
ASSESSING THE SOCIAL UNION FRAMEWORK AGREEMENT, REDUX

ÉVALUER L'ENTENTE-CADRE SUR L'UNION SOCIALE, SUITE

In February, the IRPP and the Saskatchewan Institute of Public Policy sponsored a major conference on the Social Union Framework Agreement, or SUFA, which came into being a year earlier. Participants analysed the agreement from several different perspectives. In the last issue of Policy Options, we presented summaries of six presentations (from Antonia Maioni, Pierre-Gerlier Forest, Matthew Mendelsohn and John McLean, Michael J. Prince, Gerard Boychuk and Tom McIntosh). In this issue, we present five more.

En février dernier, l'IRPP et le Saskatchewan Institute of Public Policy parrainaient une importante conférence au cours de laquelle l'Entente-cadre sur l'union sociale, ou ECUS, signée un an plus tôt, fut analysée sous plusieurs angles. Dans notre livraison d'avril, nous publions les résumés de six communications présentées à cette rencontre (Antonia Maioni; Pierre-Gerlier Forest; Matthew Mendelsohn et John McLean; Michael J. Prince; Gerard Boychuk et Tom McIntosh). Le lecteur trouvera plus bas 5 autres communications sur le même sujet.

Interprovincial mobility and the SUFA

Ross Finnie

How many Canadians move from one province to another in a given year and over longer periods of time? How do these patterns vary by province, age group and sex? What other personal and situational characteristics are associated with moving and what happens to individuals' incomes when they do move? What proportion of movers return to their provinces of origin at some point, how many remain in their new jurisdictions, and how many remain on the move?

The answers to these and similar questions have implications for many social policy issues. The nation's social insurance and income support programmes should aim to assure the portability of benefits while at the same time minimising the number of moves made in response to differences in programme benefits across the provinces. The returns to public investments in education and training are embodied in individuals and therefore move with the person, thus affecting the return to such investments and twisting their benefit-cost ratios along provincial lines. Regulatory rules pertaining to professional certification and licensing are often alleged to impede the free flow of citi-

zens across provincial boundaries. And so on.

In answering the questions posed above, a good understanding of the existing patterns, structures, and trends of interprovincial mobility would be of obvious benefit. Although there is much that we already know, most previous empirical research has been significantly limited by the unavailability of a database that follows given individuals over time. The recent development at Statistics Canada of the Longitudinal Administrative Database ("LAD"), which does exactly that, therefore opens up new opportunities to investigate these questions.

The purpose of this short paper is, first, to briefly review recent empirical work I have done on interprovincial mobility and then to sketch out some of the policy implications of these findings in the context of the SUFA. Is there enough interprovincial mobility for it to be an important issue? What would be the likely effects of (as proposed) loosening current restrictions on movements? What are the possible implications of labour mobility for the greater variation in social programmes across provinces that SUFA may cause? To which provinces do the mobile "belong"? Where should their provincially-controlled benefits be based? And should there be some sort of extended "clearing house" system where, for example, provinces which provide benefits to individuals from other jurisdictions are compensated for services rendered?

On the whole, relatively few Canadian adults — about 1.5 per cent — change their province of residence from one year to the next. And there was actually a slight downward trend in aggregate migration rates over the period covered by the LAD data (1982-95). On the other hand, the flows have varied significantly by age and province, and in some cases the movements have been sizeable — almost 10 per cent for some age groups in some provinces. Outflow rates have generally been bigger in the smaller provinces, and have tended to be towards provinces which were i) relatively close by, ii) large, and iii) further to the west.

At the provincial level, gross rates of out-migration over the full 1982-95 interval ranged from a low of under three per cent of the initial population in Quebec to a full 28 per cent for Alberta. Mobility rates have been much higher for younger Canadians — a particularly important group in terms of the associated economic and social effects. As for return migration, in the prairie provinces and Prince Edward Island, the proportion of individuals who left but then eventually returned was relatively low, while returning was more common for those who left the other Atlantic provinces, Quebec, and (especially) British Columbia. Ontario was in the middle rank on this count.

Those are the trends visible in the raw data. Econometric analysis allows for a more refined sorting of influences on migration. So far, the econometric models indicate that:

- migration rates are larger the smaller the province, and vice versa, which presumably captures both economic conditions and labour market scale effects
- language also affects migration rates, with francophones generally being less mobile
- residents of smaller cities, towns, and especially rural areas have been less likely to move than people who live in larger cities
- older people, married people, and people with children are less likely to move (both men and women)
- people are more likely to move if they are in a province with a high unemployment rate, are in receipt of unemployment insurance (except for young men), have no market income (unless they are young), or are receiving social assistance (especially men)
- once these factors are controlled for, individuals at higher income levels are more likely to move than those with lower incomes
- and, finally, there have been no dramatic shifts in the structure of out-migration behaviour over time.

Finally, interprovincial mobility has often been associated with very substantial increases in individuals' earnings — at least in the case of men, and especially among younger workers and workers moving from the smaller and poorer provinces. For example, on average, young men who left Newfoundland almost doubled their annual earnings upon leaving. Moreover, the increases in earnings seem to be associated with the move rather than with any differ-

ences in the characteristics of movers, while individuals appear to integrate into their new labour markets quickly. The effects of moving on women's earnings are, by contrast, generally much smaller or even negative (except for the youngest group).

