Governance for an Ageing Society:

Policy Responses and the Impact of New Actors

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First Draft

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Introduction

Over the last few decades, the relationship between state and society has undergone a number of significant changes. The term governance has come to signify the shifting nature of government and its ability to exert control over the economy and society. As Peters (2000) argues, this conception of governance is somewhat out-of-date. No longer is the debate limited to questions of how well the government is capable of steering. Rather, in the place of this ‘old governance’ perspective, the ‘new governance’ approach is decentralized, focusing on government’s ability to interact within a network environment (ibid).

Questions of this nature take on a new level of importance when examined within the context of an ageing population. Throughout most of the developed world, a demographic shift is taking place, in which the proportion of the population over the age of 65 is increasing. In the United States, for example, the proportion of the population over the age of 55 is expected to increase to 30% by 2025, a trend that will continue until 2050 (Government Accountability Organization [GAO] 2008), while in Canada, the number of individuals above 65 will represent 24.5% of the population by 2036, representing close to twice the 13.2% figure for 2005 (Statistics Canada, 2006). Governmental responses to population ageing have been diverse and piecemeal. Whether reforms to existing policies or entirely novel programs, many have come to implicate actors and organizations not immediately within the public realm. Consistent with the ‘new governance’ literature, policies addressing population ageing therefore require a broader
understanding of how the central government works with these outside bodies to implement effective policy change.

This paper examines the government responses to and governance implications of population ageing within two policy areas: pensions and active labour market policy for older workers. Through a comparative analysis of the United States and Canada, it is argued that ‘new governance’ responses to population ageing result in problems that merit closer attention. In the case of pension policy, the involvement of actors from the private sector introduces new questions and concerns with respect to regulation, benefit level, and coverage. Looking to active labour market policy, a common thread within the United States and Canada has been the devolution of employment program services to lower level actors, whether sub-national governments or non-profit organizations. Such changes introduce problems in coordination, calling into question the ability of the central government to work effectively with and within networks of policy actors.

This analysis is divided into four sections. The first section locates this paper within the broad field of governance literature, pointing to some of the most prominent debates and issues. Following from this, the second and third sections examine each of the two policy areas under investigation. The final section summarizes the major findings put forward through the case studies.

**Governance: A Brief Review of the Literature**

A recurring theme within the public policy and public administration literature has been the changing role of government. While lacking an overall consensus on the nature of this new phenomenon, the term governance has been adopted to describe the innovative ways in which
relations between state and society are now organized. According to Pierre (2000), the fundamental debate in governance literature centres around the question of whether or not the state is in decline or simply changing. New actors have come to occupy the political landscape, diluting the role of government as the principle body responsible for the public good. Along with these new actors, new issues surrounding the importance of coordination emerge. Indeed, each comes to the table with a unique set of goals and objectives. In the interest of ensuring a certain quality of public service provision, a crucial issue in governance literature is how to bring about greater coherence in policy.

Several trends have played a role in the emergence of what has been identified as ‘governance fever’ (Hill and Lynn, 2004). Some argue that policy problems have become too complex to be dealt with by a single organization and necessitate the engagement of multiple actors in order to pool their resources (Agranoff and McGuire, 2001; Huang and Provan, 2006; Rethemeyer and Hatmaker, 2007). Rethemeyer and Hatmaker (2007) also point to the emergence of corporate entities as participants in the realm of politics and policymaking. In addition, they suggest that community groups have become even more active in the face of this growing corporate power. The state is in the process of “hollowing out” (Milward and Provan, 2000). Services once provided directly by government are now being delivered by third parties, acting on behalf of the state. Agreements, contracts and partnerships form the link between public and private organizations, whether nonprofits or firms. Together, these trends have led to the decline of bureaucratic, hierarchical structures. Instead, governmental organizations operate in an environment made up of numerous groups, whether public, private or non-profit, who must take one another into account in order to achieve their objectives (Goerdel, 2001.).
Thus far, while much of the governance literature has focused on the nature of the changing role of government, its causes, as well as the resulting structures, a limited body of research questions the impact of these changes on public policy and the quality of service delivery (Cho et.al, 2005). Indeed, given the proliferation of networks as a principle characteristic of the new political system, of growing importance is the question of how to ensure their successful operation (Andersen, 2005). Public tasks are rarely carried out by a single organization (deLeon and deLeon, 2002; O’Toole, 1983; Lundin, 2007; Herranz, 2007, to name a few). As Merrien (1998) explains, new governance shifts the political landscape toward greater decentralization, contracting out, coordination with the actors outside the public realm and regulation as opposed to redistribution. Multiple agencies, whether governmental or private, are involved in the implementation of programs intended to address societal problems. This structure, where government delivers most services through indirect means, has become the norm. In a study of the provision of public services across a selection of U.S. communities, Salamon (2002) observed that most local level service provision is carried out by third party actors, using a variety of tools and organized through a complex network. In 1980, 60% of government services were provided through such indirect means (2002), while this figure is only likely to have increased in recent times due to the even greater proliferation of third parties.

