

The Intergovernmental Dimensions of the Social Union A Sectoral Analysis

The Canadian social union is a political idea – a vision of what Canada is or could become. This idea of social union is connected to Canada's constitution mainly through provisions related to equalization but the connection is ambiguous.

Federal systems combine the self-rule of autonomous territorial units with shared-rule among the people of those same units. The idea of social union is linked to the shared rule side of that equation, that is, the idea that there is and should be substantial social sharing among Canadians and that there are social rights and obligations that attach to Canadian citizenship regardless of province or territory of residence. This is an idea that carries considerable support among Canadians who, for the most part, are unconcerned about which order of government delivers social programs. They simply want governments to cooperate to make sure the job gets done.¹

But the idea of Canada as a social union is also heavily contested. The Parti Québécois Government opposed it, at least in the form of the 1999 Social Union Framework Agreement (SUFA). Since assuming office in 2003 the Quebec Liberal Party has shown no significant interest in signing on to that agreement.² Moreover, the opposition does not stop at Quebec's border. Parts of the intellectual community³ and some provincial officials⁴ in Canada outside Quebec worry that the idea of social union is mainly rhetoric by the federal government and its supporters to strengthen Ottawa's hand in the management of Canada-wide social programs. Some provincial governments signed SUFA, therefore, with dual objectives: to announce their support for the idea of

social union, on the one hand, and to constrain the role of the federal government in determining its content, on the other.

Notwithstanding these political divisions regarding SUFA and the social union itself there has been little systematic analysis of the federalism or intergovernmental dimensions of the social union, small “s” and small “u” as it exists today. The purpose of this paper, therefore, is to shine some light on how that intergovernmental dimension functions in practice. It relies heavily on a series of case studies designed for that very purpose.⁵

Questions and Assumptions

The focus of the case studies was on the kind of federalism practised in the social union. Specifically, the case studies were designed to answer three research questions.

- First, what kinds of intergovernmental regimes or intergovernmental relationships prevail in the social policy sector?
- Second, what is the impact of regime type on the public interest?
- Third, for any individual social policy or program, is there an alternative to the existing intergovernmental regime that might better serve the public interest?

The case studies were premised in part on three assumptions. The first was that the social union is shaped by two related but nonetheless distinctive sets of political forces. On the one hand, there is “high politics” or what Stefan Dupré referred to as “summit politics”.⁶ This includes discussions and negotiations among first ministers, finance ministers and intergovernmental ministers. At this level, the debate is about money, power, and jurisdiction or important symbols, including those that reflect competing

visions of Canadian federalism and democracy. High politics is concerned with “who does what”, “who is perceived to do what” and “who pays”. While the public and interest groups should and sometimes do get involved in this kind of politics, for the most part political elites dominate it. The negotiation and signing of SUFA fit well with this model. High politics, however, tends not to focus on the specifics of social programs, including such important matters as the size and distribution of social benefits or the incentive structures associated with related taxes or regulations.

The second set of forces associated with the first assumption has to do with the interactions among federal, provincial, and territorial (FPT) sector ministers and ministries and related stakeholder groups. These interactions help determine the specifics of program design. They also play a part in shaping the relative roles of the different orders of government and the extent to which social interests and other citizen groups participate with governments in decision making. Each of the intergovernmental sector arrangements is to a significant degree unique, reflecting the distinctive history and culture of political and administrative practice that exists for that sector as much as it does any overarching political document like SUFA. Sector processes normally determine benefit structures and related costs. They influence the relative weights attached to vertical and horizontal equity, efficiency, human development and other goals of social policy.

The first assumption was thus that the real social union reflects the interplay of an overarching set of political commitments with a variety of sector practices. This paper focuses on this second set of influences – the practicality of the social union at the sector and program level given that high politics is already covered in the literature. A sub-set of

this assumption is that high politics receive more attention because they are more controversial. This last point does not mean, however, that controversy is the norm in the way that the social union touches Canadians in their daily lives.

This last point needs to be stressed forcefully. For some time now there has been an extensive public debate and controversy about the loss of public confidence in Canada's publicly financed health care arrangements. This controversy is linked to ongoing debates about the costs of sustaining the provincially operated health care systems, the adequacy of federal financial contributions to those systems, and the related dispute about whether there is a vertical fiscal imbalance in the federation. But at the same time, a much larger number of social programs are not politically controversial, or are much less controversial, at least from a federal-provincial viewpoint. They include the structure and financing of primary and secondary education, seniors' benefits, family benefits, policies related to persons with disabilities, social services, welfare, social housing, unemployment insurance, post-secondary education, other human resource development programs, and so on. Some of these programs entail significant differences of opinion among governments. But these differences are also being managed in a way that reflects the normal practices within the individual sectors which generally involves looking quietly for ways to resolve disputes, not elevating them to high politics.⁷

A second starting point or assumption was that there is a wide range of intergovernmental practices in the social union. These practices vary from sector to sector and equally or even more importantly from program to program within sectors and also over time. To verify this hypothesis, however, it is important to have a good grasp of the range of intergovernmental practice in the social union. We need to know whether

and to what extent there is commonality or diversity in intergovernmental regimes, whether some types of intergovernmental regimes are more widespread than others and to understand whether there are trends toward or away from particular regime types.