How is all this relevant to the SUFA? A first point to make is that interprovincial mobility is in fact an important phenomenon in Canada. Even though aggregate annual rates are rather small, these accumulate into significant population shifts over time, especially for the smaller and poorer provinces and for particular demographic groups (most notably, the young). Mobility is therefore an important determinant of the size and nature of provinces' populations. It also has an important effect on individuals' outcomes. The large and sustained changes in earnings levels which typically result for men and the rather different effects for women may have a significant effect on gender earnings patterns.

Second, although this research has been unable to test the effects of current restrictions on interprovincial mobility, if removing such restrictions allowed more individuals to move, this could generally be expected to result in significant benefits for those who in this way became freer to choose where they work and live.

Work currently underway indicates that mobility is significantly related to movements both onto and off of transfer programmes, and that there are relatively few distinguishing patterns by province in this respect. In other words, people do not seem to have been flocking to the "high benefits" provinces.

Third, it is very interesting that individuals at very low income levels, on social assistance, or collecting EI have been more likely to move than others. This suggests that interprovincial mobility has been a significant means by which individuals in challenged economic circumstances have bettered their situations — which presumably reduced the overall number of programme participants, although research has not yet established whether the fact of moving does indeed make people less likely to take up transfers. Work currently underway does, however, indicate that mobility is significantly related to movements both onto and off of transfer programmes, and that there are relatively few distinguishing patterns by province in this respect. In other words, people do not seem to have been flocking to the "high benefits" provinces.

Finally, on the question of to which provinces individuals "belong"? My recent work with McMaster University's

John Burbidge has noted that many people do not work in the province where they received their post-secondary education. PSE is, of course, a provincial jurisdiction and for the most part is financed by the provinces. When students move, one province pays for the education of another's students but receives no compensation for doing so. This raises questions of both equity (should provinces only be responsible for their own citizens?) and efficiency (how will whatever system is in place affect the extent and nature of the migration flows?). This problem presumably will become more acute as provincial post-secondary education and other programmes diverge to a greater degree in the manner which seems to be envisaged, and facilitated, by the SUFA.

Ross Finnie has appointments at the School of Policy Studies at Queen's University and the Business and Labour Market Analysis Division, Statistics Canada.

Collaborative federalism — with a footnote

Alain Noël

Canadian federalism is increasingly described as “collaborative,” to account for what is perceived to be a remarkable expansion of non-hierarchical intergovernmental collaboration on a variety of issues ranging from internal trade to child benefits. Until recently, this new brand of federalism was more an outcome than an objective, more the unplanned and mixed result of various pragmatic arrangements than the product of a clear design for the federation. The Feb. 4, 1999 *Social Union Framework Agreement* changed this situation fundamentally. For the first time, a broad agreement codified the new rules that would govern intergovernmental relations — in all areas of social policy but also, by extension, in a number of sectors not considered in the document.

The Quebec government was not part of this agreement. The new rules nevertheless apply to Quebec, and the collaborative process goes on as if, or almost as if, all had agreed. Shared visions, agreements, agendas, objectives, consultations, outcome indicators, and progress reports regularly come out, usually with a footnote — hence my title — stating that the Government of Quebec shares “essentially the same concerns” but “does not intend to adhere to the federal/provincial/territorial approach” and is not included in the analysis or in the stated positions.

Most observers have portrayed this situation as less than ideal, but nevertheless satisfactory in the circumstances. Some have even suggested that the outcome is helpful because it creates *de facto* asymmetry in Canadian federalism. I would argue, on the contrary, that “collaborative federalism with a footnote” is the worst possible out-

come of a process that was not well started but did not require such a rapid and superficial conclusion. The *Social Union Framework Agreement* is detrimental because it is not a truly collaborative achievement, because it is not faithful to the federal principle or Canadian tradition, and because it does not augur well for social policy in Canada.

The close results of the 1995 Quebec referendum convinced the federal government to seek what Harvey Lazar has called “the renewal of the federation through non-constitutional means.” The approach was not entirely new, but it became more explicit and ambitious, and involved the different governments in a range of discussions that was unprecedented in scope and depth. On a number of issues, ranging from fiscal policy and trade to labour market and social policy questions, positions were defined, reports were drafted, meetings were held, and compromises were reached or at least envisioned. Most of these compromises were unspectacular but meaningful responses to concrete problems, and they changed intergovernmental relations in an incremental fashion, if not always in a clear, well-articulated direction.

The concept of collaborative federalism was introduced to make sense of this evolution. Whereas the cooperative and executive federalism of the preceding decades saw the different governments manage interdependence within a basically hierarchical framework, the collaborative federalism of the late 1990s would entail a joint management of interdependence embodying, writes Lazar, “a greater respect for the idea that the two orders of government should relate to one another on a non-hierarchical basis.”

