

last decade, the proposal at least reopened debate on this important issue.

An agreement among governments on health care and social programs could include requirements for adequate and stable funding. Canadians could then rely on services being there for them.

An important objective in these discussions is to create a more efficient and effective system that significantly reduces duplication and waste. A set of ground rules to guide behaviour would encourage cooperation among governments and open up the process to public scrutiny.

Canadians should be able to hold their governments accountable for the decisions they make. Federalism as it is currently practised has a negative effect on democratic accountability. Canadians lose track of which order of government to hold responsible for specific decisions on spending and cutting. Clearer roles and responsibilities are needed.

An agreement could also create mechanisms where both orders of government would come together to work out differences of opinion on the best course of action. Canada-wide standards in social programs could be reinforced, and federal-provincial squabbling could be reduced.

Conclusion

Reaching agreement on renewing the social union would amount to a rediscovery of the historically proven Canadian genius for adapting our political system to new economic and social realities.

Canadians want to see their country's true potential achieved. They want to ensure that Canada remains the best country in the world to live in. They want the best quality in health and social programs. They want their governments working together in the peoples' best interests. The social union negotiations provide Canadians and their governments with an opportunity to build a strong future together. Canadians cannot afford to miss this opportunity.

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by Dave Hancock, in cooperation with officials from Alberta Intergovernmental and Aboriginal Affairs.

DESIGNING A NEW SOCIAL FRAMEWORK FOR CANADIANS

De nouvelles relations fédérales-provinciales-territoriales grâce auxquelles les gouvernements canadiens collaboreraient au lieu de se faire concurrence contribueraient fortement à améliorer les programmes sociaux au Canada. Le ministre considère qu'il importe de définir un nouveau partenariat afin de protéger les programmes sociaux du Canada pour l'avenir. Ce nouveau partenariat implique la clarification des responsabilités et rôles respectifs des gouvernements; l'obligation des gouvernements de rendre compte de leurs actes devant les Canadiens; le respect des compétences des uns et des autres; un soutien financier adéquat pour ces programmes; et enfin, la souplesse des programmes, tant au niveau de la conception que de la prestation, afin qu'ils répondent aux besoins de chaque province. L'union sociale vise précisément à atteindre ces objectifs.

The United Nations, for the last five years, has judged Canada to be the best place in the world to live. The United Nations *Human Development Report* considers how long people live, educational levels and literacy rates, among other indicators.

Interestingly, lost in the discussion of Canada's accomplishments is the fact that many of the areas highlighted by the United Nations are, in fact, the responsibilities of the provinces. In Canada, it is the provinces that are primarily responsible for designing and delivering social programs such as health, education and social services. While Canada is clearly recognized for doing a good job, it is important to acknowledge the contributions of the provinces in the innovation and delivery of world-calibre social programs.

Canadian provinces can be proud of their legacies in these areas. Canadians are among the most satisfied with the state of their health, and with their overall quality of life. However, we can and must do even better.

Meeting the needs of Canadians

Governments have a role to play in achieving a new vision of Canada that helps Canadians realize their desires and aspirations.

Provinces have been working together for the last several years, providing leadership in developing a new vision of Canada for the 21st century. Three key efforts are the Calgary Declaration, the Framework Agreement on Canada's Social Union and the work on Redesigning Fiscal Federalism.

The provincial proposals focus on:

- Sustaining the health, education and social programs that Canadians value;
- Promoting a cooperative federation, where governments work together to improve opportunities for Canadians;
- Promoting national unity; and
- Developing funding arrangements to cope with the coming challenges.

We welcome the federal government's recent decision to join the provincial initiative to examine ways to renew Canada's social union.

The focus of the social union discussions today can be traced back to over three years ago, to a series of initiatives begun by Premiers. Premiers took the lead by developing the Council on Social Policy Renewal, introducing the concept of the National Child Benefit program, and proposing negotiations to develop a Framework Agreement to "define a new partnership approach between governments."