As new patterns of governance emerge, changing the nature of the relationship between state and society, it is important to consider the implications for policy. Based on the literature, we aim to analyse four potential impacts of the new governance:
1. Regional disparity or variation in coverage and/or generosity of benefit

One of the most marked shifts in patterns of governance is the extent to which the administration of most public programs is shared between the national and local government levels. In their 2007 study of Canada’s relationship between the federal and provincial governments, Johns et al found that intergovernmental activity has increased in all policy areas, including even exclusive provincial jurisdictions such as health and education. There is little hierarchy in the American federal system either, as Cho et al (2005) observe. Instead, responsibility for most social programs is shared between jurisdictions.

The upshot of this increased sharing of public tasks is that the way in which the program is delivered in each jurisdiction will differ. This is a reflection of a number of factors, including the local government’s resources, capacities, relationship with the national government, understanding of the program, as well as many other reasons. Even within a single state or province, local regions will produce their own variation of a program, as was found in Cho et al’s 2005 study of labour market programs delivered throughout different counties of North Carolina.

Moreover, the introduction of private sector mechanisms to provide both social benefits and services results, by definition, in varying levels of benefits and coverage. The private actors involved may also have very different visions of what social policies should achieve, which can result in a wide range of policy outputs. However, this variance may be welcome in certain policy areas. For example, a recent commission in Nova Scotia stressed that the diversity of treatment in occupational pensions allowed workers and employers to build pension plans tailored to their preferences and needs (Pension Review Panel, 2008).
2. Change in the way the benefit is conceived due to change in the nature of the actors involved

Though in the past, most government activity was direct in nature, the involvement of a whole host of third party actors has led to new tools through which to deliver public goods and services. As Salamon (2002) points out, this development merits closer attention, due to the implications for policy. New instruments and tools bring with them a unique set of operating procedures, skills requirements and delivery mechanisms (2002). Those responsible for using these tools have their own set of interests and behaviors, which will inevitably affect service delivery. Bureaucrats or other third party actors working closest to the problem, i.e. at the street level (Lipsky, 1980), act with a certain degree of discretion. Their position permits this, in that it is difficult, if not close to impossible, to monitor all aspects of their work. As a result, any actions that they undertake will reflect their own particular interests and priorities, and will likely turn out differently than if that program or policy had been delivered directly by higher level government actors.

3. Increased complexity of governance mechanisms, strategies and processes

With increased incidences of shared governance comes an accompanying increase in the mechanisms used to effectively execute and monitor these new patterns. Many OECD countries have created partnerships between their levels of government by jointly managing projects and programs (Johns et. al, 2006). These have become a common tool for harmonizing policy between different jurisdictions and addressing issues that require joint action (Johns et. al, 2007). Creating and implementing public programs now has much to do with crafting network forms
and monitoring their performance (O’Toole, 2000). Indeed, within this new era of changing government patterns, networks have become a common choice for public service provision.

4. Change in the use of instruments and instrument mixes

As Salamon (2002) points out, the new governance literature focuses on the tools or instruments of public action selected to carry out programs. These play an important role in determining the actors involved in implementation. As discussed above, the actors who take part in this process have a bearing on the outcome achieved by any particular program. Therefore, the types of instruments or combination of instruments selected will have an impact on the shape of the policy and its outcome.

To what extent are these impacts likely to affect policies related to population ageing? The next two sections are focused on developing an answer to this question. Through a comparative examination of pensions and labour market programs in Canada and the U.S., we examine the extent to which elements of new governance are present and how they alter policy output.

Pensions and the Integration of Private Actors: Problems for Regulation

In both Canada and the United States, the public sector plays a primordial role in ensuring that older citizens face lower risk of poverty. In the former case, the combination of the universal Old Age Security (OAS), the means-tested Guaranteed Income Supplement (GIS), and the earnings-related Canadian Pension Plan (CPP) have resulted in policy outcomes that are comparable to the poverty relief performances of Scandinavian countries (Régie des rentes du Québec, 2004). As of 2006, Canadian elderly have lower poverty rates (5.4%) than individuals
aged 18 and 64 (11.3%) (Statistics Canada, 2008a). While the United States has not achieved similar outcomes, Social Security has been extremely important in alleviating poverty in old-age, which explains the much lower poverty likelihood among this age group. As of 2008, Social Security represented 90 to 100% retirement income for 34% of older Americans and the major source of income for 64% (Social Security Administration, 2008). Women remain particularly vulnerable with an average net pension income representing only 29% of the net average earnings (Marier and Skinner, 2008).