The third assumption was that not enough is known about the actual practice of intergovernmental relations for the entirety of social programs and policies. The empirical literature is thin, despite some isolated case studies over the last couple of decades that have been very insightful.⁸

Methodology

The research methodology involves four basic steps: first, developing a typology of regime types; second, determining what regime types are found in a sample of social programs and social policy processes; third, assessing the impact of regime type on the public interest for each case in our sample; and finally, assessing whether the public interest could be better served by an alternative regime than the one now in place for those programs and policies. Each step is elaborated on below.

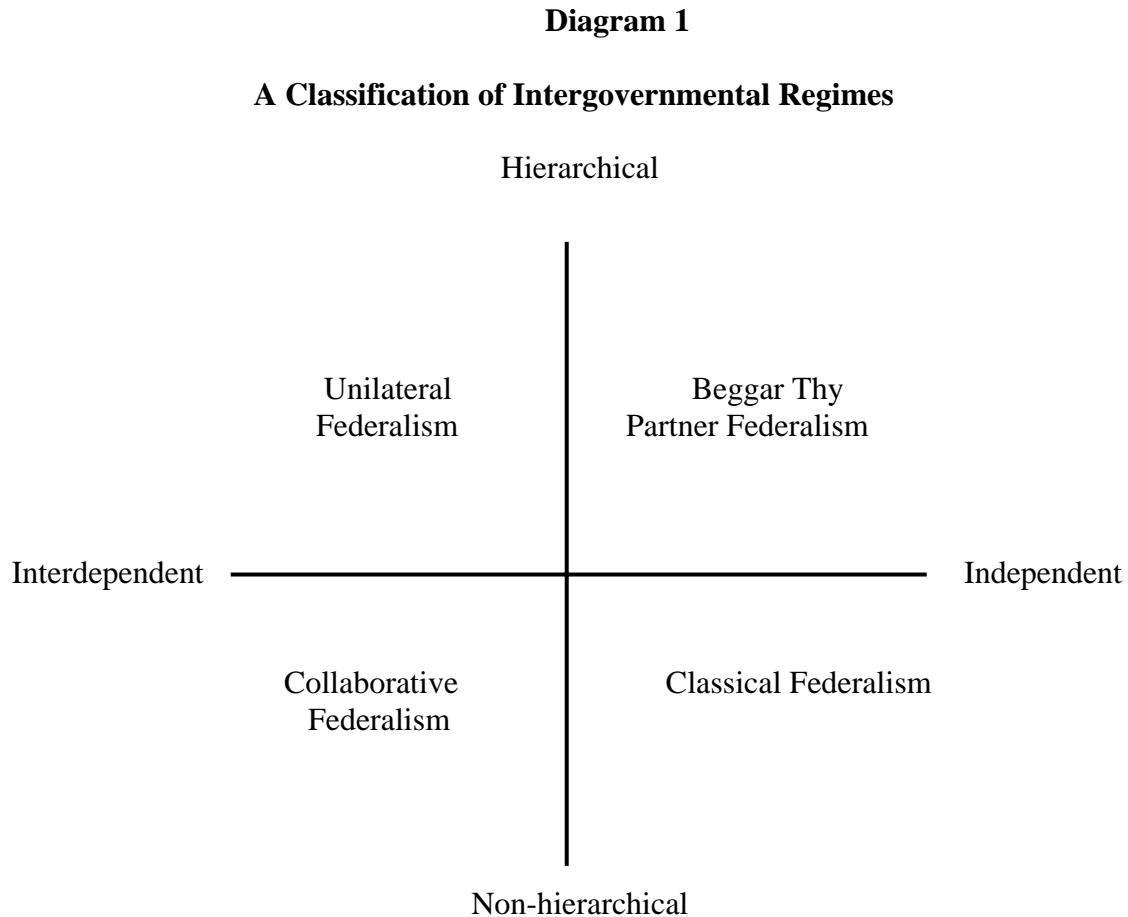
Step 1: A Classification System for Intergovernmental Regimes

Intergovernmental regimes are defined here by reference to two variables. The first is the extent to which the intergovernmental relationship entails either *independence* or *interdependence* between the federal and provincial orders of government. The second is the extent to which the relationship reflects the idea that both orders of government are or are not sovereign in their own constitutional spheres and hence, in some sense, the extent to which a *hierarchical* or *non-hierarchical* relationship prevails between the two orders of government.

