited to quite extensive levels of state-provided social services, depending upon the particular theorist and the evaluation of the conditions for market failure. Richard Titmuss's classic work on the welfare state is useful for distinguishing between the differing approaches to welfare state provision through his concepts of the *residual* and *institutional* welfare state. He argues that "the former assumes that state responsibility begins only when the family or market fails; its commitment is limited to marginal groups in society. The latter model addresses the entire population, is universalistic, and implants an institutional commitment to welfare." (cited in Esping-Andersen 1990: 20) A residual welfare state concept may imply giving more consideration to private agencies in local social service delivery, based on the assumption that private delivery is effective unless market failure conditions exist private service delivery.

This study and its models are not aimed at coming to any conclusions on the appropriate boundaries and roles of the state in providing social welfare services. These are essentially political or normative decisions that cannot be easily tested. However, it can examine, to some degree, the local state form as a reflection of the political pressures and prevailing public views on social welfare issues. The models will be created based on different ideas about the role and functions of the local state. While one model may prove to be a better reflection of local state form than others in a particular context, this does not mean that the other models are less desirable, but mainly that the conditions required for their fulfillment do not currently exist.

In addition to some public finance concepts, a number of public choice theory assumptions and observations are used to develop the UWS models. Only particularly useful assumptions and observations relating to local governance and the local state in the realm of social welfare issues will be applied to the UWS models, rather than attempting to incorporate the numerous and diverse public choice analyses that exist. The model developed and further elaborated upon in the thesis will be the model that is most empirically valid in the case study.

Applied to the local level, public choice theory is concerned with maximizing individual preferences for an efficient municipal tax/service package, creating smaller and more competitive organizational structures and jurisdictions, and ensuring efficient in service delivery through competitive market provision (Graham, Phillips and Maslove 1998; Sancton 1994). Politicians and public officials in public choice theory are viewed as self-interested and vote seeking (Sancton 1994: 42; Niskanen 1971). Public choice has less to say about the particular local service mix. However, public choice theorists

generally favour the redistribution of income through income transfers targeted to low income persons rather than through state delivery of income-redistributive services, based on the argument that this allows for greater freedom for individuals to make choices over the particular package of goods and services they wish to consume (Sancton 1994: 42).

Much of public choice theory (Dowding, John and Biggs 1994) suggests that fiscally decentralized systems, like the Canadian one, do not lead to an *efficient*⁵³ level of redistribution, given the problem of fiscal externalities (i.e. benefit spill-overs to other municipal jurisdictions). It also points to the limited incentives for high income communities to favour locally funded income redistributive services within or outside their local jurisdiction, given concerns relating to property values and tax rates. Dowding, John and Biggs (1994) point to empirical support in a number of U.S. studies showing that communities avoid supporting generous redistributive programs for fear of attracting the mobile poor, and that local communities with higher welfare benefits are more likely to attract low income persons.⁵⁴

There are some economic studies of federalism that support local provision and financing of human services, at least in theory. Fiscal accountability arguments are based on the notion that the government providing services should be held accountable for the raising of taxes for that service, and that taxing and spending decisions should be linked (Hobson 1997). This principle forms the basis for arguments relating to service disentanglement between different levels of government. It is argued that municipal

⁵³ In this case, efficient refers to the amount of redistribution incurred in light of national societal preferences rather than those of municipal jurisdictions. It is argued that if redistribution and redistributive services are not similar in municipalities that are close to each other, an incentive to reduce service funding exists for the higher service provider, given that they may attract more service beneficiaries.

⁵⁴ Magnusson (1981: 578) similarly argues (from a different theoretical perspective) that “those who can afford it tend to isolate themselves in separate municipalities, where a high level of services can be provided at a low rate of tax, and planning regulations can be used to enhance and protect the desired environment.”

governments should be responsible for taxing what they spend on social welfare service provision and delivery.

Fiscal accountability arguments, however, do not always tackle the issue of the fiscal gap within a federal system based on a constitutional division of powers that grants the federal government the majority of tax bases and revenues. Fiscal gap issues are particularly significant in the Canadian context. Further, in the benefit model of local finance, those service costs that result in significant spillovers should not be funded at the local level. This includes many welfare state service areas.

Fiscal accountability criteria and decisions do not always lend themselves well to empirical testing. Yet these arguments become important if they become dominant ideas that a government uses in making decisions about the assignment of expenditure functions and responsibilities, thereby influencing the size and responsibilities of the local welfare state. The adoption of these criteria might not be based on empirical support and data, but they still may become part of mainstream ideas for determining local state service responsibilities.

In a somewhat similar vein, the economic concept of *subsidiarity* relates to criteria of efficiency and responsiveness in local service provision and delivery (Barnett 1997). According to the subsidiarity principle, government should only undertake functions when it can do so more efficiently than the private sector. If a function, for efficiency reasons, is carried out by the public sector, it should be the responsibility of the lowest level of government unless demonstrated that it could be done better by a higher level of government. Subsidiarity, however, is largely a normative principle that cannot easily be tested. Further, it is not the main focus of this study. Yet its influence as a policy idea

that affects decisions about the form of local service provision can potentially be assessed.

Some public finance literature is useful for drawing attention to the relationship between the forms of local autonomy and fiscal capacity. Local governments, given their limited local revenue foundations that are based upon property tax, user fees and development charges, are dependent upon transfers from other levels of government to fulfill their social welfare responsibilities. As local public finance analyst Richard Bird points out “unless local governments have some degree of freedom to alter the level and composition of their revenues, neither ‘local autonomy’ nor local accountability are meaningful concepts.” (Bird 1995: 24)

Application of Theory and Concepts to the Development of UWS Models

It cannot be assumed that the three welfare state models that are developed are derived from any package of assumptions of a particular theoretical tradition. The goal of UWS model development is to create different urban welfare state models that are realistic enough that they could possibly conform to the empirical realities of urban welfare governance, and that can be tested by a case study. Some theoretical concepts and assumptions of the UWS models have been elaborated upon and related to local governance and local welfare issues.

The literature reviewed has helped to refine many of the concepts and contending perspectives that relate to the local state and local welfare state. Differing conceptions of the state, as developed in the numerous approaches to state theory, have helped to create relatively different approaches towards the concept of the urban welfare state in the three models. Regime theory is useful for its emphasis on the horizontal nature of governance,

and institutional interdependence. Public finance and public choice theory reveal different perspectives on the state than the other theory, and also offers useful criteria for evaluating state fiscal capacity and autonomy. The key concepts that will be used for developing the urban welfare state models, partly drawn from the literature, are those of autonomy, and democratic capacity and fiscal capacity.

Autonomy

State autonomy is important to consider as a criterion for examining the degree to which an urban welfare state can be considered a state level, or whether it is more of a delivery arm of the provincial government. It is a useful concept for examining the nature of the linkages of the local state (or urban welfare state) to the market and society, and its degree of independence from these institutions. Urban welfare state autonomy will be examined in both *horizontal* (sectoral, or across state levels, the market, and/or civil society institutions) and *vertical* (hierarchical, between lower and upper state levels) governance arrangements.

It should be noted that autonomy is always a relative concept, and often difficult to measure. There are difficulties in determining standards of comparison for the concept of local state autonomy, especially when the legislative and fiscal environments of urban governments change dramatically. However, trends in the degree of local state autonomy can be assessed historically through interview feedback, and assessing the nature of legislative and policy changes, amongst other methods.

Based on some of the influences of regime theory and certain state theorists such as Jessop and Cairns, this dissertation argues that state and state levels are not considered as autonomous and self-contained. There are always constraints and limitations on the

ability to govern, whether from other state levels, or by virtue of location of the state in a capitalist economy, with its many constraints on the state. While all UWS models have different state forms, they are still considered as *semi-autonomous* state levels. It is only the residual urban welfare state (RUWS) model, based loosely on some of the tenets of public finance and public choice theory, that lies at the boundary of being a state level or primarily a delivery agent for other levels of government. However, the nature of the RUWS social welfare delivery functions bring this form of state, to some degree, into the program and policy realms of the welfare state.

Democratic Capacity

Democratic capacity in the UWS models refers to the nature and extent of democratic mobilization and involvement by the local public, interest groups and welfare state coalitions in local state institutions, processes and elections. It relates to the strength of the foundations of the political community and political resources required to sustain an urban welfare state. Democratic urban welfare states require public participation and knowledge of local elections and politics, and a type of local political identity. If political cohesiveness and the sense of community are absent, the risk is a reduced involvement in municipal elections and governance. If this is the result, urban municipal governments committed to more welfare state-oriented agendas have less democratic legitimacy to implement their agendas.

Democratic involvement, especially in the case of urban welfare states, relates to the politics of democratic majorities, but also involves the ability of the various urban publics to have influence on urban policy between elections. The degree to which groups lacking in power and resources are able to influence the urban welfare state to engage in

and support redistributive and other welfare state programs is important to examine when assessing the UWS models.

The democratic capacity of the urban welfare state is an important criterion for assessing the degree of UWS development. This study's assumption is that a well-developed UWS must have a democratic basis to it, including comprehensive and inclusive welfare state coalitions, and an actively involved citizenry. Given that much welfare state activity requires various forms of income redistribution, the development of an urban *sharing community* sustains urban welfare states. Further, institutional interdependence and coalition building with the local state in local communities has the potential to sustain and develop the local state's democratic capacity.

Fiscal Capacity

Fiscal capacity is an indication of the health of the local revenue base to provide welfare state programs. It represents the resources that the urban state (or UWS) requires to implement its governance decisions or agenda. Without sufficient fiscal capacity, urban governments are limited in their ability to provide welfare state programs, as revealed in theoretical literature particularly from the public finance and public choice traditions. A well-developed urban welfare state planning process or agenda cannot be achieved without the fiscal capacity to do so. Issues relating to the fiscal capacity of urban institutions to support social welfare programs and provision are examined in the application of UWS models to the case study.

Strong local fiscal capacity does not necessarily correlate with *fiscal autonomy*, particularly if revenues from grants and program standards by other levels of government are conditional, stringent, and inflexible. Therefore, an evaluation of the degree to which

revenue sources are own-sources revenues (from local taxes, development charges and user fees) and/or unconditional grants from other governments, as opposed to conditional grants with highly prescribed and inflexible program standards or regulations, is required. Own-source revenues and unconditional grants allow for a greater degree of fiscal and local state autonomy than conditional grants and limited own-source revenues.

Urban Welfare State Models and the Policy Process

The theoretical literature examined provides foundations for some of the concepts that are used for building urban welfare state models. Yet the theoretical literature surveyed in this chapter does not make the important distinction between the stages of the policy-making process. These policy-making stages include policy-making, financing, program delivery, and provision/co-production arrangements. The degree of involvement and control that urban governments and institutions, as well as other levels of government, have over various policy-making stages varies considerably.

This study examines the role of urban welfare states in the policy process, recognizing that policy is not a single-staged process but marked by different stages that may have differing degrees of involvement by various state levels. Local governments do not have full urban policy *autonomy*, as autonomy is always a relative concept. The degree of UWS autonomy is expected to vary with the policy field and the policy-making process stage. In assessing the nature of urban welfare state governance, it is helpful to distinguish between the different types of roles, functions and policy instruments exercised by state (and welfare state) levels during different policy stages.

In this analysis, an *urban policy role* and *urban policy capacity* relates to the ability of local governments to have some flexibility and control over program design and

features, and the determination of the quantities and quality of particular human services. A local government may also have a policy role through input and consultation to other levels of government, assuming that they have influence over the decisions of other governance levels.

Generally, this analysis argues that urban policy roles have decreased in Ontario since the election of the Harris Conservatives although this depends on the policy field. In social assistance, for example, it has been argued that local policy roles have decreased and the provincial government has created much more centralized policies and programs. The limitations on their policy-making roles in different program areas are influenced by the discretion permitted by provincial legislation, regulation and funding.

Local governments in Ontario have, for a number of decades, determined human service *program delivery*. Program delivery is the supervision, administration and direct program provision to clients, in light of policies and regulations designed by upper level governments. Municipalities may provide the services themselves, or contract them to other public or private organizations for their delivery. Pal notes (1992: 3), however, that *real* policy may be defined at the program implementation phase in different ways than envisaged by its planners. For example, urban governments engage in a policy-making role when they restrict or expand the definition and requirements for program beneficiaries, or when they embark upon innovative programs under the auspices of a particular provincial grant. They engage in forms of policy decisions relating to housing or shelter issues by creating specific zoning bylaws that may affect the housing distribution (private/rental/non-profit), quality, quantity and affordability.

In recognition of the role of municipal governments in Ontario in the human services delivery process, CMSMs have been designated as *service system managers*. These designated municipalities have become more responsible for decisions relating to overall service delivery system, and collaboration between the various organizations involved. In the provincial government's post-LSR human services document, the responsibilities associated with service system management are described as "local service system planning, resource allocation and reallocation, accountability and quality assurance." (Province of Ontario 2001b: 3)

The type and quantity of *program funding* influences urban welfare state policy and delivery. Higher levels of unconditional or program funding by other governments may lead to greater local autonomy and control over program design. However, legislation, regulation and standard setting by upper level governments, or the resort to control through the exercise of their formal constitutional power over local governments, may negate this control. The scope of a UWS policy role is related positively to the degree to which it has its own funding sources and discretion, such as unconditional grants, the property tax, and development charges. The balance of unconditional and conditional funding is important to assess, given that UWS autonomy is influenced by its sources and the nature of its program funding.

Through their service system management functions, urban governments are granted some discretion and authority over whether the program service will be publicly or privately provided. Urban governments influence, therefore, the *provision and co-production arrangements* for service delivery. The type of delivery agent for human services, i.e. public, private or voluntary sector, affects welfare state policy and program

design features. Programs often take somewhat different forms, depending upon the provider. The voluntary sector has increased its social programming and funding responsibilities at the local level during the 1990s (Hall and Banting 2000; Hall and Reed 1998), even during times of relative prosperity. It has become, in partnership with other levels of government and the private sector, a significant human service provider and delivery agent at the local level.

It is useful to think of the different types/phases and the interdependence of the policy-making process, given that the urban welfare state can exert different forms of authority or influence at these different stages. The development and testing of UWS models is expected to lead to some observations about the different nature of urban government involvement in welfare state-oriented services, depending on the policy-making process stage. This has implications for assessing UWS autonomy and fiscal capacity.

Developing Urban Welfare State Models

The overview of current theory on the local (welfare) state provides the foundations for building urban welfare state models that have different theoretical and conceptual premises and predictions. By applying the models against the case study, it is expected that more grounded observations can be made about urban welfare state forms, functions, and governance arrangements. This is unlike regime and public finance theory, which do not specify the nature, content and institutional forms of a local state or local welfare state. While state, regulation and regime theory pays attention to some state-sensitive concepts, the local state, and particularly the local welfare state, is not clearly differentiated or specified. While the premise remains to be tested, potential

UWS development is argued to be occurring within modern governance arrangements that are both complex and fragmented amongst a host of welfare state institutions at various levels of government, and in the public, voluntary and private realms.

As Margit Mayer cautions, sufficient attention should be paid to the specific nature and content of different and unique city-regional political economies, and that “the complexity of this process should caution researchers against forming hasty typologies.” (Mayer 1992: 264) These remarks are pertinent to this research. Yet while it is recognized that urban welfare state model development is formative, it is argued that urban welfare state theory can be advanced through developing and testing of UWS models to the empirical realities of an urban welfare governance case study. Given the devolution of many welfare state functions to urban governments within Ontario, it is an ideal context to examine UWS form and functions, urban welfare state autonomy, and fiscal and democratic capacity.

The effects of horizontal and vertical governance arrangements by urban welfare institutions and the state have not been examined adequately in existing theory. One of the gaps in current theory on the welfare state is that it is often described in terms of its goals or content, but it is not conceptualized institutionally or contextually. Empirical evidence is very limited. This case study examination is largely an exploration of the form, content and institutional nature of the local welfare state.

The development of UWS models is useful for assessing the implications of potential urban welfare state forms. It is not yet evident whether increasing urban welfare state program and funding responsibilities necessarily leads to UWS development, or whether it merely leads to incapacitated urban governments that respond

to the increased human services program pressures by devolving responsibilities to markets, the voluntary sector, and families. Analyses of the increased importance of local state institutions have often been accompanied by warnings of the potential for social and labour market exclusion and polarization. By analyzing urban welfare state provision through a case study, some indications of urban welfare state *content* are expected to emerge.

When speaking of the Canadian urban context, Magnusson has recently argued that “citizenship is no longer a guarantee against exclusion. Perhaps citizenship never was a full guarantee, but the promise of a Keynesian welfarism was that every citizen of a country like Canada – indeed, every resident – would be included in this privileged space.” (Magnusson 1992: 75) While such statements and warnings are difficult to substantiate given that market as well as state developments influence the potential for social and labour market inclusion and exclusion, testing urban welfare state models may provide some evidence of the implications of the new forms of social welfare provision within urban welfare states.

Chapter Three - Developing Urban Welfare State Models

Building Urban Welfare State Models

The theoretical basis for the conceptualization of an *urban welfare state* (UWS) was examined in the previous chapter. This chapter develops the UWS models. Research questions and issues accompanying model development are formulated. In subsequent chapters, the models are applied to the case study of the Regional Municipality of York.

Why Urban Welfare State Models?

The reasons and relevance for developing welfare state models at an urban level are numerous. Pressures on the national welfare state and their national political economies have resulted, particularly in Canada and the U.S., in the devolution of a number of welfare state functions to lower level governments, the private sector, civil society,⁵⁵ and/or the household sector. There is a concern by numerous social policy theorists that cities cannot provide welfare state functions to protect and develop the capacities of those who are not benefiting from the new growth economy, referred to by Mayer (1995) as the *second city*. It is expected that changes in the form and content of the national welfare state, including new urban forms of social welfare provision, will be revealed by testing urban welfare state models in the Ontario case study.

There is little knowledge of the type of welfare state institutional forms that exist in urban areas, or the form of local politics that might buttress or decrease the welfare state functions that are increasingly required by urban governments. Analyses that examine urban social welfare provision by urban governments and other related institutions,

⁵⁵ Civil society refers to the non-state, organized and associational life of the community.

within the context of particular urban political economies, are also limited. Finally, the whole concept of the *urban welfare state* requires testing. If UWS autonomy is extremely limited by fiscal, democratic and legislative constraints, can urban welfare states be considered *states* or merely delivery vehicles for upper level governments? What is the degree of autonomy of potential urban welfare states in welfare state program areas at different stages of the policy process? What are the implications of urban welfare states possessing *relative autonomy* in welfare state service areas? While testing of models against a case study cannot provide definitive answers to such questions, it can shed light on some of the implications of potential UWS forms.

Urban Welfare State Models: Methods of Investigation

Three urban welfare state models are tested⁵⁶ against the case study. Predictions are developed about the nature and institutional form of the urban welfare states, their degree of autonomy, and their fiscal and democratic capacity. The nature of local politics and the local political economy that *shape and influence* urban welfare state forms and features are examined. Observations about the legislative, fiscal and regulatory environment and conditions of the UWS models demonstrate some of their constraints and pressures.

The broad parameters of the UWS models are described in this analysis, the method of measuring their autonomy and capacity is specified, and predictions for the three models are made. These predictions are tested against the case study to determine whether one model better explains the form, features and context of urban social welfare

⁵⁶ The idea for testing models based on different theoretical traditions came from Professor Gene Swimmer during presentation of the dissertation proposal. The models, at that point, had not been developed.

governance and potentially, the UWS, than others. The evidence obtained to confirm the findings is elaborated upon in chapter five, which tests the fit of the three welfare state models against the findings of the case study.

Three Models of the Urban Welfare State

In this investigation, each of the three urban welfare state models developed has different assumptions and orientations, but they are not mutually exclusive. In other words, some model concepts and ideas overlap to a certain degree. They differ in their respective balance of normative and positive elements,⁵⁷ and the degree to which they see the development of urban welfare states as desirable or not. The models are essentially *ideal types* or *prototypes* that contain different assumptions, elements and related predictions. These three models of the urban welfare state are the:

- 1) *urban polis welfare state (UPWS)*,
- 2) *embedded urban welfare state (EUWS)*, and
- 3) *residual urban welfare state (RUWS)*.

The *urban polis welfare state* is a model premised on extensive urban welfare state development and its potentially positive prospects. Based on some of the presumptions of regulation and new localist theoretical literature, it places importance on the potentially positive outcomes⁵⁸ arising from the mobilization of local welfare institutions within the broader context of global economic and welfare state restructuring. It envisions a fairly autonomous urban welfare state that has, to a fairly significant degree,

⁵⁷ All models, however, contain positive elements that allow for testing and model comparisons.

⁵⁸ *Positive outcomes*, in this case, refer to improved prospects for the social and political inclusion of poverty and minority groups in the urban political process, and reduction of some of the *dual city* trends.

the fiscal capacity to implement urban social welfare responsibilities and respond to urban social needs.

The *embedded urban welfare state* emphasizes the importance of local politics and the local political economy in shaping the urban welfare state. This model is based on some of the premises of regime theory.⁵⁹ In the EUWS model, the urban welfare state is part of a regime of governance in which local government does not act alone in the formation and implementation of local decisions. The local (urban) welfare state is linked to and shaped by a number of public and private interests. This urban welfare state is fragmented amongst different institutions, subject to systemic power biases, and less likely to be autonomous than an urban polis welfare state. Fiscal capacity depends on the nature and influence of local social welfare coalitions, the local and broader political economies, and other welfare state levels.

The *residual urban welfare state* is based on some of the premises of public finance, fiscal federalism and public choice theory. This model adopts a more residual view of the state, applying the concept of market failure as a justification for state provision of social goods and services. It envisions more limited UWS forms and functions in light of local incentives to under-supply residual social services, spillover of human service benefits across local jurisdictions, and the inadequate fiscal capacity and tools by urban municipal governments to finance and provide such services. Based upon the assumptions of subsidiarity and the public finance concepts of fiscal federalism, this urban governance level is not regarded as an efficient or effective locale for residual social service policy or funding.

⁵⁹ Regime theory focuses mainly on analyses of governing regime types rather than the local state. Further, amongst other things, the EUWS examines vertical and horizontal governance arrangements. Regime theory examines mainly horizontal governance arrangements.

All three models require particular conditions for their development. However, these conditions are plausible ones within Ontario and potentially other local governance jurisdictions in Canada. It is expected that the models can be tested against the York Regional Municipality case study to come to some conclusions about potential urban welfare state forms and features.

It should also be noted that while the UPWS and RUWS both contain some normative elements that cannot be tested definitively and *proven*, they also contain many positive and testable elements. The EUWS is the most clearly positive model given that it is more descriptive and explanatory rather than prescriptive, but it also contains some normative features. This study is not oriented towards revealing and prescribing a particular UWS form, particularly given that the conditions for the development and fulfillment of specific models may not exist. The implications of the closest model *fit* to the observed data and findings of the case study, however, can be examined and assessed.

The Urban Polis Welfare State

The Urban Polis Welfare State (UPWS) is contextualized within the new-growth, global economy in which urban regions have become more important economic and social players. Jessop's Schumpeterian Welfare State (SWS) has largely come to fruition with the development of different SWS forms that are shaped by national and local political economies. The focus of the demand-side, redistributive Keynesian welfare state has been replaced with a new supply-side focus of the SWS, aimed at securing local economic growth. Local state and societal institutions are structurally coupled through various forms of partnerships. While these aforementioned conditions

are somewhat similar in all three UWS models, the emphasis placed on different contextual factors and the implications for urban welfare state towns vary.

The form of the urban welfare state, based on an urban polis model, is one that has *relative autonomy* from the market and other levels of government. The existence of the UPWS form and conditions allow for some discretion and autonomy in human service policy issues. The UPWS is somewhat fragmented given that power exists and is channeled through a number of urban welfare state institutions within the state and society, and through various forms of public-private partnerships. However, there is a certain unity to this UWS. Local politics and mobilized coalitions are the glue that unites this urban welfare state. The institutions of the urban welfare state are not isolated from the broader urban state.

The UPWS is marked by fairly strong fiscal and democratic capacities. With respect to fiscal capacity this means that, while there are always limitations to resources through local forms of taxation and grants from other levels of government, urban governments are reasonably able to discharge their human service responsibilities in response to urban social needs. While urban social needs may never be truly met within capitalist economies, the UPWS is able to mitigate some of the social and income disparities that occur from the operation of market forces. There is some subjectivity in measuring the degrees of fiscal capacity and social provision levels in the UPWS. However, examining grant types and levels from other governments, and the capacity of the local revenue base for financing human services, can be assessed. Social indicator trends also provide some evidence of the ability of the UPWS to respond to urban social needs through social provision.

The UPWS presumes a fairly strong democratic capacity (or foundations) through the existence of active and participatory urban communities and social welfare organizations. This democratic state form contains some features that could be compared to a *polis*⁶⁰ or city-state concept. Democratic capacity, however, is also somewhat subjective to measure. Yet, proxies for the degree to which there is a strong civic foundation for a UPWS can be evaluated through surveys, interviews and voter turnout results.

One of the premises of a developed urban polis welfare state is that the local state can be a progressive agent for the integration of social and economic development within urban regions. The development of an urban welfare state is not antithetical to securing income redistribution and social citizenship rights, as alarmists might contend. It is a potential foundation upon which social rights may be secured within the context of more localized economies and new welfare state forms.

Urban Polis Welfare State Institutions

The urban polis welfare state (UPWS) exists as a constellation of state, societal⁶¹ and private sector institutions engaged in local social development and services. Urban government, given that it possesses legislative authority, fiscal resources, and democratic legitimacy, is a key agency in this institutional mix. Those parts of the urban welfare state that have social welfare programs and provision as their *raison d'être*, such as urban government social program departments, divisions and political committees, are at the center of the urban polis welfare state. However, other state and societal institutions that link with but are not subsumed by the urban welfare state are also important institutional

⁶⁰ Unlike the concept of a polis, however, the UPWS is not self-governing or sovereign, but shares governance functions with other state levels and market/societal institutions.

⁶¹ *Societal* includes organized community, non-profit and voluntary associations.

players in the UPWS. This includes the voluntary sector, local labour unions, food banks, churches, private sector agencies, businesses and a host of other non-governmental institutions.

An urban polis welfare state has well-developed linkages between the economic and social sectors *within* the urban state and its associated social institutions. In a UPWS form, integration between the social sector and other sectors, such as urban government economic development departments, divisions, and political committees, private sector associations, and non-governmental organizations, is essential. This prevents the fragmentation of urban welfare state and societal institutions from the urban economic development that is fostered by the local state and economic institutions. Urban economic and social sector integration helps to ensure that the urban budgetary process does not become too infused with economic development issues that might weight spending on the more traditional physical infrastructure programs (e.g. roads, water, and sewer services), and broader economic development and zoning. A developed UPWS is facilitated through the integration of economic and social development services.

In a UPWS, it is presumed that the market is unable to provide an adequate means of welfare and social services to prevent the *dual city* that results in dire poverty, social and economic polarization, and segregation. The local or urban state is considered the best governance level to ensure that services provided are responsive to the needs of local communities, assuming that it is financed adequately. While the concept is not watertight, i.e. other levels of government may be involved in welfare state services, an urban welfare state is regarded as more responsive to the social needs of communities than large, centralized and more remote levels of government.

In a UPWS, services may be provided through a number of different public-voluntary sector partnership arrangements, or even by the private sector, but they are mainly publicly funded. Given that this model is based more on a positive or benign view of the state and recognition of some of the less socially benign features of the private for-profit incentive structure in human service provision,⁶² the favoured service delivery agent for welfare state services is more likely to be public or not-for-profit than private. The choice of public (and other) welfare state service provision and delivery is considered from the perspective of efficiency, equity, and accountability. Service efficiency and equity are evaluated with respect to service quality, effectiveness, accessibility and affordability. Equity considerations also include an assessment of the employment terms and conditions for those employed within social welfare delivery agencies.

An urban polis welfare state is based on the presumption of active urban welfare state involvement in human service provision and delivery at the urban level of governance. Welfare state or human services are conceived of as a fairly broad mix of social programs, including social and health services, educational programs, labour market programs, culture and recreation, social housing, and a number of other services that have a social or community dimension. Some services (e.g. income assistance) may be income-targeted, but a fairly broad array of more universally provided and accessible social services exists as well. In terms of the spatial composition of urban social community, given adequate levels of funding, a well-developed UPWS is expected to lead to decreased tendencies towards the dual city.

⁶² These features might include lower staff wage levels, and a higher staff turnover.

What shapes an Urban Polis Welfare State?

An urban polis welfare state is shaped primarily by the nature of the local political economy and urban welfare institutions. The local political economy operates within the context of an advanced capitalist economic structure in which urban economies are important economic nodes and locations. Despite the mobility of capital, successful regional economies develop partly on the basis of economic and institutional networks, and other place-based factors that give them informational and strategic competitive advantage. The quality of life in urban communities, marked by lower levels of poverty, homelessness, unemployment and crime, is viewed as part of the economic health and investment potential of the urban region. Based on the assumptions of the UPWS model, class and other social coalitions in the urban community must be able to exert influence on the quantity and quality of urban welfare state services.

The local political economy, based on UPWS conditions, is contextualized within an advanced capitalist global economy, but it is also subject to the influence of local politics. Local politics includes the politics of urban governments, the influences of urban publics and private welfare institutions, and local political forces. There must be fairly highly developed institutional foundations for a UPWS to emerge and develop. Horizontal linkages between urban welfare institutions, effective public-private partnerships, and adequate resources must exist for a UPWS form. Further, the urban state possesses a certain degree of unity, despite its fragmentation.

The UPWS is based upon the premise that urban governments and social welfare institutions and coalitions (as well as program beneficiaries) can shape social programs that are responsive to the urban community(ies). This implies that the urban welfare state

is responsive not only to the interests of a simple majority of voters (or, the *median voter*) in service provision or delivery, but to smaller communities and power minorities. While majority rule is the central dynamic of elections, the UPWS may influence policy formation (e.g. linking social issues to community health and quality of life), as well as increasing responsibilities to minorities between elections.

The UPWS and the Policy Process

Each UWS model is based upon different assumptions with respect to the degree of urban welfare state capacity and autonomy in the policy-making process. An urban polis welfare state is based upon the assumption of *relative* state autonomy, fairly high fiscal and democratic capacity, and the interdependence of urban welfare institutions and economic institutions. This implies certain degrees of autonomy at various stages of the policy-making process.

Based on the model's assumptions, the UPWS has a relatively high degree of autonomy in policy, management, delivery and the provision⁶³ of human services. Upper levels of governments such as provincial and federal governments, while they may exercise some policy direction and funding in social program areas, would not provide highly centralized and strongly regulated legislative and funding restrictions on urban governments and institutions. Funding arrangements would contain perhaps some conditional funding, but much is in the way of unconditional funding, with broad guidelines or general conditions. The degree of autonomy permitted by urban welfare state institutions would enable urban social design, experimentation and responsiveness to urban communities.

⁶³ The provision of welfare state services refers to the type of provider.

Features and Predictions of the Urban Polis Welfare State

The forms and features of the UPWS, the factors that shape it, and the degree of its autonomy in the policy process have been elaborated upon. Table 3.1 describes the main features, associated predictions, and methods/evidence used to evaluate the UPWS model to determine whether it has a good empirical “fit” with the Ontario case study of the Regional Municipality of York.

Table 3.1: Features/Predictions of the Urban Polis Welfare State (UPWS)

Feature	Predictions	Indicators	Methods
<i>Nature of local politics</i>	<ul style="list-style-type: none"> Local coalitions and networks shape local politics and a well-supported welfare agenda in a global economy increasingly based on local networks and quality of life 	<ul style="list-style-type: none"> Influential/institutionalized welfare coalitions Local political and budgetary support for UWS exists Private and public sector support for UWS functions 	<ul style="list-style-type: none"> Fieldwork Examination of budgetary data Interviews with business/state officials (most respondents)
<i>Degree of autonomy</i>	<ul style="list-style-type: none"> Relatively autonomous UWS policy and program management 	<ul style="list-style-type: none"> Relative autonomy from other levels of government Relative autonomy from private sector interests 	<ul style="list-style-type: none"> Extensive interviewing Examination of provincial and regional policy and program regulations
<i>Fiscal capacity</i>	<ul style="list-style-type: none"> Fairly strong fiscal capacity of the UPWS 	<ul style="list-style-type: none"> UPWS with strong fiscal foundations (revenue base) to reasonably fulfill human service responsibilities UPWS with broad enough fiscal base to meet urban social needs (trends) 	<ul style="list-style-type: none"> Examine municipal human service grant levels/trends Municipal budgetary capacity for human services Unmet social need trends Interview feedback (mainly local and provincial)
<i>Democratic capacity</i>	<ul style="list-style-type: none"> UPWS has a fairly strong democratic capacity, civic foundation and community identity (competition based on quality of life) 	<ul style="list-style-type: none"> Strong democratic and civic participation sustain an <i>urban welfare state society</i> Public support for some income redistribution Active and influential welfare state coalitions 	<ul style="list-style-type: none"> Voter turn-out results Public opinion surveys Extensive interviewing (local respondents, other) Fieldwork and observation Examination of regional reports and documentation
<i>Development and influence of local welfare coalitions</i>	<ul style="list-style-type: none"> Increased partnerships and welfare coalitions linked to the local state 	<ul style="list-style-type: none"> Partnerships and coalitions are developed and institutionalized Partnerships composed of public, private, labour and voluntary sector participants 	<ul style="list-style-type: none"> Field work and observation Extensive interviewing (local respondents, many types) Examination of regional program documentation
<i>Unity of the local welfare state</i>	<ul style="list-style-type: none"> UPWS is linked, institutionally, and integrated with the broader local state and its non-state partners (intra UPWS unity) 	<ul style="list-style-type: none"> Integrated regional program and budgetary functions (human and other services) Intra-state integration between social/econ sectors Integrated state and non-state welfare service provision 	<ul style="list-style-type: none"> Examination of regional government organization and budgetary process Extensive interviewing (local state and non-state respondents)
<i>Responsiveness to urban social needs</i>	<ul style="list-style-type: none"> UPWS highly responsive to urban social needs 	<ul style="list-style-type: none"> Social indicators show that UPWS is able to intervene and mitigate some urban community social needs 	<ul style="list-style-type: none"> Interview feedback (local, other) Examine social indicators Adequate municipal fiscal capacity to respond to needs?
<i>Type of Delivery Agent</i>	<ul style="list-style-type: none"> UPWS programs mainly publicly financed and provided 	<ul style="list-style-type: none"> Evidence and trends showing fairly significant degree of state service delivery 	<ul style="list-style-type: none"> Regional committee and program document reviews Extensive interviewing (local, many types)
<i>Mix of universal and residual social programs</i>	<ul style="list-style-type: none"> UPWS has a broad mix of universal and income-targeted human service programs to meet urban social needs 	<ul style="list-style-type: none"> Financing/provision of broad array of human services Few indications of particular human service users suffering benefit reductions 	<ul style="list-style-type: none"> Examine human service budgetary expenditures Interviews (local, other) Trends towards universal or residual programs

Some Caveats of the UPWS and other UWS Models

It is important to note that the UPWS is a prototype or ideal-type model, like the other UWS models. This form of urban welfare state might exist only in part in an actual urban political economy. Given unequal power resources in urban communities within the context of advanced capitalism, there may be limitations on the ability of this UWS form to develop. However, it provides a way of conceptualizing a UWS form that has some potential to emerge, given particular conditions. It is also a way of contrasting one UWS model from another to present alternative options for the development of the urban welfare state.

The Embedded Urban Welfare State

The Embedded Urban Welfare State (EUWS), like all the UWS models, is contextualized within an advanced capitalist economy in which urban economies and institutions have become more important. However, the EUWS model is based upon different assumptions about how the nature of the economy and the urban polity shapes urban welfare state form and function. In the EUWS, global capitalist pressures have influence on local state development. However, many other influential factors also shape the UWS, such as the federal and provincial political economies and their welfare states, and the host of fragmented urban social and economic institutions. The UWS is embedded within these numerous institutional and state levels that link to the urban welfare state in complex ways.

Based upon the assumptions of regime theory, the relative power and resources of different actors, institutions and groups are recognized. Business interests are more likely to have both power and resources that result in more sustained influence and

institutionalized linkages with urban governments and other local state institutions.

Influential community organizations and voters with greater resources and knowledge of local political processes are more likely to have influence on the local political process and the distribution of resources. Less powerful groups with fewer resources, and human service users, are not able to exert the same degree of influence on the urban political process. As a result, there is a systemic bias in the urban political system (Elkin 1985), particularly when voters associate local government with more traditional hard, infrastructure services, rather than human services. Politics channels power and resources in the urban context.

In the EUWS model, urban government, while perhaps one of the more powerful and semi-sovereign institutions in urban regions, does not have the autonomous capacity to govern. As suggested by regime theorists, urban governments, given their limited sovereignty, coordinate and mobilize resources more than they arbitrate interests or govern. Governance occurs through brokerage and the influence of local coalitions. Urban governments and the urban welfare state have *limited autonomy* from other state and institutional levels, and from the private market.

Fiscal capacity for this form of welfare state depends on the numerous political economies and state levels in which the EUWS is embedded, as well as the nature of local social coalitions. Generally, however, there is less fiscal capacity and less funding for human services in the EUWS than the UPWS. The more limited EUWS fiscal capacity arises from the numerous constraints on the state, society and the political economy, and the presence of systemic biases that do not privilege urban social coalitions. Democratic capacity is also more limited than the UPWS, given the limits to

the power and influence of organized social coalitions, as well as the presence of unequal participation and influence in the local electoral and political system.

With the EUWS model, vertical arrangements between levels of government are very significant.⁶⁴ In the Canadian case, the legislative, regulatory and fiscal policies of primarily provincial governments shape and limit EUWS capacity. Constitutionally, municipal governments are not formally recognized within Canada as separate levels of governments, or granted specific powers. The powers and responsibilities of municipal governments are controlled, to varying degrees, by provincial governments. The provincial and to some extent the federal government place some formal legislative and funding limits on the autonomy, sovereignty and capacity of urban governments and states to govern in the realm of human services.

The urban welfare state in this model is fractured and somewhat separated from the more traditional economic development local state institutions. The urban state, based on the assumptions of this model, is not an integrated or unified state. The welfare state institutions that are linked to it are limited in their ability to influence urban government spending on different welfare state programs. By virtue of urban state fragmentation and the separation of the economic from the social sector, the EUWS is less likely than a UPWS to allocate resources on social welfare programs to meet urban social needs.

With this model, the urban welfare state is also somewhat separated institutionally from the broader urban state. While it may be integrated through political and budgetary

⁶⁴ This aspect of the EUWS model differs from regime theory, amongst other departures.

processes, this integration is limited. Even within the urban welfare state, there may be further divisions and fragments, based upon the particular program area. Those human service fragments that service the entire community and more particularly, the middle class, receive stronger political support than the more income redistributive social services. As an example, public health measures and education-related services are more likely to receive political support than social housing, social assistance, and other income-targeted social services. While the functions may still be provided, the benefit levels of the more income redistributive human services are very modest.

EUWS Institutions

The Embedded Urban Welfare State is linked to a number of other states, and private and societal institutions. The nature of these linkages depends on the particular local political economy. The power and resources of these institutions, and the entire EUWS, varies. However, EUWS linkages typically include those between the social program departments and political committees within urban governments, other levels of government within the region that have responsibility in similar program areas, the voluntary sector, labour unions, and the private sector. Not all of these linkages are well developed given that the degree of integration of the EUWS and its state fragments is partly determined by local economic and political conditions.

There is no presumption in the EUWS model that local politics is a conducive environment for the building of the political coalitions required to sustain urban social provision, despite that urban governments have been given more social welfare responsibilities. A fragmented local state may mean a less powerful local state, particularly in certain program areas. If urban governments are very limited in their

autonomy, fiscal and political resources and capacity, comprehensive and effective urban welfare state institutions may not develop.