The effectiveness of public programs diminishes starkly once retirement policy discussions focus on the goal of achieving a good replacement rate. In the Canadian case, the public system provides a 57% net replacement wage for the average income earner, compared with an OECD average of 68%, and private voluntary schemes add 37.5% for a grand total of 94.6% of average income. In the case of individuals earning 1.5 times the average wage, replacement rates from the public system declined to 39.5%. The US exhibits a similar outcome, the average income earner has a 51% net replacement wage and it declines to 31% of individuals earning twice the average income (OECD, 2005). In both cases, the sharp decline in replacement rates is caused by the presence of a contribution ceiling that is slightly above the median wage. This results in an important void to be filled by third parties. Originally, it was assumed that occupational pensions would fill this important void.

The role of the state is very different with occupational and personal pensions since it acts primarily as a regulator rather than an administrator. Contrary to many European countries where occupational pension programs were gradually incorporated within existing or new public pension schemes, the income ceiling present in both CPP/QPP and Social Security results in a continuing and substantial role for private occupational pensions. It is also worthwhile stressing
that states are usually not passive when it comes to both occupational and personal pensions. Tax incentives represent a large portion of social expenditures that is often underestimated. Canada and the United States are among the five OECD countries devote more than 1% of GDP to subsidize various pensions plans (Adema and Ladaique, 2005: 28). Considering that Canadian public pension expenditures in 2001 represented 5.3% of GDP, the share of public expenditure on private pensions approximates 16% of the 5.3%. In spite of these fiscal measures, occupational pensions represent one of the most vulnerable pillars in the pension system. They are (mostly) voluntary, they operate under various rules, and they generate a wide range of benefits. Interestingly, the emphasis granted to the private sectors has been criticised as being an effective privatization of risk (Jacobs, 2004) or a plus in coping with the rising costs of public pension programs (Myles and Pierson, 2000).

1. Regional disparity or variation in coverage and/or generosity of benefit

While there is strong uniformity associated with the presence of strong federal public programs in both Canada and the United States, pension coverage and benefits vary starkly for occupational and private pensions. In Canada, Registered Pension Plans (RPP) are the most common type of pension plans, but coverage is fairly restrained. In 2006, only 38.1% of workers had an RPP. The key elements associated with a high likelihood of receiving a company pension are full time status, union membership, firm size, work in the public sector, seniority, and occupational status (Lipsett and Reesor, 1997). More troublesome is the continuous decline in the coverage of such plans. There has been a 7 percentage point decline since 1991 when 45.3% of paid workers were covered (Statistics Canada, 2008b). Using data from 1986 and 1997,
Morissette and Drolet (2001) attribute the shrinking coverage to a decline in union density and employment shifts towards industries, such as services, with low pension coverage.

Among workers covered by a RPP, 83.6% are members of a Defined Benefit (DB) plan (Statistics Canada, 2008c). Usually based on the number of years worked within a firm and final wages, DB plans tend to be more generous than Defined Contribution (DC) plans, which generate pension benefits based on the returns on the contributions of both employee and employers. While pension risks lie mostly with employers in the former case, they lie mostly with employees in the later. In 2004, 75.2% of private sector employees with a RPP were covered by such scheme down from 90.6% in 1984. Almost all civil servants (93.3%) continue to benefit from a DB pension plan. While there is a noticeable trend away from DB plans in favour of Defined Contribution (DC) plans, the resilience of DB plans is actually quite unique relative to development abroad.

In the US, profound changes have been underway in the last 20 years. 21% of employees in the private sector were covered by a DB plan in 2005, an 11% decline from 1992-93. Defined Contribution plans, on the other hand, experienced a 7 percentage point growth reaching 42% of private industry workers. Interestingly, 53% of employees were offered a DC plans and 11% refused to participate in 2005. Virtually, all workers offered a DB plan agreed to participate (Costo, 2006: 58-59). Not switching program does not indicate a lack of reform on the part of employers. According to a 2004 survey, 96% of employers enacted changes to at least one of their retirement program in the previous three years (Costo 2006: 58).