In the real world, the two sets of concepts- hierarchy and non/hierarchy and independence and interdependence- are rarely as distinguishable as black and white. Actual practice involves shades of gray. Bearing this qualification in mind, the term hierarchical is used to reflect two underlying factors. The first is whether one order of government has the effective capacity to impose policy or program obligations on the second order of government in respect of matters where that second order of government has legislative competence under the division of powers in the constitution. The other factor is whether the first order of government uses that effective capacity against the will of the second order of government (or at least against the will of some governments from the second order). Note that, under this methodology, unilateral action by either order of government when it is acting within its own constitutional competence is not considered hierarchical.

Two types of considerations are relevant to knowing where on the independence/interdependence continuum a program or policy may be. One is the extent to which there is joint federal-provincial decision-making, implementation or funding. The other is the extent to which, despite the absence of joint federal-provincial activity, the actions of one order of government influence the choices of the other. Where the influence requires the second order of government to make modest adjustments only to its program, the relationship is more independent than interdependent. Where the influence leads to important changes in the priorities or structures of the second order of government, the relationship is more interdependent.

Using the independence/interdependence and non-hierarchy/hierarchy characteristics, we classify four principal stylized types of intergovernmental regimes in the social union. They are shown in Diagram 1 and also discussed further below.



- *Unilateral Federalism*: This is an intergovernmental regime in which one order of government imposes its view on the second order of government in an area of the second order's constitutional legislative competence. In practice, this generally refers to the federal government exercising its influence in an area of exclusive provincial legislative competence by attaching conditions to financial transfers that it provides to provincial governments without their willing approval. All or some provinces are

effectively coerced to tolerate the federal conditions because the political and financial costs that they would be forced to bear in foregoing federal revenues would be too large. The *interdependence* of this regime type reflects the fact that the federal government cannot implement its plans without provincial participation while the provinces rely on some federal funding for the program in question. The *hierarchy* reflects the fact that one order of government unilaterally imposes conditions on a program in an area of exclusive legislative competence of the other. Note again that this definition excludes, as an example of unilateral federalism, federal use of the spending power through direct transfer to individuals or to organizations. Although such actions may have implications for or effects on provincial programs, and may be ‘unilateral’ in the dictionary sense of that word, they are generally not coercive in the sense of effectively requiring provinces to make major unwanted changes to their resource allocation process.⁹ And while some provinces might prefer Ottawa not to exercise this power without their approval, at least until the Supreme Court says otherwise, this is accepted as a legitimate role for the federal government in much of Canada.¹⁰

One implication of this approach is that a federal initiative may be hierarchical (coercive) relative to some provinces and not to others.

In defining unilateral federalism in this way, one qualification is appropriate, namely, that SUFA now appears to limit the federal government’s use of its spending power, albeit only modestly, relative to the pre-SUFA situation.

- *Classical or Disentangled Federalism* entails the different orders of government acting independently of one another and remaining in their own areas of

constitutional legislative competence. This can involve only one order of government acting in a particular subject area. Alternatively, it may involve both orders of government acting independently of one another each within its own constitutional sphere but on matters that involve overlap. This regime type entails *non-hierarchy and independence*.

Where there is disentangled or classical federalism, there may also be competitive federalism. In situations where only provinces are active, say primary and secondary education, provincial governments may be striving to outdo one another. In situations where both orders of government are present, as in youth programs, there may also be competition between the federal and provincial programs. Thus, disentangled federalism can be marked by horizontal competition, vertical competition, or both.

- *Collaborative Federalism* occurs when the different orders of government are working together (i.e. a situation of mutual *interdependence*) with little or *no hierarchy* in the relationship among governments. Federal-provincial shared-cost programs can either be collaborative or unilateral federal depending on whether the governments affected are willing or reluctant partners. In any case, collaborative federalism should not be thought of as entailing easy and friendly intergovernmental relations. More often than not, they involve ongoing and difficult bargaining.
- *Beggar Thy Partner Federalism* involves both *hierarchy* and *independence*. In this form of intergovernmentalism, although the different levels of government act independently of one another, the actions of one can effectively impose substantial obligations on the other. There is a form of coercion.¹¹

Interprovincial Federalism

In recent years, attention has also been given to another type of intergovernmental regime – inter-provincial collaboration¹². This reflects the idea that it may be possible to achieve pan-Canadian objectives through collaboration among the provinces without federal involvement. While this type of regime is not widespread in Canada, the interprovincial Council of Ministers of Education has, over many years, adopted Canada-wide approaches to some educational matters. For the most part, however, these are low to medium profile initiatives (e.g. School Achievement Indicators project) rather than jointly planned or delivered educational programs. The creation of the inter-provincial/inter-territorial Council of the Federation in 2003 opens up the possibility of more inter-provincial/inter-territorial cooperation. But the evidence to date (late 2005) does not suggest the Council, independently of the federal government, is likely to play a large role in the development of the social union. This regime type is therefore not considered further here.