What Shapes the Embedded Urban Welfare State (EUWS)?

Urban politics and institutions, horizontal and vertical governance arrangements, and the local and broader political economies shape the EUWS. It operates within the context of advanced global capitalism, but this is only one of a number of influences that shapes the particular form of the EUWS. The national political economy and its welfare state regime, as well as numerous state and societal institutions and pressures, are important. It is less easy to mobilize support and influence to develop a comprehensive and extensive EUWS and related social institutions, given that state fragmentation and institutionalized and political bias prevent its full development.

Within an EUWS, it is expected that the urban social policy role is somewhat limited given the constitutional non-recognition of municipalities as orders of government, and provincial governments that have a vested interest in obtaining political credit for their social spending. Program and funding responsibilities for income redistributive services by urban governments could continue to increase, without the attending fiscal transfers from upper level governments.

Given that income-targeted programs are expected to witness limited urban political support, it is likely that upper level governments will maintain responsibility and visibility for social services they obtain political credit for and devolve those that they garner fewer votes from. Urban governments may be placed in a position of being delegated greater responsibility for managing and funding certain social services that do not receive the support of the majority of voters, such as income-targeted human service

programs. Thus, in keeping with the features of the EUWS, the hollowing out of the national welfare state may be a selective process that varies across social program areas.

An EUWS could lead to a number of program outcomes, depending on its particular form. However, given that it is a more fragmented and less autonomous state, a less comprehensive mix of urban social welfare programs is likely. In a EUWS environment, some human services receive more political and funding support than others from the urban public. For example, social housing might receive relatively less political and funding support than more universal public health or child development services. The program mix will also depend on the provincial government's legislative, funding and regulatory constraints, as well as the political pressures from the *median* (or average) *voter*. The EUWS is largely shaped and determined by the strength of its social welfare coalitions and institutions, and the degree of autonomy and fiscal capacity of the state.

One scenario of an EUWS is that urban institutions lack sufficient power to mobilize local resources or to govern in the realm of human services in the face of strongly centralizing provincial governments, limited fiscal resources, and local majorities that do not support their further development and financing. This scenario may be more likely if the limited local taxation base is called upon to finance more income redistributive human services.

With the EUWS model, the policy idea of subsidiarity has some influence given that it has entered the domain of dominant ideas and political discourse. Given the influence of local politics, political preferences for the private delivery of human services may emerge in an EUWS. If it is agreed that Canada is largely a neo-liberal welfare

state, subsidiarity ideas are more likely to take hold and influence local politics. Based on EUWS assumptions, private sector delivery agents, particularly if they reduce the cost of publicly financed income-targeted human services, are more likely to be selected for those human service delivery roles.⁶⁵

The EUWS and the Policy Process

The EUWS model is based on the concept of limited state autonomy within the context of particular political economies. While the degree of local state autonomy in the human services cannot be specified, *a priori*, the EUWS model has certain implications with respect to the policy-making process.

According to the EUWS model, urban welfare states are likely to be granted human service delivery roles and perhaps some service management and funding responsibilities, but less likely to be granted policy roles. Upper level governments, based upon their political context and interests, would maintain an interest in setting and controlling welfare state policy and some funding roles. The degree to which urban governments could deliver and implement particular social services would depend on the level of provincial and local funding, and the degree of local political support. Urban management and delivery responsibilities would vary according to provincial legislative frameworks and their current political agendas that are outside the control of the EUWS.

Features and Predictions of the Embedded Urban Welfare State

Table 3.2 describes the main features and associated predictions of the EUWS model. The methods and the type of supporting evidence are described to assess whether

⁶⁵ This is particularly the case when there is a welfare state backlash against programs that are financed but do not directly benefit the broader middle class.

the EUWS model has a good empirical fit with the case study of the Regional Municipality of York.

Table 3.2: Features/Predictions of the Embedded Urban Welfare State (EUWS)

Features	Predictions	Indicators	Methods/Data
<i>Nature of local politics</i>	<ul style="list-style-type: none"> power biases/interests in local politics/political economies shape the EUWS, but influenced also by provincial, national, international political economies 	<ul style="list-style-type: none"> In York, EUWS not well supported by fiscally conservative public and private sector 	<ul style="list-style-type: none"> Extensive interviewing Secondary literature (York Region, provincial and federal welfare state changes) Examination of budgetary trends in devolved human services in Ontario
<i>Degree of autonomy</i>	<ul style="list-style-type: none"> Limited EUWS autonomy over human service policy and design 	<ul style="list-style-type: none"> Funding, regulatory and legislative constraints by senior state levels not adequate to support UWS autonomy 	<ul style="list-style-type: none"> Examination of regional, provincial and federal program documentation, policies and standards Extensive interviewing (primarily business and government officials)
<i>Fiscal capacity</i>	<ul style="list-style-type: none"> Limited fiscal capacity for human service provision and funding 	<ul style="list-style-type: none"> EUWS revenue base limited Increased eligibility requirements for human service users 	<ul style="list-style-type: none"> Examination of municipal tax base and spending patterns Examination of level and type of grants from other state levels Extensive interviewing (local officials and politicians, provincial officials)
<i>Democratic capacity</i>	<ul style="list-style-type: none"> Limited democratic capacity and foundations to sustain UWS human services 	<ul style="list-style-type: none"> Broad urban voting public support limited level of income-targeted programs limited public participation in urban municipal politics 	<ul style="list-style-type: none"> Interviews mainly with local officials and politicians, voluntary sector Voting turn-out and patterns Public opinion polls
<i>Development and influence of local welfare coalitions</i>	<ul style="list-style-type: none"> Welfare coalitions have limited influence on urban political and budgetary support for human service programs 	<ul style="list-style-type: none"> Coalitions are limited, and not broad-based or institutionalized Coalitions are not very influential 	<ul style="list-style-type: none"> Extensive interviewing (local officials and politicians, voluntary sector) Observation of strength of pre-existing welfare state coalitions Evaluation of coalitional influence on regional social spending
<i>Unity of the local welfare state</i>	<ul style="list-style-type: none"> EUWS a relatively fragmented and divided UWS (sectoral and between government levels) 	<ul style="list-style-type: none"> Separation of municipal social and economic program functions and departments Limited social welfare and business coalitions 	<ul style="list-style-type: none"> Fieldwork: examination of municipal organization and budgetary processes Extensive interviewing to determine types and depth of welfare state coalitions (local officials and politicians, voluntary and private sector)
<i>Responsive-ness to urban social needs</i>	<ul style="list-style-type: none"> Limitations on EUWS to respond to urban social needs 	<ul style="list-style-type: none"> Urban social needs indicators do not improve, or worsen 	<ul style="list-style-type: none"> Examination of social indicators Interview feedback (numerous types of respondents)
<i>Type of Delivery Agent</i>	<ul style="list-style-type: none"> EUWS has a mix of delivery agents depending on politics of regional community 	<ul style="list-style-type: none"> Choice of delivery agent reflects regional political orientation 	<ul style="list-style-type: none"> Extensive interviewing (mainly local) Examination of regional documentation on delivery agent types in service areas
<i>Mix of universal and residual social programs</i>	<ul style="list-style-type: none"> More support for community-wide human service programs and less for income redistributive services 	<ul style="list-style-type: none"> Movement (budgetary) to human services benefiting <i>median</i> voter, less for income redistributive services 	<ul style="list-style-type: none"> Examination of regional budgets and provincial program spending levels Local public opinion polls Interviews Social need indicators

Some Caveats of the EUWS

The Embedded Urban Welfare State model, unlike the urban polis welfare state, is somewhat more difficult to predict, given that it is dependent upon particular historical, political and economic factors. The EUWS is also interdependent with other state and non-state institutions and dependent on the actions of these many players, and therefore the EUWS is less easily pre-determined. However, the parameters of this UWS could be envisioned, given an analysis of specific social and economic conditions.

More importantly, the EUWS is based upon a different conception of the urban state, and the urban welfare state. State autonomy is presumed to be more limited and constrained by the distribution of power and resources within the urban political economy. Given the context of liberal welfare state regimes that have been characterized by Esping-Andersen as typical of the Anglo-Saxon nations, a relatively well-developed and autonomous urban welfare state is less likely than that based upon the assumptions of an UPWS.

The Residual Urban Welfare State

A residual urban state model (RUWS) is contextualized within advanced capitalism and decentralizing shifts in national welfare states, but its assumptions are quite different than that the UPWS and the EUWS. With this model, the development of an urban welfare state is not necessarily a positive development. The state, in an RUWS models, is a *residual* one that emphasizes individual freedom and choice, and responsiveness to community preferences on the level and mix of local services. The market, except in

those cases where the market fails, is assumed to best provide for social welfare⁶⁶ and its services. Where the market doesn't provide these services adequately, the political process is required, with votes becoming a proxy for the market mechanism to secure preference revelation (or true demand for services).

The municipal political process is assumed to be inefficient for income redistributive human service policy and funding for a number of economic and political factors that will be elaborated upon. This, in turn, has the potential to reduce municipal spending on these human services. Policy and funding roles are viewed as better provided by upper level governments given their enhanced tax/fiscal capacity, and the tendency of many local social services to *spill over* local boundaries (indicating that the social service is not a service best provided or financed by local governments).

Welfare state services, and particularly, income redistributive human services, are conceived of as equity-oriented social goods where government intervention may be desired and warranted. However, urban governments are not regarded as the best locale for income redistributive human service policy and funding roles, given the context of a federal *fiscal gap*, benefit principle of taxation within urban municipalities,⁶⁷ and limited tax bases. There are many non-local effects and externalities relating to locally provided income redistributive services, including municipal concerns of becoming social magnets if these human service levels are increased. Incentives for local governments to reduce

⁶⁶ Social welfare, in this case, may refer more to Pierson's concept of economic welfare that is secured through the market (Pierson 1991: 7).

⁶⁷ The benefit principle of taxation is based on the assumption that the residents within a jurisdiction should pay (via taxes, based on their preferences revealed by voting) for the collective service benefits they receive within their political jurisdiction. If service provision results in non-local benefits to other residents outside the political jurisdiction, the tax-benefit system is not efficient.

the provision and financing of equity-oriented welfare state services arise from fiscal gaps, the limited local revenue base and service spillovers.

A *residual* urban welfare state may provide human service *delivery* functions, but not necessarily as the delivery agent, which may be a private or voluntary sector provider. With the RUWS model, policy and funding roles for human services by urban governments are very limited. The RUWS is therefore a fairly undeveloped urban welfare state. It has *very limited autonomy* given that is subject to the policies, regulatory and legislative requirements and funding conditions of upper level governments. Nonetheless, the RUWS is conceptualized as a distinct urban welfare state form, given its discretion over the determination of a service delivery system that influences social welfare policy and management.

The RUWS has *very limited local fiscal capacity* for financing social welfare services, by design. This does not necessarily mean that the fiscal capacity for financing these services is limited, but it is assumed that funding should come mainly from provincial and federal conditional grants. The RUWS model assumption is that, for equity and access considerations, conditional grants should contain program standards or conditions to ensure similar social welfare benefits within and across provinces. Further, in an RUWS, income transfers from upper level governments to individuals for *individually determined* purchase of services are deemed to be more efficient than state-determined financing and provision of residual social services. The municipal property tax base is assumed as more appropriate and efficient for financing of local services (e.g. water, local roads and sewer, etc.) that have mainly local benefits.

The financing of an equity-oriented welfare state is presumed to be most suited to national tax/revenue systems based on concepts of *ability to pay*. In the Canadian federal system of government, broad revenue bases and the policy instruments of progressive income and sales taxes are within the realms of upper level governments. Local policy and tax instruments are based mainly on the benefit principle of taxation, and the limited property tax base. For this reason, human service policy and funding levels are viewed as better determined by upper level governments.

Democratic capacity and the democratic foundations for supporting an urban welfare state are also assumed to be *very limited* and inefficient. Vote-seeking local politicians have little to gain from policy platforms that advocate increasing municipal human service responsibilities and funding, particularly on the property tax base. It is assumed that local politicians seek political platforms and policies that benefit a wider segment of the community, or the median voter. Further, like the EUWS model, the RUWS model assumes that the local political process is not very responsive to the needs of welfare state users, for reasons mentioned.

The financing for equity-oriented social goods is deemed more appropriate for provincial or federal government levels, given the assumption that many social equity services benefit the broad national community and should be relatively comparable and accessible across larger political territories. Therefore, based on both efficiency and equity criteria, the provincial and federal governments and their welfare states are viewed as more appropriate for financing these services. Residual social welfare programs are likely to be applied more consistently across larger territories. A larger territorial catchment area for welfare state services is also less likely to experience problems

relating to social migration by those seeking better social welfare benefits in other regions.

The notion that the state is not necessarily a positive agent for securing community and social welfare is an assumption of the RUWS model. Politicians and local administration are viewed as self-interested and preoccupied with getting re-elected, and maintaining or increasing their own power and prestige (Niskanen 1971). They form platforms that garner them with the most votes, and examine policy expenditures in terms of their vote-gaining potential (Downs 1964). Given that income-targeted social services benefit power and numerical minorities, these services are likely to be under-provided, relative to social need, particularly at the municipal level of government.

An important RUWS objective is to ensure that public policies and institutions are designed to secure the best use of the resources of local service consumers (Sancton 1994). Policy instruments are designed to ensure that program beneficiaries can make choices about their preferred level and type of welfare state services. Income transfers to individuals via the tax system or vouchers, based on RUWS assumptions, secures maximum individual choice over the purchase of goods and services (Sancton 1994).

Based on the RUWS model, horizontal governance arrangements for welfare state delivery in the form of public, private or public-private partnerships ensure a greater degree of responsiveness and efficiency in service delivery than purely public provision. Vertical governance arrangements are viewed as necessary, given the need for the involvement of upper level governments in welfare state policy, funding and oversight.

Residual Urban Welfare State (RUWS) Institutions

RUWS institutions are based upon very different assumptions than those of the UPWS and the EUWS. Competitive service delivery is encouraged, with public, public-private, voluntary and private organizations bidding on local service contracts that do not have significant spillover or non-local effects. This implies that if urban governments are involved with some elements of human service provision, they need not be the producer or delivery agent. In the RUWS model, numerous types of co-production and partnership arrangements are possible and desirable.

What Shapes the RUWS?

Voter preferences, national welfare state institutions, and the numerous political economies in which it is located shape the RUWS, in its ideal form. These assumptions are similar to the EUWS model, though EUWS and RUWS concepts and implications differ. In the RUWS model, it is assumed that income redistribution and residual social services are not local goods, and are more suitably determined by the broader society rather than by local preferences.

Urban and local politics, according to this model, operates within the real world context of rent-seeking behaviour by politicians, self-interested bureaucratic behaviour and growth, and other limitations and inefficiencies relating to the political market place. This is likely to lead to a relatively low provision of residual social services given that local political majorities do not greatly benefit from local service financing of many urban human services. While reducing service levels may be countered by the behaviour of urban welfare state bureaucracies and provincial regulation, this model places limits on

the growth potential of a UWS given the many political and local factors that lead to under-provision of residual social services by governments.

The shaping of the RUWS, as with the other models, is influenced by provincial, federal and global political economies. In the RUWS, federal and provincial governments, given their significant welfare state policy and funding involvement, influence the nature and scope of urban delivery systems. Legislation, regulation, and funding by upper level governments influence the balance of service provision and responsibilities of service delivery agents. The context of the global political economy is given less emphasis in the RUWS than the EUWS or UPWS in particular.

The RUWS and the Policy Process

Given RUWS model assumptions, urban state involvement in many of the policy process stages is more limited and dependent on other levels of government. Policy and funding roles are nearly entirely those of upper level governments, and provincial governments in particular, given the Canadian context of provincial social service responsibilities. Increasing the management functions of urban governments over their delivery systems, however, is not inconsistent with an RUWS.

Urban governments are responsible for the delivery system in this model. In a RUWS, service deliverers within the public, private and/or voluntary sector are competitively chosen amongst a number of alternatives, depending on the particular service. For example, while social assistance may be a function suited for public financing, oversight and delivery, its labour market development components may be suited for a host of other types of private or voluntary service arrangements.

Generally, this model does not support the downloading of the policy and funding responsibilities of federal and provincial welfare state services to the urban level, and if such downloading occurs, it is very limited. In the ideal of the RUWS model, upper level governments continue to have primary responsibility for policy and funding roles, and urban governments are partially or mainly responsible for the delivery system. In fact, within an RUWS, a mix of delivery roles and agents at different welfare state levels and the voluntary and private sector are possible. However, based on RUWS assumptions, less local government responsibility for income redistribution and residual social services reduces the likelihood of lower service levels and destructive service under-provision between local jurisdictions in their attempts to avoid attracting the migrant poor. Should urban welfare states with more funding and policy responsibilities be developed, this model predicts more negative social outcomes and indicators.

Welfare state service delivery and program implementation remains, in an RUWS model, the main function of urban welfare states or urban governments. The role of an urban welfare state, as a constituent part of a broader urban state, is to ensure an effective, efficient and competitive delivery system that is responsive to local community features and characteristics.

Features and Predictions of the Residual Urban Welfare State

Table 3.3 describes the main features and associated predictions that are based on the RUWS model. It elaborates upon the methods and evidence sought to analyze whether the RUWS model is a good empirical fit for the case study.

Table 3.3: Features/Predictions of the Residual Urban Welfare State (RUWS)

Features	Predictions	Indicators	Methods
<i>Nature of local politics</i>	<ul style="list-style-type: none"> Local politics and middle class constituencies shape and limit UWS development, particularly income-redistributive human services Vote-seeking local politicians pursue interests of middle class 	<ul style="list-style-type: none"> Very limited pursuit and political support of human services, especially on property tax base York Region (an affluent suburb) likely to witness little support for income redistributive human services 	<ul style="list-style-type: none"> Extensive interviewing (mainly local) Examination of urban political economy and voting trends and public opinion polls
<i>RUWS autonomy</i>	<ul style="list-style-type: none"> Very limited autonomy in RUWS welfare state policy and funding, particularly of the residual social services Strong federal and provincial policy and funding support for welfare state services delivered by urban municipalities 	<ul style="list-style-type: none"> Urban human service policies/funding primarily at the provincial and federal welfare state levels 	<ul style="list-style-type: none"> Examination of human service regulations and legislation Interview feedback Examination of relevant regional and provincial program documentation
<i>Fiscal capacity</i>	<ul style="list-style-type: none"> Very limited urban fiscal capacity for human services 	<ul style="list-style-type: none"> Human services funding is primarily through conditional grants from upper level governments 	<ul style="list-style-type: none"> Examination of grant levels, types, and funding ratios Examination of local tax base and spending patterns Extensive interviewing
<i>Democratic capacity</i>	<ul style="list-style-type: none"> Very limited urban municipal democratic capacity and foundations to sustain urban human services 	<ul style="list-style-type: none"> Broad urban public does not support regional level human services 	<ul style="list-style-type: none"> Interview feedback (mainly local) Municipal election data (voter turn-out) York public opinion polls on views towards urban human service roles/responsibilities
<i>Development and influence of local welfare coalitions</i>	<ul style="list-style-type: none"> Very limited development and influence of local welfare coalitions 	<ul style="list-style-type: none"> Limited number of such coalitions 	<ul style="list-style-type: none"> Interview feedback and some observation through fieldwork Examination of relevant municipal documents
<i>Unity of the local welfare state</i>	<ul style="list-style-type: none"> Not a core part of RUWS model, given the assumption of a limited local welfare state 	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Not applicable
<i>Responsiveness to urban social needs</i>	<ul style="list-style-type: none"> Responsiveness influenced by federal/provincial policy and funding support for urban human services and local delivery system 	<ul style="list-style-type: none"> More limited state responsiveness to urban social needs if human service(s) in urban municipal realm 	<ul style="list-style-type: none"> Examination of York Region social indicators Trend analysis before & after LSR (late 90s)
<i>Type of Delivery Agent</i>	<ul style="list-style-type: none"> Numerous organizations involved in competitive and efficient service delivery 	<ul style="list-style-type: none"> Public, voluntary and private sector human service delivery 	<ul style="list-style-type: none"> Extensive interviewing Examination of regional documentation
<i>Mix of universal and residual social programs</i>	<ul style="list-style-type: none"> Support for the more universal social programs that benefit the median or middle class voter 	<ul style="list-style-type: none"> Minimal budgetary and public support for more income-targeted human services 	<ul style="list-style-type: none"> Examination of some regional human services budgets and responsibilities over time Examination of social needs indicators Examination of local surveys of public support for different human services

Comments on the Three Urban Welfare State Models

The features of the three urban welfare state models have been described in this chapter. Again, they are not always mutually exclusive, and it may be possible to recognize some aspects of the models in different urban regions. The models are prototypes and most likely more abstract than the less tidy empirical world of urban governance. Yet, they are distinct enough in their assumptions, concepts and features to apply them to an urban case study.

Some key features of the three models, at a much more general level than the separate tables that relate to specific model features and predictions, are displayed below in Table 3.4.

Table 3.4: Urban Welfare State Models - Some Key Features

Urban Welfare State (UWS) Model	Desired UWS Development	Degree of Autonomy	Fiscal Capacity	Democratic Capacity
Urban Polis Welfare State	Relatively High	Relatively High	Relatively High	Relatively High
Embedded Urban Welfare State	Medium	Medium	Medium	Medium
Residual Urban Welfare State	Low	Low	Low	Low

The importance of the degree of autonomy by urban welfare states or governments at the stages of the policy process has also been an important theme of this analysis.

Table 3.5 shows an overview of the respective differences, again at a broad and general level, between the models. Generally, the UPWS is based on the highest degree of urban welfare state autonomy at all stages of the policy process, and the RUWS is based on the lowest levels of autonomy.

**Table 3.5: Urban Welfare State Models -
Degree of Autonomy at Policy Process Stages**

	Policy	Management	Funding	Delivery
Urban Polis Welfare State (UPWS)	Moderately High	High	Moderately High	High
Embedded Urban Welfare State (EUWS)	Medium	Medium	Medium	High
Residual Urban Welfare State (RUWS)	Low	Medium	Low	Medium to High

Testing the Urban Welfare State Models

This chapter has described the features of the three urban welfare state models that will be tested against the Regional Municipality of York case study in human service areas. The evidence and observations from the case study are expected to reveal whether or not a form of urban welfare state is emerging, and the implications of current responsibilities of urban institutions in social welfare provision.

It is expected that broad observations relating to the nature of the development of urban welfare states will have some applicability for other urban regions and governments. It will be important to assess, even if only in a preliminary way, some of the current trends and outcomes relating to the fairly significant welfare state restructuring that has occurred within the province of Ontario. This assessment not only results in theory development, but may also lead to some findings that are relevant for the evaluation of municipal urban governance forms and features within and potentially outside of the Canadian context.

Chapter Four – The Political Economy of the National Welfare State

Introduction

This chapter examines the political economy of Canadian national welfare state⁶⁸ restructuring, and the attending consequences for Ontario urban welfare states. The key issue in the chapter focuses on how national welfare state changes, historically and institutionally, have influenced the form and development of potential urban welfare states. This historical, institutional and contextual analysis sets the stage for the testing of the three urban welfare state models in the next chapter.

Neo-liberalism and market forces in the international and national political economy have triggered national and sub-national welfare state changes within a number of nations (Lovering 1995; Mayer 1995; Clarke 1993), including Canada. Urban welfare state developments in Canada, however, have been strongly influenced by its federal institutions and forms of politics. Canadian federal political developments at all three levels of government has led to a *de-centering* of national welfare state components through the *devolution* of welfare state functions between governments and *dispersion* to civil society.

Welfare state de-centering has resulted in urban welfare state forms and functions that now contain more of the residual welfare state services that were once part of the federal, Keynesian welfare state.⁶⁹ The national welfare state has not *hollowed out* in all

⁶⁸ The *national welfare state* refers to the concurrent operation of the welfare state functions of all government levels (federal, provincial and municipal) in a federal political system. It is multi-level welfare state governance.

⁶⁹ The federal government significantly reduced or vacated most of its policy and funding involvement in the following income redistributive programs during the 1990s: social assistance and services, childcare and social housing.

areas, but rather, some of its previous functions have been devolved and dispersed between governments and civil society. The Ontario provincial government has retained most of the responsibilities and control over the key welfare state programs of health and education, and a policy and funding presence in a number of income-targeted social programs such as social assistance. However, at the same time, it has devolved (not constitutionally but functionally) more of these welfare state responsibilities to municipal governments. This, in turn, has spurred urban welfare institutions to administer, and to some extent, fund these new responsibilities.

The de-centering of the federal welfare state has created openings for increased roles and responsibilities of developing urban welfare states. Yet, at the same time, the prescriptive legislative conditions and significant funding reductions by senior level governments limit UWS development. The dual tendency to both enhance and develop prospects for urban welfare state development, while also placing constraints on this process, is important to analyze prior to applying the urban welfare state models to the regional case study.

The Global Political Economy Context for the Canadian Welfare State

While the particular form of the Canadian welfare state has been influenced by national, provincial and domestic politics, changes in the broader political economy have triggered certain forms of development. Welfare state restructuring is occurring at a variety of state levels worldwide, in response to changes in the international political economy. Changes in policy paradigms in the international political economy create both opportunities and constraints on national welfare states. The current prevailing ideology

of key international institutions such as the IMF and other key trading bloc arrangements (e.g. NAFTA, European Union) is neo-liberalism. The neo-liberal policy paradigm places pressures on national governments to decrease their regulation of the market, to enhance market-led economic growth, and to reduce state debt loads and social welfare spending. The Canadian federal government, through both its policies and budgets,⁷⁰ has adopted the prevailing neo-liberal ideology.

A number of state and urban governance analysts have argued that global economic restructuring has reduced the regulatory capacities of national governments (Mayer 1995; Magnusson 1992; Hula 1993; Jessop 1993). City governments now provide a wider range of program and funding responsibilities in global capitalist environments that are increasingly focused on structural competitiveness and moving up the *technological ladder* to maintain employment and growth, rather than securing welfare and redistributive services (Jessop 1993: 19). Global economic restructuring has opened up opportunities for the rise of competitive cities as global actors lodged within national economies that are less closed and regulated.

The development of urban welfare state forms and institutions in Canada is shaped within the context of advanced urban capitalist development and welfare state restructuring. Many analysts have recognized the importance of knowledge and place-based city economies as competitive players in the global economy. The global economy will be increasingly structured around cities (Gibbons 1999; Berridge 1996; Andrew 1995; Magnusson 1992), particularly given the erosion of nation-states to manage trade unilaterally through world trading agreements such as NAFTA and GATT. These

⁷⁰ Some major examples of the Canadian government's adoption of OECD, GATT and IMF policies are the NAFTA, deficit reduction, social program spending reductions, and Program Review.

developments may potentially lead to the development of city-state forms. Incipient urban welfare states are potentially beginning to take form in Canada within this international political economy context.

The National Welfare State

Canada's national welfare state regime has been described by Esping-Andersen as a liberal one, marked by means-tested assistance and modest universal programs (Esping-Andersen 1990). However, this form of classification is very broad and static, and does not adequately describe the significant and diverse welfare state features at different federal state levels. While the Canadian welfare state could be described in broad terms as a neo-liberal welfare state, historical and institutional changes and developments within the Canadian federation have molded it in particular ways.

Welfare state forms and functions have been affected by changes in the political economy, but also by federal and constitutional features and legacies. The fiscal, constitutional and political dimensions of federalism have spurred the development of a Canadian welfare state that does not operate at one state level, but operates interdependently between levels of government. In Canada, federal and provincial welfare states and political changes have had a great deal of influence over urban welfare state forms, features and development.

Within the Canadian welfare state, both federal and provincial governments are formally involved in welfare state functions and programs through their constitutional roles. Provincial governments are assigned responsibility for health, education and social services through Section 92 of the *Constitution Act*, 1867. The federal government and provincial governments are involved in income redistribution and social programs given

the social equity responsibilities arising from both general and specific constitutional provisions.⁷¹

Municipal governments are not granted constitutional recognition for their social service responsibilities, despite their service management and delivery responsibilities in such provinces as Ontario. However, while the constitutional responsibilities for social program areas have not changed a great deal in the last 30 years, welfare state roles and responsibilities have changed significantly. More social program responsibilities have been devolved to urban municipal governments, particularly in the case of Ontario.

The institutions of federalism, including constitutional and fiscal federalism, have placed some limits on urban welfare state development and autonomy. Provincial governments, constitutionally, have the majority of social service responsibilities. Provincial governments legislate, regulate and set standards in social service areas. They have the constitutional power to create or disband local and city governments. Provincial governments also limit and control the ability of municipal governments to raise revenue.

In recent decades and particularly the 1990s, the more federal, national welfare state functions of the federal government have been further dispersed to a number of sub-national state levels, as well as to the voluntary and private sector. Current welfare state institutions display an increasing number of hybrid and partnership forms between the state, the market and society. As Jessop states, “the state does not exist as a fully constituted, internally coherent, organizationally pure and operationally closed system but as an emergent, contradictory, hybrid and relatively open system.” (Jessop 1990: 346)

⁷¹ The federal government is involved in social policy given the constitutional convention of its spending power, as well as specific clauses in the *Constitution Act 1982*. Provincial governments are responsible for health, education and welfare programs.

The emergent and open national welfare state system has witnessed structural changes and a particular evolution of the welfare state. These structural changes have increased the interdependence of different levels of government. These changes have created the conditions for the sharing and interdependence of welfare state functions, and placed limitations on the decision-making authority and power that any one level of government can exert in isolation.

National welfare state restructuring and devolution of program responsibilities has led to the centering of the residual or income-targeted social service components of the national welfare state to provincial and urban state levels, particularly within Ontario. Their levels of public financing have been reduced. The social program mix between the federal levels of government has shifted. Devolution also takes the form of dispersion, in which governments transfer social welfare responsibilities to private, community or family realms by merely exiting from certain prior responsibilities. Urban municipal governments are particularly affected by these trends, given that most of these program beneficiaries are located in large urban centers. These trends, findings and data are elaborated on in this chapter, and in the testing of the UWS models in the case study.

Fiscal Federalism and the Urban Welfare State

Within the Canadian national welfare state, fiscal federalism - the political and constitutional provisions and conventions for assigning revenue and expenditure responsibilities between the federal and provincial orders of government - influences urban welfare state forms, features and potential development. Fiscal federalism includes the host of intergovernmental transfer and tax harmonization agreements (Lazar 2000). While provinces are allocated the majority of the social program expenditure

responsibilities for social programs, the federal government raises most taxes and collects revenue. Intergovernmental tax and transfer arrangements have had a strong impact on Canadian welfare state development through the magnitude, type and form of social program financing.

Federal fiscal arrangements have placed limitations on the development of urban welfare states, given that urban municipal governments have very limited fiscal tools for raising revenue. Their taxing powers and capacities, largely controlled by the provinces, are limited primarily to property tax, development charges, and user fees. Provincial control over municipal revenue sources and the tax base, the inability of municipal governments to run operating deficits, and local dependence on provincial conditional grants, has created a fiscal system that does not always conform well to provincially-mandated social service responsibilities or urban needs. Property taxation, heavily relied upon by municipal governments, is generally agreed to be income-regressive⁷² and not suitable for the purpose of financing income redistribution or income redistributive social services.

More so than the federal and provincial levels of government, municipal governments are dependent and influenced by the spending power of upper level governments. While the federal-provincial fiscal gap between revenues and program responsibilities is a national preoccupation and source of contention in federal-provincial relations, Roger Gibbons points out that the problem of fiscal imbalance is 'replicated in spades' in the provincial-municipal relationship (Gibbons 1999: 203). The local taxation

⁷² Property taxes are argued to be income-regressive because they do not increase or decrease with changes to income, but rather, they are tied to the relatively income-inelastic property tax system.

and revenue base is selective and limited, and municipal governments remain dependent on the social spending decisions and grants of upper level governments.

The Historical Development of the Federal Welfare State

The development of the federal welfare state has gone through a number of transitions since the post World War Two period. While the post World War Two years until the early 1970s were associated with the expansion of the federal government's leadership role in developing the welfare state, as well as its policy intervention and financing of it, the late 1970s and 1980s were more welfare state *maintenance* periods. The 1970s and 1980s also experienced the dramatic growth of provincial government funding and involvement in welfare state functions. The 1990s has been more a period of some maintenance and consolidation of particular welfare state components by federal and provincial governments, but devolution of program and funding responsibilities to provincial and municipal governments in the residual social services.

During the post World War Two expansion phase, the federal government assumed a strong leadership, policy and constitutional role in income support and the social services. Some of its income security roles, such as unemployment insurance, were secured through constitutional amendment. Many federal income security programs were created through legislation. In 1956, the Unemployment Assistance Act was passed, providing income benefits to unemployed workers not covered by previous categorical programs. This Act was broadened and made more generous in 1971 with the creation of the *Unemployment Insurance Act* (Rice and Prince 2000). By 1961, the federal government had reached agreements with all provinces for the public provision of hospital care (Rice and Prince 2000). The Canada Pension Plan, created in 1963,

established a universal pension plan program based on payroll contributions, state (federal) supplements, and wage-related benefits (Simeon 1972: 10).

In other social program areas, the federal government actively stimulated the development of key health, welfare and social service programs and arrangements. The Canada Assistance Plan, the cost-shared and conditional welfare program passed in 1966, created the legislative and financing agreement between the federal government and the provinces for the provision of social assistance and a number of residual social services⁷³ to those *in need*, regardless of the cause of need. This poverty program provided for federal financing and some national conditions, along with a regulatory framework for provincial management, administration and delivery. In that same year, the federal parliament passed the Medical Care Act, authorizing shared-cost funding for comprehensive, public and universal health care insurance.

The federal involvement in financing post-secondary education occurred through various post-World War Two cost-sharing arrangements. In 1967, the federal government legislated the *Established Programs (Interim Arrangements) Financing Act*. This Act institutionalized the funding and tax point arrangements (including an opting out provision, with compensation) for the federal funding of post-secondary education (Barker 1998: 147). This secured a presence by the federal government in post-secondary education. However, federal post-secondary education funding conditions were never similar to the more direct, legislative and regulatory program conditions required for funding to the provinces in health and welfare services.

⁷³ Social services funded under CAP included a number of poverty-prevention programs, childcare, counseling, and a variety of other needs-tested programs.

Post-war income security and cost-shared health, welfare and post-secondary programs characterized the Canadian version of the Keynesian social welfare state.⁷⁴ While the pre-World War Two federal welfare state was largely based on the ideas of means testing and temporary *relief* from social contingencies, the post-war welfare state was built more upon concepts of universal entitlement, social insurance and public service (Rice and Prince 2000). The federal government developed an activist central welfare state in which its fiscal and social policy functions allowed it a significant degree of control over the economy and society. The conventionally accepted Keynesian fiscal policy of stabilizing aggregate demand and employment through counter-cyclical state expenditure legitimated federal social spending and revenue control during this period (Simeon and Robinson 1990: 146).

The post-war period in Canada, until the 1970s, marked the federal government's most active political leadership role and fiscal involvement in a broad mix of welfare state programs. The federal government occupied a large number of key income security programs. Provincial governments were also involved in policy, design and funding of their constitutionally mandated areas of health, education, and social services. The federal government's conditional transfers and its regulatory and legislative arrangements, such as the Canada Assistance Plan, shaped this involvement. Municipal governments, depending on the province, had a fairly limited social program role at this time. Federal and provincial governments essentially occupied the constitutional and non-constitutional social program field.

⁷⁴ The Canadian version of the Keynesian welfare state also involved a number of agreements institutionalizing labour rights and collective bargaining. For a description and analysis of the granting of collective bargaining rights, as well as the limitations on those rights, see Leo Panitch and Donald Swartz, *The Assault on Trade Union Freedoms*, Chapter One.

The post-war Canadian welfare state, until approximately the early 1970s, has often been described as fairly centralized (Lazar 2000; Rice and Prince 2000). The federal government assumed a leadership role in developing national social programs, mainly through the use of its spending power. Yet with the demise of the fiscal orthodoxy of Keynesian counter-cyclical, macroeconomic stabilization policy during the 1970s period of stagflation and recession, mounting public debt, and federal spending levels that were difficult to maintain, the macroeconomic foundations for the federal welfare state began to unravel. Federal social spending was slowly reduced, and provincial governments came to assume a much larger role in the financing and design of major social programs. Between 1961 and the 1990s, provincial program spending as a share of total government spending doubled, while the federal government's share dropped by more than thirty percent (Lazar 2000).

The most significant restructuring and reorientation of the federal welfare state occurred in the 1990s. In its pursuit of a fiscal restraint agenda in 1995, the federal Liberal government legislated the Canada Health and Social Transfer (CHST). The Canada Assistance Plan and the Established Programs Financing arrangements for health and post-secondary education were combined together into one block fund, the Canada Health and Social Transfer. While the national conditions of the *Canada Health Act* were retained, all conditions for provincial welfare programs were eliminated, with the exception of the non-residency requirement for provincial income assistance. Extensive federal cuts to provincial social transfers to the provinces under the CHST were implemented through funding reductions of \$2.5 billion in 1996-97 and \$4.5 billion in

1997-98, a 33% reduction to the cash component of federal social transfers to the provinces (Hobson and St. Hilaire 2000).

In a recent study undertaken by Hobson and St-Hilaire, it was calculated that the federal funding contribution to health, welfare, and post-secondary education now constitutes less than fifteen percent of provincial expenditures on health, post-secondary education and social assistance (Hobson and St-Hilaire 2000). Social program funding transfers have been reduced,⁷⁵ and federal conditional funding to the provinces has been increasingly replaced by less conditional or unconditional funding. Provincial governments have assumed a much larger role in developing their own provincial welfare state forms.

While recent federal budgets have injected more federal cash back into the federal-provincial social transfer system, the CHST and subsequent federal budgets have heightened the trend towards increased provincial discretion and management over welfare state programs. Outside of the conditions of the *Canada Health Act*, which continue to be subject to much interpretation and some provincial discretion, the national welfare state policy regime bears little resemblance to the post-war Keynesian welfare state. The federal government has maintained its most significant presence in national health care, a more universal social program that provides benefits to the entire Canadian population. Health care funding commitments have been increased in budgets following the 1995 CHST budget. However, many national welfare state programs such as social housing, social assistance and childcare, were further devolved to provincial and urban

⁷⁵ Significant changes to federal funding and policy involvement in financing health and post-secondary education occurred with the 1977 Established Program Financing Act and its subsequent renewals. Tax room was devolved to the provinces and provincial cash transfer ceilings were legislated. The Canada Assistance Plan faced similar-type ceilings and reductions to federal spending levels.

governments. The federal government's funding levels and policy instruments aimed at securing a national welfare state have been restructured, and in the more redistributive social services, reduced.

Most significant for this study of urban welfare state development, the federal government has reduced its funding and policy involvement in the more residual welfare state services. Evidence suggests⁷⁶ that the federal government will continue to maintain a fairly minimal role in the shaping or defining of welfare state services outside of national health care and, to some degree, post-secondary education and research. Since 1995-96, recent federal budgets have increased somewhat but have not fully restored the level of social transfers to the provinces. With the exception of health care, there has been no return to the type of conditional national programs that existed prior to the CHST budget. On the other hand, income redistribution via direct cash transfers to individuals, such as the Millennium scholarship funds or tax credits for post-secondary students, or tax benefits to poor working families with children, will likely be maintained or increased. Direct cash transfers to individuals through the tax system are within the constitutional domain of the federal government, and offer the benefit of political visibility.

The post-war Keynesian welfare state paradigm provided a rationale for national macro-economic policies and welfare states. The new welfare state paradigm is based upon a smaller federal welfare state,⁷⁷ and less involvement by the federal government in redistributive services. Rice and Prince have characterized the changes to the federal

⁷⁶ The federal government's *Budget Plans* from 1995-96 to 1999-2000 have been examined, as well as secondary literature.