It is important to stress that there is an important gap between the public and private sector. In the Canadian public sector, coverage has been expanding reaching 86% of workers in 2003. However, the reverse is occurring in the Canadian private sector. Coverage has declined to
26.8% in 2003 (Schembari, 2006). In the US, 50% of workers in the private sectors participate to a company pension plan. Private sector employees in the service industry, with a 32% access, have the most difficulty in obtaining a pension (Costco 2006). In the public sector, coverage is nearly universal. For example, 95% of local and state employee had access to an occupational plan in 2008. Among those, 88% had a DB plan and 21% had a DC plan (Employee Benefit Research Institute, 2008).

The predominant position of DB plans in Canada relative to the US is related to the higher unionization rate, the larger size of the public service, and the preferential tax deductions available for DB plans (Luchak et al., 2004). Brown (2001) supports most of these claims, but also argues that pension regulations, the lower performance of Canadian investments and the fact that Canadians are more risk averse help explain the relative popularity of DB plans.

Another important issue related to the governance of occupational pension plans is the diversity in how they are legislated and governed. In Canada, occupational pensions are also regulated independently by federal and provincial authorities and receive preferential tax treatments from both levels of government (for an extensive review of workplace pension plans see Baldwin, 2007). The Canadian landscape is rather complicated by the presence of multiple regulatory regimes. This, according to the Canadian Association of Pension Supervisory Authorities, contributes to higher management costs for many companies operating in more than one province because occupational pension plans are regulated by provincial or federal authorities who have different rules (Canadian Association of Pension Supervisory Authorities, 2004). In the United States, the regulation of occupational and personal pension plans occurs mostly at the federal level via the Employee Retirement Security Act (ERISA) and 401(k) legislations. With regards to occupational pensions, ERISA applies to all employees except those
working in the public sector (local, state, and federal employees have their own separate plans with different rules and regulations) and those covered by a church plan.

2. Change in the way the benefit is conceived due to change in the nature of the actors involved

In both Canada and the United States, the governance of the basic public programs has been altered in recent years giving rise to the introduction of actors originating from the financial sector and, in the case of the United States, a declining influence of its pension agency at the expenses of the executive. In Canada, the 1998 reform to the CPP/QPP resulted in the creation of the Canada Pension Plan Investment Board (CPPIB) whose tasks is to invest the excess contribution of the plan. Operating in Toronto and composed almost exclusively of financial actors, the CPPIB’s governing model came under strong criticism recently as its executive members received large bonuses in spite of a -18% performance.

Beyond increasing the retirement age, including civil servants, and rising contribution rates, the 1983 Social Security reform also reduced substantially the political autonomy of the Social Security Administration (SSA) by endorsing formally the practice established after the 1972 election, which is for the President to appoint its commissioners rather than promote someone from within. While the SSA played a substantive role in expanding and reforming Social Security (Derthick, 1979), this role has virtually vanished since the reform. For example, all plans related to Bush’s plan to reform the pension plan in 2005 did not involve civil servants or experts from SSA.

Occupational and private pensions have also experienced noticeable changes in the tasks performed by key actors. Moreover, the role and nature of the actors are also changing. Increasingly, employers are moving away from the administration of pension plans by either
granting its management to a third party or by promoting individual alternatives. This has a long term impact on the quality of pension plans and their capacity to yield a good return for workers. The administrative costs associated with private pension plans tend to favour workers in large firms with sizeable pension assets. Ambachtsheer (2004) estimates that a tenfold decrease in pension asset value produces an increase in administrative cost representing 0.45% of assets. Basic projections show that charging yearly 1% of assets to administer a pension fund depletes its accumulated balance by 20% over a 40 year period (OECD, 2001). Thus, by favouring 401(k) and RRSP options, American and Canadian firms are not only privatizing risk, but they are also increasing administrative costs associated with pension plans.

3. Increased complexity of governance mechanisms, strategies and processes

The increasing number of alternatives available to both employers and individuals and the interaction among these alternative in the production of retirement income have generated a complex pension landscape in both Canada and the United States. It is now difficult to envision a single median worker while designing policy. Moreover, the state now plays multiple roles at the same time and they are often interdependent on one another. It provides benefits of the last resort, a universal basic pension (Canada only), a mandatory earnings-related pension scheme (CPP/QPP and Social Security), many different occupational schemes for its own employees, various tax incentives to encourage employers and individuals to invest, regulations and incentive to transform pension assets into retirement income, regulations to manage occupational and individual pension plans, regulations to facilitate the portability of pensions, and it also acts as a guarantor of some occupational pension plans (Pension Benefit Guarantee Corporation in the US and the Pension Protection Fund in Ontario) or even its manager in difficult cases (Régie
des rentes du Québec). Finally, the provision of pensions within the workplace is often embedded with other types of insurance such as health and sickness. For example, health insurance is provided within the framework of ERISA in the US.