If collaborative work is done on a non-hierarchical basis, it implies that decisions are not determined through a chain of command. All partners may not have the same influence on the outcome, but agreements are produced through mutual adjustments and negotiations, rather than through hierarchy.

Shared visions, agreements, agendas, objectives, consultations, outcome indicators, and progress reports regularly come out, usually with a footnote stating that the Government of Quebec shares “essentially the same concerns” but “does not intend to adhere to the federal/provincial/territorial approach” and is not included in the analysis or in the stated positions.

In this perspective, the achievements of collaborative federalism are decidedly mixed. Collaboration has emerged, but often in areas where only little adjustments were necessary and collaboration did not in fact mean

much. With the more critical National Child Benefit and *Social Union Framework Agreement*, by contrast, collaboration was obtained only because the provinces yielded and because Quebec's absence from the table was deemed unimportant.

This process corresponds very well to what international relations scholars call hegemonic cooperation, where a dominant power makes the rules and provides the incentives "for others to conform with those rules" (as political scientist Robert Keohane has put it). A negotiation among equals would center on the credibility of mutual commitments, as each partner limits its own autonomy to reduce uncertainty about the actions of others. Hegemonic cooperation, on the contrary, is likely to leave the less powerful parties uncertain about a dominant power that basically controls the rules of the game.

But if collaborative federalism cannot be understood as non-hierarchical, what is it exactly? A good way to make sense of this new form of intergovernmental relations is to understand it, not as a specific form of relationships among governments, but rather as a more or less institutionalized governance structure, largely defined by what J. Stefan Dupré called "intragovernmental considerations." Cabinets, argued Dupré, are the "key engine(s) of the state," and they "can operate in vastly different ways." From the 1920s to the 1960s, the "departmentalized cabinet" left much autonomy to ministers and officials responsible for a given portfolio and it facilitated intergovernmental cooperation along functional lines. This was the era of cooperative federalism. In the mid-1960s, the rise of the "institutionalized cabinet" and of central agencies encouraged the formulation of more encompassing priorities and objectives and made intergovernmental relations more visible and competitive. First Ministers' Conferences became the main instrument and the constitution the main issue. Executive federalism (as it would be called) and more competitive relationships prevailed.

In recent years, argues Donald Savoie, the "institutionalized" Cabinet "has joined Parliament as an institution being bypassed ... [E]ffective power rests with the prime minister and a small group of carefully selected courtiers." Decisions, large and small, are taken at the top, often without involving Cabinet or even the departments concerned. This concentration of power makes intergovernmental relations more haphazard, unpredictable, and centralized. In the absence of a clear overall vision or strategy, the central government tends to react to circumstances, events or provincial initiatives, forcing the provinces to scramble with the results. As a result, the provinces have come to see Ottawa as a highly unreliable hegemonic partner. This impression certainly was not dispelled when Jean Chrétien quipped, in the days preceding the social union agreement, that "sometimes on Monday I feel like giving the provinces more money, and then on Tuesday not." Few statements better capture the true spirit of collaborative federalism.

Many observers, especially in English Canada, have argued that the *Social Union Framework Agreement* introduces some *de facto* asymmetry in Canadian federalism. This is partly true. But the *Agreement* does not lead, incrementally, to a situation that is more representative of the dual character of the Canadian federation.

First, in a federation as in any institutional arrangements, the formal and informal rules of the game matter, and the capacity to change these rules matters even more. All sides agree that the *Social Union Framework Agreement* is an important change in the rules of the game, since it circumscribes the use of the federal spending power in a novel way. The same is true for the National Child Benefit, which concerns the provinces as well as the federal government, and for the Clarity Bill, which introduces new rules for a future Quebec referendum. In all these cases, the federal and the provincial governments did not genuinely seek the approval of the Quebec government, or even of the official opposition in the National Assembly. This approval hardly seemed to matter.

Second, even though the *Agreement* is only an administrative, time-limited document, it provides the provinces' first explicit recognition of the legitimacy of federal expenditures and standards in areas under their jurisdiction. That

In the days preceding the social union agreement, Jean Chrétien quipped that "sometimes on Monday I feel like giving the provinces more money, and then on Tuesday not." Few statements better capture the true spirit of collaborative federalism.

this recognition has no legal status is secondary: The issues surrounding the spending power are not primarily legal or constitutional. In most cases, the federal government simply cannot use its spending power without the collaboration of the provinces, since they play a critical role in the definition and implementation of social policy. This is true even for direct transfers to individuals, as can be seen with the Millennium Scholarship Fund or the National Child Benefit, which cannot be implemented without provincial collaboration. In such cases, relative power and negotiations matter more than legal constraints. The provinces' concession on the principle of the spending power has shifted the balance of power in favour of the federal government, and this certainly does not make Quebec more autonomous in social policy.

Third, the argument about asymmetry underestimates the contribution of the *Social Union Framework Agreement* to a process that is reshaping social policy in Canada. A new pan-Canadian social framework is emerging and it is unlikely that Quebec can remain unaffected by its norms and constraints.