⁷⁷ The February 24, 1998 *Budget Plan* noted that program spending would be at 11.5 percent of the gross domestic product by 1999-2000, the lowest level in 50 years.

welfare state as a change in paradigms, with the abandonment of full employment as a central policy goal to one in which the market is left to determine the unemployment level (Rice and Prince 2000: 117).

Provinces have become the primary locale for the centering of the welfare state. Significantly, the Canadian welfare state has fewer counter-cyclical features to it, as evidenced by the large restrictions in the eligibility criteria of employment insurance eligibility restrictions, and reduced federal funding for income assistance, even during times of economic recession.⁷⁸ Lars Osberg points out that, given the reduced federal funding of employment insurance and social assistance, provincial social assistance programs will carry a much higher burden in a future recession (Osberg 2000).

These welfare state changes pose challenges for provincial and urban governments, given that many income redistributive social services are now more fully within their domain. Osberg has commented and provided statistical evidence showing that the poor are increasingly at risk within the political environment of balanced budgets, tax cuts, and powerful coalitions supporting health and education (Osberg 2000). Given the previous and current political and fiscal environment, the Ontario provincial devolution of the more residual and less politically popular social programs to urban governments, and to private civil society, is not unexpected. It is within this context that the development of urban welfare states should be understood.

⁷⁸ Hobson and St-Hilaire show recent evidence of annual employment insurance spending reductions of \$6 billion, and an *offloading* of approximately \$2.5 billion in federal transfers to social assistance since 1995-96 (Hobson and St-Hilaire 2000). They also point to the lack of needs-based funding formulas that have benefited low-income Canadians in the past, as the federal government has moved towards per capita funding criteria for the CHST.

The Development of the Ontario and Urban Welfare State Forms

The Ontario provincial welfare state has been shaped by historical and institutional changes within constitutional and political federalism, and the political economy of the national welfare state. Since the post-World War Two period, and particularly since the 1970s, there has been growth and development of the provincial welfare state. The provincial welfare state has shaped and constrained potential urban welfare state forms, particularly given that they have constitutional and legislative paramountcy in welfare state programming. There has been an evolution in Ontario towards increasing the roles and responsibilities of municipal governments in welfare state services, but until more recently, mainly as delivery vehicles for the provincial government.

The history and rationale for the creation of local government institutions with social program responsibilities reveal a great deal about some of the current limitations of the local state level. As some Canadian local governance analysts point out (Tindal and Tindal 2000; Andrew 1995; Higgins 1986), Ontario local governments were never intended to be instruments of mass democracy. They were created in the early 1800s as public corporations with crown-issued charters, exercising their powers from that charter. With the advent of the 1867 *British North America (B.N.A.) Act*, they became full constitutional creatures of the province. Their act of incorporation is at *the pleasure* of the provincial legislature, and their formal authority derives not from local inhabitants but from the provincial government (Tindal and Tindal 2000: 9). The provincial government has the constitutional responsibility for social programs and retains legislative, fiscal and political control over the form and functions of municipal governments.

It has been argued (Tindal and Tindal 2000; Andrew 1995; Feldman 1994) that local governments were established to deliver services more than to act as institutions for local democracy and politics. Since the advent of local governments, their increased program responsibilities have often come at times when provincial governments are responding to service and fiscal pressures, or attempting to avoid increasing the provincial public debt (Andrew 1995), rather than from rational policy planning or public pressure. For example, the first regional government of Metro Toronto was created in 1953 largely in response to a regional servicing crisis (i.e. water and sewerage, infrastructure), rather than political pressure from the city's population (Feldman 1994).

The province of Ontario has been a forerunner in Canada in developing local governance institutions with social program delivery functions. It was the first province to develop a two-tier, regional governance structure through the creation of Metro Toronto. This governance structure was based upon the concept of a federation with its division of power and responsibilities. The lower tier municipalities were largely responsible for what are deemed *local services*, such as the local roads, sewer, and local parks that are located in and responsive to smaller communities. The upper tier governments were responsible for city-regional functions, such as area-wide planning, coordination of infrastructure, and services that spilled over local boundaries. By the 1970s, eleven regional governments had been created. Since the time of their creation, regional and city governments have been granted increased responsibilities for funding and delivering social programs.

Municipal governments in Ontario have been involved in redistributive and other social services, particularly for unemployed persons, since the turn of the century. In the

pre and post-World War Two period, however, the federal and provincial governments largely assumed policy and funding responsibilities in these program areas (Province of Ontario 1963). But, since the origins of the *General Welfare Assistance Act* in 1961, regional and city governments have been responsible for social assistance delivery and roughly 20% of its funding. They have also become involved in the delivery and some of the funding functions for a range of other social services, including homemaker's services, childcare, children's aid, counseling, homes for the aged, hostels and shelters, and other community services. In 1967, municipal welfare and social service responsibilities were consolidated in Metro Toronto's upper-tier regional municipality (Robarts 1975), later followed by similar service consolidations in other Ontario regional municipalities.

While service management and delivery functions of urban governments have not been a source of much contention, numerous Ontario Commission and Reports (Golden 1996; Crombie 1996; Hopcroft 1991; Province of Ontario 1990; Province of Ontario 1988; Stevenson Report 1976) have recommended a decreased municipal funding role in these service areas. Local administration of welfare state services has been defended primarily on the grounds of local service responsiveness to community needs, service integration and flexible delivery arrangements. Yet municipal social service funding, particularly of income assistance, has been challenged in light of the differing municipal service needs and costs (disproportionate burdens), uneven municipal abilities to raise revenues, service spillovers, and the mismatch of property tax revenues and counter-cyclical social spending (Golden 1996; Hopcroft 1991; Province of Ontario 1990; Robarts 1977).

On the issue of municipal responsibility for social service functions, the Robarts Royal Commission on Metro Toronto (1977) was perhaps best attuned to a municipal perspective on this issue. It recommended an increased *human service policy role* for Metro Toronto to ensure that they could fulfill all of their responsibilities in a substantive fashion. It argued that municipal (regional) governments were in the best position to respond to the needs of clients and the local service system. Larger regional municipalities, as opposed to local area municipalities, could avoid some of the problems relating to the unequal needs and cost problems across municipalities by pooling revenues and determining the broader service mixes. The importance of local forecasting of service needs, ensuring human service planning, establishing priorities, and integrating services was recognized. A Background social policy report to the Commission (1975) claimed that municipalities “have not really been involved in shaping the overall development of policies and programs for social equality. Instead they tend to respond to provincial initiatives, rather than initiating new efforts themselves.” (Robarts 1975: 7) These issues still persist today.

More recent developments, such as Ontario’s recessionary conditions in the early 1990s, further demonstrated the problematic nature of funding income redistributive programs on the basis of the property tax. The Ontario Report of the Social Services Review Committee (1988a; 1988b), the Provincial-Municipal Social Services Review (1990), the Hopcroft Report (1991), the Golden Report (1996) and the Crombie Panel (1996a; 1996b) all recommended full provincial funding of income assistance and a number of social services. The Ontario Crombie Panel went so far as to propose that all “soft services” should be the policy and funding responsibility of the provincial

government (Crombie 1996a; 1996b). Municipal variations in needs, costs and quality of service are evident, particularly with income assistance. The Provincial-Municipal Social Services Review (1990) noted the increasing municipal reliance on property tax to secure revenues and the decreased level of provincial grants, inconsistencies in municipal revenue-raising abilities, varying social service needs, and the inappropriateness of the property tax for counter cyclical social programs. The argument was made as early as the Robarts Commission (Province of Ontario 1977) that, while municipal governments had important service management, delivery and some policy roles, higher level governments should be responsible for financing and establishing minimum standards for social services.

Urban governments in Ontario have had different trajectories in social program development and evolution, ranging from the earlier involvement of City of Toronto to the later evolution of the more suburban areas outlying centrally developed cities. This has added to the diverse, fragmented and complex nature of a potential urban welfare state form at a large city-regional level, such as the GTA. Specific urban social services have witnessed different stages of development, ranging from the relatively early municipal involvement in public health issues to their relatively later involvement in childcare and social housing. The choice of the delivery agent (local government, private or voluntary sector) in different program areas varies between municipalities. This public-private service delivery continuum depends on the specific program, the type of delivery agents in the particular community, and the choices of the particular regional or city government. All of these factors increase the potential for diverse urban welfare state forms and features across large urban regions and throughout the province.

Historically, provincial legislation has created and altered the boundaries, functions, and degree of autonomy of municipal governments. The establishment of local and regional governments in Ontario has been marked by provincial imposition, frequent changes, reorganization and upheaval. Centralized policy and program control through the Ministry of Municipal Affairs and a host of other program-related ministries (e.g. Ministry of Child and Family Services), as well as the supervision by the Ontario Municipal Board, have not fostered the conditions for urban welfare state development. Funding and expenditure control and regulation of the municipal tax and revenue base by the Ministry of Finance has diminished urban government fiscal capacity and autonomy. Ultimately, this has led to the reduction of budgetary stability for financing urban human services.

Provincial legislation that creates or changes municipal government boundaries also has the potential to destabilize the community foundations and civic basis of developing urban welfare states. Upper-tier and city municipal boundaries, established and controlled by the Ontario provincial government, have been questioned on their ability to represent urban or regional *communities* appropriate for local democracy and governance. Andrew Sancton has commented that “one municipal government for any of Halton, Peel, York or Durham would make a mockery of the notion that a municipal government should be anchored in some kind of recognizable community.” (Sancton 1992: 291) Sharpe (1996) points out, however, that establishing the boundaries for a city-regional level of government is easier to define in the abstract rather than in reality. The boundary issue can be difficult when the trade-offs of the socio-economic unity and

functional logic of larger metropolitan levels of government must be weighed against the benefits of community responsiveness and identity (Sharpe 1995).

Provincial imposition of municipal boundaries has created challenges for the democratic foundations for community and urban welfare state development. The amalgamated City of Toronto was created in 1998 despite the clear objections of residents in local municipalities, as shown by referenda on the issue. The vested interests of local bureaucracy and politicians in maintaining pre-existing boundaries⁷⁹ add to the complications of creating urban municipal boundaries, as do the divisions between urban and suburban communities and the more recent political cultures opposed to *big* and *remote* governments (Graham, Maslove and Phillips 2001).

An additional obstacle to the democratic development of regional or city governments in Ontario has been the Ontario government's creation of upper-tier municipalities that elect their councils only indirectly from the councils of the lower-tier municipalities. Direct election of regional and City councils has only come in recent years. Lionel Feldman (1994) claims that 1988 was a watershed year for metropolitan governance as it was the first time that direct election of 28 of 34 Metro Toronto councillors occurred. Other regional governments, such as Ottawa-Carleton⁸⁰ have followed suit. Indirect election of regional or city councilors does not foster the conditions for upper-tier governments to make decisions on social welfare issues with the same democratic legitimacy as directly elected urban governments. Indirect election is also likely to lead to the maintenance of political loyalties to lower-tier municipal

⁷⁹ Municipal bureaucracies/politics may benefit from pre-existing boundaries threatened by amalgamation, consolidation or the creation of larger urban governance units, such as unified cities or the GTSB.

⁸⁰ The Regional Municipality of Ottawa-Carleton is now the unitary City of Ottawa.

interests, potentially working against the fostering of a more regional perspective by local area municipal politicians and their electorates.

Municipal politics, unlike federal and provincial politics, has been characterized by the absence of established party systems. Given the historical service focus of local governments, the political appeal to *non-partisanship* has largely been retained, though party systems do exist loosely in some cities such as Toronto and Vancouver. The non-partisanship tradition had its origins in the turn-of-century Reform movement with its push for the efficient service administration and removal of corruption,⁸¹ and the traditional non-partisan focus on municipal service delivery (Barlow 1991). Some of this legacy persists.

Mellon has argued that party systems and legislative activity are the “direct link between the workings of sub national governments and the people.” (Mellon 1998: 9). The lack of party systems and the division of power and responsibilities between local and regional municipalities reduces council cohesion and policy direction, and limits the ability of citizens to know where to voice criticism or praise (Tindal and Tindal 2000). This institutional legacy places some limits on the potential development of democratic and transparent urban welfare states.

Urban welfare states are partly a product of some provincial institutional legacies, but other local political conditions and characteristics constrain potential UWS forms based on the territorial boundaries of the large city-regions such as the GTA. The conflicting interests relating to the higher social program needs of urban core areas versus the somewhat more limited social program needs and relatively healthy tax bases of the

⁸¹ This tradition was fostered by the U.S. experience of corruption in city government.

suburbs work against inter-regional redistribution. Historically, suburbs have benefited from the central city's service infrastructure, but there has often been political resistance towards inter-regional redistribution arrangements to finance the central city's social program costs.⁸² As the tendency for more affluent households and businesses to re-locate in the suburbs continues, the urban/suburban conflicts of interest may continue. Suburban politics and lifestyles do not always lend themselves well to the politics and requirements of potential urban welfare states, particularly given the territorial concentration of affluence and their decreased need for income-targeted social services.

Ontario State Realignment in the 1990s: Consequences for the Urban Welfare State

The political economy of the 1980s and 1990s set the stage for both Ontario welfare state restructuring and the 1997 provincial-municipal local service realignment. Ontario was particularly hard hit by the recessions of these decades, suffering large-scale industrial transition and a decline of its traditional manufacturing base, decreases in average wages, and high per capita government debt loads. This made Ontario, governed by the Progressive Conservatives between 1943-85 (White 1998: 47) and a long-time base for social conservatism, somewhat more receptive to the 1990s neo-conservative politics. Ontario was essentially ripe for political change after the five year experiment with the New Democratic government of Bob Rae (1990-95) during a recessionary period that was accompanied by increased public spending, taxes and government debt loads. The 1995 Harris Conservative victory set the political stage for neo-conservatism, with its emphasis on increasing the role of the private sector and reducing the role of the state in the economy. The Conservative agenda of "less government" translated into

⁸² The City of Toronto and the GTA suburban areas have been involved in this debate over many years. This debate has involved claims, counterclaims and conflicting data.

commitments to decrease government deficits and income taxes, and to establish workfare.⁸³

The 1990s witnessed a large-scale restructuring of the provincial-municipal relationship and the Ontario welfare state. The Harris government initiated sweeping welfare state reforms as a follow-up to the pre-election *Common Sense Revolution* (CSR) platform. The CSR involved appeals for *less* government, including a greater degree of service privatization and voluntarism; *simpler* government by reducing overlap and waste; a fiscal focus, aimed at both reducing the provincial deficit and personal income taxes; and educational reform oriented towards centralizing curriculum and reducing the number of school boards (Graham and Phillips 1998).

In the social policy realm, the CSR spawned a host of reforms and budget cuts to health, education and welfare, and the restructuring of provincial and municipal social service responsibilities.⁸⁴ The municipal property tax system was overhauled, and work began on the re-writing of the *Municipal Act*.⁸⁵ Graham and Phillips have referred to this period as the most turbulent provincial-local relationship experienced by a Canadian province, resulting in radical changes between the provincial and local governments, despite the opposition of municipalities and citizens (Graham and Phillips 1998).

The Ontario social program funding cuts set the stage for welfare state restructuring that has occurred over a number of years. In 1995, the Harris government implemented large-scale budget cuts to social programs and the municipal sector, and

⁸³ The 1994 Common Sense Revolution Conservative policy platform committed itself to reducing the public service by at least 15%, and provincial income tax by 30% over 3 years (White 1998: 262).

⁸⁴ The Local Service Realignment initiative also led to a number of program and financing changes to some other municipal services as well (e.g. police services), but given this study's focus on welfare state activities, these changes will not be elaborated upon.

⁸⁵ The new Municipal Act was announced in the fall of 2001, and is in the process of implementation.

introduced the *Savings and Restructuring Act* that restructured local governments and amalgamated school boards (Graham and Phillips 1998). In the same year, welfare benefits were cut by 21.6%, across the province, eligibility criteria were tightened, and benefits reduced. In 1997, the Ontario government implemented the most comprehensive overhaul of welfare programming by legislating the *Social Assistance Reform Act (SARA)* that created *Ontario Works*, the *work-for-welfare* scheme that combines income assistance benefits with mandatory employment conditions.

Urban social welfare provision and governance have not only been affected by the large social program cuts and devolution, however, but also by the significant changes in the social program orientation of the provincial government. These changes do not only reduce social program funding levels and the size of the Ontario welfare state. They have resulted in different type of welfare state that has implications for urban social welfare provision and governance. Social entitlements have been reduced, and the income redistributive human services (e.g. social assistance, childcare, social housing) have been reoriented to more employment-focused social programs.

In 1998, the Province of Ontario implemented Local Service Realignment (LSR), a supposed swap in the provincial and municipal roles and responsibilities for program funding, management and delivery, including the social services. Despite numerous recommendations for *uploading* income redistribution responsibilities to the province (Crombie 1996a; 1996b; Hopcroft 1991), the Ontario government took over most educational programming and financing and devolved additional responsibilities to municipalities for a number of social welfare, housing and health programs. \$2.5 billion was removed from the residential education property tax base, freeing up municipal tax

room and revenue for the financing of their new social program responsibilities, estimated by the provincial government at \$3 billion. To keep to the stated provincial goal of 'revenue neutrality', the \$570 million Community Investment Fund (CRF) was created and disbursed to municipalities.

A number of specific social program funding changes were made, including:

- 80/20 provincial: municipal cost-sharing for sole support parents through *Ontario Works* (previously 100% provincially funded under the *Family Benefits Act*), and 50/50 cost-sharing of social assistance administration costs for *Ontario Disability Support Program* (previously funded by the provincial government)
- 80/20 provincial: municipal cost-sharing for child care and children's services (previously, municipal funding involvement was discretionary)
- 50/50 cost-shared funding for all public health programs (previously 75:25 provincial: municipal funding)
- 50/50 cost-shared funding for land ambulance services (previously 100% funded by the provincial government)
- 100% municipal funding of social housing programs (previously 100% funded by the provincial government)

(Province of Ontario January 1998b)

The provincial government committed to continuing its social policy, monitoring and standard-setting role in the social services. It committed to its LSR goals of increasing the autonomy of municipal governments to adapt human services in a manner responsive to local needs and conditions, and to improve accountability to local taxpayers. LSR goals and practices, however, have proved to be somewhat contradictory. The significant social program funding decreases and the maintenance of stringent provincial standards and regulations have reduced the ability of municipal governments to meet LSR service responsiveness and accountability goals, given their decreased capacity and discretion to do so.

The Ontario government, beginning in 1998, implemented other policy, management and delivery changes that altered municipal roles for the management of the

service delivery system. By designating 47 upper-tier, city and other consolidated municipalities as *Consolidated Municipal Service Managers* (CMSMs), these municipalities became responsible for managing the new social service system. For urban upper-tier and city governments, the CMSM designation essentially confirmed the role they had been fulfilling for quite some time.

Designated CMSMs are not required to provide services directly, but are responsible for managing the service delivery network. The concept of disentanglement, based upon the separating the roles and responsibilities for social services to different levels of governments clearly and visibly to taxpayers, was one of the stated rationales for the initiative. The CMSM framework was also in keeping with the provincial orientation towards inducing more private and voluntary sector service delivery.

Despite the stated goals of the Ontario welfare state and provincial-municipal restructuring, much of the Ontario government's agenda was based upon fiscal rather than social policy considerations. In order to both reduce the provincial debt load and finance the significant tax cuts promised to the electorate, the Conservative government resorted to substantial social program cuts and off-loading. The 1995 welfare benefit rate reductions accounted for 35% of the program spending reductions in the 1995-96 budget. The 1996 Ontario Budget committed to a 30% reduction to provincial income taxes over a three year implementation period (Moscovitch 1997). Between 1996-97 and 97-98, there was a 43% reduction in provincial transfers to municipalities.

The 1990s Ontario welfare state restructuring and changes to municipal social program responsibilities represents a historical continuation of the traditional provincial top-down approach towards the municipal sector, with little substantive input from local

governments and communities. As mentioned previously, nearly every Royal Commission or Task Force relating to the nature of the provincial-municipal relationship and the restructuring of program responsibilities had recommended against increasing municipal funding responsibilities for income redistributive programs. Despite this advice, the provincial government increased these program responsibilities, and further, completely devolved nearly all social housing responsibilities to municipalities.

Graham, Phillips and Maslove (2001) rightly point out that urban government reform from the bottom up cannot be expected, particularly given the vested interests of local politicians and governments. Yet the unilateral and arbitrary provincial process for establishing the new City of Toronto, along with its program responsibilities, revealed a particularly heavy-handed provincial approach towards municipalities and their constituencies. Provincial imposition of municipal institutions and boundaries undermines the democratic underpinnings of local governance, and makes the establishment of potential democratically based urban welfare states more problematic, at least in the short run. These types of legacies have continued from the past, and are still challenges for urban municipal governments today.

The 1990s LSR and welfare state restructuring led to a new growth period in urban human service policy, management, planning and delivery functions by municipal governments. Yet the Ontario government has continued to treat municipal governments as "creatures of the provinces." Despite increased urban social welfare responsibilities, strong and centralized provincial control over social program design and funding has created obstacles for the development of relatively autonomous local welfare states.

Conclusions: Welfare State Restructuring in the 1990s

The concepts of *de-centering*, *devolution* and *dispersion* of welfare state responsibilities have been used in this chapter to illustrate the specific and selective form of national welfare state restructuring that has occurred in Canada. It also assessed some of the implications of this restructuring for potential UWS development in Ontario. Many welfare state service responsibilities have been devolved to urban levels of government within Ontario. The federal government's *de-centred* welfare state has shown movement towards income redistribution via the tax system, a shift away from federal intervention in social programs through the use of unconditional social transfers, and the more recent funding injections into the health care system, research and post-secondary education.⁸⁶

The province of Ontario's process of welfare state restructuring has involved budget cuts to all major social programs, but the most significant welfare state service restructuring and devolution to municipal governments has involved the more residual welfare state programs. The Ontario government's recent income tax reductions and property tax reforms⁸⁷ have reduced the ability of provincial and local governments to finance their welfare state programs during the time that the federal and Ontario governments were also undertaking significant social program budget cuts. The national welfare state as a whole has devolved and reduced a number of state social entitlements. The provincial welfare state, as it is currently constituted, places relatively more public resources in universal and popular programs that garner political credit and votes from

⁸⁶ Examples of the recent federal entry into post-secondary education and research include the Millennium scholarship program, increased income tax credits for students, and enhanced research funding.

⁸⁷ Property tax reforms included the movement towards Current Value Assessment (CVA), and the tax-capping limits on the industrial and commercial property classes.

the middle class than income-redistributive social services. Urban municipal governments and other local social welfare institutions have assumed a primary role for many of the functions of a *social assistance state*.

The leaner Ontario welfare state of the 1990s has also placed pressure upon a voluntary sector that is increasingly being squeezed by rising service demands, funding cuts and competition for public and financial support (Carleton University 2000a: 9). Partnership arrangements for service delivery between provincial and local governments, the private sector and the voluntary sector have increased. The voluntary sector *shadow state* (Wolch 1990; Rekart 1997)⁸⁸ has become more visible in Ontario in the 1990s. The role of the voluntary sector will be examined further in the case study through UWS model testing and findings.

Forms of the Urban Welfare State: Applications

This chapter has provided the national context for welfare state restructuring. The political economy and politics of the national welfare state, institutional legacies, and the nature of welfare state restructuring influences the form, functions and autonomy of potential urban welfare states. This is the context for the Regional Municipality of York case study. While welfare state restructuring is fairly new in Ontario, it is expected that a number of relevant observations and implications relating to urban welfare state development will emerge.

The second part of this thesis will apply the three welfare state models to the case study of the Regional Municipality of York. This will be oriented towards understanding the role of local politics and the political economy of York, as well as the state, societal

⁸⁸ This concept will be further explored in another chapter.

institutions and other forces that shape the urban welfare state. The urban welfare state models will be applied and assessed for their applicability to the case study evidence. It is expected that the case study evidence will point towards emerging UWS forms and features. The broader implications of the UWS model findings will then be further developed in the remaining thesis chapters.

Part II:
The Regional Municipality of York –
Urban Welfare State Findings

Chapter Five – Urban Welfare Governance in York: Applying the Urban Welfare State Models

Introduction

The conceptual foundations and federal welfare state context for the urban welfare state models have been analyzed in previous chapters. This chapter will now turn to the testing of the UWS models in the case study of the Regional Municipality of York,⁸⁹ a rapidly growing regional community north of Toronto. The history, politics and political economy of the Regional Municipality of York (“York”⁹⁰) is examined to understand the context for its particular form of urban welfare state, as well as the factors that have shaped and influenced it. The conceptual features of the three Urban Welfare State (UWS) models, as developed in Chapter Three, are compared to the actual nature of human service delivery in York in order to evaluate which best describes its form of urban welfare governance. The associated predictions of the models will be evaluated against the empirical results and findings.

As mentioned previously, the models are presented as prototypes, and presumably, not all conditions enabling their full development exist in the Ontario and York political economy. It is also expected that there will be some overlap between the models, and that no *pure* model will describe the situation in York. With these caveats, however, the research focus is to assess which urban welfare state model best fits the case study evidence, and what the implications are for urban governance and social policy.

⁸⁹ The management and delivery of human service programs in Ontario are the responsibility of upper-tier municipalities or cities. The lower-tier, area municipalities will not be the focus of this study.

⁹⁰ Although “York” will be used as an abbreviated term for the “Regional Municipality of York”, it should be noted that this is not an accurate legal term to describe this regional municipality (nor is “York Regional Municipality”, as it will be referred to periodically). “York Regional Municipality” refers to both the government and the territory of the Region of York.

Urban Welfare State Models: Methods and Data

The urban welfare state models are tested using a number of sources and evidence. Changes to the welfare state responsibilities of urban governments in Ontario were implemented in the last few years, so many of the implications of these changes have not been evaluated or have only started to become evident. In light of some of the limitations on recently documented evidence, the large number of personal interviews conducted with experts in this area (across levels of government, the voluntary sector, and the private sector) were particularly valuable to this study. In addition to interviews, regional council reports and budgets, regional and provincial documents, municipal social indicators for York Region, and a variety of secondary literature were examined. Additionally, field research involved spending approximately four weeks in the Regional Municipality of York and Toronto for in-person interviews, meetings, participant observation and consultations.

Tables 5.1(a) and 5.1(b) illustrate the number and types of interviews that occurred. A total of 43 interviews were conducted between 2000 and 2001, of which 24 were in-person and 19 were telephone interviews. Table 5.2(b) shows the documentary evidence examined in the course of the study and fieldwork.

Table 5.1(a): Interviews Conducted⁹¹

Organization/ Sector	Department, Division, Sector or Position(s)	Interviews Conducted
Provincial Government	<ul style="list-style-type: none"> Ministry of Community and Social Services Ministry of Municipal Affairs and Housing 	9
Federal Government	<ul style="list-style-type: none"> HRDC (York Region Division of HRDC) 	2
Regional Municipality of York	<ul style="list-style-type: none"> CAO, Manager of the Human Services Strategy, Senior official (CAO), Commissioner of Public Health, Commissioner of Community Services, Community Services Policy Analyst, Senior official (Finance), Senior official (Childcare), Senior official (York local area municipality), Senior official (Housing) 	11
York regional politicians	<ul style="list-style-type: none"> 5 regional councilors interviewed, from different socio-demographic regions of York Regional Municipality 	5
City of Toronto	<ul style="list-style-type: none"> Commissioner of Community Services, Senior Policy Analysts 	4
Greater Toronto Services Board	<ul style="list-style-type: none"> Senior official 	1
Municipal Organizations	<ul style="list-style-type: none"> Association of Municipalities of Ontario (AMO) Ontario Municipal Social Services Association (OMSSA) 	3
Voluntary Sector (York, Toronto)	<ul style="list-style-type: none"> Voluntary sector and community organization respondents with expertise in urban welfare programs and clients 	5
Journalist	<ul style="list-style-type: none"> York Region long-time observer, local politician, and journalist 	1
Business organizations	<ul style="list-style-type: none"> Public Affairs representative from Magma International; Markham Chamber of Commerce representative 	2

Table 5.1(b): Document-based Evidence

Organization/Sector	Type of Documentary Evidence
Regional Municipality of York	<ul style="list-style-type: none"> Budgetary information; Council minutes and/or attachments Human Services Strategy Special Reports (2001)⁹² Numerous York Regional Reports on Services and Governance (80s, 90s) Secondary literature Local area municipality tax data
Federal Government	<ul style="list-style-type: none"> Government of Canada budget documents Secondary literature Canada's Urban Strategy (Prime Minister's Caucus Task Force), 2002
Provincial Government	<ul style="list-style-type: none"> Documentation on LSR and social program areas Press releases and other secondary literature
Greater Toronto Services Board	<ul style="list-style-type: none"> Documentation Deloitte and Touche 2001 Report
Voluntary Sector	<ul style="list-style-type: none"> Data from York Region Food Network York social indicators from Federation of Canadian Municipalities Community survey information from the Toronto Social Planning Council
Businesses and business associations	<ul style="list-style-type: none"> Documentation from business associations (e.g. issues on which policy action being taken) Web-based information Correspondence

⁹¹ Note that in a few cases, the same respondent may have been interviewed twice over different time periods, with different sets of questions. These would be counted as separate interviews.

⁹² Two of these reports were produced by Carleton's Centre for Policy and Program Assessment, in 2000.

Why York as a Case Study?

The Regional Municipality of York is an ideal case study for the application of the UWS models. This upper-tier municipality is reflective of many of the growth trends in municipalities surrounding urban cores. It is a suburban region with many urbanizing trends, such as population growth pressures and increased social welfare service demands. Despite the growth in its tax assessment base, it has been unable to keep up and respond to the rapidly increasing social needs in the Region. While there is little community pressure for becoming more involved in income redistributive human services, York Regional Council has been placed in the position of responding to the provincial devolution of a number of welfare state services, and it has done so proactively. Like other upper-tier or city municipal governments in Ontario, it has taken on the responsibility for the many social welfare functions that resulted from the provincial government's 1997-98 LSR initiative.

York Regional Municipality is also part of the larger city-region of the Greater Toronto Area (the GTA), a larger city-region that has required some inter-municipal integration in its social and physical infrastructure, as well as environmental and economic planning and integration. For instance, York is currently a contributor to the provincially imposed inter-regional cost-pooling formula for social housing and Ontario Works. This cost-pooling formula applies to the entire GTA, including the City of Toronto and four regional municipalities.

In 1999-2000, the Regional Municipality of York evaluated its human service

roles⁹³ and responsibilities through its Human Services Strategy. This Strategy was supported by the efforts of Regional Council, the creation of the new position of Human Services Strategy manager, and the commissioning of a number of studies. This initiative led to the creation of a region-wide, multi-governmental and multi-sectoral Human Services Planning Coalition (HSPC).⁹⁴ The Human Services Strategy Report, unanimously endorsed by the Regional Council, called for a multi-governmental, multi-sectoral response for human service planning, management and delivery in York Region.

Urban welfare state forms are anchored within particular historical and political contexts. It is important to distinguish and analyze this context in order to assess its applicability to other cases or contexts. While York Regional Municipality is unique, it shares many of the human service pressures and trends of other city and regional governments. Theoretical observations based on these similarities can be established, and analyzed for applicability to these other urban jurisdictions.

The Regional Municipality of York Community Context

York Regional Municipality lies north of the City of Toronto, and is comprised of 9 local municipalities covering 1,786 km², from its southern border of Steeles Avenue to the northern area of Lake Simcoe.⁹⁵ The nine municipalities include: Georgina, East Gwillimbury, Whitchurch-Stouffville, King, Markham, Newmarket, Richmond Hill, Vaughan and Markham. Approximately 45% of York territory is categorized as farm

⁹³ The evaluation of “human services” in York Regional Municipality went beyond income-redistributive services to include a wide range of ‘human services’, including public health, policy, land ambulance, recreational programs and community services (e.g. Ontario Works, childcare, social housing, etc.). The focus of this thesis, however, remains on income-redistributive human services.

⁹⁴ The HSPC is represented by an 18 member Management Board representing human services areas across levels of government and sectors, the voluntary sector, the private sector, the public at large and four ex-officio members of senior governments.

⁹⁵ *York Region Official Plan*. (Regional Municipality of York 1999a).

area, 20% rural,⁹⁶ 20% natural areas (such as the Oak Ridges Moraine), and 15% as urban development. Most of the population resides in the southern and central municipalities of Vaughan, Markham, Richmond Hill, Aurora and Newmarket. Thus, there is a noticeable *north-south* split between the higher density urban south, and the more rural and less densely populated north. The northern part of the Region has, on average, higher per capita human service costs because of its lower population density and property tax assessment base.

The Region of York is a complex city-region that shares a great deal of its economy and markets with the Greater Toronto Area, but also sustains its own local employment and economy. It is somewhat reflective of an *Edge City*, but it is much more than a bedroom community of Toronto. In 1995, it was estimated that 50% of employed residents of York Region traveled outside the Region for employment (mainly to Toronto), and approximately 30% of the labour force came into the Region from Toronto (Regional Municipality of York 1995: 4). The basis of its economy is small business and services, though it is also the locale for some large companies such as Magna International,⁹⁷ IBM Canada and Amex Canada (Regional Municipality of York 1999a).

The Region of York has been classified as *urban* in this analysis. The concept of urban used in this study is based on municipal governance form, territorial boundaries, and population density. Like most other central metropolitan areas, it is a spatial combination of urban, rural and natural areas. As an upper-tier regional government, noting that this excludes single-tier cities such as Toronto, Montreal and Ottawa, it is the fourth largest in Canada (Regional Municipality of York 1999b: 8). York Regional

⁹⁶ Rural areas do not contain active, commercial farmland.

⁹⁷ Magna International is an auto components manufacturer.

Municipality has a number of Census or Statistics Canada metropolitan areas⁹⁸ (such as Markham and Vaughan). It has an upper-tier regional government and territorial boundaries, and a number of high density population areas. Its urban features and increasing population densities continue to develop.⁹⁹

A large proportion of York Region's population is relatively affluent, despite the socio-economic and rural-urban split between the north and the south.¹⁰⁰ The Region has the highest average household income in the GTA (Regional Municipality of York 1999b: 6). The residents of the Region of York are younger, more affluent and more highly educated, relative to the Greater Toronto Area (Regional Municipality of York 1999b).

As compared to other GTA municipalities, York Region has relatively low unemployment¹⁰¹ and poverty rates.¹⁰² It has a high degree of ethnic diversity, with 33% of its population reporting a non-official language as their mother tongue.¹⁰³ The largest populations reporting a non-official language are the Italian and Chinese communities, located mainly in the Region's southern municipalities of Vaughan and Markham.

Given its high average cost of housing, reliance on private transportation based on its sprawling geography, and its relatively underdeveloped human service infrastructure as compared to Toronto, it has not attracted a significant proportion of persons in the GTA who rely on income-redistributive social services. In his examination of the

⁹⁸ A CMA, based on Statistics Canada criteria, has an urban core with a population of at least 100,000 people with adjacent urban and rural areas that are integrated with the urban core (CCSD 2000: 5).

⁹⁹ As previously noted, Markham's growth rate was 20.3% between the 1996 and 2001 census years.

¹⁰⁰ The northern part of York Regional municipality is more rural, though there are some affluent households in the very northerly portions of Georgina, by Lake Simcoe. The southern part of the Region, as well as its more interior corridor (Yonge Street), is more urban and affluent.

¹⁰¹ Its unemployment rate was 5.7% in 1999, compared to Toronto's 6.7% (York 1999b).

¹⁰² In 1995, its poverty rate (those persons falling below Statistics Canada's low income cut-off) was approximately 13%, as compared to Toronto's 28% and Montreal's 41% (CCSD 2000: 12).

¹⁰³ This figure was supplied by York Regional Municipality's Planning Department.

suburban characteristics of York Region, Stephen Dale has made the observation that “subtle measures of class are kept in place not by the devious manipulation of the bus routes or urban planning that walls poor minorities into ghettos, but rather by the simple realities of the real estate market which in recent years have gone unchallenged by any level of government.” (Dale 1999: 20) However, the proportion of York Region’s population who require redistributive social services is growing fairly rapidly, particularly low-income families and the working poor.

York Regional Municipality has experienced population growth of approximately 2.5% annually, outpacing the City of Toronto or any regional municipality within the Greater Toronto Area (Regional Municipality of York 1999b). While its property tax assessment base is relatively healthy as compared to other GTA municipalities, York Region’s municipal services have been unable to keep apace of its growth levels. LSR and human service devolution to municipal governments has had a significant effect on service demand in a region where service growth already lagged behind population growth.

A number of socio-demographic and political factors in recent years have placed pressures on the potential York urban welfare state and its services. The Ontario government’s human service funding reductions and increases to municipal responsibilities occurred at the same time as York’s continual and extensive population growth. In 1998, the Ontario provincial government implemented a cost-pooling scheme for Ontario Works and social housing in which municipalities are billed for a share of overall GTA-wide program costs. It is estimated that cost-pooling obligations, which involves a transfer of funds from York given its higher than average assessment base

(within the GTA), accounted for approximately 20% of the Regional Municipality's gross spending on human services in 2000 (Regional Municipality of York 2000a). Thus, at the same time that York's human service funding obligations have increased, so has its GTA-wide fiscal obligations.

Despite its relatively low poverty rate, the Regional Municipality of York has the fastest growing income polarization trends of all major urban Canadian municipalities (Federation of Canadian Municipalities 1999: 25).¹⁰⁴ With respect to other social distress indicators, it has experienced a large and growing proportion of households unable to meet their basic housing/accommodation costs based on rent-geared-to-income criteria,¹⁰⁵ leading to an increased demand for subsidized housing. The demand for income-redistributive human services, such as social housing and childcare, far exceeds supply.¹⁰⁶ These factors place particular pressures on urban welfare state development and social provision within York Region, given the trends of population growth, urbanization and the attending human services demands.

History of York Regional Municipality

The Regional Municipality of York was established on January 1, 1971 by provincial statute, amalgamating the pre-existing fourteen municipalities into the nine municipalities that still exist today (Regional Municipality of York 1987: 21). Like other upper-tier (regional or county) municipalities, York Regional Municipality was designed with the purpose of planning, coordinating and transcending the local service boundaries

¹⁰⁴ Low-income households below the poverty line increased 114% between 1991 and 1996. Much of this poverty is "family poverty", as family persons make up approximately 91.5% of the total York population (Regional Municipality of York 1999c: 9).

¹⁰⁵ 42% of York Region households in 1996 couldn't afford a standard townhouse unit based on diverting 30% of gross income to housing (from 31% in 1991). The average 1996 cost of a dwelling was \$267,180.

¹⁰⁶ In 2000, the Regional Municipality of York provided 2400 subsidized childcare spaces (fee assistance), but the wait list was also approximately 2400.

of the 9 lower-tier municipalities, as well as becoming more involved in human service planning and delivery. The creation of the upper and lower tier municipal system¹⁰⁷ in Ontario, as mentioned, is based upon some of the basic ideas contained in Canadian federal (or federation) structures, which balance regional flexibility and responsiveness with some degree of service uniformity and standards. In the case of provincial: regional division of human service responsibilities, the Province of Ontario continues to prescribe policy and standards, while regional governments manage the delivery system.¹⁰⁸ This is the case with York Regional Municipality's upper-tier, urban government.

Much of the high growth period in York Region occurred during the more buoyant periods of the real estate market during the late 1970s and periods of the 1980s. Given the relatively high Toronto housing costs and increasing congestion, many families opted for moving to more outlying, suburban areas. Houses continued to appreciate in York Region during much of this period, making housing investment an attractive option. The fast pace of development, however, was not accompanied by long term planning and financing of services for growth (Dale 1999). It also led to fairly low density, sprawling forms of development, large-scale retail and entertainment malls and complexes, and few public centers. This pace and form of development has not facilitated the conditions for establishing of a strong regional identity.