An analysis of all these roles and their interactions would extend far beyond the scope of an individual article. For the purpose of this contribution, it is important to stress that the governance of pensions involve multiple actors who share very different conceptions and knowledge of pensions. Even within government this reality is omnipresent: key actors include finance departments, social affairs departments, pension and investment agencies, labour departments, political executives, and human resources departments (or agency). Also, since both Canada and the United States are federal countries, state/provincial and local authorities play an important role. This is particularly the case for occupational pensions and this result in the involvement of institutions dealing with federal affairs at all levels.

4. Change in the use of instruments and instrument mixes

In line with the diversity of actors involved in pension policies, there is also a wide range of instruments being utilized. The state intervenes directly by providing some key benefits such as CPP/QPP and Social Security. Fiscal instruments, such as tax deferrals, are utilized to favor the expansion of occupational and individual pensions. Income taxes also play an important redistributive role among retirees and between retirees and younger cohorts. Regulations are numerous to ensure the proper administration of group and individual pension plans. Less intrusive measures, such as providing information and leading educational campaigns, are also present.
Fiscal and regulatory instruments have become predominant in recent years. Expanding the direct involvement of the state is rarely mentioned as an option when discussing the weaknesses of the current pension system. For example, recent provincial and federal inquiries in Canada focusing on the declining occupational coverage in the private sectors have discussed first and foremost these two type of instruments (Expert Commission on Pensions, 2008, Joint Expert Panel on Pension Standards, 2008, Pension Review Panel, 2008). However, raising the ceiling of the mandatory earnings-related QPP is currently being studied closely (Régie des rentes du Québec, 2008) since it would generate additional revenues to tackle the growing actuarial imbalance in the QPP. As such, this would be akin to including civil servants within Social Security. There was no real benefit for civil servants to being included except that it generated additional revenues for Social Security.

The key issue is how these various instruments operate and interact with each other. It is imperative to avoid an overly complex pension system where various policies and instruments operate against each other to nullify or worsen policy outputs. This is clearly the case with the British pension system where more than 100 parameters are needed to calculate one’s pension (PPI, 2006). Currently, in spite of multiple instruments being employed, there is still relatively limited cooperation among actors who continue to operate in different spheres. For example, the focus on fiscal and regulatory instruments in the commissions stated above is not surprising considering that members selected in these committees come mostly from the financial sector. As such, they have a very limited exposure to discussion involving existing governmental programs and other policy instruments.
As the proportion of the population over the age of 65 continues to increase in Canada and the United States, the labor market implications of this demographic phenomenon have become an important element for consideration. With the baby boom generation begins to enter retirement in 2010, there is a concern that a labour supply shortage will lead to a general decline in standards of living, as too few workers will be expected to support too many retirees (Cheal, 2000). Unemployment is a key contributor to the high number of individuals transiting from the labour market into early retirement. Answering to this concern, Canada and the United States have introduced programs seeking to reintegrate older displaced workers back into the labour market, or maintain their current employment. In Canada, this initiative led to the development of the Older Worker Pilot Project Initiative, a program implemented jointly by the federal and provincial governments, while contracting out to third party service providers. The United States Department of Labor opted to introduce new measures for older people seeking employment through their employment centres already in place throughout the country, operated by local government administrators. As this section reveals, involving new actors (whether governmental or not) in the implementation of programs for older workers carries with it implications for service delivery.

In Canada, active labour market policy has never been the product of a clear division of responsibility between the federal and provincial and territorial governments. This is due to the fact that while macro-economic policy is overseen by the national government, employment training speaks to the provincial and territorial government’s responsibility for education (Klassen, 2000). As a result, most employment programs involve some input by both levels of
government. In addition, actors at the local level are also being asked to play a role. This results in active labour market policy variation across provinces. The Older Workers Pilot Project Initiative (OWPPI) provides a useful illustration of this phenomenon.

Canada’s Older Workers Pilot Project Initiative was a joint federal-provincial program introduced to reintegrate older displaced workers back into the labour market, or maintain their current level of employment. The federal government provided the bulk of the funding and the overarching objectives of the program, while the provinces were responsible for the design, implementation and evaluation of projects. Provincial administrators also had the option to partner with a third party organization, which was the case for the majority of projects implemented under this program.