Building a new federal-provincial relationship

Canadians want their governments to cooperate, not compete. The social union talks exemplify the kind of cooperation that governments are trying to achieve. Provinces have shown considerable leadership in creating a vision of a federation where governments work together where appropriate to deliver meaningful social programs that meet the needs of all Canadians

Alberta shares with other provinces a vision of Canada where governments work together to promote clear principles:

- *Respect for the Constitution and our federal system of government:* our flexibility to respond to local priorities and

circumstances, to innovate, and to work together to achieve national priorities, is one of the strengths of our federation and an essential part of the plan of the Fathers of Confederation to allow our country to adapt and grow.

- *Cooperation and trust between governments:* governments must work together for the benefit of all Canadians. A cooperative atmosphere would emphasize common goals and the prevention of disputes between governments. If disputes do arise, they must be resolved through an orderly and fair process. If the federal government wants to be active in areas of provincial jurisdiction, it is only right that it be achieved with the collaboration, consent and involvement of the provinces. For example, while "national principles" or "national standards" are certainly necessary in some situations, they must be developed through a truly "national" process. If they are in areas of provincial jurisdiction or they affect provincial responsibilities, they must be established, and agreed to, by provinces, working with the federal government where appropriate. The days of federal unilateralism are over.

- *Respect for responsibility and resources:* there must be reliable and sustainable funding for the social programs Canadians value. The government with the responsibility to design and deliver the programs must have adequate resources to do the job. We also need to ensure that Canadians, wherever they go in Canada, have access to reasonably comparable programs at reasonably comparable levels of taxation.

- *Accountability:* Canadians should know which government is responsible for the delivery of services, and whether positive results are being achieved. Alberta has been at the forefront within Canada in its work to enhance accountability through performance measures. Our governments must be accountable to the public.

Provinces now carry all the future risks of rising costs due to an aging population, lifelong learning, and any rising needs for social programs if a recession were to occur.

Encouraging flexibility and innovation

We can be innovative in meeting the needs of Canadians. We need look no further than our own federal system of government and our history. One of Canada's strengths is that it is a federation, not a unitary state. Our federal system allows for the expression of diverse desires and aspirations within a common national framework.

The development of Medicare shows the value of provincial leadership and flexibility within this federation:

- First came provincial innovation and experimentation when the first hospital insurance program was initiated by Saskatchewan and then followed by other provinces, including Alberta.
- Only later was there a federal role in funding and promoting the spread of provincial innovations to the rest of the country.
- Each province implemented the national vision in a way that fit with provincial realities, needs and priorities. Saskatchewan then led the way in designing a broader medical care insurance scheme, using resources freed up by flexible federal funding, and this too spread across the country.

The history of Medicare demonstrates the value of provincial innovation and the need for provincial flexibility, not "one-size-fits-all federalism." It also shows that there can be a valued role for the federal government in helping to support innovation across the country.

Ensuring that resources are there for tomorrow

Canadians want to know that a sustainable social system will be there for them tomorrow. We need some level of predictability.

When Medicare and many other social programs were initiated, they were funded and delivered by the provinces. As these programs matured, the federal government entered into a series of cost-sharing agreements with the provinces to support these programs.

By the 1970s, the federal government shared half the costs of health, post-secondary education and social assistance programs. This arrangement worked well for Canadians but, in recent years, the federal government's financial commitment to sustain these essential social programs has waned.

The shift in government resources started when program costs and government deficits began to soar in the early 1980s. As a result, the federal government made changes that effectively insulated it from the rising costs and future risks of providing Canada's social programs. Provinces now carry all the future risks of rising costs due to an aging population, lifelong learning, increasingly high-cost medical technologies and drugs, and

any rising needs for social programs if a recession were to occur.

The most significant example of federal cutbacks is the reduction of cash transfers to the provinces through the Canada Health and Social Transfer (CHST). The CHST transfer to Alberta this year is \$578 million less than it was in 1994-95, a reduction of 38 percent. Despite the popular perception that provinces are reducing spending, Alberta's health care spending has risen by about \$400 million, or almost 11 percent, over the same period. Overall, in Alberta, we have gone from a 50-50 cost-sharing arrangement with the federal government to a point where the federal government now funds only about 14 percent of these services. The Alberta government now funds approximately 86 percent of social programming in health, social assistance and post-secondary education.