The Canadian government, like its American counterpart, has become less interested in transfers to the provinces and more attracted by direct or fiscal transfers to groups or individuals. In health and post-secondary education, such a transition is more difficult because the federal government cannot run hospitals or universities. Still, the trend can be observed in Allan Rock's various efforts to reaffirm federal leadership and visibility in health policy, as well as in the creation of various boutique programmes supporting research, innovation or higher education. In all these cases, the federal government attempts to circumvent the provinces and reach persons and institutions directly.

Canada will have a more integrated market governed by a more present central state, but it may have difficulties in fostering various models of community-based, integrated and enabling services. Indeed, the concentration of power identified above implies that the prime minister and

The prime minister and the minister of finance now stand as the almost unchallenged social policy leaders. They are likely to promote income and tax-based policies aimed at individuals, and particularly at individual children, at the expense of community-based and service-oriented options.

the minister of finance now stand as the almost unchallenged social policy leaders. They are likely to promote income and tax-based policies aimed at individuals, and particularly at individual children, at the expense of community-based and service-oriented options. Other voices will be heard in and around Ottawa, regarding health care in particular, but they are unlikely to be as powerful in setting the agenda.

To sum up, collaborative federalism with a footnote appears hierarchical, unfavorable to asymmetry, and unpromising for social policy. In the end, the central problem is less a lack of asymmetry than a lack of federalism. Canada was created as a federation precisely because federalism allowed different peoples to live together and, at the same time, separately. When they opted for the falsely collaborative politics of the footnote, the governments of this country chose an easy way out, but ignored this central imperative, which made federalism necessary in Canada.

Alain Noël is an associate professor in the Département de science politique, Université de Montréal. A longer version of this paper was published in April as an IRPP working paper and is available on the IRPP's website, at www.irpp.org.

Post-secondary education and the *SUFA*

Herman Bakvis and David M. Cameron

There is no firm answer to the question of how the future of post-secondary education (PSE) in Canada is likely to be affected by the *Social Union Framework Agreement (SUFA)* of February 1999. Unlike health care, PSE does not figure prominently either in *SUFA* or in the general public's consciousness. Moreover, PSE is only partly covered by *SUFA*. While for some purposes it can be placed under the heading of social policy, it can also be considered part of economic management: Education-based research and development and labour-market programmes are certainly that.

At the same time, with or without *SUFA*, the PSE sector in Canada is poised for a fairly dramatic transformation, with certain key provincial governments, such as Ontario's, preparing to put much more into technical education and much less into the liberal arts. It is a transformation stimulated in part by economic and demographic forces and in part by government action, with important implications for students, faculty, and citizens. But before turning to the role that *SUFA* may or may not play in these new developments, let us review some evidence on the nature of support for PSE in Canada, including which government is responsible for which particular aspects of PSE.

Under the Constitution, the provinces have formal responsibility for education as a whole, including primary, secondary and PSE. After peaking in the late 1960s, the proportion of provincial budgets devoted to education has steadily declined relative to spending on health and social services. And within the category of overall spending on education, PSE has suffered compared to elementary-secondary education and vocational training. Especially since the early 1970s, the gap between elementary-secondary and PSE has grown over time.

Although the provinces have formal responsibility for education, in practical terms the federal government has also played an active role in supporting PSE, certainly since the Second World War. Initially, in the early post-war period, Ottawa provided money directly to universities, in part in order to help PSE institutions deal with the influx of returning veterans. By the 1960s Ottawa had negotiated 50/50 cost-sharing arrangements for universities with most of the provinces; with Quebec it reached an opting out arrangement that saw it give Quebec both untied funding and additional tax room. In 1977, under the rubric of Established Program Financing (EPF), Ottawa and the provinces moved to "block funding," whereby Ottawa would continue to fund PSE (as well as health care, which was also encompassed by EPF) on a roughly 50 per cent basis, but without the matching requirement or detailed

conditions. The transfers came in two forms — hard cash and tax points, the latter representing tax room that Ottawa created for the provinces, thus allowing them to generate revenues worth roughly half the money that Ottawa planned to transfer to the provinces.

Under EPF, as long as provinces promised to maintain their commitment to the so-called five basic principles, including universal access, portability and public administration, they enjoyed considerable flexibility as to how the money could be used.

Initially, the intent was that the EPF grant would grow at the rate of growth in population and the GNP. Over time, however, seeing increases in EPF greater than it was comfortable with, Ottawa began to put limits on the escalator formula, and at one point completely froze the cash component of EPF. The most dramatic change came in 1995, when the government announced both that EPF, encompassing health care and PSE, and the Canada Assistance Plan (CAP), would be combined into the Canada Health and Social Transfer (CHST) and that the cash portion of the new CHST would be cut from \$18.5 billion under CAP/EPF in 1995-96 billion to \$12.5 billion by 1998-99.

The CHST refers to “health” and “social” spending, but its title includes no explicit reference to PSE. While under the *Canada Health Act* there are specific provisions that constrain provinces from allowing practices like extra-billing by physicians, there is no comparable legislation covering PSE. Practices such as the imposition of differential tuition fees on out-of-province students, which appear to be violations of one or more of the five principles, so far have not moved Ottawa to penalize the provinces involved.