Step 2: Choosing Case Studies and Determining Regime Types

The second step is to determine the regime type for a representative package of social policies and programs. Three sectors were selected for study: health, labour market and disability.¹³ Within these sectors, the case studies include public services, income programs, regulatory regimes, and intergovernmental processes. In all cases, the analysis covers the period from the mid-1990s or earlier to the late 1990s or 2000. Table 1 below lists the eleven cases.¹⁴

Table 1
List of Case Studies

<i>Health</i>	
H1	Development of National Health Goals and Objectives” ¹⁵
H2	Cost Containment in Health Care ¹⁶
H3	The Interpretation and Enforcement of the <i>Canada Health Act</i> : The Health Facility Fees Challenge ¹⁷
H4	The Role of Federalism in Health Surveillance ¹⁸
H5	Regionalization of Health System Governance” ¹⁹
<i>Disability</i>	
D6	The Disability Insurance System ²⁰
D7	Disability Supports and Services ²¹
D8	Disability-related Policies and Programs: Community Support Systems ²²
<i>Labour Market</i>	
L9	Income Support for the Unemployed: Employment Insurance and Social Assistance ²³
L10	The Federal-Provincial Labour Market Development Agreements” ²⁴
L11	Youth Unemployment and School-to-Work Transitions ²⁵

Step 3: Assessing Impact of Regime Type on the Public Interest

The third step is to assess the impact of the intergovernmental regime, our independent variable, on the public interest. The public interest is defined by reference to three dependent variables: policy, democracy, and federalism. These variables are further decomposed into their principal constituent elements. For example, in the social policy area, efficiency, horizontal equity, vertical equity, and human development, among

others, are relevant factors. There can be tension among the factors within a dependent variable, such as the trade-off between vertical equity and efficiency. There may also be tensions between the dependent variables, for instance, between harmonious federal-provincial relations and democratic considerations like transparency and accountability.

The methodology does not weight some of the dependent variables higher than others. Rather, it assumes that, in their normal decision-making processes, governments are trying to balance all of these factors and trying to do so in a way that will, ultimately, be acceptable to Canadians. The case study authors were thus asked, when assessing regimes, to do the same.

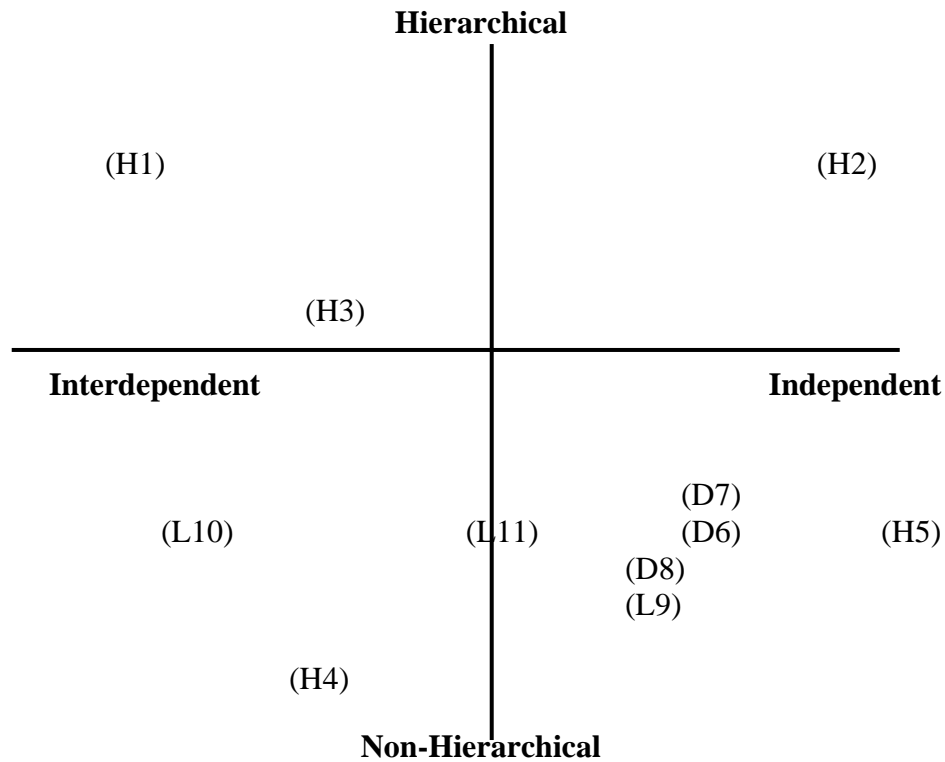
Step 4: Are There Alternative Regimes That Can Better Serve the Public Interest?

The fourth step is to analyze, for each case study, whether there is an alternative regime that would generate a better mix of policy, democracy and federalism for Canadians. While this necessarily entailed judgment by the case study authors, the judgment is supported by reference to the same policy, democracy, and federalism criteria that were used in assessing the current regime.

What Kind of Regimes Did We Find?

What kind of regimes did we find? Diagram 2 provides a synoptic answer. The numbers in the diagram correspond to the numbers for each of the case studies listed in Table 1 above.