The Municipal Governance System

The electoral system used in York Regional Municipality is a *double direct* election of regional councilors. Elections for local municipal and regional council occur

¹⁰⁷ Note that the two-tiered municipal system is only in existence in certain parts of the Province of Ontario, and most notably, in urban or suburban regions. Other parts of the province have single-tier cities (such as Ottawa and Toronto) or counties (northern and southern Ontario).

¹⁰⁸ This distinction, however, has been a source of difficulty for municipal governments, given that rigid or centralized policies and standards often interfere with local responsiveness.

concurrently, every three years. Some local councilors run for local council alone, while others run for both local and regional council. Mayors elected in their local municipalities also sit on Regional Council. The Chair of York Regional Municipality is elected by Regional Council members, rather than by direct election of voters. There are currently 20 members on York Regional Council, including the 9 mayors, 10 regional councilors from local area municipalities, and the Chairman, Bill Fisch.

Like other municipalities in Ontario, there is no formal party system in York Regional Municipality. However, unlike some other large urban areas such as Toronto, Ottawa and Niagara, York regional elections are not direct and exclusive. While York Region's electoral system applies some of the principles of a federation, balancing local responsiveness with regional service standardization and fiscal equalization, there are some disadvantages to it. Dick Illingworth, a freelance regional journalist who served two terms as Aurora mayor,¹⁰⁹ argues that York's electoral system and lack of a party system¹¹⁰ reduces public participation and understanding and leads to confusion between local and regional council positions and issues.¹¹¹ The 1987 Regional Governance Review stated that the double direct electoral system potentially leads to conflict between the two levels of government, the prioritizing of local over regional issues (referred to as parochialism by Illingworth), and the lack of a truly *regional* perspective.

There is some evidence that the perceived problems of York's double direct electoral system have negative implications for human services areas. Regional

¹⁰⁹ Illingworth was also a long-time provincial civil servant involved in municipal issues.

¹¹⁰ There are no formal party systems in municipal politics in Ontario, and within most of Canada.

¹¹¹ Newmarket Mayor Tom Taylor and other respondents made a similar point. He guessed that less than 5% of York's population knows *who does what*, like other municipalities, but that the public knows that the municipality is their first point of contact for many services, including human services.

councilors tend to be overburdened with their dual roles,¹¹² and there is a fairly significant reliance upon regional staff for policy and program development. Regional councilors, understandably, respond to the needs and pressures of their local constituents. Despite some evidence of increased public involvement and understanding of some of the regional government roles in social program areas, turnout for local elections tends to be low and public involvement in regional consultations is fairly limited.¹¹³

Despite some of the perceived problems, however, generalizations about York's electoral system and the politics of the human services are hard to sustain. Two of the more activist regional councilors for developing regional human service planning and resourcing are Vaughan Councilor Joyce Frustaglio and Markham Councilor Tony Wong. The southern municipalities they represent, although they are experiencing some of the social manifestations of urbanization, are generally affluent and conservative. In other words, those municipalities that have the least public pressure for responding to human service needs have elected the politicians who have taken very active roles in these areas. There is little to suggest that these councilors, and others, are merely responsive to the agenda setting and recommendations coming from regional staff.

Interview respondents noted that the public is becoming more aware of the increased regional human service roles and responsibilities. While there is general reluctance to increase property taxation in York Region, there is not a similar level of public pressure for tax cuts at the regional and municipal levels of government. Between 1998 and 2001, many municipalities saw their tax rates remain the same or decline. Yet

¹¹² A number of interview respondents noted the vastly increased current responsibilities and time commitments on regional councilors than in the past.

¹¹³ One well-publicized public consultation on the human services in the second most highly populated southern municipality of Vaughan produced less than a dozen participants (although some other consultations produced somewhat higher numbers).

the tax levies gathered by the municipalities remained the same or increased given assessment base growth and the provincial Current Value Assessment (CVA) property tax reform that led to an increased valuation on a number of properties. The tax rate, therefore, could maintain municipal revenues.

Municipal human services are difficult to make generalizations about as a whole as these service areas have distinct legislative and political environments. Public support for such programs varies. A 1999 Environics poll conducted in York Region showed the residents supported programs that increased their *quality of life*. The programs prioritized as determinants of quality of life were: education (27% of respondents), personal safety (22%), the environment (18%) and municipal recreation programs (17%) (Regional Municipality of York 2000b: 9). Public support for the residual social services has not garnered the same priority or visibility, though this is not unexpected given the income and demographic make-up of York Region.

The Politics of York Region

Though York Region has been conceptualized as an urban region, it displays many of the characteristics of a suburb and suburban politics. John Ibbitson, in his analysis of the Harris Conservative revolution, points to the strongly suburban foundations (including the '905' GTA regions)¹¹⁴ and support for the Harris agenda of tax cuts, reduced government, and increased self-reliance within Ontario (Ibbitson 1997). As argued by Randal White in his analysis of Ontario politics, the Conservative electoral victory in 1995 was largely the result of a coalition "between the rural descendents of

¹¹⁴ The 905 regions include the outlying suburbs of the GTA with the 905 telephone area code.

Ontario's settler farmers of the nineteenth century, and late twentieth-century 'middle class suburbia'." (White 1998: 255)

Voting patterns in York Region, as part of the 905 suburban telephone area code surrounding Toronto, were no exception to these trends. York Region voted solidly for the Harris Conservatives in both the 1995 and 1999 Ontario elections. In all provincial ridings in York Region in 1999, with the exception of Thornhill,¹¹⁵ Conservative candidates garnered between 55% and 62% of the popular vote in their constituencies (Elections Ontario 1999). Markham Conservative candidate Dave Tsubouchi, who implemented many of the cuts to welfare during his term as Minister of Community and Social Services, won 65% of the popular vote in the riding in 1995 and 62% of the vote in 1999 (Elections Ontario 1999).

Federal political voting results in York Region show a somewhat similar pattern, though political parties and voting trends cannot be directly compared given their different histories and contexts. In the 1997 federal election, support for the Progressive Conservatives ("PC's") was relatively weak across Ontario, obtaining an average of 10.4% of the popular vote. In York Region, however, the PC's garnered popular vote results ranging from 22.3% to 44.7% across York's five federal ridings (Elections Canada *Official Results* 1997). Defeated PC candidate Bill Fisch of Thornhill went on to be elected a regional councilor and the Chairperson of the Regional Municipality of York. Liberal support, at an Ontario provincial average of 27.5% was also much higher in York Region, ranging from 36.7% to 64.3%. The New Democratic Party, on the other hand, garnered less than half of its average Ontario popular vote percentage of 10.6%, with results in York Region ranging from 3.2% to 4.6% (Elections Canada *Official Results*

¹¹⁵ Thornhill is a newly organized riding, created in 1999.

1997). The Reform party, on average, also obtained more of York's popular vote than its provincial average in 1997.

The 2000 federal elections in York Region revealed a similar pattern to the average results in the rest of the province, with the exception that Liberal candidates were elected in all ridings with higher than average percentages of the popular vote, ranging from York North's 46.9% to Vaughan's 67.2% of the popular vote for its Liberal candidates (Elections Canada *Official Results 2000*). The Alliance Party also garnered a higher percentage of the popular vote in York Region than the average provincial results, while the New Democratic Party obtained less than half its average province-wide popular vote results. Although the federal election results reflected the unpopularity of the Progressive Conservative party and the inability of the Alliance Party to make significant inroads as a new right-wing party within Ontario, election results revealed that York Region reflected voting trends further to the right than the average provincial party support levels.

Stephen Dale, in his account of York Region and other suburban politics, has noted a *suburban boomer* phenomenon of pessimism about the role of government, a preference for private over public, constraints on personal and family time, declining average wages and limited inclination for income redistribution (Dale 1999). He argues that "the attitude that citizens should have to pay taxes only to support services they directly use is encouraged by the compartmentalized nature of suburban life; it's difficult to see any greater social good arising from government spending when you pass most of your day in the work-place, at home, and in your car, spending little time in public places

and having few opportunities to glimpse into the lives of people who are less well-off and more likely to be in need of some kind of government assistance.” (Dale 1999:10)

The suburban 905 phenomena in York Region should not be overgeneralized. The York regional public has recognized some of the linkages between the services and economy of central Toronto and York Region. Market research¹¹⁶ has shown that more of the 905 public supported than opposed the concept of cost pooling of GTA social services, financed on the property tax base. Despite some public support for the Conservative tax cut agenda, as noted previously, tax levies by the York municipalities have been maintained or increased slightly, and even the very visible property taxes in both the Region and in specific municipalities sustained some increases in 2002.¹¹⁷

York Regional Municipality has witnessed a fairly activist Council and regional staff in human services,¹¹⁸ despite the socio-economic and political orientation of the Region. The Human Services Strategy, initiated and its recommendations supported by regional council, made York Region one of the municipal forerunners in human services planning. The Human Services Planning Coalition was unanimously approved by Council and formed in fall of 2000. This Coalition, somewhat akin to a Planning Council, includes broad representation from regional government, other levels of government, the health and education sector, the voluntary sector, and the public. The Human Services Strategy has placed a priority on increasing the supply of affordable

¹¹⁶ This research was referenced by a senior level municipal official who has also been involved in GTSB governance issues.

¹¹⁷ Regional and all local area municipal tax data was gathered between the years 1998 and 2001 (comparable years based on the new provincial CVA system). For example, in Richmond Hill, there were virtually no tax increases between 1998 and 2001, although assessment increases occurred. Markham experienced either no increases or slight increases, allowing it to maintain the lowest tax rates in York Region. In King, tax decreases occurred in nearly all property taxes between 1998 and 2001, but it was still able to maintain tax levy increases, given the changes to the assessment base as a result of CVA.

¹¹⁸ The York Regional Municipality definition of human services is similar to that of the provincial government, but also includes parks, recreation and police services.

housing options, and establishing the York Transit Commission (amalgamating the separate municipal transit systems). York Region has also been active in the area of homelessness with the broadly based York Homelessness Task Force chaired by Markham regional councilor, Tony Wong.

Chair of the Human Service Strategy Steering Committee, Vaughan Councilor Joyce Frustaglio, has argued that regional politicians have become more aware of the need for a continuum of services in York Region's delivery system, including human services. She noted the change in Council's orientation over the years, moving from more of a focus on development and physical infrastructure, to a greater involvement and knowledge of the relevance of the regional human service roles. Other regional councilors and staff interviewed have noted similar trends.

Councillor Frustaglio and other regional politicians, however, have argued that income-redistributive policy and funding should be the responsibility of the provincial government, financed by income tax revenue rather than the property tax. While support for regional human service management, planning and delivery appears to have regional political support, support by regional councillors for increased roles outside of the delivery system remain limited. Newmarket Mayor Tom Taylor made the comment that if York Region had its current human service responsibilities between 1991 and 1996 (a recessionary period), the Regional Municipality of York would have been "bankrupt". The salient point made from this interview feedback is that municipal governments do not have the fiscal tools to support counter cyclical, income redistributive services.

The Context for York Region's Urban Welfare State

York regional political economy, history and politics demonstrate a number of characteristics to be taken into consideration as a case study for an urban welfare state. First, while the Regional Municipality of York is conceptualized as urban, the concept of urban is a complex one, as discussed previously. York Region can be considered an urban regional area, but it is also largely suburban and more economically homogeneous than central Toronto. It contains a number of municipalities with different socio-economic and spatial characteristics. Second, it is politically conservative. This political conservatism places pressures on politicians at any level of government for tax cuts or limits on state spending. Finally, the horizontal nature of the coalitions that influenced York's urban welfare state formation through the creation of its Human Services Strategy and Plan can be considered a "mini case study" of the type of politics that supports UWS development. This will be elaborated upon further in this chapter.

York Regional Municipality has been proactive in the planning and development of welfare state services. However, as York's Human Services Manager Susan Taylor notes, the public's perception of regional human services is not a traditional one based on income redistribution, but one that supports community quality of life. This leads to a fairly minimal degree of regional level support for redistributive human services, except in cases where such programs are linked to public conceptions of safety and quality of life.¹¹⁹

¹¹⁹ For example, the political argument was made in York Region that homelessness affects the overall community's health and well-being. Regional political support for increasing affordable housing options has increased. Regional Councilor Wong pointed to recent initiatives providing greater incentives for developers to increase affordable housing options through potential tax breaks and/or surcharges, and promises to speed up the development permit process.

In light of some of these observations about the York Region political economy and potential urban welfare state development, the UWS models are applied to York Region.

Testing the Urban Welfare State Models

Model predictions, based on the differing assumptions of the three urban welfare state models, are compared against the actual findings in the York Region case study. The model best approximating the reality of York Regional Municipality's welfare state form will be further developed in the remaining chapters.

The Urban Polis Welfare State (UPWS)

The UPWS Model Features/Assumptions

If York Regional Municipality were best described as an UPWS, it would be shaped mainly by local politics within the context of a global economy in which city-regions are more central players. The economic and social sectors would be quite well developed and integrated, given the importance of quality of life considerations as part of the economic health of the city-region. An UPWS in York Region would also have a fairly high degree of autonomy from other state levels and business interests, the fiscal capacity to sustain urban social programs, and influential and active welfare state coalitions¹²⁰ that are linked to the state.

In the UPWS model, many urban social programs would be publicly funded and provided. An UPWS would allow for the development of human services programs that

¹²⁰ Welfare state coalitions include any organized group in its pursuit of social welfare goals, association or organization that has lobbying, advocacy and coalition building as part of its functions. This could include the HSPC, the United Way, or social housing groups. Broadly based coalitions would also include private sector or public participation.

are responsive to the urban community, facilitated by state involvement in human service development, management and delivery. The array of human services would be broad and diverse, ranging from income redistributive services to the more universal programs that benefit the entire community.

UPWS Model Predictions and Evidence

Table 5.2 shows summary UPWS features and predictions (as in chapter three), and summarizes the findings obtained in light of the predictions. This evidence gives a good indication of whether the UPWS applies well to the urban welfare state case study in the Regional Municipality of York. The UPWS model predictions and evidence are further summarized and elaborated upon in the following sections.

Table 5.2: Summary Table: Urban Polis Welfare State Model Findings

Features	Predictions	Evidence Obtained	Findings
<i>Nature of local politics</i>	<ul style="list-style-type: none"> Local coalitions and networks shape local politics and a well-supported welfare agenda in global economy based on local networks and quality of life 	<ul style="list-style-type: none"> Institutionalized, broadly-based and multi-sectoral coalitions supporting a well-developed local welfare agenda are limited UWS spending occurs mainly in response to provincial requirements rather than public support Limited private sector involvement in local welfare-oriented coalitions 	<i>Limited evidence for prediction</i>
<i>Degree of autonomy</i>	<ul style="list-style-type: none"> Relatively autonomous UWS policy and program management 	<ul style="list-style-type: none"> After LSR (1998), provincial policy and regulatory guidelines for welfare state programs more prescriptive – little UWS autonomy Tax/service cut agenda of private sector interests directed to provincial government - indirect effect and limits on UPWS autonomy and funding levels 	<i>Limited evidence for prediction</i>
<i>Fiscal capacity</i>	<ul style="list-style-type: none"> Fairly strong fiscal capacity of the UPWS 	<ul style="list-style-type: none"> Reduction in provincial grant levels for human service responsibilities Decreased municipal fiscal capacity after LSR Inability of UPWS to meet urban social needs - social need indicators worsen 	<i>Limited evidence for prediction</i>
<i>Democratic capacity</i>	<ul style="list-style-type: none"> UPWS has a fairly strong capacity, civic foundation and community identity (competition based on quality of life) 	<ul style="list-style-type: none"> Poor voter turnout compared to other urban jurisdictions Interview feedback points to the lack of knowledge by public of York's welfare state functions 	<i>Limited evidence for prediction</i>
<i>Development and influence of local welfare coalitions</i>	<ul style="list-style-type: none"> Increased partnerships and welfare coalitions linked to local state 	<ul style="list-style-type: none"> Some state-societal and broadly-based welfare state coalitions exist and place pressure on the local state Fairly limited existence of broadly-based welfare state coalitions 	<i>Some evidence/developments in this area</i>
<i>Unity of the local welfare state</i>	<ul style="list-style-type: none"> UPWS is linked, institutionally, and integrated with the broader local state and its non-state partners (intra-UPWS unity) 	<ul style="list-style-type: none"> Greater integration and planning of economic/social divisions in York Regional Municipality; budgetary integration Extremely few linkages and coalitions of private sector and labour to UPWS Partnerships not as broadly-based as expected by UPWS 	<i>Limited evidence for unified UPWS features</i>
<i>Responsiveness to urban social needs</i>	<ul style="list-style-type: none"> UPWS highly responsive to urban social needs 	<ul style="list-style-type: none"> Worsening social indicators, showing a decreased ability of the UWS to meet urban social needs York Region public opinion surveys do not show urban public priority towards income redistributive services 	<i>Limited evidence for prediction</i>
<i>Type of Delivery Agent</i>	<ul style="list-style-type: none"> Most UPWS programs are publicly financed and provided (some exceptions) 	<ul style="list-style-type: none"> Interview feedback and document reviews show increasing trend towards more private and voluntary sector delivery of urban human services 	<i>Limited evidence for prediction</i>
<i>Mix of universal and residual social programs</i>	<ul style="list-style-type: none"> UPWS has broad mix of universal and income-targeted human services programs to meet urban social needs 	<ul style="list-style-type: none"> Trends and forecasts show relatively less spending on income redistributive services and more spending on the more universal social programs such as health (e.g. long-term care) 	<i>Limited evidence for prediction</i>

Findings

While there are some limited vestiges and trends towards the UPWS form, there is little to suggest that York Region reveals many of the features of an urban polis welfare state.

In the UPWS model, local politics and influential welfare state coalitions shape the local welfare agenda and sustain a highly developed UPWS. Evidence in York Region suggests that local political and bureaucratic efforts in York Region fostered the development of a proactive Regional council and staff, human service planning as an integral part of the Regional Municipality's *Official Plan*, and a regional budget in which over 50% of gross expenditures are devoted to human service programs.¹²¹ (Carleton University 2000b: 30) The regional government's budget demonstrates significantly increased human service resources and priorities, although there is not sufficient evidence¹²² showing that this was the product of organized political pressure (i.e. local welfare state coalitions) rather than a *required response* to provincially mandated human service responsibilities.

The horizontal nature of the political activity that influenced York Region's urban welfare state formation and development is partially consistent with the horizontal governance relations described by the UPWS model. It was primarily a coalition of regional politicians, regional officials, and local voluntary organizations that spurred the strong emphasis on human services roles and responsibilities written into the Regional Municipality's *Official Plan* and *multi-year corporate plan*, and the formation of the human services Steering Committee (representing regional politicians, all welfare state

¹²¹ The focus of the Regional Municipality was upon planning and evaluating its human service responsibilities, while the study focused primarily on income-redistributive services.

¹²² The evidence for this finding was obtained from numerous and extensive interviews.

level officials, and the voluntary sector). This largely horizontal coalition eventually led to the creation of the institutionalized Human Services Planning Coalition – the broadly based coalition representing both other levels of government (the vertical dimension of the welfare state) and the business and voluntary sectors (the horizontal dimension). The “mini case study” of York’s Human Services Strategy (with the larger case study examining York’s UWS across a number of different programs and state levels) revealed the horizontal and vertical dimensions of UWS formation and development.

The findings that relate to the horizontal nature of the politics associated with UWS formation are important contributions to urban welfare state theory and model development, particularly given that this type of theory is extremely limited. However, the *urban polis* welfare state model does not adequately predict the *form* and *nature* of the urban welfare state is the product of the power and influence of such coalitions. Also, as stated, the case study shows that the provincial government’s legislative and budgetary actions (vertical governance factors) were significant in York’s UWS development, particularly in accounting for the large increases in the Region’s human services budgets during the latter part of the 1990s.

Contrary to UPWS predictions supporting a link between the growth of organized welfare state coalitions and the increased size/depth and power of an urban welfare state, evidence obtained from numerous interviews in the York regional case study revealed that the number and influence of institutionalized and broadly based¹²³ welfare state coalitions were quite limited. The influence of local political coalitions on the formation and development of the Human Services Planning Coalition is an important exception to

¹²³ *Broadly based* welfare state coalitions, based on a UPWS model form, would include representatives across sectors (economic, social), levels of government, labour and the voluntary sector.

this finding, but it is still too early to determine its degree of influence on broader local state human service spending. However, an example of the limited influence of local welfare coalitions is the mobilization of support of local social housing spending and the social housing expenditures of York Regional Municipality. York's social housing development lags far behind the demand for it (as compared to other municipalities such as Toronto). Case study evidence/feedback revealed that the majority of York Region's voters were not supportive of increased property taxes or trade-offs with other services to support its development. Thus, despite some fairly strong and organized social housing organizations, their real political influence is limited. This is hardly surprising, however, given the suburban character and dominance of single-family home ownership in the region. The case study also showed that private sector interest and involvement in welfare state coalitions and urban welfare provision remains very limited. Private sector involvement in urban social welfare provision tended to be limited mainly to private delivery agents involved in service delivery roles.

Thus, welfare state coalitions may have voice and visibility without necessarily having real influence on regional human service provision, or budgetary outcomes. When describing those groups with the most impact on the regional political agenda, interview respondents consistently ranked welfare state groups or organizations lower than business, developer and health lobbies, and a number of other organizations. A UPWS form assumes active and influential welfare state coalitions that include governments, labour, the private sector, the voluntary sector, and the involved public, but this was contrary to case study findings. Notably, but not surprisingly given the lack of labour strength in York Region, labour unions were never mentioned as either influential

organizations or as part of regional welfare state coalitions. The private sector is also rarely involved in such coalitions.

Based on case study findings, the urban welfare state in York Region is not relatively autonomous from other levels of the state or the market, contrary to UPWS predictions. Interview feedback and documentary evidence indicated that the federal and provincial policy and funding environment had not enabled enough local policy and management autonomy to allow for responsive human service programming to meet urban social needs. All interview respondents noted the movement towards a more centralized and prescriptive provincial policy environment in many social program areas after the 1995 election of the Conservative government and the 1997 LSR. The new, highly prescriptive provincial requirements of Ontario Works¹²⁴ are blatant examples of this policy centralization. Further, despite that social housing is now 100% managed and funded by local municipalities and delivery agents, there are still many prescriptive, provincially legislated requirements.

Feedback from interviews suggested a limited autonomy from the market, or private sector interests, by the urban welfare state in York Region. This limitation on autonomy, however, is indirect rather than direct. Private sector interests in York Region, such as land developers or larger businesses, devote most of their lobbying efforts towards decreasing tax rates and service expenditures. The Ontario government has responded to such interests by creating tax-capping legislation for industrial and commercial property, and reducing welfare state service expenditures. By downloading provincial social program responsibilities to the municipal sector without increasing

¹²⁴ The provincial government has strict eligibility requirements, mandatory work targets (community placements), prescribed technology, provincially controlled intake measures, and many other requirements.

funding levels or the degree of discretion that these governments can exert, urban welfare state autonomy was decreased, albeit in an indirect manner.

It is also evident that, contrary to UPWS predictions, human service funding arrangements have not enabled York Regional Municipality to develop the fiscal capacity to sustain its human services in order to meet urban social needs. While the Province of Ontario originally claimed that the 1997 service swap was revenue neutral, the Association of Municipalities of Ontario revealed that overall provincial funding levels to municipalities had been reduced. The 2001 Ontario Provincial Auditor's Report, when evaluating the Province's claim of LSR's "revenue neutrality" to municipalities from the combined effect of LSR and the creation of the transitional CRF Fund (designed to compensate municipalities for any LSR funding shortfalls, argued that "we concluded that the CRF did not ensure the ongoing revenue neutrality of the LSR initiative, either as a whole or for individual municipalities, and that this problem has been growing over time." (Provincial Auditor of Ontario 2001) Further, according to the provincial Auditor, LSR costs were frozen during the time of program transfer, and subsequent and actual costs were not taken into consideration in determining a municipality's CRF entitlement.

Unconditional provincial transfers to municipalities have been reduced significantly, or by roughly 43%, between 1996-97 and 1997-98 (Moscovitch 1997). Given that the Province of Ontario has further restricted social entitlements and tightened eligibility for such programs as Ontario Works, many municipal governments face increased service demands (e.g. hostels, social housing) from beneficiaries no longer serviced by these programs. In 2001, the provincial government estimated that, as a

result of LSR, the human service net expenditure increases for municipalities were 180% between 1997 and 1999 (Province of Ontario June 2001b).

Federal government program downloading and funding reductions have essentially mirrored the provincial-municipal eligibility tightening and downloading of social service programs and their funding. York's long-time Commissioner of Community Services and Housing, Joann Simmons, pointed to the 1996 federal CHST social program budget cuts to the provinces, arguing that this contributed to provincial pressures to download human service programs to municipalities. The municipal funding capacity for such services, in light of their increased responsibilities, decreased. These developments are not consistent with a well-developed urban polis welfare state.

Based on the findings and estimates of the CPPA economic analysis of York Regional Municipality (Carleton University 2000b), spending has been maintained for mandatory provincial program areas such as Ontario Works (though eligibility has been tightened), and maintained or increased in the more universal-type human services such as long-term care. In the future, it is expected that long-term care and land ambulance will comprise a greater proportion of the York Regional budget, while social assistance, family and childrens' services will decrease as a proportion of the budget. This is possibly the result of more stringent standards in long-term health and land ambulance that will increase costs, as well as the increased demands given demographic trends towards increased aging. However, both interview feedback and York survey results (Enviroñics 1999) reveal little overall public support for the regional provision of income-redistributive human services, despite the visible signs of increased needs and the

fairly rapid growth of the regional poverty rate.¹²⁵ These findings are not consistent with a well-developed urban polis welfare state form.

A UPWS requires fairly strong democratic capacity, including civic and participatory foundations for welfare state development. It also requires an urban sharing community with a fairly strong political identity. Given that the territorial boundaries of regional governments were provincially created, it is unrealistic to expect a *natural* regional community in a large and diverse city-region such as York Region. The expectation for strong public support levels for regional income redistribution on the basis of property taxation rather than income taxation is also somewhat unrealistic. The lack of a strong regional political identity is somewhat problematic in York Region, though interview feedback from a number of respondents indicates that York's political identity has been developing over time. The regional civic foundations for an active and involved citizenry appear fairly limited. Limited public participation in local and regional politics hinders fuller development of an UPWS form.¹²⁶ In the 2000 municipal elections, unofficial and reported voter turnout results varied from 26 to 36%,¹²⁷ as compared to 47% for the City of Ottawa and 36% for Toronto. Interview feedback also suggests that the York Region public often lacks knowledge of regional human service functions and roles. This finding has also been supported by the repeated emphasis by respondents on the nature and volume of direct and telephone enquiries by the public to obtain information on these issues.

¹²⁵ Examples of traditional welfare services include social/income assistance and subsidized social housing.

¹²⁶ These conditions are not particularly unique to York Region.

¹²⁷ Municipal election results and voter turnout information is not reported with an official elections agency. Voter turnout results for the Year 2000 in the Township of Georgina and the Town of Newmarket were documented unofficially by the Association of Municipalities of Ontario (26% and 36%, respectively), as were the cited figures for the cities of Ottawa and Toronto.

Contrary to the predictions of the UPWS, social indicators in York Region demonstrate its increasing inability to meet community social needs. Between 1991 and 1996, the number of low income families in York Region increased by 114% (Regional Municipality of York 1999c: 9), and food bank usage increased by 71.5% (York Region Food Network 2000). Additionally, the proportion of (renting) households spending over 30% of their income on housing increased from 31% to 42% (Regional Municipality of York 1999c: 14), despite that the York economy was relatively buoyant during this period.

There are some developments in York Region, however, suggestive of UPWS features. Extensive interview feedback and fieldwork observation revealed that fairly active and somewhat influential welfare state coalitions are emerging and influencing regional politics and social provision. Respondents noted this phenomenon in the increasing number of human service partnerships between governments, the voluntary sector, and the private sector. These partnership and funding arrangements (especially in program delivery) have occurred in all human service areas.¹²⁸ As Human Services Strategy Manager Susan Taylor commented, “nobody would now dream of initiating a new program without consulting sectoral partners.” The York Region Human Services Planning Coalition is now an institutionalized welfare state coalition. Interview respondents also pointed to the increased voluntary sector involvement in regional human service governance and planning.

As predicted by the UPWS model, York’s economic and social sectors show some trends towards increasing integration. Institutionally, the organizational structure

¹²⁸ A number of specific examples will be provided here.

of York Regional Municipality and its committee and budgetary processes¹²⁹ reflect greater social and economic functional linkages¹³⁰ than in the past. Numerous human service partnership arrangements between state, private and voluntary sector levels demonstrate greater economic and social organizational collaboration. All regional councilors interviewed noted the interconnections between the economic and social sectors, which was described as a shift from their more traditional focus on the hard services. The case study demonstrates that the paradigm of local economic development has shifted from traditional land-use and economic planning to include human service planning. In this respect, the York Region case study demonstrates some UPWS developments.

York Regional Municipality, like other provincial municipalities, shows some movement away from a publicly provided UPWS, although many services are still publicly funded.¹³¹ York Regional Municipality, for example, divested itself from directly operating childcare facilities, employment counseling (although this has fluctuated between public and private providers), homecare and long-term care. According to interview feedback, voluntary sector service provision has grown in response.¹³² York Regional Municipality, like other larger municipalities, has become more of a human service system *manager* than provider. Human service delivery agents contracted to various state levels include both the private and the voluntary sector.

¹²⁹ The CAO and Finance Office integrate budgets by reviewing and approving all program expenditures.

¹³⁰ For example, both finance and human service planning functions has recently been housed within the Chief Administrative Officer's (CAO) division. Human service planning functions are housed within the Planning Department that traditionally focused on land use planning.

¹³¹ Land ambulance and Ontario Works delivery, for example, are provided primarily in-house.

¹³² Reliable data on this do not exist.

Summary

Overall, while there is evidence for some limited UPWS features, York Regional Municipality could not be described as an Urban Polis Welfare State. Pressures from the *bottom up*, including the formation of more active regional and local politics and welfare state coalitions in human service areas, point towards some potential UPWS trends. National welfare state restructuring, devolution and funding cuts, however, place fiscal and regulatory constraints on UPWS development. The UPWS model and assumptions do not fully account for this. The urban welfare state, in its infancy, is still heavily prescribed and regulated by the Ontario provincial government.

The “Embedded” Urban Welfare State (EUWS) in York Region

EUWS Model Features

York Regional Municipality, as an EUWS, would be shaped within an advanced capitalist global economy in which city-regions are important players. But in this model, as opposed to the UPWS model, the political economies of the urban, federal and provincial state levels would also be important influences. Local politics shapes the EUWS, but within the context and constraints of other state level institutions, as well as the different sectoral layers of the political economy. The urban welfare state is *embedded* within a multi-tiered national welfare state in the context of a complex, multi-sectoral urban political economy.

In an embedded urban welfare state, autonomy, and fiscal and democratic capacity would be limited. There would be many more limitations on the prospects for urban welfare state development than in the UPWS, given the policy and regulatory constraints on urban social welfare governance by other state levels. The EUWS is a

much more divided and fragmented welfare state that is not always strongly linked to the broader urban state. Welfare state coalitions are not very broadly based or influential, and their influence over broader urban state developments and priorities would be limited.

The EUWS, given the systemic political biases privileging dominant group and majority interests, would prevent the full development of an urban welfare state that is responsive to urban social welfare needs. Income-redistributive human services would not be as fully supported as services providing benefits to the broader middle class. This would be the case particularly within a municipal context in which social welfare responsibilities are increasing, financed (to some degree) on a limited property tax base.

EUWS Model Predictions and Evidence

Table 5.3 shows the summary EUWS features, evidence and findings. Predictions and evidence are further elaborated upon in the following sections.

Table 5.3: Summary Table: Embedded Urban Welfare State Model Findings

Features	Predictions	Evidence Obtained	Findings
<i>Nature of local politics</i>	<ul style="list-style-type: none"> power biases/interests in local politics/political economies shape the EUWS, but influenced also by provincial, national, international political economies 	<ul style="list-style-type: none"> York's support for human services constrained by interests of public majorities Limits to influence of welfare state constituencies Business and economic interests still much more influential than welfare state coalitions 	<i>Evidence supports prediction</i>
<i>Degree of autonomy</i>	<ul style="list-style-type: none"> Limited EUWS autonomy over human service design 	<ul style="list-style-type: none"> Prescriptive provincial policies and regulatory standards in human services Autonomy of UWS constrained by lack of resources to implement decisions 	<i>Evidence supports this EUWS prediction</i>
<i>Fiscal capacity</i>	<ul style="list-style-type: none"> Limited fiscal capacity for welfare state provision and funding 	<ul style="list-style-type: none"> Increased service responsibilities and reductions in transfers from other governments Elimination of unconditional municipal transfers Limited public appetite for municipal financing of income redistributive human services by broad public and business interests 	<i>Evidence supports this prediction</i>
<i>Democratic capacity</i>	<ul style="list-style-type: none"> Limited democratic capacity and foundations to sustain UWS human services 	<ul style="list-style-type: none"> Public opinion polls show that broad middle class is less supportive of income redistributive services than health or education Election results/interview feedback reveals fiscally conservative public limited urban municipal involvement 	<i>Evidence supports this EUWS prediction</i>
<i>Development and influence of local welfare coalitions</i>	<ul style="list-style-type: none"> Welfare coalitions have limited influence on urban political and budgetary support for human service programs 	<ul style="list-style-type: none"> More welfare state coalitions and greater institutionalization, but limits to this influence Limited budgetary support for income-redistributive human services Welfare state coalitions lack regular business, labour and voluntary sector participation 	<i>Limited evidence for this prediction</i>
<i>Unity of the local welfare state</i>	<ul style="list-style-type: none"> EUWS is a relatively fragmented and divided urban welfare state (sectoral and between government levels) 	<ul style="list-style-type: none"> More social and economic integration is occurring in the politics, budgetary process and organizational structure of regional government UWS coalitions lack regular business, labour, voluntary sector and service user representation Welfare state constituencies developing and linking more to broader urban state, but primarily larger organizations 	<i>Limited evidence for prediction</i>
<i>Responsiveness to urban social needs</i>	<ul style="list-style-type: none"> Limitations on EUWS to respond to urban social needs 	<ul style="list-style-type: none"> Worsening social trend indicators in York Region, even during non-recessionary periods Interview feedback corroborates that worsening social trends are occurring 	<i>Evidence supports prediction</i>
<i>Type of Delivery Agent</i>	<ul style="list-style-type: none"> EUWS has a mix of delivery agents, depending on politics of regional community 	<ul style="list-style-type: none"> Interview feedback and regional documents show a mixed social welfare delivery system, with somewhat less public and more voluntary and private sector delivery than in the past 	<i>Evidence supports prediction</i>
<i>Mix of universal and residual social programs</i>	<ul style="list-style-type: none"> More support for community-wide and less for income-redistributive human services 	<ul style="list-style-type: none"> Limited public support for municipal income-redistributive human services shown in surveys Municipal health-related expenditures increase significantly, but budgetary analyses show current and future reductions to more income-redistributive human services 	<i>Evidence supports prediction</i>

Findings

There is fairly strong evidence to support the proposition that the York Region EUWS form is shaped largely by the local and broader political economy, and provincial and federal state levels. York Regional Municipality has limited autonomy to respond to urban social needs in a flexible manner, given the decreased funding from the federal and provincial governments (particularly in the 1990s), and the highly prescriptive service environment. Autonomy as derived from the Canadian constitution is limited, given that there is no recognition of municipalities as a distinct level of government.

In a somewhat parallel and contradictory way, however, some emerging trends show some potential foundations for some increases to urban welfare state autonomy. EUWS autonomy in York Regional Municipality is shaped by, amongst other things, the local political and electoral process. The increasing number of political linkages and partnerships between the regional municipality, other state levels in the region, and welfare state constituencies contributes to the power and autonomy of the EUWS. These changes are essentially non-constitutional in nature.

The fiscal capacity of the EUWS to meet increased social needs in York Region is limited, given the decreasing social transfer levels from upper level governments, combined with increased municipal responsibilities. EUWS forms in Ontario¹³³ show the symptoms of weak fiscal foundations -- the foundations that are necessary to develop this welfare state level. There is significant budgetary and other evidence to suggest that overall human service funding to municipal governments by upper level governments has

¹³³ York Regional Municipality was examined as the case study, but on the basis of interviews with representatives from the Province and other municipalities, and given the similar political and legislative context for Ontario urban governments, the EUWS may have broader applicability.

been declining, especially in the income redistributive human services.¹³⁴ Again, worsening social indicators show the increasing stress on urban governments.

Reduced fiscal capacity adversely affects the ability of an EUWS to exercise fiscal autonomy (or urban state discretion to use program funding that is responsive to the urban community), or autonomy over policy or program management. It is difficult for urban welfare states to make discretionary decisions relating to urban human services when the funding is not there to do so. EUWS fiscal autonomy further is compromised by the increased use of conditional program funding. Provincial funding transfers to municipalities show a trend of increased use of conditional grants and decreased levels of unconditional funding. Also, given that fiscal tools are limited mainly to the property tax and conditional grants from upper level governments, urban governments are vulnerable to economic downturns. This again reduces both UWS capacity and autonomy.

The influence of local politics in York Region, as well as national welfare state restructuring decreases the funding capacity for maintaining a well-developed urban welfare state, particularly in redistributive human services. Demographics can partially explain the rapidly increased demand for the more health-related services such as long-term care and land ambulance.¹³⁵ However, there is a predicted decline in the share of York Regional Municipality's human services budget allocated to redistributive human services (Carleton University 2000b), despite the rapidly increasing poverty rate and increased demand for these services. Public opinion survey results and interviews with

¹³⁴ Again, human services is a broad term. Many program areas have witnessed different levels of funding support in the 1990s, but income redistributive services such as child care and social housing have witnessed decreased relative funding support. This has resulted from both the significant reductions to federal social transfers to the provinces (especially from the CHST budget and following ones), and the Harris welfare reforms and LSR of the mid 1990s.

¹³⁵ The CPPA economic study predicted that, based on maintaining the current level and type of services, long-term care service demands and costs would increase 278% while land ambulance would increase 156% (Carleton University, CPPA 2000b) between 2000 and 2026.

regional councilors and officials confirmed that the public appetite for funding these services on the property tax base is limited. These findings are in keeping with the predictions of an EUWS model.

Democratic capacity for the EUWS in York Region is also limited. Based on case study findings, York Region has not yet fostered the strong civic and democratic foundations required for EUWS development. Welfare state coalitions are not always broadly based, institutionalized or influential.¹³⁶ Voter turnout and involvement in local politics is low, and knowledge of the local human service delivery system is fairly limited.¹³⁷ Given the significant provincial changes to the municipal human service roles, this is not surprising. Some evidence¹³⁸ suggests, however, that public interest, knowledge and participation are improving as local communities begin to understand the new human service responsibilities of city and regional governments.

As expected with the EUWS model, local politics strongly shapes and influences urban welfare state development. Systemic biases within urban politics and the political economy constrain urban welfare state development in York Region. Numerous interview respondents, when asked which groups or organizations had the most influence over the regional political agenda, most commonly pointed to developers, ratepayers, business (e.g. chambers of commerce), and the media.¹³⁹ Of the larger welfare state organizations, respondents pointed to the strength of the hospital and health lobbies, and

¹³⁶ Interview respondents claimed that it is mainly the large organizations, such as in the voluntary sector, that are resourced enough to become involved in coalitions, lobbying and advocacy functions. There are many small voluntary sector organizations in the Region unable to do this. Further, labour and business organizations are generally not as actively involved in these coalitions.

¹³⁷ Numerous interview respondents made this comment.

¹³⁸ Evidence in this case relates to observations made by numerous interview respondents in local governments, social service agencies and the voluntary sector.