According to a report prepared last year by the BC government, federal spending on transfers to the provinces for PSE have declined from 3.3 per cent of Ottawa’s total budget in 1979-80 to 1.6 per cent in 1998-99. The provinces argue that it is this decline in support from Ottawa that in large part explains why the provinces in turn have been spending less on PSE.

Transfers under the CHST are not the only support Ottawa provides for PSE. The Canada Student Loans program, whose administration is in many instances coordinated with grant and bursary programs of the provinces, provides support to individual university students, as does the newly launched Millennium Scholarship fund. As well, under the heading of research and development, the federal granting councils — the Canadian Institutes of Health Research (formerly the Medical Research Council), the Natural Sciences and Engineering Research Council, and the Social Sciences and Humanities Research Council — put significant funding directly into universities for research costs and graduate student support. Recent federal initiatives, such as the Canadian Foundation for Innovation (CFI), the Twenty-First Century Research Chairs (2,000 new positions by 2004-05), and the five

Genome Canada science centres, represent sizeable investments in the research infrastructure of universities. This type of federal spending falls outside the social envelope, however, and is therefore not covered by *SUFA*. At the same time, although the spending is intended for research, it has important implications for the educational function of universities, certainly with respect to graduate education, but also more generally. Holders of the 21st Century Chairs, for example, are expected to spend roughly 50 per cent of their time teaching.

Ottawa’s increased support for university-based research notwithstanding, the bulk of funding for universities and community colleges continues to come from provincial governments. Furthermore, the overall propor-

In the 2000 federal budget, Finance Minister Paul Martin committed an extra “one-time” payment of \$2.5 billion under the CHST for PSE and health care, an amount the provinces regard as negligible. Provincial premiers say it will have a minimal impact in reducing their health-care costs. None has mentioned that any of the \$2.5 billion will flow to the PSE sector.

tion of government funding for PSE continues to slide. As a proportion of funding sources for universities, that support has shrunk by 24 per cent since 1992. The difference has been made up largely, though not completely, by tuition fees, which have doubled in less than a decade. Naturally enough, students and their families, who must pay these higher fees, have been most vocal in drawing attention to the off-loading of PSE costs. Organizations such as the Association of Universities and Colleges of Canada (AUCC) and the Canadian Association of University Teachers (CAUT) have in the name of educational quality and access also joined the battle to increase government funding for PSE. The CAUT has expressed concern that targeted federal funding may lead to a two-tier system in which large universities in the “have” provinces may be the only ones in a position to take advantage of these new funding flows.

Despite all this, there is not much evidence that these various pressures are having much effect on governments. In the 2000 federal budget, Finance Minister Paul Martin committed an extra “one-time” payment of \$2.5 billion under the CHST for PSE and health care, an amount the provinces regard as negligible. Provincial premiers say it will have a minimal impact in reducing their health-care costs. None has mentioned that any of the \$2.5 billion will flow to the PSE sector.

Beyond improved tax treatment of student scholarships, a promise to maintain the Canada Student Loans program,

and an additional boost for initiatives such as the CFI, there was little else for PSE in the 2000 budget. While Ottawa and the provinces are jockeying for position around the issue of health care there appears to be no interest in doing anything similar for PSE. And yet, if *SUFA*'s provisions are to have any meaningful impact, proposals need to be made and meetings scheduled. But there almost appears to be a conspiracy of sorts between the two levels of government, whereby neither level feels inclined to challenge the other: Provinces have said very little, if anything, about Ottawa's direct spending in the broadly defined area of research funding for universities; Quebec appears quite prepared to put up matching funding for awards made under the CFI; and Ottawa, in turn, has said nothing about Premier Mike Harris's recent initiatives in restructuring the Ontario system, including the possibility of allowing American for-profit universities to establish branches in that province.

Only so much can be put on the table by for discussion at any one time. With health care the burning issue for the moment, it's not hard to understand why governments are currently unwilling to tackle the PSE issue on an intergovernmental basis. Moreover, on the federal side responsibility for PSE is fragmented across a number of departments. While HRDC has primary responsibility under the CHST, the departments of Industry and Heritage also have interests and responsibilities in the area. There may even be pronounced differences between these departments on the question of how and where Ottawa ought to be putting its PSE support dollars. At a minimum, these differences may make it difficult for Ottawa to put a single, coherent position to the provinces.

Finally, it could simply be the case that most governments are reluctant to go public with a dialogue in which truly difficult questions have to be addressed. While PSE funding has been in relative decline for several years, according to 1995 OECD data Canada still ranks first in the industrialized world in terms of proportion of public expenditures devoted to PSE — 4.8 per cent vs. 3.6 per cent in the US and 2.7 per cent for OECD countries overall.

For many Canadians, that 4.8 per cent may still not be enough. But can we really afford a high-quality PSE system with access guaranteed to anyone with a high school diploma? Should Ottawa press for continued universal access? And, if so, is it willing to put extra funding into the system? Or does the current Ontario model, with its renewed emphasis on technical and community college based education — at the expense of smaller liberal arts universities — offer a plausible alternative? These are some of the hard questions that need to be addressed in any dialogue over the future shape of PSE in Canada, whether within or outside of *SUFA*.

