

Is the Social Union too "healthy"? Re-thinking labour market policy

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In the minds of the public and, perhaps, in the minds of the political actors involved, the debate about the nature of the Canadian social union has been about the health of the health system. The fact that the signing of the *Social Union Framework Agreement (SUFA)* coincided with the transfer to the provinces of extra dollars meant expressly for health only serves to reinforce the primacy of health care, at least for the time being, in the social union debate.

Whether the health system's privileged position within the debate is justified or not — and it may well be — the risk is that other aspects of the social union could find themselves orphaned. Labour market policies occupy a unique position — at the nexus of social and economic policy — that makes their overall direction a crucial component of a re-created social union. Yet all too often both the public and those who shape policy treat it as a collection of discrete programs. Little thought is given to how (or whether) the various parts make up a whole. Thus political actors call for a national dialogue on the future of Canada's health systems, but not for a strategic re-thinking of labour market policy in an era of profound transformation due to globalization and rising labour and capital mobility.

The crisis in the health system is real and demands the attention of policy analysts and governments, but labour market policy is about health, too. One of the most important determinants of health is secure attachment to the labour market in well-paid, meaningful employment. Parents with jobs, especially good jobs, tend to be healthier, as do their children. If health models centred on the "wellness" of individuals are to be a serious element of any renewal of medicare, then those individuals' relation to the labour market and the policies that affect that relationship must be closer to the centre of the social policy debate.

The lack of an overarching vision for labour market policy means that governments continue to enact policy without much regard for its indirect consequences. This can be seen in the case of income support for the unemployed, where the simultaneous contraction of the federal EI program and various provincial social assistance regimes has off-loaded an indeterminately large number of individuals into what amounts to a policy void. Similarly, the devolution of active measures to the provincial governments (Ontario so far excepted) through the *Labour Market Development Agreements (LMDAs)* has been undertaken with little analysis of how, in any future recession, the underdeveloped accountability mechanisms within those agreements will handle calls for increased transfers.

As things currently stand, both federal and provincial

labour market policies remain almost exclusively focused on concerns within a specific program. Program changes in the labour market policy field are made, it seems, only in reference to the demands and/or goals of that specific program and to specific political demands around certain issues. The EI reforms of the mid-1990s were undertaken to meet specific federal budgetary goals with no reference to how other areas of labour market policy would be affected. Neither the EI reforms, nor the restriction of access to social assistance, nor the devolution of active measures was undertaken in reference to any overall conception about the direction of labour market policy in relation to a changing economic order both domestically and internationally.

Yet if reform of labour market policy is to be part of the creation of Canada's social union, then some overall direction needs to be given to the sector as a whole. Rod Haddow has argued that in recent years labour market policy has moved increasingly toward making the labour market more flexible and market-friendly, but it has done so on a relatively ad hoc basis and with little public debate or input. Consequently, business interests have been privileged by the political and bureaucratic elite with both formal and informal access to policy-makers. This only serves to further highlight the current irony of labour market policy: Despite consistent and sustained (albeit modest) economic expansion in recent years, the general public's anxiety about their future within the labour market remains unrelieved.

To say we need an overarching strategic vision is not to call for a *Canada Health Act (CHA)* for labour market policy — that is, federally enforced guidelines about the nature of provincial policy. Those who call for "national standards" almost always point to the *CHA* as a model. In fact, the *CHA* provides little in terms of real standards: Its five core principles are interpreted quite differently in different jurisdictions.

Rather, what is needed is a commitment by governments to spend significant time understanding how the bits and pieces of labour market policy either do or do not fit together. First and foremost, governments need to commit themselves to coming to grips with the extent of the interaction (both complementary and contradictory) between the various elements of labour market initiatives over which they share control. Only then can they begin to think about a "strategic vision" for labour market policy.

The goal of such a vision should not be some overarching governance model or a single kind of relationship between the federal and provincial governments. The constitutional division of powers slices through labour market policy, and different forms of intergovernmental governance will likely persist (as they should) in different parts of the sector. What a strategic vision would require is that governments, both individually and collectively, begin to look not only at the trees, but also at the forest. If the intent of the *SUFA* was to begin a process of clarifying roles and responsibilities while collaborating on the development of

proceed with some level of intergovernmental coordination. Even if the goal is to further disentangle or devolve responsibilities in certain areas (as it was under the *LMDAs*) this can only be done collaboratively. Devolution, disentanglement or even centralization will only succeed if they are the outcome of an agreed process. Thus the appropriate venue for the development of such a strategic vision is with the Forum of Labour Market Ministers (FLMM). Even the FLMM will not cover all aspects of labour market policy, given how such policy is spread across government ministries, but it would give institutional support for and impetus to the comprehensive analysis that the sector clearly needs.