¹³⁹ Business and developer organizations outnumber welfare state groups in the number and volume of presentations and submissions to regional council, and local area municipal councils in particular.

the larger education agencies such as the local (Seneca) college.¹⁴⁰ Other respondents commented that the influence of social welfare organizations depends on the political visibility given to issues during particular (and shorter-term) periods, such as the current public focus on child development programs and homelessness initiatives.

Local business, developer and ratepayer's associations influence the level of urban welfare state financing, mainly indirectly. Local, and particularly international businesses, lobby the provincial government more than local governments, through their provincial associations or their larger corporate organizations. Lobbying by developers, however, is more locally involved, with developers often providing campaign contributions to local and regional candidates that are most aligned with their interests. As pointed out by Illingworth,¹⁴¹ they have also pressured and supported the Ontario provincial government, through the Urban Development Institute to change the rules of the Development Charges Act so that developers do not have to pay towards the costs of *soft services*. Both developer lobbies and Chambers of Commerce pressured local as well as provincial governments to cap increases on business property taxes. These lobbies have been quite influential at the provincial levels of government, thereby affecting the revenue sources for municipal government, and indirectly, the financing and development of an urban welfare state.

Other welfare state levels and their voting publics also influence urban welfare state development. The York urban welfare state is embedded, in complex ways, in these numerous political economies. York Region voters, for example, voted solidly for the

¹⁴⁰As a further indication of the strength of health lobbies, the Regional Municipality of York has become involved in and contributes to the financing of hospital capital funding campaigns.

¹⁴¹ Illingworth discussed this during a personal interview. He has also brought this up the issue of the power of this Institute during his interview for Stephen Dale's book, *Lost in the Suburbs*.

Harris Conservative government in both provincial elections. Party polling undertaken by the Ontario Conservatives prior to the 1995 election showed that at least 60% of voters showed strong support for the issues of tax cuts, reducing the size of government and the requirement of *work for welfare* (Ibbitson 1997: 58). This level of support was particularly pronounced in the 905 suburban regions of Toronto, such as York Region (Dale 1999). The federal and provincial government decisions to download many of the policy and funding responsibilities for both social housing and childcare have also shaped urban welfare state form and capacity. The 1996 Canada Health and Social Transfer funding reductions by the federal government reduced social transfers to the provinces, and had a significant impact on provincial and urban welfare state capacity to maintain welfare state program funding. Despite that some federal funding has been restored (e.g. health funding and affordable housing),¹⁴² the national welfare state has, overall, reduced its commitments and social entitlement levels for income redistributive programs.

York Region's socio-economic composition and political voting patterns reveal why it would be difficult to develop an urban welfare state strongly oriented towards redistributive human services. As pointed out by numerous interview respondents, there is little to suggest that York regional voters would want to support such service financing on their property taxes. However, this does not necessarily preclude an active role for a regional government, and a broader urban welfare state that is more actively involved in the management and delivery of such programs. This finding suggests that while York Regional Municipality may effectively manage and deliver redistributive human services, funding them on the property tax base is problematic.

¹⁴² Health funding was slowly increased in federal budgets after the 1996 CHST budget. The 2001 federal budget allocated \$680 million over five years for affordable housing programs, based on cost-sharing arrangements with the provinces (Prime Minister's Caucus Task Force on Urban Issues, April 2002).

With the EUWS model, urban welfare state development is influenced by the context and politics of other state levels within a national, federal system of government. Federal and provincial political and budgetary decisions influence the form, nature and development of the UWS. As would be expected with an EUWS model, upper level governments, particularly in Ontario, have influence over the shaping, development and characteristics of an urban welfare state. The Ontario provincial government has maintained a strong funding and policy role in the politically popular social programs of health and education. Despite that many responsibilities for the less politically popular redistributive human services have been devolved to municipal governments, a highly prescriptive policy and regulatory environment has been maintained, as would be expected in an EUWS model. The Regional Municipality of York is now more responsible for the funding of Ontario Works and childcare programs, and is fully responsible for the funding and management of social housing. There is little discretion to tailor these programs to regional communities, although there is some discretion over whether to provide the programs directly or to contract them to the voluntary or private sector.

The urban welfare state in York Region is fragmented, though the EUWS model does not adequately describe the nature of this fragmentation. The provision, funding and delivery of urban welfare programs, as revealed in the case study, are fragmented (i.e. service and institutional fragmentation) between numerous federal welfare state levels, and between the public, private, voluntary, and community sector. The private, voluntary and non-profit sector, which have taken on a greater role for the delivery of human services such as child care, nursing and homecare, long-term care, immigration

services and employment-related services, is fragmented amongst a large number of different providers in the urban delivery system. This fragmentation can be a source of instability and a hindrance for the participation by welfare state coalitions in routine or institutionalized human service planning, given the turn-over of providers and impediments to participation by smaller and less well-resourced service providers.

Despite the predicted fragmentation of the York UWS, however, there are indications that there is more integration than in the past between the economic and social sectors of the local welfare state. Welfare state coalitions are developing their institutional bases, their influence and their linkages to the local state. However, as noted previously, they do not always have a great degree of influence over the level of program resourcing and priorities of the broader local state. Yet the institutionalization of the Human Services Planning Coalition is an indication of organizational development and influence of welfare state coalitions in the regional political process. Voluntary sector respondents of the larger non-profit agencies noted that partnering, planning and coalition-building in the Region of York had been more successful in recent years, pointing to the key role of the Regional Municipality of York in facilitating this process. Despite UWS fragmentation, there is the sense that welfare state coalitions are developing and exerting some influence on the regional political agenda.

Urban welfare state *fragmentation* should also be analyzed within the context of what has been referred to by urban regime theorists as systemic bias, and more fully taken into account in the EUWS model. The urban state continues to be fairly fragmented amongst a number of unequal participants in terms of their power and influence over the local political and budgetary agenda. Welfare state coalitions operate

within environments in which they do not have the same power resources as other groups and organizations. Despite their increased level of institutionalization, they are less likely to exert influence and to develop strong linkages with the broader local state. This is a result of their lack of capacity to be able to engage in such activities. There is fairly limited participation from organized labour, and practical barriers to the full participation of many of the smaller and voluntary welfare state service organizations. The users of human services, while they interact and receive benefits from urban delivery agencies (so that their needs are visible to such organizations), do not participate in any meaningful degree in these coalitions.¹⁴³

Case study research has shown that there is somewhat more unity and integration to York's urban welfare state form, however, than might have been expected by a purer EUWS form. Welfare state coalitions exist and engage in partnership arrangements for the planning, funding and delivery of regional human services. The economic and social sectors and divisions within regional government are reasonably well linked, through departmental organization, the committee structure, and the budgetary process. This is not to say, however, that welfare state coalitions and social/economic integration leads to a well-developed and financed urban welfare state responsive to urban social needs, particularly given York's political economy and its limited municipal fiscal capacity.

This case study research also examined the context of the broader urban state and political fragmentation within York Region on urban welfare state form and development. During interviews, and particularly those with the Markham Chamber of Commerce and large employer Magna International, it became evident that business organizations in York Region become involved in public issues of most direct concern to

¹⁴³ Again, this is not a finding that is specific to York Region.

them. Typically, this includes positions on local property taxation, and potentially, amalgamation and broader governance issues. There is some evidence to suggest that the urban welfare state includes municipal government and welfare state coalitions, but it does not include business or labour representation to any significant degree. The broader urban state is fragmented in the sense that it lacks unity between the social and economic sectors of the regional community, which is important for UWS development.

Summary

The York UWS is embedded within and significantly influenced by the multi-tiered governance structure of the national welfare state, and within the regional, provincial, federal and global political economies that influence and constrain it. This has led to a limited EUWS form in which human services are increasingly unable to respond to urban social needs. Social programs that appeal to the broader middle class are financed and supported by federal and provincial welfare state levels more than redistributive social services. Given these constraints, however, the broader urban welfare state¹⁴⁴ in York Region has initiated developments towards fostering and supporting its human services, along with some stronger planning and financing capabilities. The urban state reveals some degree of unity, despite its fragmentation, and the urban welfare state is beginning to develop greater linkages to the broader urban state. Nonetheless, the broader political economy of the UWS, including public and private sector interests, place limits on the capacity of the EUWS to go beyond planning to the implementation of the goals of a more redistributive welfare state.

¹⁴⁴ This broad UWS consists of York Regional Municipality, other regional welfare state levels, and parts of the voluntary and community sector (public and private) that are linked to welfare state institutions.

The features and capacity of an urban welfare state cannot be separated from its social content, or outcomes. The shift of social welfare provision and delivery to the voluntary sector, with its human resource and financial constraints, reveals some significant limits on the EUWS capacity to provide urban human services. Regional food banks and shelters have continued to witness the strains of rising numbers. There are some serious capacity (i.e. funding, staff, organizational) issues in the voluntary sector in York Region that prevent this sector from fully responding to the pressures to meet urban social needs.

York Region reveals an EUWS form with its features of limited autonomy, and limited fiscal and democratic capacity. The EUWS and the embedded local state are limited in their ability to *govern* in the realm of welfare state and other services. However, the York EUWS has become more responsible for the important functions of human service management and delivery and may develop more governing capacity by building various partnerships, and as a result of the evolutionary changes occurring to the national welfare state system. Thus, the York EUWS *manages* rather than *governs* in the human services.

The Residual Urban Welfare State (RUWS) in York Region

The RUWS Features

Under an RUWS model, local voter preferences, vote-seeking behaviour by local politicians, public financing arrangements, and federal welfare state institutions would shape the York urban welfare state. A York *residual* urban welfare state has responsibility mainly for the program delivery system, while upper level governments (and the provincial government in particular) have welfare state policy and funding

responsibilities. York Regional Municipality, while having the responsibility for managing and delivering human services, need not necessarily be the service provider.

The RUWS in York Region would be characterized by a low degree of autonomy, and very limited urban fiscal and democratic capacity. It is assumed that the main policy and funding responsibilities for social welfare provision should be provincial. It is also assumed that the democratic capacity for developing an urban welfare state would be limited, given that the voting public would not be supportive of municipal income redistribution or redistributive services on the basis of property taxation.

In the RUWS model, the goal of the multi-sectoral urban welfare state would be to maximize efficient, competitive and responsive service delivery. The contracting out of human services to the voluntary or private sector, based upon concepts of subsidiarity, efficiency and responsiveness, is a very viable option with this model. In the RUWS model, local politicians are viewed as self-interested, and preoccupied mainly with getting re-elected. In York Region, this would not create the conditions for the political support for human service policy and funding responsibilities, given the Conservative voting patterns of York political majorities and the limited and regressive nature¹⁴⁵ of revenue generation through property taxation. Regional government, the broader urban state, and York's political economy would not be conducive for financing redistributive human services as a sub-set of the broader human services.

The RUWS model is loosely based on some of the assumptions of theories of public finance, public choice and fiscal federalism. It provides a rationale for federal and

¹⁴⁵ Property taxation can be compared to more progressive income taxation, which only the federal and provincial government have access to. When income rises or falls, so does the proportion of tax paid. Property taxes are less linked to income or wealth, particularly during economic recessions when real income falls but property taxes do not adjust accordingly.

provincial funding and policy responsibilities in many welfare state programs, particularly those relating to income redistribution. According to the RUWS model, the UWS would not be a well-developed or comprehensive urban welfare state.

RUWS Model Predictions and Evidence

Table 5.4 summarizes the main RUWS features and predictions, as well as the evidence and findings. The goal of the predictions and evidence is to assess the “fit” of the RUWS model with the findings York Regional Municipality of York. Again, the model predictions and evidence and findings are further elaborated upon in the following sections.

Table 5.4: Summary Table: Residual Urban Welfare State Model Findings

Features	Predictions	Evidence Obtained	Findings
<i>Nature of local politics</i>	<ul style="list-style-type: none"> Local politics and middle class constituencies shape and limit UWS development, particularly income-redistributive human services Vote-seeking local politicians pursue interests of middle class 	<ul style="list-style-type: none"> Interviews/surveys show that York regional public not very supportive of income redistributive programs on property tax base Most urban municipal politicians support the more universal social programs benefiting the <i>median voter</i> middle class voter over income redistributive human services Bureaucratic interests and welfare coalitions build some urban public and political support for income redistributive human services 	<i>Mixed evidence for prediction</i>
<i>RUWS Autonomy</i>	<ul style="list-style-type: none"> Very limited autonomy in RUWS human service policy and funding Strong federal and provincial policy and funding support for human services delivered by urban municipalities 	<ul style="list-style-type: none"> Autonomy, particularly that of urban municipalities, is more limited than in the past from the Ontario LSR human services program swaps, legislation and regulations At the same time, some movements toward more human service policy involvement by broader urban welfare state 	<i>Mixed evidence for prediction</i>
<i>Fiscal Capacity</i>	<ul style="list-style-type: none"> Very limited urban fiscal capacity for human services 	<ul style="list-style-type: none"> Interview feedback and budgetary information showed an increased UWS involvement in financing human services (degree differs, depending on the program) More human service financing on the property tax base More conditional provincial funding and standards but overall grant levels declining 	<i>Limited evidence for prediction</i>
<i>Democratic capacity</i>	<ul style="list-style-type: none"> Very limited urban municipal capacity and foundations to sustain urban human services 	<ul style="list-style-type: none"> Interview feedback and voter turn-out show fairly limited democratic capacity for an urban welfare state, but local councillors more aware of and responsive to social responsibilities Some influence/involvement of welfare state coalitions during and between elections 	<i>Some evidence for prediction</i>
<i>Development and influence of local welfare coalitions</i>	<ul style="list-style-type: none"> Very limited development and influence of local welfare coalitions 	<ul style="list-style-type: none"> Evidence (through interview feedback and direct observation of important local human service local meetings) showed limited number and power of such coalitions 	<i>Mixed evidence for prediction</i>
<i>Unity of the local welfare state</i>	<ul style="list-style-type: none"> Not a core part of RUWS model, given the assumption of a limited local welfare state 	<ul style="list-style-type: none"> Not applicable 	<i>Not applicable</i>
<i>Responsiveness to urban social needs</i>	<ul style="list-style-type: none"> Responsiveness influenced by federal and provincial funding and political support for urban human services and local delivery system 	<ul style="list-style-type: none"> York interviews/public opinion polls showed limited public awareness and/or support of meeting such needs from property tax Social indicators revealed increase in social stress measures during favourable economic conditions and growth in regional revenues 	<i>Some evidence for prediction</i>
<i>Type of Delivery Agent</i>	<ul style="list-style-type: none"> Numerous organizations involved in competitive and efficient service delivery 	<ul style="list-style-type: none"> Interviews and examination of documentation show a trend towards more competitive service delivery based on delivery by private sector, public sector or voluntary organizations 	<i>Some evidence for prediction</i>
<i>Mix of universal and residual social programs</i>	<ul style="list-style-type: none"> Support for more universal social programs that benefit the <i>median</i> or middle class voter 	<ul style="list-style-type: none"> Interview feedback and provincial legislation show human service provision determined by provincial regulations and standards Some movement towards increased urban political and funding support for universal rather than residual human services 	<i>Mixed evidence for prediction</i>

Findings

The RUWS model is based on a prediction that most human service policies and funding are *centered* mainly at the provincial level of government. However, many human service responsibilities, particularly program funding, were further devolved by the provincial government to upper tier and city governments during LSR¹⁴⁶ in exchange for the provincial assumption of education policy and 50% of education financing.¹⁴⁷ Human services vary in terms of provincial policy and funding involvement.¹⁴⁸ Evidence from interviews, literature and documentation reveals that this RUWS prediction has fairly limited applicability to the Ontario context.

An RUWS model predicts a low degree of UWS autonomy, but evidence suggests that this is not quite accurate. While autonomy is limited, urban governments manage the human service delivery system, leading them into some policy functions. For example, such governments may pay for discretionary items that are not funded by the provincial government, such as welfare benefits for the elderly. The decision to zone land for particular social purposes, such as the requirements on developers for parks or social housing, is another example of a social policy decision. Given that CMSMs are now fully responsible for social housing funding and management, their management and policy autonomy over this program area will increase. CMSM designation also implies

¹⁴⁶ Some of the public choice assumptions, including the self-interest of politicians in obtaining re-election, may apply to the provincial government in this case. Those services that were not devolved, such as health and education, have a higher potential for returns at the polls.

¹⁴⁷ As commented previously, as part of the LSR initiative, initially education financing was taken off the property tax base. As a response to municipal objections to the original “service swap”, however, human services were once again “realigned”. The provincial government took back a proportion of the funding of some human services. Education, in the new formula, is now 50% financed by local property tax.

¹⁴⁸ For example, there is fairly significant provincial regulation and funding of Ontario Works but more limited involvement in social housing.

and recognizes that urban governments will take on more service management responsibilities, including decision-making relating to service delivery agents.

One of the stated provincial objectives for the 1998 Local Service Realignment was “greater autonomy for municipal government” (Province of Ontario 1998: 13) to increase their ability to be responsive to their particular communities. Yet, in some program areas such as social assistance, there is limited legislative or funding room to exercise the LSR objective of municipal autonomy. However, there are potential exceptions to this, such as the future municipal role in social housing. The case study evidence suggests that limited forms of UWS autonomy do exist in some program areas.

The RUWS model predicts a very limited urban fiscal and democratic capacity for human service programs. It is assumed that redistributive human service funding levels and the municipal capacity for these programs are primarily the responsibility of upper-level governments. However, York Regional Municipality has become more involved in and responsible for human service funding. While the provincial government provides conditional grants in some areas (e.g. Ontario Works), there are others where urban governments have had to take on greater funding roles (e.g. social housing, child care), based on municipal property tax revenue. While the pressure for expanding redistributive human services at this level of government is limited within York Region, significantly increased spending has been occurring over the years to meet provincially mandated responsibilities. The Ministry of Community, Family and Children’s Services estimates that the gross municipal spending¹⁴⁹ of municipalities devoted to human services increased 57% between 1997 and 1999 (Province of Ontario 2001b: 80). Gross

¹⁴⁹ Gross operating expenditures (gross municipal spending) represent total spending and do not deduct revenues received from grants from other levels of government, fees and services.

municipal human service spending in 1997 was \$4.2 billion as compared to the \$6.6 billion in 1999 (Province of Ontario 2001b: 11). The Carleton CPPA study of the Regional Municipality of York showed that approximately half of the Regional Municipality of York's budget was dedicated to the human services in 2000,¹⁵⁰ and was expected to increase in upcoming years (Carleton 2000b). Thus, the RUWS predictions show fairly limited evidence for its predictions relating to UWS autonomy and capacity.

The RUWS model is based on the assumption of self-interest of local politicians. As noted previously, many of the Conservative themes of less government, reduced taxes, and work-for-welfare programs had resonance with York Region voters. On this basis, it might be expected that regional politicians might support decreases to local property taxes. However, regional and local politicians have maintained property tax levels and have slightly increased budgetary expenditures on human services.¹⁵¹ Regional council also unanimously approved the Human Services Strategy, which placed a high priority on increasing affordable housing options and public transit, and approved a budget for the hiring of staff to implement the Strategy.

While municipal politicians engage in behaviour with an eye on re-election, self-interested behaviour is also mediated by broader political and social views, and longer-term goals. As mentioned previously, the two most active regional politicians in human services, Councilors Joyce Frustaglio and Tony Wong, come from the affluent and politically conservative ridings of Vaughan and Markham. This is contrary to RUWS predictions. However, given that there is no party system in the regional municipal

¹⁵⁰ Part of the reason for this discrepancy arises from the fact the provincial government did not include police services, like the Regional Municipality of York, as part of their human services definition. Further, the Province's estimates represent all local governments, as opposed to an urban, regional municipality.

¹⁵¹ In 2000, a 4.5% residential property tax increase was approved by York Regional Council.

electoral system to ensure greater consistency between campaign platforms and council positions between elections, this perhaps allows local politicians to exercise more decision-making discretion once in office. There are limits to this, however, as they do base their positions on issues that will most likely lead to their re-election. Interview feedback revealed that regional councilors do not campaign on social policy platforms, indicating some evidence for the RUWS assumption and corollary prediction that human services will not receive much political support in York.

The RUWS model predicts limited support for redistributive social services at the local level, given the interests of municipal constituents. Overall, there is mixed evidence to support this RUWS prediction, particularly in certain program areas. The majority of York Region constituents do not personally benefit from human service financing and provision on their property tax base unless they view such programs as contributing to the quality of life or health of their communities. However, human service policy and funding decisions are controlled to a fairly significant degree by the provincial government when it legislates and regulates particular services that municipalities must deliver. Further, bureaucratic interests and welfare state constituents exert some influence on these decisions, somewhat independently of the public's views.

An RUWS model predicts *under-provision* of redistributive human services, given the non-local benefits and service costs, or service spillovers. Generous provision of such services within a specific regional community, it is argued, has the potential to attract welfare state users and increase the community's financial burden. There is an element of truth to this observation, though the reality is somewhat more complex. While there is a tendency for welfare state users to locate in Toronto, with its more developed

human service environment, location decisions are also made on the basis of property and rental markets, and job-related considerations. The highly prescriptive legislative environment of Ontario Works (OW) ensures fairly standard provision and benefit levels by urban governments. Even where some programs allow for municipal discretion (e.g. child development services), there is very limited municipal fiscal room to fund them, which has the effect of reducing municipal differences. Municipally funded social housing programs are a problematic program area given that the stock of social housing across regions varies greatly, and there is limited fiscal capacity for its expansion. Under-provision of social housing is a program area that is potentially highly problematic given differing levels of local support for its provision.

The trend towards destructive under provision of human services, as predicted by an RUWS model, has not come fully to fruition in York. But overall, redistributive human service levels have been reduced as a result of the funding and legislative changes implemented by the Ontario provincial government.¹⁵² As respondents pointed out, municipal discretion to tailor human service programs to meet the needs of regional communities has been reduced.

An RUWS model, based on subsidiarity concepts, predicts and prescribes a competitive service delivery environment in which human services are potentially delivered by the state, the voluntary sector or the private sector. In York Region, there is evidence of a shift from state to more voluntary and private sector service delivery. The regionally operated childcare centers were divested to non-profit and private sector delivery agents in approximately 1995-96. The employment services component of

¹⁵² The most notable reduction in provincial/municipal income redistribution was the Ontario government's 22% cut to welfare benefits in 1995.

Ontario Works has been delivered by employment counseling agencies, though more recently the Regional Municipality has taken a number of these functions back. While the Regional Municipality has had some delivery responsibilities for programs such as long term care and special needs programs, the provincial Community Care Access Centre (CCAC) now takes responsibility for referrals to a host of state, voluntary and private providers. As numerous interview respondents commented, the service environment is more competitive than in the past, as predicted by the RUWS model.

The service delivery environment in York Region, however, contains some features that are not well predicted by the RUWS model. The model prescribes a service delivery environment that benefits from competitive service delivery. However, a number of interview respondents noted some negative consequences arising from the shift from public to voluntary and private service delivery, such as some deterioration of service levels for long-term and special needs care. Other respondents commented on the lower voluntary and private sector wage levels, resulting in increased staff turnover and reduced morale. Some voluntary sector respondents spoke of funding instability and insecurity for the longer-term operation of their services, the reliance and time spent on private fund-raising, and insufficient funding for staff training and development. Notably, a decision was made in 2000-01 by the Regional Municipality of York to bring back employment services for the *hard to employ* to direct municipal delivery, given the tendency of private placement agencies to provide services to persons more likely to obtain employment. On the other hand, most respondents argued that the private delivery of childcare had been viewed as a success in York Region, with no resulting decrease in the quality of staff or level of service.

Summary

While some features of the RUWS model apply to York Region, case study evidence suggests that this urban welfare state form has fairly limited applicability at the present time. Despite some previous and recent pressure from municipalities to *upload* funding responsibilities for human services such as Ontario Works (AMO 2001), the Ontario provincial government has not provided any indications that it will engage in substantive service realignment in the near future. An RUWS model, however, points to the risks of funding and providing human services on a property tax base. Given Ontario's legislative changes and the current fiscal capacity of regional municipalities, the funding and benefit levels for income redistributive human services have been reduced.

York Region and the Urban Welfare State

York Regional Municipality shows most evidence of the features of an Embedded Urban Welfare State. It is not a *pure* model, but is the best approximation of the current features of the York UWS. Yet as noted previously, some features of the other models can be applied, to a limited degree, to the York Region case.

The case study reveals a contradictory path of UWS development in which York regional government and other state levels and community organizations are developing some urban welfare state features. However, these developments are occurring within the context and constraints of a strongly centralizing provincial government and limited welfare state funding. It suggests a particular form of national welfare state decentralization and dispersion, as might be expected by EUWS model predictions.

The next chapter will further develop and elaborate on the EUWS model of governance. It is important to note that not all EUWS elements could be predicted. Additional and unpredicted findings should be taken into account for the full consideration of the EUWS model. The model and findings have implications for the evaluation of the opportunities and limitations of this UWS form, as well as its applicability to other municipal governments.

Chapter Six – The Embedded Urban Welfare State What Kind of Welfare State?

Introduction

The urban welfare state models have been conceptualized and applied to the case study, with the evidence suggesting that the embedded urban welfare state (EUWS)¹⁵³ is the best approximation of the emerging form of welfare state in York Region. The EUWS is embedded in both vertical (between federal state levels) and horizontal (society and economy) relationships. This chapter will focus on local state form and inter-state linkages, while the following chapter will assess state-society linkages.

The main objective of this chapter is to elaborate further on the concepts of autonomy and capacity that are essential to urban welfare states, and to place this discussion within the context of York Region. It is contended that the substance of UWS autonomy and capacity is influenced by politics and the political economy. Second, the policy process is examined to show how the degree of state autonomy and capacity differs, depending on the policy-making process stage and the program involved. Third, there is an assessment of new urban welfare state governance units within larger metropolitan governance regions, provided by the case study example of the Greater Toronto Area in which York is situated. The boundaries and governance powers of evolving interstate and multi-sectoral governance arrangements reveal some of the political developments and limitations on EUWS forms that occur within changing urban regional spaces. The chapter concludes by relating the EUWS model and concepts back to theory, expanding on the nature of EUWS forms and features, developments and limitations.

¹⁵³ The EUWS will now be used synonymously with the term *urban welfare state* given that it has been argued that this urban welfare state form best fits the York case study of urban welfare governance.

The following chapter section examines the conditions that have shaped urban welfare state forms and features, and the linkages between the state, the market and society. Various political forces in York Region have had different degrees of success and influence over urban welfare state development. While some assessment occurred in chapter five, this section further discusses and develops the political economy context and the predicted and unpredicted case study findings as they relate to the EUWS model and concepts.

Politics and Political Economy: The Shaping of the EUWS

It has been stated that the EUWS is embedded within the broader national welfare state and its political economy, and is subject to its institutional legacies. Some of the conditions for the development of an urban welfare state exist within York Region. In York Region, this political economy is marked by fiscal and social conservatism,¹⁵⁴ a relatively healthy tax assessment base and somewhat low per capita social service demands.¹⁵⁵ Like other city and upper-tier municipalities, York Regional Municipality has assumed increased human service roles and responsibilities from the provincial government. As a result, York Regional Municipality's Council has become increasingly involved and more proactive in the management of human services programs than in the past.

¹⁵⁴ The political economy of York is evaluated relative to other urban governments in Ontario. Some are more similar to York Region than others. Peel, for example, is much more similar to York Region in its political economy and socio-demographic composition than the City of Toronto.

¹⁵⁵ The lower per capita social service demands are due to lower social welfare caseloads, although it has been noted that provincial funding levels for York Region haven't kept up to its population growth. The relatively lower social service demands in York are related to, amongst other things, York Region's relative affluence. The high cost of private and rental housing also deters lower income households that may require social welfare services from locating in the Region.

The political forces of fiscal and social conservatism, the context of Ontario welfare reform, and the relatively limited influence of welfare state coalitions, however, prevent this same urban welfare state development. The Ontario political economy and Harris Conservative government, with its agenda of reducing social welfare program expenditures and implementing income tax cuts, is common to all municipalities. However, the level of political support in York Region for the Harris policy platforms indicates that this agenda has had stronger resonance in York than in some other core urban regions, such as the City of Toronto. While political pressures from York voters are similar at provincial and municipal levels, the Harris government's politics and agenda during the 1990s have not been directly transferred to York's municipal domain. As shown in York Region, there has been relatively greater public tolerance for maintaining municipal tax levels (as opposed to the strong political support for the provincial tax cuts), and even some property tax increases.¹⁵⁶ The important point to draw from such examples is that local politics does indeed matter. Local politics contributes to the development of urban welfare state forms that are unique to and distinct from provincial politics.

The political economy of York Region, like other regional municipalities, has a particular set of social relations between business, labour and the state. This political economy is shaped by the broader national state context, but in particular, by the Ontario government. For example, while labour union presence was already limited in York Region, its overall influence has been diminished by the Ontario government's labour

¹⁵⁶ For example, Richmond Hill and Markham (relatively urban municipalities) have maintained their notional tax rates (and levies), increasing them by less than 3 % in 2001 (Markham) and 2002 (Markham, Richmond Hill). Those residential properties with increased assessments saw their actual tax rates decline, but the amount of taxes paid (on average) remained approximately the same.

legislation that has reduced the power of the labour movement across the province.¹⁵⁷

An EUWS is influenced by the political economy of the local state in several aspects: interstate, state/market and state/society dynamics and linkages. In York Region, interstate and intersectoral (vertical and horizontal) linkages and partnerships in the human services have grown significantly in recent years, particularly with the voluntary sector. York Region's newly developed Human Services Planning Coalition is a case in point of a newly developed partnership that participates in the urban welfare state.

The case study revealed that, in York Region, the political, policy and service linkages and partnerships between the UWS and the private sector are not as well developed as those involving interstate and state/voluntary sector arrangements. Tripartite human service planning and management bodies that include the local state, the private sector and labour are not common, and their participation is limited and sporadic. A labour representative is not included in the new Human Services Planning Coalition.¹⁵⁸ Interviews conducted with numerous respondents, including those in the private sector, showed that small and large business and their organizations in York Region do not become involved in the human services unless it directly affects their interests. However, they shape the EUWS indirectly by their lobbying activity that is aimed at reducing business property taxes (potentially reducing local government revenues and the size of the state if effective), and other issues that involve their interests and members. The York Chambers of Commerce, for example, lobbied the provincial government to

¹⁵⁷ This has been particularly notable with the public sector and teacher's unions, given the Harris Conservative's campaign commitments to significantly downsize the public service. This was evidenced by the 1996 OPSEU public service strike, and the teacher's strike against Bill 160 in October 1997. For further analysis of Ontario public sector relations during this time, see Joseph Rose's analysis in Gene Swimmer, ed., *Public Sector Labour Relations in an Era of Restraint and Restructuring*, 2001.

¹⁵⁸ Business has been designated a seat on the 18 member Planning Coalition, but there is no designated seat for a labour union representative. It was argued that there were no requests for a seat, given that organized labour has a very minimal presence in the Region.

disband the Greater Toronto Services Board, claiming it to be a “wasteful, unnecessary and ineffective” government body. Thus, while business interests often do not influence the EUWS or urban state directly by targeting their lobbying efforts at them, they do have influence. Many business lobby groups or associations have deemed it more effective to lobby provincial governments on issues that might affect them locally.¹⁵⁹

Business interests, however, are not cohesive. The York Region case study demonstrated that small and large business associations have different types of linkages with municipal governments in York Region. Developer associations are much more locally rooted and affected by zoning bylaws and development charges,¹⁶⁰ so they devote more time to exerting influence on lower and upper-tier municipal governments. Small and medium businesses through their Chambers of Commerce are somewhat locally involved given that business is affected by local municipal tax rates, but not quite as directly and frequently as individual developers and their associations. Big business (such as Magna International or IBM) are the least locally involved in urban social welfare issues, other than their local fund raising drives to raise money for such organizations as the United Way and other social welfare organizations.¹⁶¹

The involvement and activities of municipal officials and bureaucracies, and welfare state constituencies also influence urban welfare state development in York Region. Through their organizing efforts, more linkages to the voluntary sector, private sector and regional public are fostered. For example, while the Human Services Strategy

¹⁵⁹ The Ontario government controls such important decisions as business property tax-capping rates.

¹⁶⁰ Developers are affected by local municipal site plans, municipal and regional official plans, and regional development charges.

¹⁶¹ The degree and type of involvement of businesses and their associations with municipal and regional governments, as opposed to other levels of government, became apparent in interviews with private sector respondents, municipal community activists and municipal staff.

was initiated by a couple of key municipal councillors,¹⁶² regional municipal staff across a number of program areas supported and developed the community coalition-building that was required to sustain the initiative.¹⁶³ As another example, the regional Director of Childcare and Children's Services has been active in building community and sectoral partnerships in support of the Early Years Demonstration Project in York Region.¹⁶⁴ This type of coalition building broadens and deepens the urban welfare state. However, it is still too early to presume that this type of organizing and leveraging of resources will be adequate to meet pressing social needs in York Region, particularly in light of reduced provincial grant levels, increased regional human service responsibilities, and the limited municipal fiscal base and tools.

The development of a democratic, relatively autonomous and well-financed urban welfare state in York Region that can respond to urban social needs faces a number of current and future challenges. UWS service functions are shaped and constrained by local and other political levels and welfare states, and particularly, by the provincial government and welfare state. The power, resources, autonomy and capacity of York's EUWS are influenced quite significantly by the Ontario government, given its constitutional, legislative and fiscal predominance over municipal governments. Policy and funding tools are substantially constrained by the Ontario government. While local

¹⁶² Vaughan municipal and regional councilor Joyce Frustaglio was involved in the development of the Human Services Strategy, but was also supported by other municipal politicians.

¹⁶³ Core regional staff included the Human Services Strategy Manager, the CAO and CAO's office, health and community services commissioners, regional police, and other municipal officials who participated in or supported the Human Services Steering Committee.

¹⁶⁴ The provincially-initiated Early Years Demonstration Projects, including York's *All Our Kids (AOK)* project, required fund-raising and community partnerships to access provincial funding. The Steering Committee of York's project involved business, the voluntary sector, faith communities, health and other sectoral partners, and raised both cash and in-kind donations for the project.

politics matters in determining urban social welfare provision, there are some powerful institutional and legislative constraints on local politics and welfare state governance.

It should be noted that, while the case study selected for this research was York Region, some broader level findings are relevant to other urban municipal jurisdictions within Ontario. As previously noted, documentation was gathered and some interviews were conducted outside of York Region, such as that from City of Toronto municipal officials, the Ministry of Municipal Affairs, and the Ministry of Community and Social Services. Municipal governments in Ontario face similar provincial legislation, regulations, funding conditions and service responsibilities in welfare state areas.¹⁶⁵ The Ontario government's business, welfare and labour legislation also influences the relative power and incentive structure for groups, organizations and individuals all across the province to participate in urban welfare governance.

It is not contended that the EUWS model best describes urban welfare state developments in other provincial jurisdictions, given the large variety in provincial: municipal arrangements across the country, or at other historical periods. The RUWS, UPWS or other potential models may be more relevant. If the models are placed on a continuum from the least to the most highly developed urban welfare state – the RUWS, the EUWS, and then the UPWS -- certain urban welfare states may fall somewhere along this continuum. These models are subjects for examination in different contexts in which urban governments have human service responsibilities.

¹⁶⁵ Adjustments to welfare state funding is made, depending on the program area, on the basis of caseloads, needs (to some degree), and in the case of the GTA, cost-pooling formulas.

The Embedded Urban Welfare State and the Policy Process

The previous section illustrates the importance of local politics and the political economy in shaping the urban welfare state and some of its features. This section focuses on how EUWS autonomy and capacity varies at different stages of the policy-making process. It elaborates on some of the case study findings that were not predicted or anticipated by the original EUWS model.

The case study evidence relating to the degree of EUWS autonomy in the policy-making process was obtained mainly from interview material, various forms of municipal and provincial government documentation (such as service and governance reports), and secondary literature. Evidence was assessed in both a historic context and relative to criteria based largely on the descriptions of different degrees of autonomy in the urban welfare state models. The broad-level rankings of low, medium and high degrees of autonomy were created to describe predicted and actual findings.

Findings from the York Regional Municipality case study reveal that the EUWS¹⁶⁶ has different degrees of autonomy and capacity at the various stages of the policy process, including policy, management, funding and delivery. As predicted in chapter three (Table 3.5), the EUWS model of the state was expected to have “medium” levels of autonomy at the policy, management, funding and delivery policy process stages. Essentially, this means that an EUWS would have some degree of control over designing human service programs responsive to community needs (policy role), the ability to manage the service delivery system, some municipal fiscal autonomy (e.g. unconditional grants, municipal revenue sources), and a fairly high degree of control over

¹⁶⁶ The Regional Municipality of York is a constituent and core part of the EUWS.

the delivery system. These predictions were made given the emphasis in the EUWS model that was placed on the importance of local politics, as well as provincial and federal political controls.

Generally, York's EUWS is less autonomous than predicted at nearly all stages of the policy-making process, and there is less capacity than expected to exercise the autonomy that exists. Table 6.1 shows these fairly broad level assessments of EUWS autonomy. This is further assessed and elaborated upon in the rest of this section.

**Table 6.1: York Regional Municipality and the EUWS:
Degrees of Autonomy in the Policy-Making Process**

	Policy	Management	Fiscal	Delivery
Predicted Autonomy	Medium	Medium	Medium	High
Actual Autonomy	Low/ Medium	Medium	Low/ Medium	Medium/ High

The EUWS Policy Role

While it was predicted on the basis of the EUWS model that York Regional Municipality would take on some local human service policy process functions in light of its increased human service responsibilities, it was discovered that this type of autonomy is very limited. The human service program areas of Ontario Works, land ambulance and public health are notable in this regard, given their highly prescriptive and regulated service environments. A number of interview respondents noted that policy and regulatory control by the provincial government in these service areas helps to prevent program disparities or differing standards across the province. Yet interview and documentary evidence suggests that the provincial government is very heavy-handed in regulating these services. Many respondents felt that local input or consultation with the

provincial government on policy design, to enable some degree of local responsiveness, was very limited.

There are some indications, however, that the policy role of the urban welfare state may increase in certain human service areas. The transfer of the provincial social housing responsibilities from the provincial government to CMSMs (such as York Regional Municipality), including the 100% municipal funding responsibility for it, creates some conditions (not yet realized) for increased urban welfare state policy autonomy. Child development services also show some movement towards increased local policy autonomy. For example, the federal National Child Benefit allows some discretion for provincial and municipal governments to disburse funds and determine the particular program mix.¹⁶⁷ Overall, however, local policy discretion is minimal, and the decreased provincial funding to municipalities in human service areas reduces the ability of the EUWS to exercise the autonomy that may exist.

The EUWS Management Role

In York's EUWS, the degree of autonomy over the management of the human service delivery system has increased somewhat during the 1990s. Urban governments are now recognized as service system managers, or CMSMs, and are able to make decisions on designating the type of service provider authorized to deliver services. Services may be provided by the public sector, the private sector, and/or the voluntary sector through various partnership arrangements. The relationship between municipal governments and service providers is now more direct and recognized.

¹⁶⁷ Upper level regional or city governments retain NCB funds through the reductions in social assistance payments to individuals receiving both social assistance and the federal NCB income tax credit.

Many interview respondents commented that upper-tier and city governments have had this type of service management role and autonomy for quite some time. The flow of cheques and human resources between municipal governments and other service providers, however, is now much more direct. Certain social services such as Ontario Works now permit CMSM discretion in choosing, amongst other things, whether to provide counseling and employment services in-house or through the private or voluntary sector. In childcare and child development services, however, local management autonomy has been reduced in some respects because, while the urban municipal management and funding role was once discretionary, it is now mandatory.