Diagram 2
Regime Analysis, Circa 2000



Comparing sector results first, Diagram 2 shows that the health sector is more hierarchical than the labour market and disability sectors. The three disability studies are all non-hierarchical and clustered closely. And although there are substantial differences among the three labour market studies, all were non-hierarchical. While there is no definitive pattern, the diagram suggests significant differences among the three sectors in the kind of federalism they practice.

Of the eleven programs and processes, the intergovernmental regime was found to be relatively non-hierarchical in eight and occasionally non-hierarchical in a ninth. Of the two case studies viewed as hierarchical and the third that was occasionally hierarchical, two are classified as unilateral federalism. They include the process for establishing national goals and objectives for the health system (H1) and interpretation and

enforcement of the *Canada Health Act* (H3). Regarding the latter, while interpretation and enforcement of the *Canada Health Act* is clearly hierarchical *de jure*, it is normally collaborative *de facto*. Hence, it is shown only slightly above the horizontal axis.

Moreover, since the research was completed, through intergovernmental agreement the interpretation of the *Canada Health Act* has become even less hierarchical.

As for the process of establishing national goals and objectives for health care, this was found to vary between periods of federal-provincial collaboration (1950s-1970s) and periods of unilateral federalism (1980s-1990s). The introduction of the two large shared cost health care programs in the 1950s and 1960s was relatively non-hierarchical. A similar degree of intergovernmental agreement was present with the shift from shared cost to block funding in 1977.²⁶ But the 1984 *Canada Health Act* (CHA) itself, and the way it was established, entailed strong hierarchical elements as did the maintenance of the conditions associated with the CHA when large funding cutbacks associated with CHST were announced in 1995. The 2000, 2003, and 2004 first ministers' agreements on health care are a partial move back toward the more collaborative approach. But the classification in the diagram reflects the period covered, especially the mid to late 1990s and not more recent events.

The health cost containment case (H2) involved the following facts. The provincial decisions to contain health costs were taken in the early 1990s without any federal government complicity. The major federal cost containment measure, the CHST, was announced in 1995, well after the provincial actions and without any apparent federal sensitivity to the provincial cost containment measures already in place. Each order of government acted on its own and at a separate time. Hence, the actions were independent.

The provincial cuts had no adverse implications for the federal government. The same was not true for Ottawa's measure, the CHST, which caused financial and program havoc among the provinces. While the federal finance minister had warned his provincial counterparts that transfer reductions would be necessary more than twelve months before his action, nonetheless CHST was a decision that reflected a hierarchical view of the federation, especially when we keep in mind that, in relative terms, the federal reduction in cash transfers to the provinces was substantially larger than the federal cuts to its own programs. This is the only example of beggar thy partner federalism in the diagrams above.²⁷

The three case studies that entail some hierarchy relate wholly or in part to health policy and programs. These cases are all linked to the desire of the federal government to protect its treasury against the seemingly uncontrolled costs for these programs. While only those deeply involved in the FPT discussions that preceded CHST will know how close governments came to agreement, it is not unreasonable to speculate that the provinces may have preferred to let the federal government do the "dirty work" (the restraint), preferring not to be co-opted into sharing political responsibility for CHST-type cutbacks. To the extent that this is correct, it leads to the perhaps mundane but nonetheless important observation that this hierarchical kind of federalism may be more common in times of fiscal restraint and federal-provincial collaboration more normal during good fiscal times.

These three hierarchical cases also reflect, however, the symbolic importance of health care in Canadian politics and the determination of the federal government to be seen as the protector of universal and accessible health care in Canada.²⁸ With huge

amounts of money and important symbolism at stake, high politics has played a key role in the health sector interacting with and generally trumping sectoral politics. The high politics was generally although not entirely collaborative in the 1950s to 1970s but became more federal unilateral in the 1980s and 1990s. The high politics of the latter period outweighed an intergovernmental tradition in the health sector that had been relatively cooperative on matters within the purview of health ministries.²⁹

In the disability sector, all three cases were found to be classical. This reflects the 1995 federal decision to end the shared cost Canada Assistance Plan, part of high politics. The linked reduction in cash transfers and related end of cost-sharing (associated with the introduction of the Canada Health and Social Transfers) also reduced traditional intergovernmental cooperation and interdependence in this sector. As will be seen below, it has led to some dissatisfaction with policy results. The culture of the sector remains non-hierarchical, however, which has also been part of its tradition.