Herman Bakvis is professor of Political Science and Public Administration, Dalhousie University. David M. Cameron is professor and chair of the Department of Political Science, Dalhousie University.

Reading the *SUFA* through policies for children: Towards a new citizenship regime

Jane Jenson

Much in the *Social Union Framework Agreement (SUFA)* was modelled on an earlier agreement among the provinces, territories and federal government. While negotiating the National Child Benefit (NCB), the provinces had tried to rein in federal unilateralism, and Ottawa had sought to use its spending to forge a stronger direct connection with Canadians. Getting to agreement had permitted the governments to mend a corner of the fabric of intergovernmental relations that had been torn in the stormy reaction to the 1995 federal budget. The NCB provides a federal income transfer and a wide variety of provincial "reinvestment" programmes, all involving new mechanisms for reporting and accounting across levels of government and among provinces. Both academic and official commentaries on the *SUFA* frequently mention it as a prototype.

This history leads me to ask the following question: What lessons we can learn from the NCB that might be applicable to future policy development under the *SUFA*?

This short article does not intend to predict whether the success of the NCB will be repeated. Rather, it will identify the basic principles of the NCB, treating them as the culmination of a series of adaptations away from previous policies on income security. Given the coherent logic underpinning the NCB, a further claim will be made. If the NCB is a prototype for post-*SUFA* policies — as some say it is and many hope it will be — then we are seeing a shift from one citizenship regime to another.

For three decades after 1945, the country had a single citizenship regime, that is a set of notions that underpinned a range of interactions between state and citizen. Canada's 1947 *Citizenship Act* created full-fledged Canadian citizens, a first in the British Commonwealth. Accompanying this formal statement of nationhood were many policies designed *inter alia* to strengthen pan-Canadian feelings of belonging. Family allowances were the country's first universal social programme. Subsequently there was hospital insurance, then Medicare and the Canada and Quebec pension plans. Ottawa also used its financial muscle to induce the provinces to extend social citizenship rights; by the 1960s social assistance was under the country-wide umbrella of the Canada Assistance Plan (CAP). In the 1960s and 1970s, successive federal governments also actively fostered equitable conditions for political participation, for example by funding groups speaking for the disadvantaged and by setting out rules for transparency and equitable access in the electoral law.

Three principles underpinned this citizenship regime. Equality of opportunity was one, expressed in supports for civic engagement as well as social rights. Second was equity, which was key to solidarity across groups and regions. And, finally, the regime promoted a pan-Canadian national identity.

This regime represented the self-sufficient adult worker as the “model citizen.” Anyone who for one reason or another could not achieve that status would be provided with substitute income. Thus, access to social citizenship rights, such as Unemployment Insurance or social assistance, depended on being unable to work, because of being laid off temporarily or being “unavailable.” While disabled adults were in the latter category, most “unavailable” workers were single parents (read mothers) caring for young children.

In this regime, children were dependants. Adults who received UI or social assistance did so because they had insufficient income from employment. Therefore, even if there were extra benefits to households with children, access to social rights depended on adults’ relationship to the labour market.

Of course, family allowances were a social right of citizenship that depended on the presence of children in the household, but they were only a minor part of the citizenship regime. Despite the recommendations of Leonard Marsh in the 1940s, the government had not chosen to make family allowances the basis of income security, opting instead to construct the social assistance regime in relationship to the labour force rather than family needs.

In addition, by the early 1970s this universal programme was being aligned with a general redesign of social policy that increased targeting, as governments promised to spend only on those Canadians who truly “needed it.” By 1993 the Working Income Supplement (WIS) provided a “top-up” to families whose earned income was low, while the Child Tax Benefit (CTB) went to adults with children under 18.

This was the state of play in 1995, when Paul Martin bought in his infamous budget, abolishing CAP (the programme that had shaped income security since the 1960s) and instituting the Canada Health and Social Transfer (CHST). Without rehashing the details, suffice it to say that the trade-off of more provincial independence in spending decisions against a reduction of several billion of dollars of transfers from Ottawa did not please the provinces.

When the Premiers met in summer 1995 and 1996 to craft their demands to Ottawa about federalism and social policy, social assistance reform was already on the agenda. The Provincial/Territorial Council on Social Policy Renewal came to be the space in which provinces developed their ideas about reform. Then, when Prime Minister Chrétien announced his preference for proceeding “case by case” to rebuild intergovernmental co-operation, Minister of Human Resources Development Pierre Pettigrew began working on child poverty. In a first agreement, all ten

provinces recognised a federal role in the fight to eliminate it, but only through the tax system. Subsequent negotiations brought agreement in 1997 on the NCB (in which Quebec did not participate), and more dollars from Ottawa.