If a broad conceptual understanding of the urban welfare state is taken, an examination of the increasing voluntary sector role in policy process stages is warranted. Given their involvement in community social welfare delivery, voluntary sector respondents felt that their policy input and advocacy roles are important. However, these respondents argued that their ability to contribute to human service policy and management functions by participating in the development of human services, is very limited. While their human service provision roles and responsibilities have increased, some voluntary sector respondents felt that they had moved more towards being more pure service delivery agents. Nonetheless, certain voluntary and non-profit organizations such as the United Way are better placed than others to provide somewhat more of a policy input and advocacy role. Larger non-profit organizations that have relatively more resources and capacity are better able to fulfill these roles. However, many voluntary and non-profit sector organizations in York Region tend to be small, and lack this type of capacity.

Overall, when evaluated both relatively and historically, EUWS human service management autonomy was ranked as *medium*. It was not ranked as *low*, given the increase in service system management responsibilities granted to local governments by the Ontario government, including the ability to determine the public/private service delivery mix. However, the EUWS was not deemed as exercising a high degree of autonomy at this policy stage, given that exercising control over human service system management requires some ability to determine the type and mix of human services that are responsive to community needs.

EUWS Fiscal Role

Fiscal capacity refers to the ability of the urban welfare state to fund service levels and mixes in response to local political preferences and conditions. Fiscal capacity is affected by funding from other levels of government, as well as from municipal revenue sources. In the 1990s, the capacity of urban governments to fund many human services (on a per capita basis) was reduced, given the combination of increased human services responsibilities and decreased provincial transfer levels.¹⁶⁸ The previous Ontario Municipal Support grant, an unconditional transfer to municipalities, has been eliminated. The unconditional CRF fund created by the Ontario government to compensate for municipal revenue shortfalls resulting from LSR has not kept pace with the actual expenditure increases, as noted by the 2001 provincial Auditor's report (Provincial Auditor of Ontario 2001). The Slack Report on intergovernmental fiscal relations showed that provincial transfers to municipalities have been reduced to 14.4% of the municipal revenue base from the 21.8% of a decade ago (Slack 2002).

¹⁶⁸ These social service reductions resulted from federal and provincial funding reductions, and LSR.

Fiscal tools and own-source revenues are limited, constraining the EUWS's fiscal capacity to fund human services. As legislated by the Province, while there is some capacity for surplus budgeting by municipalities, there is no discretion to allow deficits during recessionary periods. This is problematic when much human service spending is counter cyclical to the economy. Provincial: municipal funding ratios are strictly determined by the Province and subject to numerous conditions. Municipalities are not permitted to increase local business taxes over the percentage increases determined by the provincial Ministry of Finance.

Overall, the fiscal capacity of the EUWS is quite limited. While it was predicted at *medium*, it was assessed between *low* and *medium*. The fiscal capacity for urban human service provision has been reduced, given decreases to municipal sector funding. The voluntary sector has not been able to fill this funding gap, as revealed by the worsening social indicator trends. Data from the 1997 and 2001 National Surveys of Giving, Volunteering and Participating show that voluntary sector contribution funds in Ontario have only increased marginally during this time, from approximately \$2 billion to \$2.3 billion (Greenburg and Bozzo 2001; Hall et al. 2001). This increase has certainly not been adequate enough to compensate for provincial funding cutbacks.

EUWS Program Delivery

Despite the formal separation of policy process stages, it should again be recognized that program delivery cannot completely be separated or isolated from other process stages. Policy-making process stages are linked and interdependent. For example, the choice of delivery agent and its type or quality of service influences policy through its implementation, referred to by Pal (1992) as "real policy". Generally,

however, measures of the autonomy of program delivery functions relate to the ability of EUWS institutions (in this case, urban governments in particular) to deliver human services in-house or to make contracting decisions for service delivery. This has been a function of urban governments within Ontario for decades.

The assessment of the degree of EUWS autonomy over the delivery system was not ranked as *high*, as predicted, but as *medium/high*. Program delivery influences and partially determines policy design, but policy and funding roles and responsibilities also influence the degree of autonomy EUWS institutions have over the delivery system. In York Region, the service delivery system in certain program areas is so regulated that the ability to exercise discretion in program delivery in order to be responsive to community needs is very limited. Ontario Works is an example of this type of central regulation of program delivery. The province has mandated municipal governments to meet specific community placement (employment) targets for the Ontario Works program, and regulates user assessment and intake through provincial call centers. Local autonomy over the delivery system is fairly minimal in those program areas where the service environment is heavily prescribed.

Summary: The EUWS Policy-Making Process

The exercise of autonomy in the policy-making process assumes somewhat discrete and contained levels of government, which is not the reality of modern social welfare governance. One of the central tenets of this work is the argument that there are a number of semi-autonomous welfare state forms that exist within a fragmented, national welfare state system. Senior levels of government, and the provincial government in particular, create some of the limits and opportunities for urban

governments to have discretion over different policy-making process stages in welfare state (or human) services.

Overall levels of autonomy by York Regional Municipality and its EUWS in the policy-making process were, however, less than predicted by the EUWS model. Mainly, this is due to the strong linkages between policy process stages within a heavily provincially prescribed and legislated welfare state service environment. *Urban social policy capacity*, including the EUWS policy-making process and all its stages, has been reduced in Ontario in the 1990s.

Despite some of the increased responsibilities and opportunities for the development of the York urban welfare state, therefore, the many provincial and constraints on this same development prevent the realization of some of the benefits of this governance form. The potential advantages of a more autonomous urban welfare state that has relative fiscal and democratic autonomy include increased local service responsiveness and more active and involved urban welfare coalitions. Specialized and community service delivery agents may bring about services that are aligned with the specific social needs of communities. However, such opportunities cannot be realized with the existence of a strongly regulated service environment, an inadequate funding capacity, and limited urban policy and funding tools and resources.

Changing Forms and Boundaries of Urban Welfare States

Embedded urban welfare states are lodged within a number of different welfare state levels that influence their forms, features, capacities and degree of autonomy. When the national welfare state system is restructured or new levels of government or public

agencies are created, there is the potential for fairly significant changes to pre-existing urban welfare state territorial boundaries and functions.

In Ontario, the politically defined units that have responsibilities for human services are the CMSMS, including urban regional and city governments.¹⁶⁹ Yet the previously existing Greater Toronto Services Board (GTSB) also had some powers and responsibilities over GTA service coordinating, and the provincially legislated GTA-wide equalization scheme (i.e. cost-pooling). Municipalities within the GTA, in the latter part of the 1990s, expressed their interest in obtaining more influence over the GTSB, particularly in light of provincial discussions about GTA-wide municipal amalgamation. Examining the GTSB's history and political context provides another glimpse into the importance of politics and institutional influences in shaping urban welfare state forms and functions. The evolution and eventual demise of the GTSB is evaluated in the following sections.

The Functions of the GTSB

The GTSB was established by a January 1999 Act of the Ontario government (the GTSB Act) to promote and facilitate coordinated decision-making by the numerous municipalities within the Greater Toronto Area (Deloitte Touche 2001: 1). The creation of the GTSB was based on a recognition of the integrated nature of the GTA economy and labour markets, its linked physical, environmental and human infrastructural issues and services, and the need for more coordinated decision-making amongst GTA municipalities. Its 42 member Board consisted of all the local area municipalities and regional governments within the GTA, and the City of Toronto.

¹⁶⁹ Some county governments have been designated as CMSMs, but they have not been assessed in this study given that they are not *urban* welfare states.

The GTSB, during its institutional life span of nearly three years, was a forum for facilitating GTA-wide planning and decision-making, and for exercising general direction and control over Greater Toronto Transit. However, referred to by municipal CAOs as a “toothless tiger”, the GTSB had limited ability to ensure municipal implementation of its decisions or bylaws. In municipal social service areas, it was granted the responsibility for “promoting and facilitating coordinated decision-making among municipalities within the GTA with respect to the administration and costs of their social assistance and social housing programs”. (Deloitte and Touche 2001: 31) It is unclear, however, whether it had the legal authority to implement its responsibilities. Unlike its other program areas such as transportation, GT Transit, countryside and the environment, the GTSB did not have a Standing Committee or Strategic Plan for social or human services.

Deloitte Touche Consulting conducted a review of the GTSB’s role and mandate during 2000-01, releasing its Final Report in February 2001. This review was comprehensive, involving research and interviews with most GTSB Board members, and other key stakeholders such as Social Planning Councils, the Ontario Chamber of Commerce, the Toronto Board of Trade, Conservation Authorities, and other relevant organizations. The views on the governance structure, mandate and functions of the GTSB were diverse. Generally, while few advocated that the GTSB be disbanded, many expressed frustrations with its lack of vision and priority setting, its large and cumbersome Board, its inability to implement decisions, and the shortage of funding and resources to support it. While many respondents saw these start-up issues as “teething problems”, most argued that changes to the GTSB’s role and mandate were required.

However, the views expressed on specific changes to the GTSB governance structure varied immensely.

The feedback received from Deloitte and Touche's interview process was classified into four broad categories, forming the basis for some governance options. These options included: the GTSB as a Planning Authority (informing municipal Official Plans); a Planning and Services Board (with an Official GTA Plan and more policy and funding levers); and a directly elected GTA Council responsible for planning and delivering services across the GTA. The latter option would have most likely entailed the elimination of one of the two levels of two-tiered municipal government (i.e. replacing the City of Toronto and upper-tier municipal governments, making the GTSB "the city-regional level" of government). Finally, the last option proposed more direct provincial involvement in the setting of GTA-wide service policies and priorities by creating a Ministry of the GTA. This option would have entailed the elimination of the GTSB.

On May 1, 2001, the recommendations of the GTSB Council on the GTSB Review were submitted by GTSB Chairman Gordon Chong to the Minister of Municipal Affairs and Housing, the Hon. Chris Hodgson (GTSB 2001). No changes were made to GTSB Board size, composition or number of votes. It was recommended, however, that the GTSB Act (1998) be amended to strengthen the GTSB's role to include a mandated responsibility for growth management planning, and to require that municipal Official Plans conform to the intent of the GTSB's growth management strategy.

The GTSB Council recommended that GTA-wide service planning for non-transportation services be transferred to GTA-wide service planning only in cases where a triple majority was reached, including: 2/3 of GTSB members, 2/3 of the GTA

population, and 2/3 of the municipalities of the GTA and Hamilton. Service migration to the GTSB, therefore, faced significant challenges, particularly given that a large number of member municipalities did not support it. Recommendations were also made for creating special purpose bodies drawn from the GTSB membership to act in specific jurisdictional areas, changes to the composition of Transportation Authority, and the broad recommendation for changing the GTSB Act to “ensure the GTSB can fulfill its mandate”. (Deloitte 2001)

At the same time as the GTSB governance options were being evaluated, however, the Ontario provincial government began to change its approach towards the broader issue of municipal restructuring in the larger GTA. The Ontario government had, nearly from the origins of their mandate, been involved with extensive and controversial municipal boundary restructuring.¹⁷⁰ Given municipal political opposition towards provincial imposition of municipal restructuring decisions, the Ontario government decided that future municipal amalgamation and restructuring would only proceed with municipal support, mainly to avoid taking further political heat from municipalities and their communities. A provincial decision was made that the regional governments and the City of Toronto would not be amalgamated into a “Mega-City” municipal structure in which regional municipal responsibilities would be migrated (or reassigned) to the GTSB.¹⁷¹ The changes in the provincial approach towards municipal restructuring and municipal opposition to a GTA-wide “Megacity” essentially led to the provincial

¹⁷⁰ The provincial government endured a great deal of local and community criticism for its rapid imposition of the City of Toronto municipal structure from the prior two-tiered Metro Toronto structure.

¹⁷¹ Discussions on this issue relating to York Regional Municipality was the potential creation of two or three cities within York Region, eliminating the regional municipal level of governance.

decision to disband the GTSB and any immediate plans for creating a GTA-wide governance level, institutions or powers.

In September 2001, Municipal Affairs and Housing Minister Chris Hodgson announced the winding down of the GTSB (Province of Ontario 2001a). Given the importance placed on GTA-wide transportation planning, as previously identified by the GTSB Council, a new authority was created for GO transit. Smart Growth Management Councils¹⁷² were also set up as a way of integrating growth management planning across broad zones within the Province. These panels were created to advise the Ontario government on priorities for infrastructure investments¹⁷³ and the coordination of municipal official plans in growth management. The Smart Growth Strategy, however, has been relatively silent on the issue of municipal human service investments and planning.

Local Municipal Views on the GTSB and the Human Services

In order to more fully evaluate the nature of municipal opposition to enhancing the human service powers and responsibilities of a GTA-wide governance body, a number of GTSB, city and regional officials were interviewed. Interview respondents included Ministry of Municipal Affairs officials, regional politicians, a representative from the Toronto Social Planning Council, and governance specialists from AMO and OMSSA. The interview feedback reveals some of the more specific barriers and limitations to establishing new human service governance entities at the level of a large city-region, such as the GTA.

¹⁷² The Central Ontario Smart Growth Management Panel, including the GTA and Ottawa and chaired by Mississauga Mayor Hazel McCallion, was set up in February 2002 (Province of Ontario February 2002).

¹⁷³ Infrastructure investments related primarily to transportation and the environment.

Many respondents felt that the provincial government should *upload* or take on more human service responsibilities, particularly those involving income redistribution. Or, on the other hand, some respondents felt that the existing municipal structures and responsibilities for human service management were adequate. A number of respondents argued that more provincial program and human resource funding would be required to carry out regional and GTA-wide social planning and delivery responsibilities. Others spoke of GTA-wide social service planning, delivery and social governance functions as *diseconomies of scale*¹⁷⁴ that interfere with responsive human service planning and program management for a variety of different communities.

As assumed by the EUWS model, local political and state level interests shape and influence urban welfare state form and content. It could be expected that many GTSB members would oppose considering increases to GTSB responsibilities given that they represented municipalities whose existence might be threatened if the GTSB became a directly elected body. The creation of a powerful *super-region* representing much of the province's wealth and population would not be in the political interest of the provincial government, given that it might threaten its control over program policy and funding decisions. The provincial government would also risk potential municipal opposition if it imposed a GTA-wide governance body against the wishes of a large number of GTSB member municipalities. Further, a civic or democratic base, or the support of business interests for a GTA-wide governance body did not exist. Comparing the GTSB to a potentially "large" metropolitan government form, L.J. Sharpe's observation that "the harsh truth is that no one really loves metro government and there are precious few sectional interests which have a stake in it" (Sharpe 1995: 27) is still valid.

¹⁷⁴ The actual term *diseconomies of scale* wasn't used but the ideas behind it were expressed in many ways.

Despite the general opposition to a GTSB governance body, some interview respondents recognized certain GTA-wide social service boundary and migration issues and problems, i.e. beneficiaries potentially locating in municipalities where more accessible social and other public services have been established.¹⁷⁵ The different social service levels, funding, and expenditure responsibilities across the GTA municipalities were recognized, particularly between the 905 regions and the City of Toronto. A few respondents commented on the increased need for GTA-wide planning for social housing, given the significant differences in social housing supply across the GTA. The complete provincial downloading of all aspects of social housing responsibility to municipalities make it more difficult to finance increases to the social housing stock supply, despite the escalating needs observed in urban-suburban municipalities such as York Region. As commented on by a number of respondents, all of these issues pointed to the need for greater city-regional (i.e. the GTA) governance coordination.

The GTSB has been dissolved, but provincial cost-pooling legislation for Ontario Works and social housing, financed on the property tax base of the GTA municipalities, has been retained. Some respondents commented that it did not make sense for GTA municipalities to be involved in only the cost-pooling of social assistance and housing without cost-pooling other programs. Others argued that cost pooling on the basis of property taxes rather than progressive income taxes for income-redistributive services was a bad idea in both theory and in practice, and should not exist. The Social Planning Council of Toronto respondent argued for a future GTA-wide social planning function, but noted that GTSB members had resisted this idea.

¹⁷⁵ An example of this might be the concurrent existence of social housing, public transit, and subsidized childcare services. Some municipalities have more developed social service networks than others.

EUWS forms in the GTA, including within York Region, were not significantly impacted by the GTSB's structure and powers. Nor did the GTSB emerge as another welfare state level, potentially replacing the current, politically defined urban regions. The provincially determined equalization (or cost-pooling) scheme for social housing and social assistance limits the capacity and autonomy of urban welfare states within the GTA to some degree. But given the fairly entrenched political interests of provincial and municipal governments, it is unlikely that a GTA-wide, super-regional welfare state level will be developed in the near future. The creation of a less established forum for coordinating regional human services issues,¹⁷⁶ however, is possible.

Implications for the EUWS Model and Theory

The assessment of the evolution and demise of the super-regional GTSB is important for evaluating its consistency with the EUWS model and theory. Consistent with the EUWS model predictions, the case study clearly demonstrated the importance of local and provincial politics in shaping the urban welfare state, and in this case, preventing the formation of a super-regional welfare state level. Clearly, given local and provincial interests, there was not nearly enough political will to change the GTSB's structure or to increase its welfare state (or human) service functions. The civic foundations required for building political support for a GTA-wide urban welfare state did not exist. Further, business interests opposed another possible layer of the state, perceived of as *more* state involvement and expenditures.

The GTSB's dissolution is in keeping with EUWS model, given the importance placed on the role of politics at various state levels, the market and society in shaping urban welfare state forms and functions. Clearly, there were no strong political interests

¹⁷⁶ For example, a planning body of regional governments and other social welfare representatives.

in favour of the continuation of the GTSB, nor did business or civic interests support it. While it would be beyond the claims of the EUWS model to be able to *predict* the specific outcome of the GTSB, a contextual or political analysis based on the EUWS model of governance would suggest that the GTSB would not be able to gather enough political resources to support an increase to its powers.¹⁷⁷

The Urban Welfare State Approach: Revisiting Regime Theory

In previous chapters, it was argued that some of the theoretical foundations for the EUWS model are based, to a certain degree, on the premises of regime theory. Urban regime theory, amongst other theoretical traditions, emphasizes the importance of the local political economy and politics in influencing the development and distribution of local services. Regime theory makes the important observation that the local state does not *govern*, but gains and fuses the power to act through its coalitions. The state is not an arbiter of interests, but is more of a mobilizer and coordinator of resources (Stone 1993). Fragmentation and interdependence with societal interests, according to regime theorist Clarence Stone, prevents the local state's capacity to govern autonomously and leads to variability in its effectiveness to govern across program areas. In these respects, the EUWS model and regime theory demonstrate similarities.

This study supports, amongst other regime theory findings, the proposition that the local state or local welfare state does not *govern*, if governing is conceived of as making authoritative public decisions. Rather, the urban welfare state *enables* and *coordinates* the mobilization of local public resources, constituencies and institutions to

¹⁷⁷ It is beyond the scope of the EUWS model and theory to *predict* the shaping and development of urban welfare state forms, given that UWS forms could always be explained by "politics" and the "political economy" *after* UWS developments occurred. However, examining certain political patterns, constraints and opportunities on the basis of the EUWS model and theory is both explanatory and significant.

influence and advocate for welfare state services. Stone claims that “to be effective, governments must blend their capacities with those of various non-governmental actors”. (in Stoker 1995: 58) Coordinating, enabling, and mobilizing social welfare organizations and groups have become very important city or regional municipal roles. Given the strong limits on urban municipal autonomy and capacity, it must act in concert with other welfare state organizations to increase its autonomy and influence.

However, there are significant differences between regime theory and an urban welfare state approach. A UWS approach is more “state-sensitive” in that it presumes the importance of state and non-state institutions, rather than regime theory’s focus on “political coalitions”, groups or actors. The urban welfare state consists of more enduring and stable governance institutions that shape, structure and implement human services based on their conceptions of the public interest. Bureaucracies in the public, voluntary and private sector form part of the matrix of state and non-state institutional linkages and interdependencies. The political coalitions of regime theory are conceptualized as specific formal and informal-type networks of individuals, groups and institutions that are linked to local governments. While the language of the “local state” is sometimes used, its institutional composition and presence is conspicuously absent in regime theory.

Interstate (federal) linkages are under specified in regime theory,¹⁷⁸ but are an essential part of the EUWS model and related theory. On the other hand, local politics as a determinant of local political coalitions and policy choices is over specified in regime theory. Stoker has argued that regime theory needs to escape the *localist trap* by

¹⁷⁸ Regime theory analyst Michael Keating, however, has undertaken work on further developing the theory to encompass the local management of relationships with higher levels of government (Stoker 1995).

examining how local regimes manage their relationships with higher levels of government (Stoker 1995: 67). The institutional context of the federal and provincial welfare state levels are much more salient in the EUWS model than regime theory. This thesis has demonstrated that urban welfare states in Ontario are shaped by the constraints of other national welfare state levels, and by the provincial welfare state level in particular.

While systemic bias that privileges business interests is accounted for in urban welfare state theory, like regime theory, this is not so much a theoretical finding but an observation that could be applied to a wide range of theories. This type of bias is accounted for in assessing some of the factors that constrain urban welfare state development. The EUWS is shaped by the politics of the city-region within the context of numerous political economies, and the relative and historical balance of power of business, the state and labour. The EUWS in York Region has also been influenced by various state and non-state welfare coalitions, particularly since urban governments have been granted more human service responsibilities.

Unlike regime theory, the EUWS is based on the assumption that the urban welfare state is fragmented not only at the local level but also between national welfare state levels, and between state and society. This fragmentation is essentially the result of the complexity of modern governance within different locales, the numerous institutional interdependencies by the state with other non-state institutions, and the differing logics of state systems. This complexity and fragmentation of the EUWS is nicely captured by Jessop's concept of *structural coupling and co-evolution* (Jessop 1990), which applies in this dissertation to a number of semi-autonomous state and non-state institutions. The

EUWS model and EUWS development illustrate forms of institutional coupling and co-evolution.¹⁷⁹

Reconceptualizing the Urban Welfare State

Summary of Findings and Reconceptualizing Welfare States

Esping-Andersen (1990) emphasizes the importance of examining welfare state structure, content (e.g. conditions of eligibility for benefits, degree of universality), and core ideas (e.g. social citizenship). He describes Canada as a liberal welfare state (Esping-Andersen 1990). As pointed out previously, this welfare state analysis (like many others) is based on a national welfare state orientation, given the long establishment of the centralist, Weberian and unitary state tradition.¹⁸⁰

The concepts of *decentering* and *dispersion* of the national welfare state have been used in this analysis. The welfare state has been decentred rather than “hollowed out”, because while the federal welfare state retains a policy and funding presence in the more universal welfare state areas, it has devolved its more residual welfare functions to provincial governments. In turn, provincial governments, at least in Ontario, have devolved many of its *social assistance* state functions to municipal governments. Municipal governments, in the face of increased service responsibilities and limited fiscal tools and revenue-raising abilities, have contracted out and dispersed social program delivery and other functions to other sectors, such as the private and voluntary sector. Or,

¹⁷⁹ Key examples include the shaping of the EUWS that resulted from the provincial LSR, and the institutional formation and development of York Region’s Human Services Planning Coalition.

¹⁸⁰ Weber’s classical state definition as “a human community which (successfully) claims the monopoly of the legitimate use of physical force within a given territory” (Gerth and Mills 1948: 78) has influenced this tradition.

in another form of dispersion, the social welfare service or benefit merely disappears from the public realm¹⁸¹ to the community or household sector.

This study examines welfare state levels, and as stated previously, it is argued that there are unique semi-sovereign welfare state forms emerging at the urban state level within Ontario. It is contended that federations (or federal systems of government), in particular, may have a number of state and welfare state levels within a national territory. The national welfare state is fragmented vertically (between levels of government) and horizontally (between states, market and non-state institutions). Provincial welfare state regime differences have been demonstrated in welfare state program areas within Canada, as in the analysis of provincial childcare regimes by Mahon, Jenson and Phillips (2002). There has been very little attention in Canadian analyses for considering local or urban welfare states as a possible welfare state level.

An important analysis for this study of urban welfare states is that of British political analysts Ted Gurr and Desmond King (1987). In their study, *The State and the City*, they staunchly reject the view of municipalities as agencies of central authorities, arguing that “local states of Western cities have significant, though variable, autonomy both from the central state and from private economic interests.” (1987: 43)¹⁸² In another important theoretical break from unitary state traditions, Bob Jessop argues that ‘several rival emergent states’ may exist within a broader state level (Jessop 1990: 366).

The assumption of urban welfare state theory is that modern governance is not based upon sovereign states or state levels, but semi-sovereign states that govern subject

¹⁸¹ An example of these welfare state services and benefits would be the supplemental benefits for income assistance recipients, such as bus passes, furniture, start-up items when moving into a new lodging, etc.

¹⁸² Gurr and King’s concept of the local state, however, differs from the approach of this study. It defines that local state as the ‘distinctive municipal realm’ with a structure that consists of bureaucratic and governmental offices.

to numerous constraints arising from the market, other states and state levels, and society. While some states have more of the legal powers associated with sovereignty, there are local governance institutions that exercise authority without necessarily having legally or constitutionally defined mandates (Andrew 1995), particularly in social welfare policy and management. Urban governments increasingly rely on state and non-state partners to govern in this field.

Emerging urban welfare state forms are a consequence of their expanded social welfare roles, the relative autonomy of urban governments in some social welfare programs, and political mobilization by state and non-state welfare institutions and groups. Urban welfare states are marked by fragmented power that must be mobilized in order to arrive at and implement public decisions, within the numerous constraints placed upon them by federal and provincial legislation and funding, business interests and pressures, and other broad political forces. Urban welfare states in Ontario will most likely continue to exercise an increasing number of human service policy and management roles given that they will continue to occupy significant program and funding responsibilities in these areas. Unless provincial “uploading” occurs, urban welfare states will obtain more experience in human service functions, and greater political influence from the organizing and mobilizing efforts undertaken with urban welfare coalitions and institutions.

As stated previously, state autonomy and capacity are measures that help to determine the degree to which an urban welfare state exercises authority and discretion within its jurisdiction and territory. As shown in chapter five, York’s EUWS is a state

form that has *relative autonomy*, and *limited fiscal and democratic capacity*. These concepts are important for defining urban welfare state forms and functions.

Gurr and King's local state analysis again has applicability to this study, given the emphasis it places on types of autonomy as key features of the local state (Gurr and King 1987). They developed a two-type typology for assessing local state autonomy.¹⁸³ However, a more suitable *three-type typology* for the urban welfare state has been developed for this dissertation. It is argued that there are essentially three different types of local (welfare) state autonomy:

Type 1: autonomy from the pressures arising from the location of the urban welfare state within a capitalist economy,

Type 2: autonomy from other state levels in a federal system of government,

Type 3: autonomy from societal pressures, or dominant groups.

Type 2 autonomy has posed the most significant limitations on urban welfare state development within Ontario. Both Type 1 and 2 autonomy are particularly dependent on the local and broader political economy, and will vary historically. In recessionary conditions, it is expected that Type 1 and 2 autonomy will pose greater limits and constraints for urban welfare states.

Urban welfare state capacity can be considered a pre-requisite to the exercise of various forms of autonomy. As Kevin Cox aptly states

Local governments necessarily have an autonomy... What seems to be at issue, therefore, is less the autonomy of cities – or of local governments as their representatives – than the effectiveness of those policies in achieving certain ends. Urban outcomes have to be assessed not for what they tell us about urban autonomy but for what they reveal about the contingent

¹⁸³ Gurr and King's typology for state autonomy is: **Type I:** "The local state is autonomous to the extent that it can pursue its interests without being substantially constrained by local economic and social conditions" (1987: 57) and **Type II:** "involves autonomy from higher governments. The local state is autonomous to the extent that it can pursue its interest without substantial interference by the national state." (1987: 62). Within Canada, provincial governments are responsible for most limits on local states.

conditions that can be mobilized in order to make structurally given powers more or less effective... (Cox 1993: 436)¹⁸⁴

This dissertation study argues that the politics and the political economies in which urban governments are embedded in form the contingent conditions that shape and establish different urban welfare state forms. Local welfare state autonomy and capacity, as well as social and political outcomes, are shaped by historical and political conditions within local political at the state and non-state levels in local, provincial, national and international realms.

Urban welfare states within Ontario have relative autonomy from other federal welfare state levels and the market, but there are many constraints on them. They have limited fiscal and democratic foundations, although the strength of these foundations varies according to the specific territory and community. As a result, even in those cases where public decisions are made at the local level of government, public action or programs may not be possible because of funding limitations or other constraints.

Similar to some of the theoretical findings in Skocpol's state analysis (1985), the York Region case study illustrates that state capacity is uneven across policy areas, and is dependent on socio-economic and socio-cultural contexts (Skocpol 1985). For example, given the socio-demographic composition of York Region, there is limited public support for increasing funding for redistributive human service programs. However, Skocpol's analysis relates to the national welfare state. Further caveats are required of urban levels of government. Urban governments and states in Ontario display uneven capacity and autonomy across social service areas given their differing local political economy

¹⁸⁴ Jessop makes a similar point, arguing that "the state does not exercise power: its powers (in the plural) are activated through the agency of definite political forces in specific conjunctures." (1990: 367)

contexts, but many of the limits on their capacities arise from provincial funding and regulatory conditions and constraints.

Describing the *institutional composition* of a local state has been a difficult task for state theorists. As Jessop has stated, there are no clear dividing lines between the state and society. Warren Magnusson (1985b: 123), in an institutional definition of the local state, argues that the local state encompasses “only those agencies that are *physically present* in the local community and *specifically* concerned with its affairs. The local state, in this sense, is only a part of the state as it *acts* on the community, and only part of the state as it is *present* in the community.” While this definition goes some way in defining the local state institutionally, it misses some important features. The local state does not act alone in governance (but with other non-state institutions), and cannot be considered as a distinct and autonomous institutional entity. The type of institutions Magnusson refers to is also not clear.

This study, while recognizing the complexity of defining an urban welfare state institutionally, develops the key concepts of the UWS *core* and the *periphery* in order to place some institutional parameters on the urban welfare state concept. These concepts are specifically related to an Ontario case study, but could be developed for other jurisdictions, depending on their specific contexts. It is contended that the *core* of the urban welfare state within Ontario is the city or regional government that is democratically elected and has a grant of authority for specific types of social welfare (or human service) provision or delivery. Urban welfare institutions move in and out of the urban welfare state core, as urban welfare states are dynamic and changeable. State and

non-state institutions enter the core of the urban welfare state to the degree that they are involved in social welfare policy, service management and delivery in the urban region.

Thus, many state and non-state institutions form part of the UWS core, but at the same time, they maintain certain (and differing) degrees of their own institutional autonomy. To use Jessop's phraseology, they are *structurally coupled* and *co-evolve* with the urban welfare state, but they are not fully subsumed by it. These institutions are interdependent with the UWS based on the nature of their institutional linkages with it. Part of their institution may serve other functions and roles, so they are not institutionally subsumed by the UWS. For example, the voluntary sector enters the core of the urban welfare state via certain service delivery functions, but this may be only one of many of this organization's roles. Thus, the urban welfare state is larger than only municipal political and administrative authorities, and is composed of state and non-state institutions. This distinction emphasizes the difference between urban welfare state *governance*, as opposed to *governments*.

Institutions that enter the *core* to the UWS might include other national welfare state organizations,¹⁸⁵ a voluntary sector organization delivering services, or a range of other groups and organizations. Often, only certain parts of such institutions (rather than the entire institution) form linkages and enter the UWS core¹⁸⁶ at particular periods of time. These parts of institutions could be considered as institutional fragments of the urban welfare state. The delivery of publicly financed childcare service functions by voluntary or private sector agents are examples of institutional elements that are core to

¹⁸⁵ Examples here might include parts of the regional Ministry of Community and Family Services, components of the provincial Ministry of Health, certain functions within the local Seneca College, etc.

¹⁸⁶ The voluntary sector, for example, is typically not entirely consumed by its state service functions. Further, it may deliver services for other state levels, or provide public information and advocacy, etc.

the urban welfare state. Without these institutional partnerships, the urban welfare state becomes smaller and less powerful.

A number of political forces influence and shape EUWS forms and features, but they are more on the EUWS periphery than in the core. EUWS periphery organizations may include other welfare state institutions that do not have direct and urban human service responsibilities (e.g. regional Health Canada offices), local lobbies or community groups, or the local individuals that attempt to influence human service decisions within the urban region. The EUWS periphery is shaped by inter and intra-state institutions and political economies, and reflects the constellation of power resources within urban communities. Any assessment of the EUWS core and periphery, however, must take into consideration the dynamic and changeable nature of politics and the state. Such an assessment requires re-evaluation at different political or time periods.

Despite that certain political forces (local and non-local) might be more on the periphery rather than the UWS core, they can potentially be powerful determinants of urban welfare state autonomy and capacities. For example, peripheral organizations to York's EUWS, such as organized business associations, have been quite powerful in influencing EUWS fiscal capacity, but in an indirect manner (i.e. provincial lobbying). As stated previously, private land developers are more likely to engage municipal politicians directly, as are certain coalitions such as hospital lobbies, food banks or ratepayers associations. The private sector, however, is generally not part of the core of the urban welfare state. Partnerships with the private sector based on contractual relationships for the delivery of human services, however, are an exception. These

private sector fractions may enter the EWS core, but overall they form a relatively minor part of the EWS core.

The institutional concepts of the urban welfare state core and periphery, however, are not entirely unproblematic. This analysis has not undertaken an assessment of particular institutions within York Region to define them as core or periphery to the urban welfare state. This is a difficult task, as there are “gray areas” in determining institutions this way. However, the concepts provide some clarity for analyzing the institutional structure of the UWS. And importantly, the concepts show that the urban welfare state consists of more than municipal governments and authorities, and how urban welfare states have become embedded within a number of state and non-state institutional arrangements.

An urban welfare state is marked not only by its structural or institutional composition, however, but also by its content and core ideas. The content and substance of an urban welfare state are largely the product of political, social and economic forces in the urban political economy. In York Region, the EUWS has become a locale for part of the *social assistance welfare state*,¹⁸⁷ given the particular nature of the provincial downloading of income redistributive, human services.¹⁸⁸ On the other hand, the democratic and fiscal capacity for supporting these functions on the property tax base is fairly limited.

¹⁸⁷ The “social assistance” welfare state is not intended to imply that part of the state that provides social assistance programs. It implies that it is the part of the state providing residual social services that are not universal, and provide ‘assistance’ rather than income security, social insurance or social entitlements.

¹⁸⁸ Examples given previously of these types of services include income assistance, income-targeted childcare subsidies, social housing, shelter provision, potentially public transit (depending on whether or not it is subsidized), and other services.

The content of York's urban welfare state has been marked by tightened eligibility requirements for redistributive human services such as Ontario Works,¹⁸⁹ or reductions in the per capita service expenditures on social housing¹⁹⁰ or child care subsidies. As discussed, social indicators have been worsening at an accelerating rate including the increased proportion of persons who are in poverty, homeless, or using food banks. These indicators support and corroborate the interview feedback obtained. The EUWS in York Region has been unable to keep pace with its human service needs and responsibilities.

As much as it has started to emerge, the *core idea* of the EUWS is not based on the notion of income redistribution, but upon the somewhat more nebulous *quality of life* concept. Surveys undertaken by Environics Research in York Region during 1999 and 2000 showed that the programs associated with community quality of life are more likely to be those of health and education. The demand for community or universal-type social services has arisen in York's EUWS.

The emphasis on quality of life, however, has not led to the political support levels for redistributive human services at the urban level that would be required to compensate for the provincial cutbacks and downloading. While social indicators reveal increased social needs of low income or other groups that rely on welfare state services, on the other hand, the interests of such persons in poverty have been lost in a political discourse that focuses on 'communities' and their quality of life. Further, some service benefits once provided by the state (e.g. programs or funding for childcare, homecare,

¹⁸⁹ Numerous interview respondents commented on the tightened eligibility requirements, claiming that this has increased the number of persons in shelters in the Region, homelessness, or people having to move in with family members because the lack of an ability to afford accommodation.

¹⁹⁰ Interview respondents and regional documentation showed that the social housing stock supply had not kept apace to population growth or needs.

and institutional care for the elderly) disappear or are taken up by ‘household sector’.

These effects are often gendered, as women are more likely to take on additional services for elderly, young or other household members (Mahon, Jenson and Phillips 2002; Bach and Phillips 1997).

As mentioned previously, the EUWS model is a historical and theoretical construct. It is shaped by the numerous changes that occur in state structures and the broader political economy, and its changeable state form that is subject to change over time. For example, an EUWS could move towards having somewhat less autonomy or capacity if the Ontario provincial government were to upload redistributive human service funding responsibilities, thereby developing more Residual Urban Welfare State (RUWS) features. On the other hand, if the Ontario government were to devolve more human service policy and funding functions, with the accompanying policy and fiscal tools and transfers, the UWS could evolve towards an Urban Polis Welfare State (UPWS) form. However, given the current political context within Ontario, such movements will most likely be limited.

The EUWS Model and the State

This chapter has further explored and developed the EUWS model and theory within the context of the Province of Ontario, based on the empirical observations established in the case study of the Regional Municipality of York. The testing of the UWS models in the case study and the large number of findings that emerged from this research investigation¹⁹¹ have created strong foundations and support for the EUWS model and theory.

¹⁹¹ The research process involved using many research methods, as described in chapter five.

Despite the many constraints, it is contended that the local urban state, and urban welfare state forms and features, are emerging within the Province of Ontario. The urban welfare state is comprised of state-societal institutions involved in providing welfare state services within the political boundaries of urban regions. Welfare state and societal institutions are increasingly interdependent at this state level, and as argued by Jessop, such demarcation lines are not always clear.

On the basis of this chapter and other chapter findings, it is argued that devolution, dispersion and a narrowing of its income-redistributive service features have characterized the *decentred* national welfare state.¹⁹² The national welfare state is now more dispersed both territorially and functionally. The national welfare state exists at a number of welfare state levels that contain different types of power and responsibilities. Given the provincial downloading of many redistributive social programs, the case study indicates that the emerging EUWS in Ontario points to a type of *social assistance* urban welfare state. It is argued that the EUWS, at the present time lacks the democratic and fiscal capacity to adequately sustain this type of welfare state.

The EUWS model and theory departs from pre-existing theory by defining and conceptualizing the urban welfare state concept and providing empirical support for its institutional forms, features and content. The semi-sovereign urban welfare state is *embedded* within the context of numerous political economy locales.¹⁹³ It is shaped by the interstate pressures of local, provincial and national states, and by the sectoral politics of the local state, society and the market. It is embedded, therefore, within complex and changeable vertical and horizontal governance arrangements. The autonomy and

¹⁹² The national welfare state has retained somewhat more of the universal type services that benefit the middle class, such as health and education.

¹⁹³ These political economy locales are largely local (or regional), provincial, national and international.

capacity of the EUWS varies with different welfare state programs at different policy-making process stages.

The EUWS and the other UWS models are distinctive urban welfare governance models that have been examined in the York Region case study, but may be applicable to other urban jurisdictions within Canada and other countries, particularly those within federal political systems. The three welfare state models allow for dynamic modeling of potential UWS forms, recognizing the existence of the very different political economies and urban governance arrangements. This form of modeling (rather than a broader urban welfare state theory) also recognizes the very different provincial: municipal arrangements and political economies within the Canadian national welfare state.

Finally, it was argued in this chapter that the urban welfare state marks a shift to the core idea of *community quality of life*. This core idea differs from previous welfare state discourses, and particularly, Keynesian welfare state discourses such as the *war on poverty*. At the heart of Keynesian welfare state ideas was the notion of social entitlement and to a certain degree, social equality. The urban welfare state in Ontario, despite its increased responsibilities for welfare state services, reveals many limitations and constraints on its ability to provide these social welfare roles.

Chapter Seven – The Embedded Urban Welfare State and Horizontal Governance

Introduction

The embedded urban welfare state (EUWS) model has been discussed and conceptualized in previous chapters, mainly in relation to inter-state opportunities and constraints within urban political econom(ies). An important theoretical supposition of this thesis, however, is the notion of horizontal dispersion of national welfare state roles and functions not only to lower-tier state levels, but to non-state sectors as well. Some social welfare functions and benefits once provided by the national welfare state have been reduced or eliminated, particularly since the unraveling of the Keynesian welfare state. Multi-sectoral shifts have occurred between the social domains of the state, the economy, civil society or *associational life* (Cohen and Arato 1992), and the household sector.