Such an undertaking is not without risks for governments. Provinces could well see FLMM actions as a back-door attempt by the federal government to insert itself into a policy area where it has only limited jurisdiction. That need not be true, however, and it is made less likely by the commitments provinces have made to taking an increased role within the sector. The *SUFA* itself is evidence of a willingness on the part of governments (Quebec excepted) to collaborate on clarifying the roles and responsibilities of each order of government. The goal of such collaboration is not to create watertight compartments for each order of government, nor to involve the FLMM in decision-making around specific policy programs or instruments, but to recognize: “the sovereignty of both orders of government as well as the growing interdependence between them ... to give rise to a more democratic process ... [that] enables citizens to be informed about the relative value of different programs. And with the expanding need for international governance, the requirement for national mechanisms to establish and re-establish a sense of national purpose,” as Harvey Lazar and I wrote in a recent paper.

It might be argued that increased intergovernmentalism does not solve the democratic shortcomings of the policy-making process — which are all too evident in labour market policy. Indeed, more elaborate intergovernmental mechanisms may further distance citizens and legislators from the policy process. Yet, as counterintuitive as it may seem, a heightened commitment to intergovernmentalism via the FLMM, combined with the commitments contained within the *SUFA*, may in fact help fashion more transparent policy-making for labour markets.

Having the FLMM help plan strategy makes possible a much more fruitful debate, not only about the direction of specific policy programs but also about the process that would force governments, stakeholders and the public to confront the inter-connectedness of program areas. *SUFA* provides important commitments to increase both the transparency and accountability of social-policy making. These are noble sentiments, but in the realm of labour market policy they imply less control by bureaucrats and politicians, as well as the loss of business’ privileged position as other social and political actors are allowed on stage. This makes the discussion of labour market issues “messier” as it moves beyond the confines of market-friendly analyses.

There are, of course, important obstacles to making the FLMM a more robust vehicle for labour market policy debate. Its past work provides little evidence that it is capable of macro-level strategic thinking. Its agendas over the past ten years have tended to focus not on high-level issues about the overall direction of labour market policy, but rather on resolving irritants in federal-provincial relations in the field. And there appears to be little in the way of institutional memory that would carry debates forward as governments, ministers and officials change.

Second, insofar as the FLMM includes the government of Quebec, it will need to find a way to undertake macro-level analysis without forcing Quebec to in effect implement an agreement (i.e., *SUFA*) that it explicitly refused to sign. Thus, one of the biggest challenges will be to convince Quebec that the need for such analysis exists independently of any desire to carry forward with the *SUFA* commitments.

Third, the intergovernmental good will that spawned the *SUFA* (again with the exception of Quebec) may have dissipated somewhat over the past year. The perceived lack of federal support for the western Canadian farm crisis, the brewing conflict over Alberta’s plan to allow a greater role for the private sector in the delivery of health services, the federal government’s musings about a new national cost-shared home care program, the debate over the restoration of federal transfers to pre-CHST levels and the appropriateness of the federal “clarity bill” on the terms of Quebec secession, all point to a more conflictual federal-provincial relationship over the short-term at least.

Finally, there is labour market policy’s general lack of profile, which has already been mentioned. Despite persistent anxiety about their status within the labour market and uncertainty about future economic security, Canadians’ social policy focus remains on higher profile issues such as the lack of resources accorded to the health systems across the country. The fact that these personal anxieties are not expressed in terms that relate to government policy directions makes putting labour market policy on the social union agenda that much more difficult.

In the final analysis, the challenge in moving governments towards a more strategic, macro-level analysis of labour market policy is formidable — and involving the public in that process is even more so. Whether the FLMM (or some future revamped organization) is an appropriate vehicle, or can be transformed into such a vehicle, is also open to question. What is clear is that a number of choices or possible policy directions flow out of any attempt to think strategically about the direction of labour market policy. To deal with these choices we need to think more systematically about the future directions, not only of specific elements of labour market policy but of the sector more generally.

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