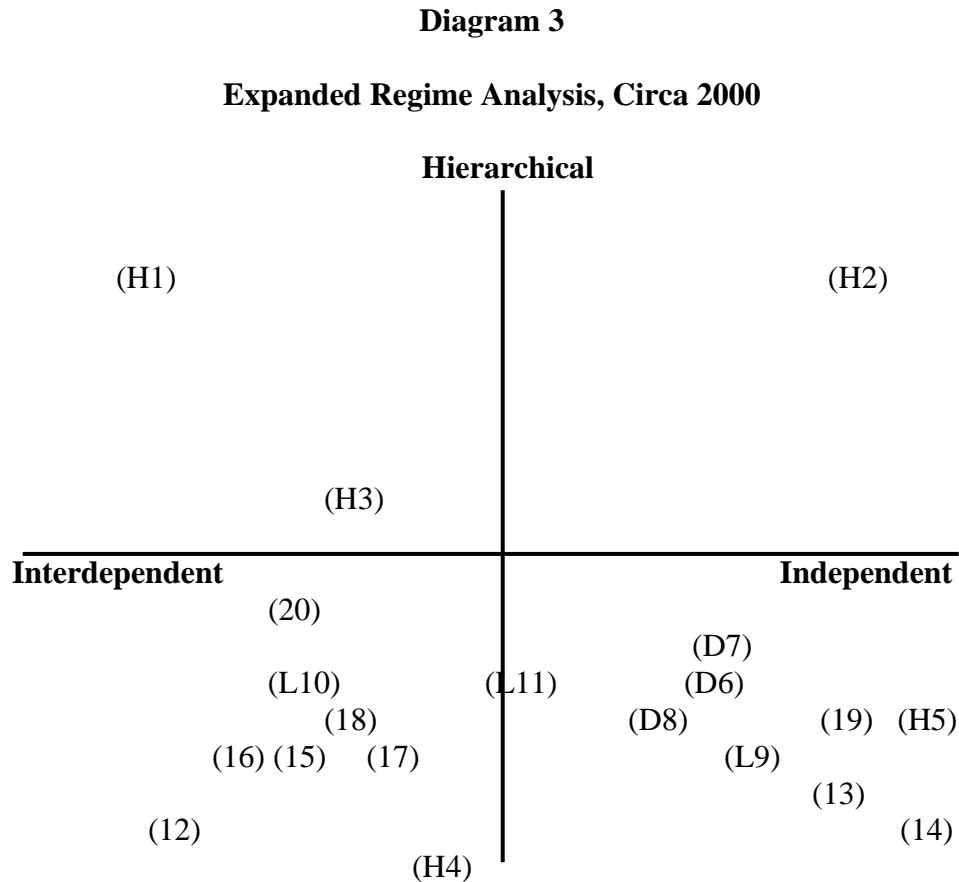
The labour market case studies entail a mix of regime types. There has not been a strong tradition of cooperation in this sector (the Forum of Labour Market Ministers has met irregularly over the years and generally been ineffective) and where there is interdependence in this sector it generally entails tough intergovernmental bargaining. Only one of the labour market cases was affected by high politics (L10- related to labour market development agreements) and its actual content represents an interesting compromise between Quebec's demands for a transfer of federal labour market programs to the provinces and a federal government predilection to play a prominent role in this area.

The fact that more cases are below the horizontal axis than above does not by itself mean that the social union is more non-hierarchical than hierarchical as the case studies cannot be easily weighted for relative importance. But it is arguable that hierarchical federalism in the social union during the period covered here and extending into the early years of the new millennium was heavily concentrated in the health field. In relation to many other programs there is little evidence of a coercive federal government. For the sake of comparison, consider the following programs (the numbers correspond to their placement on Diagram 3 below): the Canada and Quebec Pension Plans (12), Old Age Security and Guaranteed Income Supplement (13), primary and secondary education (14), children's and family policy, including child care (15), child benefits (16), early childhood development (17), social housing (18), social services (19), and post-secondary student aid (20). In all of these cases, there is relatively little hierarchy in the federation. At one level, it may be argued that such an assertion is trite, even if true. After all, there is relatively little scope for hierarchy in primary and secondary education since only one order of government is involved. The same is almost equally true about Old Age Security and the Guaranteed Income Supplement. This, however, helps to make the point. In some parts of the social union, there is little hierarchy because only one order of government is involved. In another case, C/QPP, both orders of government are involved by statute and their relative statutory roles are effectively constitutionally protected. In these examples (education and seniors) the constitutional reality provides the rules for determining the role for each order of government.

In other cases, both orders of government play a role without a statutory decision model. Yet recent years have seen a large measure of collaboration, as witnessed by the

agreements on the National Child Benefit and Early Childhood Development. Even in the creation of the federal Millennium Scholarship Fund, where provinces objected to Ottawa's use of the direct spending power, the result was not to coerce the provincial governments to do things much differently than they would have done in the absence of that initiative. Moreover, provinces eventually agreed to work with the federal government in the implementation of this program and now play a large role in its administration.

Diagram 3 includes these further program areas (the added numbers in the diagram refer to the programs listed two paragraphs above) based on my interpretation of the existing regime for each of these additional cases.



Non-Hierarchical

The further cases do not add to the hierarchical nature of the federation as observed above.