This chapter will assess the state to non-state and societal shifts in social welfare provision within the Region of York, based on the embedded urban welfare state model. It specifies and elaborates on the horizontal nature of the EUWS forms and features in the realm of human services. At the urban state level, horizontal dispersion, multi-sectoral fragmentation and interdependence of human service provision and delivery have been particularly evident.

It is contended that one of the most significant shifts in responsibility for urban human service provision has been the service devolution to the voluntary sector from various state levels, particularly during the 1990s. The voluntary sector has become a much more visible and interdependent part of the EUWS in the 1990s, and as such, a

more constituent part of the EUWS. The chapter also assesses the concepts of capacity, autonomy and interdependence of the EUWS relative to the voluntary sector.¹⁹⁴

Conceptualizing the EUWS's linkages with other urban sectors will be analyzed as part of the broader focus on urban horizontal governance in human services. Shifts in human service provision to the private sector and households are examined. Yet most of the chapter assesses state-voluntary sector relationships, given that it is argued that parts of the voluntary sector have become more integral to the EUWS. This assessment will be contextualized within urban welfare state and voluntary sector developments in the Ontario and York regional political economies, primarily during the 1990s. Theory that relates to voluntary sector governance issues will precede case study evidence obtained from the Regional Municipality of York.

The observations that relate to horizontal governance arrangements in the York regional case study have similar sources of evidence as other chapters. Document and literature reviews have been undertaken, as well as extensive interviews with voluntary sector and private sector representatives, local politicians, and local and provincial politicians and government officials.¹⁹⁵ There were, however, limitations on available regional voluntary sector documentation and data. These limitations were not unexpected given the limited capacity of the sector. Nonetheless, like other chapters, multiple sources of evidence form the basis for this chapter's findings.

¹⁹⁴ The original EUWS model did not make specific predictions relating to state-voluntary sector relations, but given findings indicating the increased importance of the sector to the UWS and the nature of horizontal governance, observations relating to these concepts are assessed.

¹⁹⁵ Four voluntary sector leaders within York Region and one from the Toronto Social Planning Council were interviewed. Two private sector representatives from the public affairs division of Magna International and a local Chamber of Commerce were interviewed. A long-time local journalist was also interviewed, as well as numerous government officials and local politicians.

Voluntary Sector Definitions and Issues

Prior to the analysis of urban welfare state-voluntary sector relations, functions and interdependencies, voluntary sector concepts require some definition and clarification to foster a better understanding of the sector. Generally, this sector is referred to as the *voluntary sector*, the *nonprofit* and the *third sector*, fairly interchangeably. Lester Salamon has a useful classification based in four classes of nonprofit (or voluntary) organizations: 1) *Funding agencies* such as the United Way that channel resources to other nonprofit organizations, 2) *member-serving organizations* that provide services to members rather than society or the community at large, such as professional organizations or labour unions, 3) *public benefit organizations* that provide services to those in need or to contribute to general welfare, such as cultural or social welfare organizations, and 4) *religious congregations* or organizations that pursue religious functions (Salamon 1995: 54).

Within Canada, only those non-profit organizations that are registered as charities with the Canada Customs Revenue Agency (CCRA), and can issue tax receipts to donors, are officially defined as charities. Approximately 80,000 Canadian registered charities are monitored and measured, though it has been estimated that there are about 100,000 non-profit organizations within Canada that are not registered as charities with the CCRA (Sharpe 2001: 13). Data in this chapter refers to registered charities.

This chapter examines *public benefit organizations* and *funding agencies* in its analysis of the voluntary sector in York Region. However, these voluntary sector organizations are diverse, and their functions and sources of revenue are numerous. The International Classification of Non-Profit Organizations (INCPO), a 22 member

comparative study developed through the Johns Hopkins Nonprofit Project, divides organizations into 12 activity groups (Hall and Banting 2000: 6). The public benefits and funding agencies of the voluntary sector may include such diverse organizations as arts and culture, education and research, health and social services.

This study focuses on the public benefit and funding organizations of the voluntary *social service* organizations that have been more visibly and functionally linked to the EUWS. Clearly, when assessing state-voluntary sector relations, different categories of Canadian charities¹⁹⁶ cannot be directly compared, given that their state revenue dependency ranges from 1% for places of worship to 71% and 74% respectively for teaching institutions and libraries/museums (cited in Hall and Banting 2000: 14). The CCRA data show that social service voluntary organizations are the second largest category of charities.¹⁹⁷ They derived 64% of their revenues from government sources in 1997 (Hall and Banting 2000: 12-14), indicating that they are highly revenue-dependent on the state. Much of the revenue obtained by social service organizations is in the form of projects and contracts that deliver public or quasi public services. Their revenue base is more at risk during welfare state retrenchment as a result of their high level of state revenue dependency. It is also expected that, because of their state revenue dependency, state-voluntary sector linkages are fairly tight.

The nature and orientation of the voluntary sector requires more specification when considering it as a *sector* that participates in horizontal governance within urban regions. Is it part of the state, or part of civil society? Civil society, according to Cohen

¹⁹⁶ Canadian voluntary organizations are defined by their charity status, as recognized by Revenue Canada. Reliable data exists only for these categories of charities.

¹⁹⁷ Social service 'charitable' voluntary organizations accounts for 14% of all Revenue Canada registered charities, after places of worship at 36%.

and Arato is “a sphere of social interaction between economy and state, composed above all of the intimate sphere (especially the family), the sphere of associations (especially voluntary associations), social movements and forms of public communication. Modern civil society is created through forms of self-constitution and self-mobilization”. (Cohen and Arato 1992: ix) However, it is contended that while the voluntary sector has often been considered conceptually as part of civil society, some parts of the sector may be so tightly linked to the state that they become functionally, part of the state sector. As such, their degree of autonomy from the state is worthy of examination.

Despite Cohen and Arato’s fairly broad definition of civil society and its constituent voluntary sector associations, they argue that *institutionalization* is key to civil society concepts. They claim that civil society does not comprise all social life outside of the state and the economy, and is somewhat distinct from *political society* and *economic society*.¹⁹⁸ (Cohen and Arato 1992: ix) This dissertation study concurs with recognizing the importance of institutionalization of civil society, but argues that state and non-state (i.e. civil society) boundaries are not always clear. These boundaries warrant further investigation.

The embedded urban welfare state model is not considered to be a model of government, but of state governance in the realm of urban social welfare provision. Horizontal governance, involving the numerous organizations that participate in urban governance and social welfare service provision and delivery is an important feature of the embedded urban welfare state. It is particularly salient at the urban state level, and the urban welfare state. Gilles Paquet’s concept of *distributed governance* is pertinent to

¹⁹⁸ Cohen and Arato define political society as consisting of such institutions as recognized parties, political organizations and political publics such as parliaments. They defined economic society as including organizations of production and distribution such as firms, partnerships and coops.

the state concept used in this analysis. He argues that “distributed governance does not mean only a process of dispersion of power toward localized decision-making with each sector. It also entails a dispersion of power over a wide variety of actors from the private, public and civic sectors.” (Paquet 1999: 79)

The Historical and Political Context of the EUWS and the Voluntary Sector

The voluntary sector has been conceptualized, defined and related to the EUWS. It is contended that EUWS forms and features are influenced by and contextualized within particular historical periods and political economies. This section elaborates on the development of both the voluntary sector and urban welfare state forms within Canada, and more specifically, Ontario.

Particularly during the 1990s, social welfare provision has shifted between the state, the economy, civil society, and households. Within the broader international and national political economy of neo-conservatism and market liberalism, the trend in Canadian social welfare provision has been a certain displacement of social welfare provision from the state to the voluntary sector and more private realms of society. This displacement of functions depends on the welfare state level and the particular political economy context. Nonetheless, some patterns can be identified in the nature of the urban governance in Ontario.

Social welfare provision by the state and the voluntary sector has had a long and changeable history in Ontario. As Dennis Guest (Guest 1980) points out, the provision of social security in Canada has been shaped by the legacy of both residual and institutional

concepts of social security.¹⁹⁹ It was not until after the 1940s, with the experience of the depression and two world wars, along with the rise of socialist parties, that a more institutional version of social security began to take hold in Canadian provinces. Canadian (and Ontario) welfare state programs emerged, according to Guest, as a patchwork of social security programs based upon the two underlying concepts and approaches towards social welfare provision. These different orientations and concepts have had implications for the relative roles of the state and the voluntary sector in the current nature of social welfare provision in Ontario.

The charitable sector in Ontario has had a long history of involvement in social welfare provision. The growth of private charities and voluntary organizations were spurred by Ontario's early approach to social welfare, despite that their capacity to provide local welfare in any substantial fashion was limited. Unlike many other provinces, Ontario (or Upper Canada) did not codify the Elizabethan poor law in its formative years during the 18th century. The British Elizabethan Poor Law (adapted by some Canadian colonial administrations) provided for some local public responsibility and funding for impoverished persons through harsh measures like the *workhouse test* (minimal assistance based on manual labour), or through the provision of some categorical assistance or shelter for children or the elderly. Guest claims that the absence of an Ontario poor law administered by local municipalities was based on the desire to prevent decentralizing power to local governments, given the suspicion of fostering any

¹⁹⁹ As Guest claims, the residual concept of social security is minimal, temporary, offered only at the discretion of welfare state agencies, and meets needs "only after evidence has been presented that all other avenues of help have been explored." (Guest 1980: 1). The institutional concept views "social security programmes to be the primary defense against adversity and rejects the argument that hard work, thrift, and foresight are virtues likely to be found wanting in the poor and dependent. It dispenses with moralizing about the shortcomings of the person in need and delineates instead clearly defined social responsibilities for the universal risk to human welfare which characterize life in an industrial society." (Guest 1980: 3)

republican tendencies similar to those that accompanied the American revolution (Guest 1980: 12). As a result, responsibility for social welfare provision and delivery remained largely within the realm of families, households and charities until a later period of development in Ontario's welfare state.

Pross argues that the growth of the voluntary sector in Ontario occurred mainly in the early 1800s, reaching the height of its influence and sophistication by the pre-World War One period (Pross 1992). Local institutions and governments developed in tandem with the voluntary sector, given many mutual interests and the fostering of supportive relationships between the two sectors. However, as political parties developed and the welfare state began to centralize and expand its activities, the voluntary sector declined, although they always maintained their presence (Pross 1992).

Public funding of the voluntary sector has also had a fairly long history in Ontario. Some provincial public funds were provided for compassionate societies, beginning in the early 1800s (Pross 1992: 21), local jails (1830s), and provincial asylums (1850s) (Guest 1980). Yet adverse social effects and public safety risks associated with urban industrialization, along with the development of political parties and collectivist thought in Canada prior to World War One, spurred the development of some local provision for certain health and social programs. Local governments began to fund and deliver some basic human services such as public health programs, food inspection, some services for the unemployed, and other types of services (Guest 1980:31). These social services were often delivered by the voluntary sector.

Some general observations about the nature of welfare state and voluntary sector expansion during the pre and post-World War Two eras can be applied to Ontario, while

recognizing that the voluntary sector developed in a unique fashion in different Canadian provinces. During the period of Canadian welfare state expansion that had its foundations in the 1940s and 1950s,²⁰⁰ the voluntary sector continued to play an important but largely residual role in social welfare provision. A more national welfare state did not really develop until approximately the 1960s. The services the voluntary sector provided during the 1940s to the 1960s have been compared to an *extension ladder*, where they extended or provided more differentiated services than those provided by the state (Rekart 1997: 6).

The 1966 Canada Assistance Plan continued the residual, means-tested type of social welfare programming in Canada through funding and a regulatory framework for welfare and social service programs, with a more national orientation. Basic public welfare support was extended so that all Canadians who were in need of assistance were eligible, irrespective of the cause of their need. This, to a large degree, changed the categorical treatment between various groups of *deserving* and *undeserving* poor, but still retained its public assistance orientation rather than a universal income orientation (such as a guaranteed annual income, as a citizenship right). The voluntary sector continued to provide social services within provinces, obtaining some funding from the CAP, as well as through other methods.

Municipal provision of welfare state services, on the other hand, was fairly minimal during the development and expansion of the national welfare state. Ontario, however, developed its two-tier municipal structures in many urban areas, beginning with the creation of Metro Toronto in 1954, and granted a number of social welfare delivery

²⁰⁰ The 1943 Marsh Report was the Canadian counterpart to the largely Keynesian-inspired Beveridge Report, released in Britain in 1942. However, the federal government did not adopt the Marsh Report when it was first issued. It took a number of years before some of its recommendations were implemented.

functions to the upper tier municipalities over the years. The voluntary sector, on the other hand, has always provided benefits and services for various individuals and local public groups in order to supplement state programs, deliver some services that the state didn't fund, or provide client advocacy. There have been significant changes and demands on the voluntary sector since the period of welfare state restructuring and retrenchment occurring from approximately the late 1970s onwards.

The most significant devolution and dispersion of social welfare functions in Ontario occurred during the 1990s. Three central dynamics have shaped urban governance, the voluntary sector, and social welfare provision within urban regions in Ontario during this period: 1) social welfare and municipal funding cuts and welfare state program changes by senior level governments, 2) the decentralization and community development thrust in Ontario politics, and 3) Ontario provincial-municipal restructuring of service responsibilities, or local service realignment (LSR). Increased demands have been placed on the voluntary sector by these measures, while at the same time, social service funding reductions have decreased some of the voluntary sector's revenue sources.

The Ontario Conservatives made four major funding cuts to social welfare expenditures that have had implications for the growth and increased responsibilities of the voluntary sector: 1) the 1995, \$497 million reduction to welfare benefits,²⁰¹ and the \$500 million cut to public services, including social services (Ibbitson 1997: 120), 2) the 1995 Ontario financial statement, including planned reductions to government spending of \$6 billion over a three year period (Ibbitson 1997: 140), targeted mainly at municipalities, hospitals and social services (the MUSH sector), and 3) cuts to social

²⁰¹ The provincial cuts to welfare state benefits were 21.6%.

planning agencies and the non-profit sector itself. Finally, the 1996 Ontario budget outlined the Government's plans to implement its 30% tax cut agenda, thereby reducing revenues that may have been made available for public programs.

The funding cuts and revenue reductions of the Ontario government to social welfare and the municipal sector, as well as their limits on business and commercial property tax increases, have strained the capacity of both the EUWS and the voluntary sector to respond to social needs. The Toronto Social Planning Council and the City of Toronto estimated in their community agency study (Municipality of Metro Toronto 1997) that between 1995 and 1996, 40% of community agencies lost some of their service budgetary allocation. The previous Director of the Toronto Social Planning Council, Peter Clutterbuck, referred to the consequences of the funding cuts as *downloading* to the municipal sector, and *sideloading* to the voluntary sector. As a result, the roles and visibility of the voluntary sector have changed. Where certain services and benefit levels 'trickle away' from public funding, the voluntary sector is faced with responding to the visible unmet social needs in communities.

Voluntary sector interview respondents commented that the sector's roles of maintaining civic engagement, community infrastructure and participation, and responding broadly to community quality of life issues, are undermined by such large-scale budgetary cuts. Clutterbuck stated that the magnitude of such cuts leads to a voluntary sector that is akin to a *last-resort* service for the destitute.²⁰² Hall and Reed (1998) point to the increased vulnerability of community organizations serving the poor

²⁰² As a result of social welfare devolution, Clutterbuck envisions a public-private shift in Ontario that will lead to a three-tiered human services system of: 1) high end market services based on ability to pay, 2) lower quality public services for the broad middle part of the population supported by a diminished tax system, and 3) low end community services for the poor, delivered by voluntary agencies and supported by private charity (1997: 71).

during periods in which government downsizes programs while decreasing non-profit funding at the same time. In recessionary conditions, the sector is less able to obtain private sector funding support or to replace revenues through fees for services.

The EUWS and the voluntary sector have been influenced by the 1990s political context in Ontario. The Ontario Conservative government has had a definite decentralization and community agenda to its welfare state restructuring, as evidenced in its LSR documentation. This, in turn, has an impact on the EUWS and the voluntary sector. The influence of subsidiarity concepts in the Ontario government's LSR initiative, with its emphasis on describing the lack of responsiveness of *remote* and *centralized* governments, was documented and evident. Community responsiveness was associated more with lower-level governments that are more accessible to communities. Subsidiarity concepts were also behind the Conservative government's approach in their attempt to increase private and voluntary sector delivery options, with the belief that private sector delivery would be more efficient and responsive to their clientele. The community sector, including voluntary sector organizations, was expected to have a greater role in social service delivery.

Theories of State-Voluntary Sector Restructuring

Prior to examining the case study of the Regional Municipality of York, this section will elaborate upon a number of theories that relate to state-voluntary sector relations, and the impact of welfare state restructuring on the voluntary sector. Analyses discussing the benefits and limitations to voluntary sector or government-provided service delivery are provided. Theory is examined against the evidence of the case study.

It is helpful to conceptualize the different types of state-voluntary relations in assessing the horizontal arrangements between the EUWS and the voluntary sector. Dennis Young (2000) has provided a useful classification of government-nonprofit sector²⁰³ relations. With *supplementary* relations and functions, nonprofits finance and deliver those services where the state does not. This role was particularly important in social services prior to the development of the Keynesian welfare state. In a *complementary* role, the nonprofit sector delivers services financed or assisted by government funding. In the *adversarial* role, the nonprofit sector advocates for changes to government policies and programs. Aspects of all of these types of roles may be present, to varying degrees, at certain time frames. However, certain types of state-voluntary sector relations are more prevalent at some periods than others. These relations vary, depending on particular urban region and political economy.

Numerous studies contend that the voluntary sector may be better suited than governments to deliver social services, based on arguments using concepts of efficiency, diversity, civic inclusion, advocacy, and a multiplicity of other goals and objectives. Young refers to Coase's economic theories in arguing why governments might finance services but have nonprofit organizations deliver them. He argues that, despite the costs of monitoring external contracts, it may be more efficient to contract out certain services than provide them in-house, given lower costs (Young 2000: 153).²⁰⁴ He also refers to the benefits of service differentiation in light of heterogeneous populations, and program specialization (Young 2000: 153).

²⁰³ As mentioned previously, while this study refers to the voluntary sector, numerous Canadian analysts use the non-profit terminology. While the language of the analyst will be preserved, the voluntary sector concept will be understood as being nearly interchangeable with this terminology.

²⁰⁴ This notion of efficiency refers to cost efficiency - a fairly specific and limited notion of efficiency.

The nonprofit voluntary sector, it is sometimes argued, is better positioned to serve and be responsive to their clientele and to community needs. Nonprofits tend to be knowledgeable about individual communities, can customize services, and are much less likely to skimp on quality or renege on service parameters given their non-profit incentive structure. Panet and Trebilcock (1998), like Young, point to the benefits of nonprofit sector social service delivery, including lower costs, responsiveness, and potentially improved service quality. They argue that nonprofits are important intermediate institutions between individuals and society. Voluntary sector organizations help to develop community social capital by fostering civic participation and the development of social institutions required for a well-functioning civil society (Panet and Trebilcock 1998: 26).

Other analysts question the benefit and capacity for governments to continue downloading social programs on the voluntary sector. The ability of nonprofits to finance adequate public service levels is questioned, particularly when government financing is inadequate (Alexander et al. 1999; Clutterbuck 1997; Hall and Reed 1998; Panet and Trebilcock 1998). It is argued that nonprofit organizations are unable to generate resources on a large enough scale to cope with social service needs, particularly during times of economic hardship when those services are needed most. Hall and Reed (1998), in their current analysis of the nonprofit sector, claim that the voluntary sector in Canada has “an inability to generate resources consistently or on a sufficient scale; a tendency to focus on particular groups of the population, leading to gaps in coverage and duplication of services; the vesting of influence with those in society having command of

the greatest resources; and a historical association with non-professionalized approaches in coping with human social welfare problems.” (Hall and Reed 1998: 1)

Hall and Reed argue that government agencies have greater operational capacity than the nonprofit sector, and operate with a set of values that assures greater equity and service delivery across wider segments of the population within geographic areas.

Nonprofits, they argue, usually target their services to particular groups based on a first-come first-serve basis, within a more limited geographical range. Further, they state that charitable giving follows patterns of giving to organizations that benefit the middle class or more affluent members of society, such as hospital foundations or the fine arts.

Terminating or reducing funding to nonprofit organizations, while at the same time reducing government social service levels, has a destabilizing effect on the capacity and infrastructure of the nonprofit sector.

The debate over the benefits and limitations of government versus voluntary sector provision and delivery of services is at the heart of many of the assertions made by state and voluntary sector theorists. While the state may offer the benefits of equity-oriented and more standard service delivery across wide geographic zones, the voluntary sector has the potential to offer diverse and individually tailored services, community responsiveness, and a multiplicity of civic functions. The ability to deliver social welfare functions by organizations within the EUWS in ways responsive to urban social needs is shaped and partially determined by the capacity and autonomy of the delivery agent.

The issue of the changes to the voluntary sector’s roles in light of increased revenue dependency on government contracts has been raised within voluntary sector literature. Some analysts claim that nonprofits that rely significantly on government

funds lose a certain degree of their independence and their potential for advocacy functions (Alexander et al. 1999; and Trebilcock 1998). It is argued that the objectives and approaches of nonprofits change to coincide more closely to service contract objectives and stipulations, reducing their functional and organizational flexibility (Panet and Trebilcock 1998). In recent decades within Canada, the voluntary sector's revenue dependency on the state has increased with the replacement of grants with performance-oriented contracts. This potentially limits the autonomy and the ability of the nonprofit sector to maintain the integrity of its multiple roles.

More recent Canadian analyses on the effects of the changed funding environment on voluntary organizations have countered or nuanced the view that resource dependency necessarily leads to the undermining of advocacy roles or changes to voluntary sector missions. Based on case studies of collaborative governance in the voluntary sector, Phillips and Graham argue that advocacy is often but not always constrained, such as in successful collaborations (Phillips and Graham 2000: 182). Juillet et al. have shown stability of voluntary sector missions and advocacy functions in the more current, competitive funding environment (Juillet et al. 2001). They argue that the *wholesale transformation* of the sector is overstated. The sector has revealed stability and resilience by changing its methods and sources for revenue-raising rather than abandoning or significantly modifying its core missions and functions (Juillet et al. 2001). While the York case study cannot reconcile divergent views on the relationship between voluntary sector functions and funding sources or types, it can offer some insights on these issues as it relates to social service-oriented voluntary sector changes in an urban setting.

The voluntary sector's capacity and roles since welfare state retrenchment have been analyzed in this case study, providing some evidence for theory. The York Region case study has explored only the part of the voluntary sector that provides, advocates for, fundraises and/or delivers welfare state services. It is not a comprehensive examination of York Regional Municipality's voluntary sector. Some of this study's key issues assess changes to state-voluntary sector horizontal governance relations, and the interdependent capacity and autonomy of the EUWS and the voluntary sector. In light of findings, the EUWS is reassessed. It is contended that the relationship between urban governments and the voluntary sector in welfare state services is interdependent to the point that voluntary sector organizations are partly, but not completely, part of the EUWS. More research and evidence is required, however, to come to a broader and improved understanding of changes to voluntary sector roles and functions in modern governance, as well as the nature of state-voluntary sector relations.

The EUWS and the Voluntary Sector: The York Case Study

The case study reveals that some of the roles of York Regional Municipality's human service sector and the voluntary sector are linked. As it has increased its service delivery responsibilities through purchase-of-service agreements with York Regional Municipality, the voluntary sector provides an important source of feedback about client and community needs within the EUWS. Consultation and cooperation between the Regional Municipality of York and the voluntary sector has become much more the norm. As a precondition for funding, provincial legislation is also now more likely to require community consultation and other accountability frameworks, as well as various

types of community funding contributions. This creates an incentive for state-voluntary sector partnerships.

In light of the 1990s devolution of many social welfare functions to local levels, the need to augment and improve local capacity to respond to pressing social needs has become more essential. Increased interdependence and partnership arrangements between municipal governments and the voluntary sector, and the development of community-based approaches for developing local resource and organizational capacities, has been a significant impact of welfare state restructuring and LSR. To some extent, these types of partnerships between the voluntary sector and urban governments are born of necessity. The need for *leveraging partnerships*, as described by Susan Taylor, Human Services Manager for York Regional Municipality, has become even more important in the face of limited resources. There are numerous examples of these types of partnerships, ranging from the Human Services Planning Coalition, to the Early Years Demonstration study (AOK), and York Region's Community Plan to Address

Homelessness.

Voluntary sector interview respondents made numerous comments about their increased linkages and contact with the Regional Municipality of York in the planning and delivery of community social services. York Region's Human Services Planning Coalition is the recently created multi-sectoral forum designed to foster collaboration and partnerships, planning, information exchange, and the building of program and community capacity responsive to York's human service needs. The many sectors of the HSPC have come to share more lobbying, advocacy and partnership roles that are directed towards the provincial government.

Local governments and voluntary sector organizations operate in a policy and funding environment that limits their discretion over welfare state provision and service delivery. These organizations must comply with provincial legislation and guidelines to receive provincial funding for conditionally funded programs, such as Ontario Works or childcare. In confidential interviews, one regional government official expressed the view that the Ontario Works legislation was the "most hard-nosed, mean-spirited welfare legislation" that s/he had ever had to administer, but that the Regional Municipality had little discretion or funding to deliver the program in ways different from the provincial design. In similar *workfare* program areas, the voluntary sector also has reduced autonomy, given that it must meet the provincially designed and regionally delivered program requirements (e.g. non-voluntary aspects of the program, required hours and pay rates, etc.).

The capacity and autonomy of urban municipalities to provide, deliver and fund human services programs responsive to community social needs has a direct effect on the

voluntary sector. Despite the provincial orientation towards decentralizing services, most respondents commented that the LSR essentially led to more centralized provincial policies, approaches and regulations. Urban municipalities are faced with the double dilemma of lacking both the autonomy *and* the fiscal capacity to shape and design human service programs that are responsive to the community. Non-compliance of provincial standards or regulations can have fairly severe consequences for their governments and the voluntary sector. A senior policy advisor for Ontario Works within MCSS stated only that those regional municipalities that cooperated with provincial guidelines and were able to reduce their social assistance caseload numbers or achieve higher community placements received more provincial funding.

Voluntary sector autonomy in human services programs is of a somewhat different nature than municipal governments given that they are not always directly bound by provincial legislation or funding to deliver services in conformity with provincial requirements. However, according to interview respondents, the provincial government is still the major funder of community-based, social service-orientated voluntary sector organizations. Further, by entering into a service contract with a regional municipality, they become accountable for delivering a provincially designed program. They are likely to be able to maintain more autonomy if they have revenue sources that are not state-dependent. However, most social service voluntary organizations draw most of their revenues from the state, based on contracts for specific services rather than core funding. Their specific form of funding dependency potentially reduces their autonomy and brings them further into the realm of the state.

The program example of Ontario Works reveals the different environments, functions and types of autonomy of local government and the voluntary sector. Ontario Works (OW) legislation created a great deal of tension and division within the voluntary sector, given that many organizations were opposed to participating in community placements, the mandatory employment component of OW. Voluntary sector organizations that participated in and complied with OW community placements often received criticism and lack of cooperation from other voluntary sector organizations within the same community. This phenomenon was not specific to York Regional Municipality, but was also observed in other urban regions such as Toronto and Ottawa.²⁰⁵ This program example demonstrates potential and actual internal divisions and fragmentation in the EUWS, both within the voluntary sector and potentially, between the voluntary sector and urban municipal governments.²⁰⁶

The case study reveals that, for many human service areas, provincial policies and standards have never been more centralized. This environment influences municipal governments directly and the voluntary sector somewhat more indirectly, given that the voluntary sector has become a more significant service delivery arm of both provincial and municipal governments. It has been argued that the voluntary sector has become a much more integral part of the EUWS, despite having some dissimilar functions to urban municipal government. Voluntary sector goals, however, may not always be compatible with government policies and program guidelines. The EUWS is somewhat divided by the conflicting social and political goals of provincial and urban governments, and the voluntary sector. The EUWS faces some intra-state challenges and divisions given the

²⁰⁵ The divisiveness of the OW legislation to the voluntary sector was commented on during interviews.

²⁰⁶ There was evidence to suggest that voluntary sector organizations did not agree with much of the design of Ontario Works, but most of their criticism appeared to be directed towards the provincial government.

differing orientations, needs, and objectives of the institutions that are part of this welfare state level.

There is little doubt from case study evidence that the Regional Municipality of York and the voluntary sector are facing increased human service pressures and responsibilities, combined with decreased funding from upper level governments to maintain these services. Human service program autonomy and capacity in the EUWS is increasingly limited by the reduced levels of provincial funding, and by the provincial policy and program centralization. Therefore, in an effort to leverage and economize on resources, and to engage in more long term and community-responsive human service planning, partnerships between urban governments and the voluntary sector have proliferated.²⁰⁷

The EUWS, including portions of the voluntary sector, has become much more of an essential human service provider within urban communities. In York Region, interview respondents spoke of the limited capacity of both York Regional Municipality and the voluntary sector to respond to community social needs. The increased levels of social stress indicators,²⁰⁸ previously described in this study, demonstrate capacity limitations.

York's increased human service responsibilities, combined with decreased provincial funding and the limitations of the property tax, have spurred the voluntary

²⁰⁷ The increased size of partnership arrangements in the Region of York is not officially documented. However, there are numerous examples of it, such as the partnership arrangements between various levels of the state for child development services, regional community policing programs and social services/education sectors, private delivery of some publicly financed childcare, or coalitions such as the HSPC. Virtually all interview respondents commented on this phenomenon.

²⁰⁸ A number of social indicators and trends have been provided in this study. However, a fairly clear indicator of increasing social needs in York Region during the 1990s is the data from the York Region Food Network. Persons served (based on emergency food packages for 3 days) by food banks in the Region were 29,805 in 1991 and 37,633 in 1999. At its peak, 51, 105 persons were served in 1996.

sector to fill social protection *voids*. This is the *supplementary* role of the voluntary sector that co-exists with its complementary role of providing public social services. Its *adversarial* role comes from the voluntary sector's continued role of advocating on behalf of clients, sometimes in ways that are critical of the policy or priorities of all levels of government. This adversarial role, however, is more likely to occur in the voluntary sector's relationship with the provincial government rather than municipal governments given that it is the provincial rather than regional government that designs human service programs and determines their funding levels and sources most significantly.

Voluntary sector organizations are more likely to have a *partnering* role in its relationship with regional government. With regional government, it attempts to meet the human service needs of the community, and at times lobbies provincial and federal governments to secure more provincial funding for regional human service programs.²⁰⁹ Most voluntary sector funding still comes from the provincial rather than the regional government, with the provincial program requirements for receipt of this funding.

Voluntary sector interview respondents observed and commented on the shifts in human service provision in York Region from the public to the private and household sectors. The Executive Director of York Region's transitional housing and support services argued that York's regional demographics of poverty and homelessness had changed over the years. Larger numbers of poor people and families have become ineligible for provincial programs that previously provided income support, housing and employment assistance. She noted the increasing population of *working poor* families

²⁰⁹ As an example, the Human Services Planning Coalition has a Social Services Funding Task Force that is headed by the Executive Director of the United Way of York Region. This Task Force researches and advocates for increased social service funding for York Region.

using York Region's housing shelters,²¹⁰ given their inability to obtain enough market and state-provided income for their shelter costs. Regional Councillor Tony Wong noted that, despite the efforts of York Regional Municipality and its community sector to respond to such pressing needs as child poverty and development, the needs simply outstripped the capacity of these sectors to respond adequately.

Voluntary sector interview respondents in York Region expressed some reservations about the capacity of the state and voluntary sector to respond to urban social needs, even in partnership arrangements. While the Human Services Strategy was generally viewed as a positive development, they questioned whether the new Human Services Planning Coalition would be able to implement its political priorities to address York's pressing social needs. Despite the increased interest of regional councillors in human service issues, many respondents claimed that human social services on the basis of municipal property taxes had fairly limited appeal within the York Region. Despite better planning, regional coordination and increased interdependence amongst human service providers, the capacity of an EUWS to respond to social needs will remain quite limited, without fairly substantial provincial funding support for human services.

While the capacity of York Regional Municipality and its voluntary sector to deliver services has been commented on in this chapter, the capacity of these sectors to formulate and influence policy together requires some further elaboration. It has been stated in this chapter and others that the provincial government and its welfare state is increasingly tightening many social program rules and requirements. This, in turn, reduces EUWS capacity to have a significant human service policy role, or to have some

²¹⁰ The largest transitional (shelter) housing agency in York Region estimated that more than 50% of its clients were now working poor.

control over the regional attributes of these programs. The increased revenue dependency of the voluntary sector on provincially defined services reduces this capacity further. However, in this case study, regional government and voluntary sector partnering and resource-building activities show a contrary tendency towards increased capacity through “bottom-up” organizing. In areas where the provincial government is relinquishing its funding control, such as social housing, some relinquishment of its program control may also occur in tandem. The EUWS is more formally and informally involved in regional human service governance issues and decision-making than in the past.

This study also supports the finding, however, that the shift towards more objectives-based service contracts and funding by governments to the voluntary sector has the effect of limiting the voluntary sector’s capacity for advocacy functions, though not in an across-the-board manner.²¹¹ The advocacy roles of the voluntary sector have not been eliminated by their resource dependency on the state, particularly with voluntary sector organizations such as the United Way that do not rely primarily on state funding. Some of the larger voluntary sector organizations (e.g. transitional and supportive housing) and larger umbrella groups continue to advocate for changes to provincial policies, such as the elimination of mandatory drug testing for OW clients. Voluntary respondents commented, however, that it was only the larger and better-resourced organizations that have the time or capacity for advocacy functions.

²¹¹ In an interview with a respondent from York’s largest housing shelter program, it was commented that their organization continued with advocacy functions that were sometimes at odds with both municipal and provincial policies. It was also mentioned that there were few voluntary sector organizations within the community that had the staff or resources to engage in these advocacy functions.

The voluntary sector's increasingly strained resource capacity, combined with the pressures of responding to greater and more visible social needs, have forced some trade-offs in the type of relations conducted between it and government(s). Its limited funding capacity has resulted in an increased resource dependency on the state. Responding to higher levels of social needs has also strained the capacity of both its organizational resources and volunteers. One prominent voluntary sector respondent argued that governments are eroding the voluntary sector's infrastructures with unreasonable constraints and rules, such as the stipulation that no more than ten percent of funding be spent on organizational administration and management. Advocacy remains a valuable role of the voluntary sector, but there is less time and resources to devote to this function.

Some voluntary sector representatives questioned the depth of consultation and their influence over regional human service planning and provision. Some noted that while many provincially funded programs require a greater degree of community consultation than the past, the form of consultation could range from very limited to quite extensive levels. Certain voluntary sector respondents questioned whether their input and perspectives influenced human service decisions by governments. Some made the comment that while they were consulted, reports were often shelved, and decisions were made on the basis of other political priorities.

The issue of voluntary sector influence within the EUWS, however, relates to the broader political environment of the urban state, and the political context in which it is situated. As discussed previously, the political economy of York is not always conducive for the building and support of redistributive human service programs. Therefore, while

consultation may occur, outcomes determined by political priorities might not reflect the advice received from voluntary sector participants.

Consultation and partnership arrangements in urban regions are relatively new, and there are indications that such relationships require nurturing and development. York Region's horizontal governance arrangement for human services planning, the Human Services Planning Coalition (HSPC), is nearing the two year mark.²¹² Community advocates, journalists, and leaders within the non-profit sector indicated in interviews that they remained a fairly untapped source of knowledge in human service policy and planning.²¹³ Their collective wisdom, gathered only through fairly extensive and independent research, has much to offer on the murkier aspects of social welfare governance and policy in urban communities.

Governance in the EUWS: Collaboration and Fragmentation

The EUWS in York Region is not only shaped by its local political economy, but by other levels of government and the broader political economy. Regional governments such as York operate within the legislative context and constraints of provincial social policy, legislation, and funding parameters. This vertical governance context and constraints, it has been argued, limit the autonomy of the EUWS.

The constituent parts of the EUWS, when evaluated as a horizontal governance arrangement, are limited in different ways. As discussed in earlier chapters, York Regional Municipality and its state sector partners are limited in their capacity to provide

²¹² The Final Report of the Human Services Strategy, creating the HSPC, was released in November 2000.

²¹³ Voluntary sector respondents commented that they were consulted more than in previous decades, but that opportunities for 'true' consultation (i.e. adequate notification planning considered, and post-consultation decisions justified) were still rare. Many also commented that most of the smaller organizations did not have the resources or capacity to participate in these processes.

human services in ways that are responsive to or adequate for urban social needs. The voluntary sector is limited to a greater degree in its ability to financially sustain its organization and services, and it is constrained by an EUWS form that, to a certain degree, is shaped by provincial and municipal goals and priorities.

EUWS governance in urban political economies is based upon both vertical and horizontal distributions of power and functions. Horizontal governance in urban regions involves the distribution of power and responsibilities between local state institutions, the voluntary and private sectors, and the community and household sectors. In horizontal governance issues, like vertical distributions of power between state levels, there are a number of conflicting community political priorities over the allocation of public resources. While this has always been the case, there is reason to suggest that in more recent decades, horizontal governance has been increasing within urban regions (and potentially other types of geographic and socio-political “space” and communities), but it also manifests itself in different ways within urban locales and governance arrangements. While much has been said of increased partnerships and collaboration between urban municipal governments and the voluntary sector, there are limits to such collaboration. The goals of the various parts of the EUWS diverge to some degree, in response to differing pressures placed upon it by different sectors and community groups.

The policy and funding environments of the constituent parts of the EUWS shape the incentive structures and approaches to human service provision and programming, and at times, create tensions within the EUWS. For example, some voluntary sector respondents noted the different approaches and incentives between governments and the voluntary sector over the Ontario Works requirements. Such requirements, amongst

others, included the funding incentive for municipalities to reduce social assistance caseloads by placing clients in work-related activities, funding for mandatory drug testing of OW clients, and other provincial policies.

Many municipal officials and voluntary sector members claim that, depending on the policy field, there are benefits to increasing human service governance responsibilities to municipal governments and their sectoral partners. The City of Toronto's Commissioner of Community and Neighbourhood Services pointed out that municipal governments, as opposed to provincial or federal governments, tend to encourage active civic participation. There are many access points between the public and local politicians, including open agendas and meetings, and numerous open committees and consultation processes.²¹⁴ Pat Vanini, Executive Director of AMO, spoke of a similar phenomenon, noting that municipal governments are more open than other levels of government. Some provincial officials commented on the accessibility of municipal governments to direct citizen input. The provincial Ministry of Family and Community Services (MFCS) Director General interviewed commented on the importance of having urban municipal participation and some control over regional employment and social infrastructure programs (such as social housing), and the general benefits of local networks.

The vertical and horizontal governance relations in York Region's EUWS are interdependent and collaborative. The limits to this interdependence and collaboration

²¹⁴ The Director of the Georgina Community Legal Services Clinic spoke of the need for a deepening of local/regional consultation processes – to seek out well-informed focus groups, provide a focused set of questions, and ask for feedback. He questioned the real benefits of “open invitation” consultation processes in which questions were not submitted in advance. While recognizing some value of such forums, he did not think that they were sufficient as stand-alone consultation activities.

relates to the different goals of welfare state constituencies and organizations, the degrees of power and capacity that constituent parts of the EUWS can bring to the process, and the context and constraints of the political econom(ies) in which they operate. They are unequal degrees of power of the sectors and state levels, involved in the vertical and horizontal governance arrangements of the EUWS.

The Voluntary Sector and the EUWS

Voluntary sector theorists have used the term the *shadow state* to describe the voluntary sector's changing nature (Rekart 1997; Wolch 1990; Clark and Dear 1984). Clark and Dear (1984) refer to the shadow state as "a para-state apparatus, that is, 'a set of auxiliary agencies constituted separately from the state and other state apparatuses, and possessing some degree of operational autonomy...but retaining those functions of the state sub-apparatus.'" Wolch points out the shadow state (or voluntary sector) and its activities are not formally part of the state (1990: 41).