In the United States, the Department of Labor has identified One Stop Career Centres as a means of addressing the labour market implications of population ageing by providing employment services to older workers. Since 1996, these centres have been managed by state and local authorities. Their role is to centralize 16 federally-funded employment programs within a single location. Recently, the Department of Labor proposed a number of steps to be taken by those managing these centres at the state and local levels to cater their services to older workers (Government Accountability Office [GAO], 2008).

*The Impact of New Governance Arrangements*

This section assesses the impact of new governance arrangements on policies for older workers in Canada and the United States. Looking at the Canadian program, the analysis focuses on three OWPPI projects implemented in three different provinces, Quebec (QC), British Columbia (BC) and Newfoundland and Labrador (NL). Despite taking place in different regions,
these projects were similar in a number of ways. Each project aimed to reintegrate its participants back into the labour market through skills training activities, resume building and interview practice sessions. The projects were all implemented in declining single-industry economic regions, where labour market reintegration was most challenging, and most necessary. In QC and BC, the projects were offered to older workers who had been displaced from the forestry sector, while in NL, workers came from the fishing sector. The section on the United States examines the work of One Stop Career Centres in addressing the employment training and service needs of older workers, paying particular attention to whether or not the steps proposed by the Department of Labor are being followed. The impact of changing governance patterns on these steps is assessed below.

1. Regional disparity or variation in coverage or generosity of benefit

For the Canadian example, despite the similar objective of reintegrating older workers back into the labor market in QC and NL, the types of services offered to participants, as well as their overall quality differed substantially. In QC, project administrators formed partnerships with local employers, providing participants with experience in a number of different fields. Conversely, those taking part in the NL project were exposed to positions that were solely related to the agricultural industry. By limiting their experience to this one field, participants in the NL project did not gain as clear an understanding of how their skills might be useful to available jobs throughout the province. This variation in the quality of the project being offered inevitably had an impact on its results, with participants in QC finding work at a rate of 72% (Services d’aide à l’emploi de Temiscouata [SAET], 2004), while none of the NL project participants succeeded in finding work upon completion.
In the United States, according to a report by the Government Accountability Office (2008), there is a great deal of variation with respect to the types of services provided specifically for older workers in the many One Stop Career Centres located across the country. Based on a survey conducted among the managers of these centres, for example, it was found that 28% of them provide training to groups of older workers and coordinate with local community colleges to provide training (2008). In addition, 60% of one stops provided employers with information about ways to retain older workers. Such variation is not uncommon, as has been found in a number of investigations. Cho et al’s 2005 study finds a significant degree of difference in the types of welfare programs provided in several counties across North Carolina, while Meyers et al (2001) comes to a similar conclusion in an analysis of welfare reforms adopted across four separate states.

2. Change in the way the benefit is conceived due to change in the nature of the actors involved

The life of a public program is not easily predicted when it is introduced into practice. Programs often change hands, as ministries and departments change mandates or governing parties lose power. As various portfolios are passed from one organization to another, it is likely that the program that was initially introduced will no longer resemble itself under the guise of a new ministry. Such was the case for the project implemented in BC. Originally conceived under the Ministry of Advanced Education, a change in government half way through the project’s implementation shifted it to the responsibility of the Ministry of Human Resources. Given its mandate, this latter department saw an opportunity to use the program as a means to reintegrating their social assistance recipients back into the labour market. As such, the department decided to make participation in an OWPPI project one of the conditions upon which they could collect
their benefits. Such was problematic for the local organizations, which were suddenly left with a new bank of participants to accommodate (PrimeTime Employment Options [PEO], 2004). This is because these new participants were not actually interested in reintegrating into the labour market, but simply sought to fulfill the requirements for collecting social assistance. As such, the project administrators succeeded in reintegrating far fewer workers back into employment than they had aimed for.

In 1996, under the Personal Responsibility and Work Opportunity Reconciliation Act, responsibility for the United States’ One Stop Career Centres was shifted from the federal to the state level. Through this decision, state and local authorities were given an important role to play in addressing issues of national concern because of the belief that employment programs and services were best implemented through devolution (Cho et. al., 2005). While One Stop Career Centres have successfully centralized many of the previously uncoordinated and overlapping activities of the federal government in labour market and training (GAO, 1994), the GAO has identified some problematic elements of this shift with respect to older workers. This mainly has to do with the methods of performance evaluation used by federal officials to rate state and local authorities. One Stop Career Centres’ administrators are evaluated on the basis of average earnings of their participants. Many older workers do not seek full time employment, which means that they do not seek to collect a higher salary. This results in a lower evaluation for the state and local authorities. Indeed, 5 out of 11 one stops interviewed claimed that average earnings performance measures served as a disincentive to help older workers, as this group is more likely to prefer part-time work, and thus earns them a lower score on their evaluation (GAO, 2008). Therefore, in shifting responsibility for these employment centres to state and
local authorities and maintaining an evaluation mechanism by the federal level, these officials have a disincentive to help older workers re-enter the labour market.