Turning to the issue of independence/interdependence, the number of cases of each was roughly equal in Diagram 2. As already noted, the end of cost sharing, especially the end of the Canada Assistance Plan (CAP), moved several case studies from the interdependent to the independent side of the diagram. But not all movements were from left to right on the horizontal axis. The case study of disease surveillance, which is mainly about information flows between governments and related regulations, was shifting in the direction of enhanced interdependence in the late 1990s and early 2000s as governments at that time seemingly recognized the growing importance of cooperation.³⁰ And intergovernmental relations in labour market training also became more interdependent when the federal government cut back sharply on its own programming and increased its cash transfers to almost all provinces in this area subject to certain broad conditions.³¹ As for youth programs, a policy field in which both orders of government are active, there were programs in which federal and provincial governments were cooperating and others where they were acting independently of one another.

Note that of the nine additional cases included in Diagram 3 circa 2000, six entail significant interdependence and three involve significant independence. This reinforces the idea that there is a lot of collaborative federalism within the social union as well as much classical federalism.

Regime Impacts

What did the case study authors conclude about regime impacts on the public interest (the second of the research questions identified at the outset of this paper)? For a complete answer, the reader is referred to the three published volumes of the eleven case studies.³² For purposes of this paper, the reporting is in summary form only.

First, in a majority of the cases, the authors judged the regime type to be broadly appropriate on the basis of their assessment of its effects on policy, democracy and federalism. This was true for four of the five health case studies. It was true as well for two of the labour market case studies.

In the case of the disability studies, it was generally less true. The shift from collaboration under the Canada Assistance Plan to the disentangled approach under CHST was thought to be associated with a loss of both vertical and horizontal equity in relation to both support and service programs and to income programs.

As for the income programs for the unemployed, the authors preferred to see the currently disentangled regime concentrated in one order of government, whether provincial or federal. They also saw no realistic possibility of this happening, however, and therefore made proposals that are discussed below and that assume a continued dominant federal government role in unemployment compensation and a continued dominant provincial role in social assistance.

This does not mean that other case study authors did not offer comments and criticisms of current intergovernmental regimes even where they were generally supportive of it. The summary in Table 2 below should make this clear.

Table 2

Impact of Intergovernmental Regimes on Public Interest, Circa 2000

CASE STUDIES	SUITABILITY OF REGIME	REASONS
<i>Health</i>		
1. The Development of National Health Goals and Objectives: <i>Unilateral Federalism</i>	No	Efficiency and effectiveness of provincial health policy frustrated by unilateral federalism. Regime also weak on transparency. Federal spending power needed for national principles (horizontal equity) and redistribution (vertical equity) but efficiency and effectiveness demand a more collaborative arrangement.
2. Cost Containment of Health Care: <i>Beggar Thy Partner Federalism</i>	Highly Qualified Yes	Unilateral federalism (CHST) and provincial autonomy in cost cutting had fewer short-run negative effects than sometimes alleged. It is inherently difficult to coordinate cost reductions. But the lack of collaboration was not helpful to efficiency of long-run planning of provincial health care systems.
3. The Interpretation and Enforcement of the Canada Health Act: The Health Facility Fees Challenge: <i>Unilateral Federalism</i>	Yes	Federal <i>de jure</i> control has supported policy of redistribution equity, efficiency and human development. More collaboration among governments in interpreting the <i>Canada Health Act</i> should further these goals but <i>de jure</i> power of federal government should remain. More transparency is desirable.
4. The Role of Federalism in Health Surveillance: <i>Collaborative Federalism</i>	Yes	Collaboration supports policy goals of efficiency and human development. Appropriate respect for constitutional jurisdiction. Field too technical for much democratic engagement.

5. Regionalization of Health System Governance: <i>Classical Federalism</i>	Yes	Provinces individually acted autonomously in establishing regional bodies. This was consistent with federal principle and constitutional division of power. Some regionalization experiments improve opportunities for accountability (although the devil is in the details), transparency and some measure of local autonomy. But regionalization does not lead automatically to majority rule. Policy impacts ambiguous.
<i>Disability</i>		
6. The Disability Insurance System: <i>Classical Federalism</i>	No	This regime fits well with federalism principles and democratic accountability. It also is consistent with a human rights paradigm. But it is much less satisfactory from the perspectives of vertical and horizontal equity, human development and efficiency.
7. Disability Supports and Services: <i>Classical Federalism</i>	No	This regime is neutral from viewpoint of protecting rights of persons with disabilities. It is consistent with accountable and transparent government. But from a policy viewpoint, it is deficient. Both vertical and horizontal equity are compromised as is economic and geographic mobility.
8. Disability-related Policies and Programs: A Focus on Community Support Systems	Yes	At the community level, disentanglement fosters a dynamic of diversity, innovation and responsiveness. It is especially useful for program design and delivery. Disentanglement is less effective, however, in setting policy priorities and establishing financial arrangements.
<i>Labour Market</i>		
9. Income Support for the Unemployed: Employment Insurance and Social Assistance: <i>Classical</i>	Qualified No	The principles of federalism are well served by the regime as lines of responsibility and accountability are clear. But neither order of governance engages heavily with the other to assess the interaction of the two programs or to