This study, on the other hand, contends that the voluntary sector, in its relationship to the state, is largely a horizontal sector that spans the boundaries and sometimes enters the core of the urban welfare state. The voluntary sector's activities of human service provision and delivery that are publicly financed, designed and regulated by urban welfare state levels are, in essence, urban welfare state functions. In urban regions, these constituent parts of the voluntary sector are part of the EUWS and have become more than a shadow state.

The degree of control of the EUWS over the voluntary sector is, of course, never complete. The voluntary sector maintains a degree of autonomy and its own organizational functions. Further, the EUWS is a semi-sovereign entity that is shaped

and influenced by other welfare state levels and the private sector. The control of the EUWS over the voluntary sector can never be complete, even for the municipal transfer payment services of the voluntary sector. There are many voluntary sector organizations that are influenced more by other levels of government, such as the provincial government, particularly when there is a direct funding relationship.

The EUWS and Horizontal Dispersion to other Non-State Sectors

Horizontal displacement or dispersion of social welfare functions to other social sectors than the voluntary sector has also occurred during welfare state restructuring. It is important to note the shifts in many of the previously state-provided social services to households, the community, and the private sector. Even during times of economic prosperity, social and individual welfare provision has had much more of an individualistic and market-oriented tendency in the 1990s than during the 1960s and 1970s Keynesian welfare state era. While the voluntary sector has been an extremely visible social welfare provider in urban regions, other non-state sectors have also assumed increased social welfare responsibilities.

It is contended that these sectors are generally not as linked or integral to the urban welfare state as the voluntary sector. As a consequence, they have not been the main subjects of this dissertation study. However, given that displacement of social welfare functions by the state to these non-state sectors has occurred, some elaboration is warranted.

The Household Sector

As both the federal and provincial governments have downsized their welfare state responsibilities and funding, particularly in the 1980s and 1990s, the private sector

and households have taken on more of these functions. Many community sector interview respondents commented that as welfare state services (and particularly redistributive human services) have trickled away, much has been assumed by families and individuals. These changes in social provision have, to some degree, gone relatively unnoticed, particularly given that many beneficiaries relying on these services are poorly organized. Key examples of this phenomenon include the home care and childcare sectors. Women often have dual labour market and caring roles within the household sector and are in poor positions to organize and lobby governments when cutbacks occur.²¹⁵

Voluntary sector respondents often provided examples of what this study has referred to as *dispersion* from the state to the household sector. Respondents pointed to the increased numbers of adults living together to reduce housing costs, women and family members looking after elderly persons or those in poor health, and increased numbers of homeless persons or those reliant on food banks. These trends have been exacerbated by the accelerating rates of poverty in the Region. The Director of the Legal Aid Clinic in York Region commented on the consequences of the Ontario government's 1995 welfare benefit cuts, such as the large number of apartment and housing evictions that occurred after that time. The increased need for supportive housing and food bank usage in York Region, demonstrated by social indicators, also provides evidence of these trends. As expected, as welfare state services and income support decreases, private and voluntary social welfare provision increases.

²¹⁵ For further elaboration of the gender implications of the welfare state retreat within the program areas of home care and childcare, see Jenson and Phillips (2000), and Jenson, Mahon and Phillips (2002).

The transfer of some previously state-funded social welfare functions to the private household realm reveals some of the limitations of the *social assistance* urban welfare state, based on its current fiscal capacity. Chapman, Phillips and Stevens argue that “the contraction of the welfare state has meant that much that was previously done by government agencies is now done by charities or other non-profit groups. Often this is occurring at the same time as cut-backs in government spending are diminishing charities’ resources.” (Chapman, Phillips and Stevens 2001: 3) It also demonstrates what this study refers to as the *selective dismantling* of the national welfare state.

Governments have not been penalized at the polls to any significant degree for significantly reducing the funding of redistributive human service programs, unlike government attempts to dismantle more universal social programs benefiting the middle class, such as health.

It has been argued that the urban welfare state, although it has been tasked with more residual social service responsibilities, is in a poor position to fully respond to both these responsibilities and the community’s social needs. It has less fiscal capacity to fund welfare state responsibilities than other levels of government, even in partnership with other community sectors. As a result, residual social services have been devolved and dispersed from upper to lower level governments and welfare states, and from the state to the market and household.

Poverty-oriented programs and supports disappear more quietly and invisibly from the public realm than others, particularly since they do not have well-resourced, organized or powerful lobby groups. The dismantling of the welfare state in residual social services at all state levels, has also had significant gender effects. As the ‘caring’

services are shifted from the more public to the household domain, women are increasingly placed under stress as they attempt to combine care-giving and labour market roles (Jenson, Mahon and Phillips 2002). Political support is inadequate to ensure more reasonable or stable levels of such services.

The Private Sector

As commented on in previous chapters, the market shapes the broader political economy that sustains the welfare state, including the state's revenue base. Business organizations in Ontario have been quite successful in lobbying the provincial government to maintain or decrease corporate business taxes, business property taxes, and personal income taxes. The private market has a significant influence on EUWS capacity and autonomy. The private sector is often turned to by individuals and families to provide social welfare services where the state does not.²¹⁶ It can also act as a delivery agent when the state retreats from directly reporting social welfare services.

Shifts to private sector delivery for social services have occurred more frequently in recent decades. Increases in the number of private sector delivery agents in York Region, Toronto and other large municipalities have occurred in certain social services such as child care, home care, nursing care, and employment services. Many of these private delivery agents are wholly or partly publicly financed.²¹⁷ However, the state and voluntary sector still dominate the private sector as delivery agents in social welfare (or human) services.

²¹⁶ The concept of social welfare goods is used fairly restrictively. Social welfare goods, in this case, are state-financed public services rather than market-provided social services or goods.

²¹⁷ Privately provided childcare services subsidized by a provincially designed income test is an example. OW employment counseling has also been, at times, delivered by the private sector in York Region.

Partnering arrangements between the urban welfare state and the private sector have increased, but evidence from the York Region case study suggests that it is not always broadly based. Notably, in the 18 member Human Services Planning Coalition, there is only one private sector representative. Some respondents, including a municipal manager of land ambulance services commented that, despite the provincial government's privatization orientation, many human services have remained within the delivery realm of the regional government. Partnering arrangements in the human services are still somewhat more likely to occur between government and the voluntary sector.

The private sector in York Region can and does play a role in fund-raising for welfare state services and provision, particularly through large companies such as Magna International. Further, urban municipal governments can influence the private sector's incentive system to induce it to provide more social welfare services and functions. An example provided by Markham regional municipal councilor Tony Wong is regional development charge relief and an expedited development process for developers in exchange for the allocation of units or land for affordable housing.

Local and international business interests limit EUWS autonomy and capacity through exercising their systemic advantage and influence. As discussed previously, while they do not become very involved in urban human service issues, they indirectly limit the urban welfare state's revenue base by exerting pressure on it and the provincial government to maintain or reduce property and income taxes. The private sector can therefore have somewhat of a dual and contradictory role. Some private sector organizations provide and deliver human services, and some of the larger companies do

fund-raising for community social welfare benefits. However, the broader interests of private sector delivery agents can have the effect of limiting EUWS capacity. The profit incentive of private sector delivery agents can also, at times, make for an uneasy partnership between the market and the welfare state in human service provision.²¹⁸

This study contends that while horizontal governance involves the private sector to some degree, it is still a fairly limited part of the EUWS. However, when private sector delivery agents provide human services that are publicly financed and regulated by urban municipal governments, these organizations (or units) do become a constituent part of the EUWS. They essentially become delivery arms of the EUWS and as such, are integral parts of it. However, private sector linkages with the EUWS are more limited than other horizontal sectoral organizations. The private sector as a whole does not engage to a significant degree in urban human service planning, management, policy development, consultation and provision. The voluntary sector presence in human service delivery continues to be larger than that of the private sector.

Conclusion

In recent decades, urban human service provision and delivery in Ontario has shifted to a governance model based on interstate, intra-state, and multi-sectoral governance. The EUWS has become more dispersed between levels of government, the voluntary sector, and to a more limited extent, the private sector (as service deliverers). The urban welfare state is embedded between the state, the market, civil society, and the household sectors. It is shaped by the relevant political econom(ies). However, the

²¹⁸ As discussed in interviews undertaken with York Regional officials, the classic case for this was the private sector delivery of Ontario Work's employment programs. More easily employable candidates were selected for the program, given that the company was paid for successful employment placements.

central and most constituent components of the urban welfare state apparatus are urban municipal governments, the voluntary sector, other state sectors in the urban region, and to a more limited extent, private sector delivery agents. While other influences shape the EUWS, they cannot really be considered as part of the EUWS governance apparatus.

The *core* of the *horizontal EUWS* includes the state, and the private and voluntary sectors that provide human service functions and influence human service policy and planning process within an urban territorial community. There are institutionalized linkages between these sectors, as well as regular interaction and consultation on urban human service provision, planning and policy development. Some state agencies within the urban region are involved in both vertical and horizontal governance relations with the EUWS. State human service agencies within the urban political community, such as community colleges or the local provincial Ministry of Community and Social Services, have linkages to the EUWS. They enter the core of the urban welfare state to the degree that they are active participants and are institutionally linked to it. Private sector delivery agents (or ‘fractions’ within private sector organizations) are part of the EUWS to the extent that they provide urban human services, funded and regulated by municipal governments.

Parts of the voluntary sector have become, to a greater degree than in the past, more of a service delivery arm of the urban and provincial welfare states. Without this sector, the EUWS would be unable to provide the same degree of human services to respond to urban social needs. As such, the voluntary sector influences the service delivery system, and responds to it in particular ways, depending upon its organizational mandates and clientele. As service delivery agents, the voluntary sector is attuned to the

needs of its client base and the broader social needs within the community. It is a significant provider of information to governments on community social needs that can be used to sustain or build a more community-responsive urban welfare state.

There are no definitive criteria for evaluating whether governments or the voluntary sector should deliver human services. Broadly, government services offer more standard and universal service delivery, based on legislative parameters, across fairly broad territories. Voluntary sector delivery, on the other hand, offers some of the benefits of service diversity that is tailored to individual or particular clientele, community responsiveness, and the capacity for civic inclusion and representation. The choice of the most appropriate delivery agency relates to an assessment of the type of service to be delivered and the relative capacity and expertise of the delivery agent. However, as demonstrated in previous chapters, the York EUWS reveals limited autonomy, policy tools and capacity to respond effectively to urban social needs. These limitations affect both municipal government and the voluntary sector's capacity to adequately provide human service functions within the urban region.

There are a number of case study findings that have policy process implications. With respect to urban policy-making and program design, increased voluntary sector involvement offers the benefit of providing information about heterogeneous client needs within different communities. The voluntary sector's tailored program designs and client contact offer valuable information that can be fed into urban and provincial human service policy-making activities. However, the provincial welfare state places strong limitations on the capacity of urban governments and the voluntary sector to respond to regional social needs in an innovative, flexible or adequate manner. There are also strong

limits on the capacity of the EUWS (including urban government, the EUWS and voluntary sector partners) to ensure adequate human service levels in the face of decreased funding from upper level governments. In human service delivery, while it is still too early to tell, there is the potential for EUWS delivery (through government, voluntary or private sector delivery agents) that may be better attuned to community needs than human service delivery by upper level state levels.

Urban municipal governments and the voluntary sector are increasingly interdependent and collaborative in their roles and functions to economize and share resources, and build community capacity. While there are limits to collaboration and partnerships based on their different roles, resources and incentive systems, there is potential for building capacities jointly. There is also the potential, with increased levels of state-voluntary sector interdependence and partnerships, for developing local community and political alliances and fostering longer-term human service planning. These strategies and approaches have the potential to garner support and legitimacy for the lobbying of other levels of government.

Urban governance in the embedded urban welfare state is marked by changes in state forms and features. Power, resources and responsibilities are dispersed between national state levels, between locally based state organizations and agencies, and between the different sectors within the urban region. Governance in human and social services is less about governing in which formal control is vested in particular governments or agencies, and more about mobilizing, partnering and managing resources across a large number of state levels and sectors. Formal or constitutional authority has significance in urban governance issues and responsibilities, but given the responsibility of EUWS to

manage and deliver human and social services, much welfare state governance occurs through non-constitutional means. The embedded urban welfare state is shaped and influenced by the urban and broader political economies, and through the vertical and horizontal governance relations between state and sectoral institutions in urban regions.

Chapter Eight – Conclusion

Urban Welfare State Theory: Reflections and Advancement

The Research Process

This investigation set out to develop an urban welfare state (UWS) concept, build alternative UWS models, test them against a Canadian case study, and come to observations and conclusions about potential UWS forms, features and content in the context of changing national welfare states. The research intent was to offer a different conception of the welfare state, based on the proposition that welfare state levels are developing within the bounds of urban regions. It was contended that more fragmented, semi-autonomous welfare states have emerged within the Canadian national welfare state system. Urban social welfare governance has an increasing influence over community and citizen welfare, particularly in Ontario where large municipal governments have been granted increased human service responsibilities in the 1990s.

Three UWS models were developed and tested against the case study: 1) the Urban Polis Welfare State (UPWS), 2) the Embedded Urban Welfare State (EUWS), and, 3) the Residual Urban Welfare State (RUWS). The goal was to analyze urban welfare state *governance* rather than focusing only on the social welfare responsibilities of *governments*. The Ontario case study of the Regional Municipality of York showed greatest empirical support for the embedded urban welfare state model form. The case study findings relating to York Region's EUWS forms and features, and the alternative UWS models, are potentially relevant for analyzing welfare state governance in other Canadian urban regions or other national urban locales.

The Urban Welfare State: Research Findings

The Regional Municipality of York most closely resembled the model of the *embedded* urban welfare state (EUWS), in form and features. Local politics shape the form and content of York Region's EUWS, within the context and constraints of the numerous (urban, provincial, national and international) political economies and welfare state levels. Vertical (between state levels) and horizontal (across the state, civil society, market, and other non-state institutions) governance is a central feature of the EUWS. The institutional linkages between the state, the private sector, and civil society are important characteristics that influence the power and capacities of an EUWS.

As argued in chapter six, the urban welfare state is comprised of state-societal institutions that provide welfare state services within the political boundaries of city-regions. EUWS institutions are increasingly interdependent, and their demarcation lines are not always clear. However, based on the assessment resulting from the case study, it was concluded that the EUWS contains a *core* and a *periphery*. The core consists of the institutions that form the integral and central part of the EUWS. The periphery includes the institutions and societal groups that become involved in urban human service policy, service management and delivery, and actively influence the EUWS, but have a fairly separate autonomy from it. The institutional make-up of York's EUWS core consists of the community and social service divisions within the regional government, with its grant of authority from the provincial government and the local democratic process, and the service provision and delivery components of the voluntary sector and other delivery agents. York's EUWS periphery consists mainly of various political coalitions, the

involved regional public, and the private sector and other welfare state organizations²¹⁹ that become involved in or influence EUWS form and content.

Prior to assessing other features of York Region's EUWS, it is important to point out that the EUWS is shaped by specific political conditions of the urban and broader political economies, and other welfare state levels. The context and politics surrounding the EUWS influence and shape its *substance*. A key Ontario political development was the Ontario provincial government's implementation of the 1998 Local Service Realignment, resulting in the downloading to municipalities of more human service responsibilities in such programs as social assistance, public health, social housing and child care. These services are now, to a greater degree, financed on the municipal property tax base.

The politics and economy of York Region have not fostered the socio-economic or community foundations upon which to build a well-developed urban welfare state or society. Politics and the political economy of York Region are influenced by its market composition based on mainly small private sector businesses,²²⁰ and a very limited (in influence and numbers) organized labour sector. The York Region political community is relatively conservative, as shown by its solid support in all ridings for the Harris Conservative agenda of tax cuts and reductions to welfare state expenditures and the size of the state. Again, this limits UWS development, particularly given that it is currently financed through property taxation.

²¹⁹ Other welfare state organizations might include parts of the regional-level Ministry of Community and Family Services or federal department of Human Resources Development that have institutional linkages with other regional social welfare providers. They are strongly linked to but not subsumed by the EUWS.

²²⁰ Approximately 70% of the jobs in York Region are within companies that have less than ten employees (Regional Municipality of York 1996: 14).

Urban welfare state developments have occurred, despite the constraints of York Region's political context and political economy. State and non-state welfare institutions and coalitions have emerged and key partnerships, such as the 1999 creation of the Human Services Planning Coalition in York Region, have formed. The evolution and dynamics of welfare state coalitions (including primarily regional municipal politicians and officials, and voluntary sector organizations in York Region) that helped form and develop York's Human Services Planning Coalition reveals the importance of horizontal governance relations in urban welfare state development. Also, some of York Regional Municipality's politicians have taken an active role in responding to the new, provincially legislated human service responsibilities. Despite previous organizational and program fragmentation, partnerships and relationships between human service providers have solidified, and more joint planning of resources, responses and strategies has occurred. This process, however, will take time to unfold. Urban welfare state development in York Region will continue to face provincial legislative and regulatory limitations, as well as political and fiscal constraints. York Region is experiencing a fairly slow development of its urban welfare state.

As shown in this study, York's urban welfare state has a fairly limited degree of autonomy. State autonomy, as discussed, is a relative concept that is used to examine the degree of independence that the state has from the institutions of the market, society and other state levels. York's EUWS has limited autonomy from other state institutions, and particularly from the provincial welfare state level. Its autonomy from both the market and society varies historically, but based on current service responsibilities of the urban welfare state, it is fairly limited.

York's EUWS was evaluated as having a limited degree of fiscal capacity, given that limited municipal fiscal foundations remain based on local property taxation, user fees and development charges. Human service grants from upper level governments have also been declining. In addition, York's urban welfare state was assessed as having a fairly limited degree of democratic capacity, defined as the nature and extent of democratic involvement and mobilization of the urban public, organizations and interest groups in the urban electoral and political process. This type of capacity is essentially the civic foundation for the urban welfare state. The case study findings show a fairly low sense of regional community identity, and low voter turnout at municipal elections as compared to other urban municipalities such as Ottawa and Toronto.

York Region's EUWS is a somewhat fragmented welfare state, but developments shown in the case study (e.g. increases in horizontal coalition-building and governance arrangements) reveal some contradictory evidence. The statement that the UWS is a "fragmented state" cannot be over-generalized, and departures from it are important to note. However, in general, power, resources and responsibilities are dispersed between state, non-state and societal institutions in the urban region, and between welfare state levels. Human services and their delivery are divided between governments, the voluntary sector and the private sector. This fragmentation is largely a consequence of welfare state contraction in a number of program areas, and the lodging of human service responsibilities across sectors and levels of government. Human service provision is now more rather than less institutionally dispersed in many complex and interdependent governance arrangements.

The tendency towards fragmentation co-exists with the parallel and somewhat contradictory development of more collaborative governance arrangements between urban welfare state and non-state institutions, and between the EUWS and the urban state. Within York Regional Municipality, human service and land-use planning and development are located organizationally within the same Planning Department. Regional budgets and the Official Plan process link physical, land and human service planning. At a broader level, program and service partnerships and planning arrangements (e.g. Human Services Planning Coalition) are becoming more institutionalized.

Regional human service providers, in response to legislative and funding changes by upper-level governments, are partnering and leveraging resources to respond to urban social needs in a more coherent and integrated manner. The goals and political interests of human service organizations, however, can and do diverge. Without the careful tending and maintenance of such relationships, there is the potential for some disunity and movement towards fragmentation. But despite the fragmenting tendencies of York Region's EUWS, there is a certain unity to it. York's EUWS has required and developed regional leadership, institutional commitment, and the sharing of expertise and resources. This has supported more integrated and jointly resourced human service provision.

Similar to a regime theory concept of governance, this study contends that the local (or urban) state or UWS does not *govern*, but it *enables* and *coordinates* the mobilization of organizations and constituencies to provide, deliver and advocate for human service programs. To increase urban welfare state autonomy and capacity, given the constraints on urban municipal government, it must act in concert with other state

institutions and various non-governmental constituencies and organizations. The urban welfare state gains more governance, resourcing and lobbying capacities with effective partnering and resourcing arrangements between governments and non-state institutions and agencies. Again, the horizontal (and vertical) nature of local politics and urban welfare state developments and governance arrangements is an important finding that has not been the subject of much existing theory or case study evidence on the local state or the local (urban) welfare state.

This study also examined EUWS autonomy and capacity at different stages of the human service policy process. The York EUWS was evaluated as having less autonomy than predicted by the EUWS model at nearly all human service policy process stages, including policy, management, funding and service delivery. The initial predictions for the EUWS model underestimated the strongly centralizing and regulatory provincial government control, and the significant limitations on urban fiscal capacity. Only the management of the human service delivery system, including the increased ability to choose the delivery agent for most social services, was evaluated as showing signs of a fair amount of autonomy.

An urban policy role, or the ability of York's EUWS to shape and design welfare state services in response to local or regional community needs, is limited. Policy remains extremely provincially centralized and regulated, despite the increased social service and funding responsibilities granted to regional municipalities and cities by the Ontario government. Urban social service roles, however, depend on the particular program and policy process stage in question. While public health, land ambulance and

Ontario Works (social assistance) are highly centralized programs, there is somewhat more discretion in social housing, child care and child development.

The territorial boundaries of urban welfare states and the implications of multi-layered urban governance arrangements were considered in evaluating EUWS forms and functions. The Greater Toronto Services Board (GTSB), created by the Ontario government in January of 1999, was a city-regional planning and services Board composed of all lower and upper-tier municipalities within the GTA. The GTSB administered the provincially mandated, GTA cost-pooling program for social assistance and social housing. York Regional Municipality's fiscal capacity is limited quite significantly by the equalization requirements of this provincial piece of legislation, with 20% of its gross spending allocated for GTA-wide cost pooling in 2000. Discussions by municipalities, GTSB Board members and the provincial government relating to the GTSB's roles and functions occurred mainly in 2000-01, and ranged from disbanding it to further developing its powers, responsibilities and democratic foundations.

The Ontario Ministry of Municipal Affairs dissolved the GTSB in September 2001, roughly two and a half years after its creation. The Ontario government had decided, during this time, that further municipal restructuring would not occur without local and municipal support. Plans were shelved for the creation of a "Megacity", which would have involved the creation of a GTA-wide urban government and the dissolution of the pre-existing regional governments.

The creation and demise of the GTSB, potentially a super-regional governance authority and another urban welfare state form, is consistent with the EUWS model. According to the EUWS model, the territory and functions of an urban welfare state are

shaped and influenced by political forces within particular political economies. The rise and fall of the GTSB demonstrated the influence of pre-existing local and provincial state levels in determining (and ultimately dissolving) a potential GTA-wide urban welfare state. Ultimately, local and provincial state levels did not support or have a vested interest in a GTA-wide governance authority. Further, the GTSB did not have a civic base of support for it, or support by business communities.

The demise of the GTSB has some implications for current municipal governments and local welfare state levels. It is unlikely that a GTA-wide governance authority with substantive powers will, in the relatively near future, be reconstituted. In the case of York Region, the regional boundaries of York's EUWS will be the site of any urban welfare state growth or developments. It is expected that the provincial determination of the GTA-wide cost pooling legislation and terms will remain in place. The fiscal base and capacities of York's EUWS will continue to be shaped by provincial legislation beyond its control. The City of Toronto and the four upper-tier municipalities (and their municipal associations) will most likely continue to pressure the provincial government for "say for pay" in order to influence the terms and conditions of a cost-pooling scheme based upon their property tax assessment bases.

An examination of an urban welfare state form would be incomplete without considering its content, substance and core ideas. This thesis argues that the national welfare state and its social welfare functions have been de-centred and dispersed between governance levels, the market, civil society and households. Many residual social service responsibilities, including funding, have been further devolved to provincial governments

by the federal government.²²¹ In the case of Ontario, some of the program and funding responsibilities have, in turn, been devolved to regional and large city municipal governments. Developing urban welfare states have been tasked with many of the redistributive human service functions of the welfare state. They have not, however, been granted the fiscal or legislative tools to effectively provide for these roles.

The core ideas that relate to urban welfare states and communities are not based on concepts or discourses like the *sharing community*, or the *war on poverty*. York Region public opinion polls that are echoed in political and journalist circles espouse the dominant idea of urban *quality of life*. This raises the issue and question of *quality of life for whom?* Environics Research public opinion polls conducted in York Region in 1999 and 2000 found that the human services most typically associated with quality of life are much more likely to be health and education. Redistributive human services such as social housing, public transit, and social assistance rank very low in York regional community's conception of "quality of life". While the focus on ensuring community quality of life captures notions of safe, pleasant and livable areas that are not marked by urban ghettos or social divisions, it detracts from previous welfare state discourses that focused more on social equality or income redistribution goals.

Core, dominant ideas and discourses about urban governance and community life shape, influence and constrain an urban welfare state. The core idea and discourse of community quality of life has the tendency to submerge the interests of low-income individuals and families to those of the political, middle class and power majorities. This

²²¹ The federal CHST block fund provides unconditional funding for health, education and welfare. Yet given the fairly significant reductions that occurred in the size of the grant, and the public pressure to maintain health and education spending, it is unlikely that this social transfer funds a substantive proportion of income redistributive programs to a similar degree as the prior Canada Assistance Plan.

form of welfare state discourse thus has the potential to erode the welfare state goals and services that provide income and social protection and inclusion, particularly for low-income individuals and households.

York's urban welfare state has been unable to keep pace of increasing urban social needs. As shown by the Federation of Canadian Municipalities Quality of Life indicators (1999), York Region has the fastest-growing poverty rate in the Province of Ontario. Data from its municipal food banks show accelerating usage rates, even during times of economic growth. Other social indicators (e.g. growing homelessness), as well as interview feedback, support similar findings. These trends have occurred despite the Region's economic growth in the latter part of the 1990s.

The Urban Welfare State Concept and Models

Urban welfare state theory is based on models of governance within urban regions. The urban polis welfare state (UPWS), the embedded urban welfare state (EUWS), and the residual urban welfare state (RUWS) are all possible and potential models of urban governance within 21st century urban regions. The concepts of the UWS core and periphery, collaboration and fragmentation, and vertical and horizontal governance are concepts for analyzing urban welfare state forms and features. Examining UWS autonomy, and the fiscal and democratic capacities of urban welfare states, are relevant criteria for determining degrees of "statehood".

Rather than a theory of urban welfare states and urban welfare governance, it is contended that models and concepts are more appropriate. This recognizes that potential urban welfare state forms are dynamic, changeable, and shaped by the political context and political economy in which they are lodged. Politics, community composition and

political economy(ies) influence the formation of the necessary civic foundations that support or hinder UWS development. These conditions vary considerably, within different locales and over time.

While the EUWS model best describes the developing urban welfare state in York Region and potentially other large urban municipalities within Ontario, it is not argued to necessarily be the “best” normative model. It is a well-developed political and explanatory model that takes into account the importance of politics in shaping the urban welfare state, and the effects of horizontal and vertical governance and institutional arrangements. The EUWS model also focuses on the embedded nature of social welfare governance within multi-tiered state, multi-sectoral governance arrangements. Yet as shown by case study evidence of economic growth accompanied by increasing levels of income disparity. An embedded urban welfare state form may entail a relatively incapacitated urban welfare state that is unable to stem the tide of increasing economic and social polarization, although the causal links are too multi-causal and tenuous to support by one case study.

The Urban Polis Welfare State contains features that are worthy of examination, particularly given the trends towards city-state governance in light of the growing economic and social importance of cities. Cities have forms of economic and social clustering and development that may increasingly require tailored governance options and responses. A UPWS, as a more well-developed and financed urban welfare state, may offer the prospect of developing some programs that are locally responsive. It may also have the potential for fostering greater local democracy and social inclusion given its significant democratic capacity and well-developed welfare state coalitions that link it to

the urban state. Possibly, it may be better able than an EUWS to prevent the growth of social and income disparities. The risk of this state form may be an increase in program disparities and differences across urban municipalities, given that it is shaped by specific local political economies and communities. UPWS forms and features, should they exist, may require some centralization through provincial policy oversight for social equity and equality purposes, and the maintenance of certain program standards.

Finally, the Residual Urban Welfare State model may be applicable to particular jurisdictions. Depending on the political and economic context and conditions, a RUWS may have some normative appeal. Indeed, the RUWS model perhaps more accurately described earlier welfare state governance in Ontario. During the Keynesian welfare state period (1950s to 1970s), the federal and provincial state levels had more social program responsibilities. Urban governments and other delivery agents provided mainly human service delivery functions. Assuming that urban governments are adequately funded for delivering human services, a residual urban welfare state may help to prevent large discrepancies in social program quality and entitlements between urban jurisdictions. This scenario may have some normative appeal, particularly for human services that have a strong redistributive focus. On the other hand, an RUWS may prevent the development of locally responsive human services, the fostering of local welfare coalitions or a strong local civic base.

While the EUWS model best describes York Region's developing urban welfare state, other UWS models are useful for revealing some potential alternatives to overcome some of the shortcomings of this state form. The elements of these models may also be appropriate for different policy process stages in which the desired degree of UWS

autonomy and capacity may vary. For example, both the RUWS model and case study evidence point to the need for fairly significant federal and provincial funding roles over redistributive human services that are managed and delivered by urban governance levels. Urban welfare states lack the fiscal capacity and fiscal tools to meet their new human program responsibilities in light of high urban social needs. The progressive income tax base is far more suitable as a social program revenue base than the overly burdened municipal property tax base. The UPWS model, on the other hand, reveals some benefits relating to more locally designed and responsive human services, and a strengthened local civic base. Urban welfare states may require more flexibility and less stringent provincial policy oversight and provincial standards than currently exists in Ontario, particularly in certain program areas.

The UWS models all offer some insights on the benefits and limitations of particular types of urban welfare states. The EUWS, while it is the best explanatory model within the context of Ontario, appears to lead to some problematic tendencies in terms of the ability to offer broadly based social protection within local communities, based on local financing. These tendencies can be counterbalanced by considering and implementing alternative governance arrangements. However, the EUWS is a well-developed descriptive model of urban social welfare governance and the welfare state within Ontario. It captures the complexities relating to welfare state developments and governance arrangements within urban regions.

Contribution of the Dissertation

This dissertation has contributed to the analysis of the welfare state at the urban level of governance. It went beyond pre-existing welfare state models or theory by

developing three UWS models (or prototypes), testing them against an urban governance region within the province of Ontario. Based on the study's findings, it was demonstrated and concluded that the embedded urban welfare state model best describes the Region of York case study.

Unlike most other state and welfare state analyses, this study has challenged the notion of the welfare state as a unitary entity, developing the concept of the urban welfare state. The UWS concept offers two kinds of challenges: 1) that the welfare state is national, and, 2) that the welfare state involves only state institutions. The examination of the nature of the horizontal and vertical nature of governance relations in the local (urban) state and UWS, both in theory and through evidence, is a unique contribution to studies of public policy and governance.

In the dissertation's challenge to the concept of the *national welfare state*, it is argued that a number of welfare states exist with the Canadian welfare state system, with differing degrees of autonomy and capacity and their own internal logics. Within Ontario, urban welfare states have emerged in the crevices of the state system by virtue of their responsibilities, functions and democratic bases rather than their constitutionally-defined existence. They are linked to state and non-state institutions in complex forms of interdependencies and collaboration. Urban welfare state institutions in Ontario, to use Jessop's phraseology, have become *structurally coupled* with other state and non-state institutions in order to increase their powers and capacity.

The study has also recognized the importance of evaluating urban welfare state forms and features at different stages of the policy-making process. This type of evaluation demonstrates how state autonomy and capacity vary according to the policy-

making stage, and the particular program. This type of analysis is relevant for future urban governance studies as it demonstrates the need for examining social welfare policy-making and provision that occurs through complex welfare state arrangements with government and non-governmental institutions at different policy-making process stages.

In a more contextual and applied policy manner, the changes in the nature of governance in the Canadian welfare state were examined, and some of the social policy implications of these changes for urban governance were assessed. It is argued that the Canadian welfare state has been going through a process of restructuring, leading to the de-centering and dispersion of elements of the national welfare state to lower levels of government, the market and households. Developing urban welfare states within Ontario have been given the responsibility for more redistributive or social assistance welfare state functions, without being given the tools and capacities to fulfill such responsibilities.

Emerging urban welfare states do not necessarily represent an increase in the ability of the state (or a welfare state) to respond to social needs. The York case study of its urban governance institutions revealed that York's EUWS lack both the autonomy and the capacity to respond effectively and responsively to urban social welfare needs. These welfare state changes and trends require new urban governance approaches, resources, and fiscal and policy tools between governments, welfare state levels, and non-governmental organizations.

This study offers the proposition that developing urban welfare states are part of the post-Keynesian, *post-welfare state*. This welfare state form is characterized by more devolved and dispersed public provision of welfare state services, less government

involvement in the provision of redistributive social welfare services, and more voluntary, private or household sector welfare provision. The Canadian post-Keynesian welfare state is not a unified or coherent national welfare state, but one marked by a number of state centers, including developing urban welfare states in Ontario.

Research Limitations

The limitations on the research process and theoretical developments relate to some of the typical limitations of case study approach in general, as well as the character of urban welfare models and UWS theory. Urban welfare governance is complex, changeable and dynamic, making the task of developing urban welfare state theory challenging. Within the Canadian national welfare state, provincial: municipal structures and responsibilities vary significantly. It is for this reason that urban welfare state models were developed, rather than a single and all-encompassing urban welfare state theory. By developing urban welfare state models, the extensive historical, political and institutional differences in urban welfare governance are recognized.²²² One of the models may apply better than the others, based on these differences, or there may be elements of the models that co-exist within urban regions. Urban welfare state models, rather than urban welfare state theory, allows for the testing of different models to urban case studies in a variety of locales or jurisdictions.

The political, regulatory and legislative changes to social welfare governance in Ontario have been quite significant in the 1990s, and particularly, the latter part of the decade during the implementation of the Conservative government's agenda. This has not allowed for a great deal of time to evaluate the longer-term impact and implications

²²² Margit Mayer's caution against developing *hasty typologies* is well noted and observed.

of the very substantial welfare state reforms, and the provincial: municipal realignment of service responsibilities. A number of methodologies were used in this research to attempt to overcome this issue, including literature reviews, examination of government documents, extensive interviewing with key respondents from many different organizations, and some data analysis.

This study also contended with the limitations, at the urban level of governance, of reliable, consistent or comparable data. Data collection and analysis by municipal governments and voluntary organizations is still fairly limited as compared to other government levels. Much data simply do not exist, such as data that might measure the relative increase or decrease of the size of the voluntary sector. Also, given the rapid provincial legislative and funding changes to human services, there are strong limits on the capacity of municipal governments and other urban institutions to maintain consistent longitudinal data on program expenditures or caseloads. Further, unlike the provincial and federal electoral institutions, there is no official agency at the municipal level that records, maintains and publishes official voter turnout results. This study relied upon the data that could be gathered, but the extensive degree of qualitative research methods were used to help to overcome some of the data limitations and shortages.

Any examination of the state or the welfare state must also contend with the issue of deciding when governments and their accompanying institutions become a *state*, as opposed to an apparatus of the state. This study uses a number of criteria for determining when an urban welfare state exists, but it is recognized that UWS forms may be emerging as either states, or state levels that contain certain state forms. This is a fairly complex

issue that can only be determined through analysis and assessment, and ultimately, some degree of subjectivity in the research process.

Some analyses have focused on the problematic issue of determining which institutions are *within* the state (or welfare state), and which ones are *outside* of the state. This examination concurs with the analysis of state theorist Bob Jessop in arguing that states do not “lend themselves to a clear-cut, unambiguous definition.” (Jessop 1990: 339-40) However, the concepts of the core and the periphery of the urban welfare state were developed, and some observations and conclusions were made about the types of social welfare institutions considered to be part of the core of York’s EUWS. This method helps to delineate and place some institutional boundaries on the urban welfare state core, while at the same time recognizing the complex and dynamic linkages between state and non-state institutions.

This research project examined mainly redistributive human service responsibilities at the urban governance level. These programs are a sub-set of broader welfare state services. This focus was chosen given that redistributive human services have been devolved to Ontario municipal governments to a greater degree than others, particularly in the last decade. Other potential urban welfare state forms may exist within other provincial jurisdictions that contain a different array of welfare state services.

The Future of the Welfare State?

Cities will be the true test of the nature and capacity of the Canadian post-welfare state to meet urban social needs. Cities are increasingly recognized as essential engines of economic growth and competitiveness, with urban *quality of life* (including the social health of cities) attracting business and investment. They are the sites where population

and economic growth are at their highest levels. Urban growth in the absence of new physical and human service infrastructural investment, however, leads to urban decline and has the potential to undermine social cohesion and longer-term economic competitiveness.

City-state forms of governance in Ontario are developing politically, institutionally and as a consequence of their increased program responsibilities. Yet UWS autonomy and capacity to sustain welfare state and other service responsibilities has not developed in tandem. This has the potential to lead to the unraveling of some of the essential welfare state features and social protections, producing an acceleration of social and income polarization within cities.

Don Drummond, chief economist of the TD Bank Financial and former federal associate deputy minister of finance, bluntly states that “there is a growing consensus that all is not well with Canada’s cities. Funding is at the heart of the issue.” (*Globe and Mail*, 27 August 2002: A11) Key federal players, including ministers, members of Parliament, think-tank presidents and heads of major banks have started discussions relating to solutions to the fiscal sustainability of cities (Federation of Canadian Municipalities May 2002). This study concurs with Drummond’s observation on the limited fiscal capacity of urban governments to meet their service responsibilities, but further points out that urban states and urban welfare states also require more decision-making autonomy and discretion to ensure responsive and locally sensitive urban programs.

In March 2002, former Finance Minister Paul Martin spoke of the need for a *new deal* for cities. (*Globe and Mail*, March 12, 2002: A15) Numerous municipal officials and politicians, journalists and academics have recognized some of the limits and

consequences resulting from the devolution of welfare state programs, and the limitations of the municipal fiscal capacity to support them. Since then, the federal government's September 30, 2002 Speech from the Throne has signaled some increased federal support for urban issues, such as an increased investment in municipal infrastructure, social housing, urban Aboriginal poverty, and the immigrant settlement process. So far, concrete promises for creating new fiscal tools for urban governments (and welfare states) for their program responsibilities have not emerged, but they appear to remain on the political agenda.

Neophyte urban welfare states have, however, started to emerge within Ontario. Unless the Ontario provincial government were to completely reverse its significant "program swaps", these state forms are likely to continue to develop. Human service responsibilities have been granted to urban governments in Ontario, and as a consequence, urban governments and their non-state partners have been forced into this social policy space. It is through urban state and urban welfare state institutional mobilization, partnering and coordination, or "bottom-up" local political forces that pressures for changes in their level of autonomy and capacity have occurred. The urban state and the urban welfare state are likely to remain on the political landscape of Ontario. The future of the urban welfare state will most likely involve more political, institutional and fiscal maturation, so that it becomes more of a semi-sovereign welfare state level rather than a "creature of the province."

In light of the significant changes and pressures on urban governance levels, this study proposes an urban welfare state and governance research agenda. Studies of urban social welfare governance are rare, despite the important roles and development of state

and non-state social welfare governance institutions and arrangements within Canadian cities. Urban governance studies and models examine urban governance issues, outcomes and potential alternatives. It is only through such research that the implications, consequences and alternatives to current issues and developments in urban governance can be assessed. Socially and economically thriving city-states are crucial for a healthy Canadian economy and societies, and longer-term prosperity. Urban governments and local governance institutions have become an integral part of the welfare state, particularly in Ontario, and the full implications of these developments have not been adequately assessed. In light of the growth and importance of cities and urban forms of governance, especially in the human services, an urban research agenda is timely.

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