It is important to note that the federal funding decisions were made *unilaterally* by the federal government, without consultation with the provinces who are accountable for delivering programs.

All provinces and territories have had to make difficult choices to deal with the many, and often hidden, federal funding cuts. Smaller provinces, with fewer opportunities to adjust through their own resources, have been particularly hard hit. Other costs have been off-loaded from the federal government to individuals through, for example, higher Employment Insurance premiums and reduced federal services for Aboriginal people.

At the same time, the federal government is now looking at a fiscal dividend, due to an economic upturn and the caps on transfers to the provinces. Rather than increasing support to the CHST, there have been suggestions that the federal government will be looking for ways to deliver social programs directly, without consulting the provinces. We must avoid repeating past experiences, whereby Ottawa encourages development of cost-shared programs, only to later withdraw funding and put the future of the programs at risk.

Premiers have firmly stated that federal funding for core health, education and social service programs in areas of provincial jurisdiction should be restored through the CHST before any new federal spending programs in areas of provincial jurisdiction are launched.

Lacking predictable funding, provinces, territories and Canadians have been scrambling to address the long-term issues that have arisen.

Finding fiscal solutions

Provinces need to be assured of secure funding to protect the health and social programs that they are responsible for delivering. In the long term, federal/provincial financial arrangements will have to be realigned. Right

While "national principles" are certainly necessary in some situations, they must be developed through a truly "national" process.

now, on top of the cuts already mentioned, and in spite of the rising costs and risks, the federal government is paying less each year in real value, and an ever-dwindling proportion of the costs, to support our health and social programs. This is because the “cash floor” of the CHST is eroding each year at the rate of inflation.

In addition, whenever a province's income tax revenues increase, the federal government cuts about one quarter of that amount out of the province's share of funding for health and social services, under an arcane and little understood formula that even the federal auditor-general and the National Forum on Health have described as misleading.

There are several possible solutions. 1) An escalator could be added to the CHST — for example, tying it to growth in national GDP or to the growth in federal revenues in order to help the CHST keep pace with inflation and rising provincial expenditure pressures. 2) Tax room could be transferred to the provinces so that, through their own taxes and a revitalized Equalization program, each province could have the resources they need without the insecurity of changing federal funding regimes. 3) Alternatively, tax fields could be realigned between governments, to ensure that provinces with the responsibility to deliver social programs have the resources to meet their obligations to Canadians.

Only when we have resolved the fiscal imbalance will provinces be free of the risks of unilateral federal cuts, and will taxpayers have clear lines of accountability for results.

Working toward a new vision of Canada

Canadians value their social programs. They want to see them sustained for future generations. It is often said that what distinguishes Canadians is the compassionate and caring nature of our society, which is reflected through our social programs. Alberta is seeking a new partnership with the provinces and the federal government to protect and sustain our social programming for future generations.

We need to make adjustments for the benefit of all Canadians. We need to clarify roles and responsibilities for social programs; to renew our fiscal arrangements to ensure adequate, predictable funding; and to collaborate with other governments so that Canadians, wherever they live, have access to reasonably comparable programs at reasonably comparable levels of taxation.

Through these actions we can work toward a new vision of Canada and we can build a stronger, more meaningful social union — maintaining our common bonds as Canadians.

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by Camille Thériault

NEW BRUNSWICK'S PERSPECTIVE ON THE SOCIAL UNION

Le Nouveau-Brunswick estime que le gouvernement fédéral doit jouer un rôle de premier plan en matière de planification, de financement et de gestion de l'union sociale canadienne. Par ailleurs, ce rôle de première importance peut s'accorder avec les objectifs poursuivis par les provinces et les territoires. La clé de tout le processus est la souplesse. Le financement est un autre élément important. Le gouvernement fédéral doit être disposé à s'engager résolument par un financement adéquat et stable des programmes sociaux. Il doit rétablir le financement des principaux programmes sociaux, comme les soins de santé, avant d'envisager la mise en place de tout nouveau programme.

New Brunswick has traditionally played a role of nation builder and intends to continue to do so as our province actively participates, with the other provinces, territories and the federal government, in the negotiation of a Framework Agreement for the Social Union.