3. Increased complexity of governance mechanisms, strategies and processes

In order for Canada’s OWPPI projects to receive funding, local level applicants first had to submit their proposals to the provincial level. Once projects were approved by the provincial level administrators, these proposals were then passed on for approval by the federal level. Once they had again been reviewed and had received approval, funding would be allocated by the federal level. Once this occurred, money was passed down the provincial administrators. Those at the provincial level had created a separate committee to review funding allocation decisions for each project being implemented under their jurisdiction. All together, this whole process was likely to have taken anywhere from a few months to a year. Any delays in this process would have a direct bearing on the local project’s coordinators and their ability to plan the implementation of their activities. Incidentally, such funding delays proved quite problematic for NL’s project. The main goal of this project was to expose participants to the agricultural sector by demonstrating to them the various possibilities for employment throughout the entire growing season. As such, the project was intended to begin in May, during the planting season. However, funding for the project did not come through until July. This meant that participants were only provided with theoretical knowledge on the first part of the agriculture season, since they could not witness this first hand. Overall, the requirement that funding decisions pass through two governmental layers increased the level of complexity required to implement this project, with less-than-optimal consequences for the older workers participating.
As discussed, the United States’ Department of Labor’s decision to address the needs of older workers was to put forward steps to be taken by the One Stop Career Centres located across the country. In addition to this policy, the Department also introduced a program specifically addressing those adults over the age of 55. The Senior Community Service Employment Program is a program directed exclusively to older workers. They are provided with part-time, subsidized, community service training, all offered through One Stop Careers Centres. Participation is restricted to low income people with poor labour market prospects, however, meaning that it only caters to a limited portion of the population (GAO, 2008). New governance arrangements may therefore be observed, in the sense that two separate measures and programs have been introduced to help older workers, albeit different in scope, and target population. Offering services to this group has therefore become more complex, since both measures are provided through the same employment centres.

4. Change in the use of instruments and instrument mixes

Within the Canadian context, programs targeting older workers’ labour market participation have been relatively limited. Initiatives have, for the most part, been passive in nature, such as the Program for Older Workers Adjustment (POWA). Prior to the introduction of the OWPPI, POWA was the only Canadian program designed specifically for older workers. It provided financial assistance to displaced workers over the age of 55 until they reintegrated into the labour market or were eligible to collect their public pension (LeBlanc and McMullin, 1997). The OWPPI was therefore the first attempt by the federal and provincial governments to work collaboratively on an active labour market policy for older workers. This program signalled an
important shift in the choice of instruments used by Canadian public administrators, from passive income handouts, to an active model that provided those in demand with the services they needed to increase their employability. Representing the first of its kind, it is interesting to note that this was the first venture that included the option to contract out some elements of service delivery to local level non-profit organizations.

Based on the United States’ Government Accountability Office’s assessment, the steps outlined by the Department of Labor to provide services specific to older workers have not been followed by the One Stop Career Centres. In an examination of employment and training programs provided by local governments throughout Massachusetts, Doeringer et. al (2002) find that many policy tools are already in place to address the needs of older workers. They argue that rather than introduce new instruments or instrument mixes, the solution is to promote more effective mechanisms for coordination between public and private organizations and their corresponding programs. Thus, while new governance structures appear to encourage the use of new instruments, it is often most productive to develop methods of getting greater use out of pre-existing policy tools.

Discussion

Population ageing is pressuring government to enact policies to reduce its potential socio-economic impact. Pension policies are being altered to encourage individuals to remain in the labour market as long as possible and ensure the long-term sustainability of current programs. Active labour market policies (ALMP) are being created or changed to increase the employment rate of older workers, who are often forced into early retirement.
Analysing these changes within the context of “new” governance reveals interesting administrative and policy developments, but also important barriers. First, contrary to the elaboration of extensive national programs such as the Canada Pension Plan, current policies do not attempt to create a uniform treatment. Rather, the emphasis is on resolving particular weaknesses or holes in current coverage. This “patching” approach can be very dangerous in the field of pensions since workers are increasingly mobile. Thus, targeting specific groups of workers can result in a very complex pension system. In the case of ALMP targeting older workers, regional variance is encouraged in the Canadian case while it is assumed in the US case. In the later, strong variations occur even across counties. In the case of pensions, stark variance is present beyond the basic public pension schemes primarily along occupational lines.