As described by Revenue Canada in 1999, this joint federal, provincial and territorial initiative has two goals: to prevent and reduce the depth of child poverty and to promote attachment to the work force by ensuring that families will always be better off as the result of working. It seeks to create stable revenue for low-income families frequently changing jobs or moving on and off social assistance. It also institutes comparable treatment of all poor children, no matter the

The National Child Benefit marked a new commitment on the part of Ottawa to post-deficit social spending that would “pay off.” It allows the federal government to use its spending power to enter directly into contact with Canadians, rather than via the cost-sharing

source of their parents’ income. Finally, the programme is meant to foster federal-provincial collaboration. Hence the attention to negotiations, compromise and the solidification of basic principles of governance and accountability.

Comparing benefits paid under the CTB and WIS with those of the NCB shows that the effect on families of the shift from the CTB to the NCB was not great. The groups targeted and the cut-off points were virtually the same, although new spending by Ottawa meant rates rose for poor families whose income did not come from social assistance. (Eight provinces taxed back the increase for social assistance recipients).

However, behind these small changes in amounts were important shifts in principle. First, the NCB marked a new commitment on the part of Ottawa to post-deficit social spending that would “pay off.” The NCB allows the federal government to use its spending power to enter directly into contact with Canadians, rather than via the cost-sharing style of CAP. By doing so, and because the design of the NCB partially reduced provinces’ costs, the NCB releases “reinvestment funds”, to be used according to provincial preferences between income transfers or services. While there is obligatory reporting and transparency (requirements that have reappeared in *SUFA*), there is no effort to shape spending; cross-provincial variation is even more the norm than before.

Beyond the details of design are even broader consequences for the citizenship regime. First, there is less emphasis on pan-Canadian nation-building; variety and provincial choice are valued over symmetry. Second, the NCB marks a profound change in the structuring of income

support. Families with equal amounts of income — whether from earnings, child maintenance, Employment Insurance or social assistance — receive exactly the same child benefit from Ottawa. The CCTB eliminated the distinction between “unavailable” and available for work that structured so much of post-war income security. Thirdly, and coupled with other reforms by provinces, everyone has become available for work, and has a responsibility to work. Parenting is no “excuse” for not earning income.

Finally, in all of this, the child has become the “model citizen.” Equality of opportunity is for children, hence the importance of the companion piece to the NCB, the National Children’s Agenda and its emphasis on school readiness and early-childhood initiatives. Low-income adults now gain access to the social rights of citizenship because they have dependent children, rather than through their relationship to the labour market. With the NCB’s emphasis on “taking children off welfare,” social assistance for youth or families without dependent children has become truly a programme of last resort ... with the consequences for future exclusion that might imply.

Jane Jenson is Director of the Family Network of Canadian Policy Research Networks and a professor in the Department of Political Science, Université de Montréal.

FYI: SUFA? DOA

Christopher Dunn

Over 35 years ago, the municipal affairs minister of the province of British Columbia, speaking to a group of BC municipal affairs officials upon whose heads he was about to drop, with little warning, a new regional district system, uttered an aphorism that, for delphic quality, is even superior to Mackenzie King on conscription: “You will either get what you want,” he said, “or come to want what you get.”

As it happened, neither occurred.

I think this is an apt theme — in reverse — to describe what happened in the *Social Union Framework Agreement (SUFA)* of 1999. Provinces did not get what they wanted, and will not come to want what they got. The *SUFA* will either not last long in its present form, or it will be bypassed. The other possibility is that some parts of it will simply become dead letters, as already seems to be the case with the dispute avoidance and resolution mechanisms.

The main reason for this is the asymmetrical nature of the agreement. It accords most of the major wins to the federal government, comparatively little to the provinces, and satisfies none of the traditional spending power demands of the Quebec government.

Followers of the long saga of efforts to control the spending power will not be surprised. The lesson of history

in respect to the federal spending power is that efforts to control it — from outside the federal loop, that is — ultimately end in failure. The federal government has in the past simply rejected all such attempts. As for the present, it negotiated a social union agreement which deters it hardly at all, while in the future, whatever slight constraints it managed to get itself backed into will probably fade away.

The federal government is not markedly deterred by *SUFA*. *The Agreement* is as significant for what it does not include as for what it does. There are several items that the premiers wanted, and had hinted broadly at in their Saskatoon consensus of 1998, but were unable to achieve.

First, no government was able to get Quebec to sign the deal. Although not a primary focus of the negotiations, it was certainly an important one. One major reason for Quebec’s refusal to sign is that it did not get the right to opt out with full federal compensation. Alberta and its allies were unable to obtain a binding federal-provincial dispute resolution mechanism, and had to settle instead for non-binding mechanisms with fact-finding and mediation roles. Nor was there any mention of a meaningful joint federal-provincial role in setting, interpreting and enforcing national standards for medicare and other social programs. Passing mention was made (in part 4) of the joint development of objectives and principles for social programs, but this was qualified by the term “as appropriate.” Part 6 of *SUFA* qualifies the ability of governments to engage in dispute resolution panels by noting that they should respect existing legislative provisions. In other words: Don’t touch medicare standards. Many other historical demands of the constitutional reform industry also went unanswered.