Second, the role of each actor involved in the governance of both pensions and ALMP is not clearly defined. The transfer of ALMP to state and local authorities is not complete, as both federal authorities in both Canada and the US seek to enforce the evaluation of their actions. This is becoming increasingly difficult with the integration of these programs into already existing provincial/state programs. This was clearly underlined in the case of British Columbia when provincial authorities sought to include individuals on social assistance alongside recently unemployed within the same program. In the case of pensions, the increasing role of financial actors raises important ethical questions because they benefit directly from their investment decisions. Even in the case of the CPPIB, bonuses are attached to the investment performance of the board. With generous bonuses being granted in spite of a -18% performance did not go unnoticed in the House of Commons. More importantly, the rise of 401(k) and RRSPs do not only result in higher administration fees, but this also implies an increasing role granted to individuals to manage and plan for their retirement, as opposed to employer.
Third, the lack of coordination efforts in the field of pensions is worrisome. Most of the discussions surrounding occupational pensions involve primarily financial actors because they have been the ones engaged with employers in providing pensions. The involvement of actors attached to other pension programs has been minimal at best. Efforts to encourage the creation of networks within ALMP are more encouraging. However, the evidence presented in this contribution demonstrates that authorities tend to simply transfer responsibilities to existing offices, which then provide a response tailored on their ongoing activities rather than seeking to innovate. This is clearly the case when it comes to the US actions where the realisation of policy objectives have been transferred to local employment offices. In spite of a strong emphasis on innovation, a similar phenomenon occurred with the Canadian OWPPPI.

Fourth, by delegating key programmatic elements to existing local offices responsible for increasing employment, few new policy instruments were introduced in the American case. The Canadian case, however, included many innovative approaches due to its focus on project submissions from third parties. In the case of pensions, the creation of the CPPIB is a new type of instrument, albeit inspired by a similar entity in Quebec. Its integration with older instruments did not cause any problem since it has a very narrow and precise mandate. Key is the expansion of existing instruments, which were not created to achieve the objectives workers and employers are not expecting them to achieve. RRSPs and 401(k) were never designed to replace occupational pension plans.
Conclusion: A New Governance?

This contribution suggests that there is empirical support to the claim that a ‘new governance’ is happening when it comes to both pension policies and active labour market policies for older workers. However, this shift in governance is embedded within two important realities that lessen the impact of the new governance. First, the role of the state remains extremely important, especially in the case of pensions. New programs and new actors are introduced within pre-existing policies with a well-defined practice. The adoption of new policies do not replace previous policies, but rather succeed them (Hogwood and Peters 2000). In the same vein, the introduction of new actors occurs within a well established network of actors. This was particular clear in the case of ALMP where provincial and state authorities have simply integrated the new programs into pre-existing units devoted to combating unemployment. Moreover, federalism plays an important limitation into the type of actions central governments can undertake. In the case of pensions, the expansion of RRSPs and 401(k) is partly attributable to the lack of intervention from the federal government. In the Canadian case, the federal government succeeded in reforming the CPP but it has not sought to establish common rules for occupational pensions sensing that provinces would be unwilling to concede their individual jurisdiction on the matter. Thus, it has sought to increase its appeal by the backdoor via fiscal incentives.

Second, there is limited evidence to suggest that networks establish themselves without government intervention or that networks will create good self-governance. This was clearly demonstrated in the case of the ALMP for older individuals. Governmental assistance was essential throughout this exercise even though local authorities were granted a lot of latitude with
their projects. In the case of private pensions, governmental authorities have played an important role in an attempt to rescue occupational pensions and providing stronger regulatory guidelines. The provision of tax incentives and regulatory frameworks do not result in broad pension coverage with generous benefits for most workers.

These two realities suggest that it is imperative to study how the introduction of new actors and programs associated with the “new governance” actually interact with previous governmental structures rather than assume a fresh start without previous policy and programmatic histories.

References


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It should be noted that these coverage figures includes 401(k) as a DC plan. 401(k), which is the name of the section within the Internal Revenue Code that established this type of pension plan, is somewhat akin to group RRSPs in Canada. Figures provided by Statistics Canada do not include group RRSP because they are not a RPP. The strong increase in 401(k) is partly responsible for the increase participation in DC plan in the United States (Costo 2006).