To a remarkable extent — at least when one considers all the discussion on the social union — the *status quo ante* prevailed. This, of course, favoured the federal government, which retained the ability to penalize provinces that do not conform to the principles of medicare. It retains the broader right to withhold federal social funding from provinces, albeit for non-adherence to national objectives and accountability frameworks that have been collaboratively established. Direct federal spending to individuals and organizations faces no significant new impediments, other than a three-month notice provision accompanied by an offer to consult — minimal conditions that, arguably, are already the usual practice due to the slow-moving nature of federal-provincial relations. The consent mechanism for the introduction of new Canada-wide, shared-cost programs remained what Prime Minister Chrétien had decreed it to be in 1996: the feds plus a simple majority of provinces, with no population floor.

The major issue factor in determining the future of the *Agreement* is its relative workability — whether or not there has been a satisfactory understanding of the dynamics which drive the two levels of government in modern Canada.

I think the agreement is unworkable and unclear enough to make it dispensable. It appears to have been developed more by officials than by politicians — moreover by officials who do not comprehend the nuances of modern Canadian federalism. Four things do not augur well for the *SUFA*:

- The *Agreement* freezes into place a definition of federalism — collaborative federalism — which is anachronistic. Throughout the negotiations provinces stressed collaborative approaches to the use of the federal spending power, clarification of the rules of intergovernmental cooperation, clarification of federal, provincial and territorial roles and responsibilities in social policy areas, and appropriate dispute-settlement mechanisms between governments. However, there has not been collaborative federalism (cooperative federalism) in this country for 40 years, and the material conditions for recreating it — trust relationships — are lacking, as Stefan Dupré commented some years ago in his analysis of the workability of executive federalism.

Magnified jurisdictional jealousies and last-chance approaches to intergovernmental agreements, which are inherently tension-ridden and trust-destroying, have become the order of the day, lessening the workability of modern executive federalism. It is perhaps significant that Ottawa has downplayed both the partnership angle and notions of institutionalized cooperation in the social union, in favour of more philosophical notions like equal opportunity for Canadians and meeting basic needs.

- The federal government may get too impatient and/or alarmed at the implications of the agreement. Concern for national standards has motivated federal governments for decades, but has it implicitly been sacrificed in the social union? To what extent does the flexibility in the funding and implementation of new shared cost programs mean the diminution of federal (or even national) standards? To what extent is the right to replicate deals the federal government has established with one province, to other provinces as they wish, likely to lead to the very thing the feds wanted to avoid: checkerboard federalism? These considerations point to future federal fatigue with the agreement.

- The asymmetrical nature of the agreement will ultimately come back to haunt intergovernmental negotiators. We have lived through 40 years of intense dissatisfaction with a wide variety of aspects of the federal spending power, and a host of recommendations have been made to limit its use. Only a few have been addressed in *SUFA*. The provinces are unlikely to remain satisfied for long with an agreement which is premised upon the federal government being the senior partner in Canadian federalism. At the very least, the bigger provinces are likely to argue for a return to the Saskatoon Consensus if their arguments for a return to pre-CHST levels of social funding are ignored.

- However, the most destabilizing element for the social union agreement is Quebec's opposition to it, at the

heart of which is the issue of the federal spending power. Quebec maintains there are still no meaningful controls on the spending power. The permissive half of the 1996 Chrétien spending power commitment remains, of course: The six smallest provinces can team up with Ottawa and introduce new national shared cost programs. Millennium-Fund-type (direct) programs are also likely to flourish as Ottawa engages in a battle for the loyalty of citizens, especially in Quebec.

Beyond the spending power, a host of Quebec demands of course remain outstanding from as far back as the sixties. The realities of Canadian federalism are such that ultimately it will be necessary to offer Quebec a new opportunity to renegotiate and renew federalism. Quebec is sure to demand that the *SUFA* be dismantled. And that will let the genie out of the bottle. The constitutional reform industry, with all its old needs and wants, will once again be abroad in the land.

Christopher Dunn teaches in the Department of Political Science, Memorial University.

A Tory queues in the emergency ward

Ever since I was in politics myself, the idea of going private for medical treatment has seemed wrong, and still does. Why? Please accept that I could not possibly justify this in moral logic. I am a Conservative. I believe in the market, in private choice. I am not sorry that some people should become richer than others, or be able to afford better styles of life. These inequalities are necessary for a free society and economy to function ... A single man, it troubles me not at all that I occupy a whole house in Derbyshire and a big flat in London, or that I can afford to eat out most nights; all these are luxuries denied the vast majority of fellow citizens... God — and good health — willing, I hope to have a splendid time in retirement, wining and dining friends and travelling where I choose. I know very well that millions of fellow pensioners will by contrast lead cramped, constricted lives, perhaps in ghastly nursing homes ... This does not trouble me. I am positively looking forward to it.

It's just this business about health. Only about education am I similarly troubled. These two, and only these two, seem somehow different from every other public service, yet I honestly cannot say why... Is it ... just meanness towards oneself? Does a small voice whisper that, in fact, the NHS is perfectly adequate and since one has paid for it one might as well get some return on one's taxes. Yes, that voice is there, but ... when [my secretary] scolded, "Why don't you go private?" I felt embarrassed that the injured ambulanceman beside me had heard.

Matthew PARRIS, *The Spectator*, 11 December 1999