		<p>improve outcomes. And for people falling between the cracks, it is hard to know which government should be held accountable. Legislators have no effective role in income security programs for the unemployed. Social equity is compromised and there is inefficiency in the diversity of programming.</p>
<p>10. The Federal-Provincial Labour Market Development Agreements (LMDAs): <i>Collaborative Federalism</i></p>	Yes	<p>The regime has not generated serious federal-provincial disputes to date but could do so in a bad recession. In meantime, the variation on LMDA models suggests flexibility in intergovernmental relations. From a democracy viewpoint, the LMDAs are not much different than the preceding regime but it may be harder for citizens to get information. There is the potential for a significant improvement in program effectiveness and efficiency under certain conditions such as co-location of local offices if federal and provincial governments.</p>
<p>11. Intergovernmental Relations, Youth Unemployment and School-to-Work Transitions: <i>Mix of Classical and Collaborative Federalism</i></p>	Yes, provided it is flexible	<p>This area is characterized by both collaborative and classical federalism and remaining flexible to different regime types is desirable. Policy framework is a mix of collaboration and disentanglement and policy implementation is more collaborative. Regime has allowed for modest youth (citizen) engagement. The federalism is mixed and occasionally fractious but manageable. Policy impacts of regime hard to discern from other influences. Target groups of programs do not provide for sufficient focus on most disadvantaged.</p>

Are There Alternative Regimes That Would Better Serve the Public Interest?

In only one of the eleven case studies is the author adamant that a fundamental change in regime type is essential. Writing in 2000, Adams argued that Ottawa's unilateral federalism must give way to a truly collaborative and hence less hierarchical model if Canadians are to develop a modern and relevant set of national objectives and goals for their health system. The modest progress, if that, in the subsequent intergovernmental health accords (2000, 2003, and 2004), in which Ottawa has used added cash transfers to the provinces in an attempt to leverage health care reform, speaks to the wisdom of his analysis.

In three other studies, the authors would prefer a shift in regime type but their proposals are more qualified and cautious than are Adams'. In his study, Puttee identifies major equity problems in the currently disentangled intergovernmental relations surrounding income programs for persons with disabilities. Yet he also recognizes that both orders of government have extensive constitutional powers in this area and that achieving a fairer set of policy outcomes through enhanced intergovernmental cooperation is an unlikely political prospect. He thus proposes a plan under which the federal government would make a standing offer for a federal-provincial coordinated approach to income security programs for persons with disabilities to which any single province might opt in. If the scheme worked well in one province, other provinces might gradually choose to join. The case study on supports and services for disabled persons by Hanes and Moscovitch also makes the case for moving from a disentangled to a collaborative federalism on policy grounds. Finally, Boychuk and McIntosh would prefer to see one order of government responsible for income programs for the unemployed (a move from one form of classical federalism to another). Recognizing the constitutional

and political barriers to such an outcome, however, they propose some measure of intergovernmental cooperation, especially information sharing, in what is currently and what would remain a largely disentangled regime. Their modest goal is to ensure that each order of government comes to better understand how its actions may affect the other order.

Among the other seven case studies, where the regimes were generally judged to be appropriate, there were nonetheless proposals from the authors for modest adjustments in the direction of enhanced collaboration. To take three examples, Boase argues that the public interest demands that Ottawa retain, *de jure*, the role of ultimate arbiter in the matter of *Canada Health Act* interpretation and enforcement. But she also argues for a more extensive process of administrative collaboration before the federal government exercises its legal authority, recognizing that *de facto* there already is considerable collaboration among governments and that the vast majority of issues are decided through intergovernmental deliberation, not arbitrary action by Health Canada. (Since her paper was done, we have in fact seen a significant move in her preferred direction.) In the health regionalization study, Rasmussen calls for information sharing through federal-provincial collaboration in order to ensure that the lessons learned from ‘what works’ and ‘what does not work’ in respect of the regionalization experiments are disseminated quickly across the country. In her health cost containment Fierlbeck acknowledges that having both orders of government act independently of one another led to significant savings in the short run, she also observes that a more collaborative approach might well have been more efficient for the long term planning of health care in the provinces.

Table 3**Reasons for Regimes Being Inappropriate and Proposed Alternatives**

	Main Reasons for Regime being Inappropriate	Preferred Alternative Regime
1. National Health Goals and Objectives	Unilateral federalism dysfunctional from viewpoint of federal principle and in achieving desired results	Collaborative Federalism
6. Disability Insurance System	Too much vertical and horizontal inequity	Collaborative Federalism
7. Disability Supports and Services	Too much vertical and horizontal inequity	Collaborative Federalism
9. Income Support for the Unemployed: Employment Insurance and Social Assistance	Externalities associated with one order of government not knowing the effects of its actions on the other	Classical Federalism but with only one order of government involved. Failing that some collaboration among governments, especially information sharing.

Conclusions

Our initial assumptions related to the interplay of sectoral politics and high politics and the related expectation of variation in intergovernmental regimes were generally validated. The impact of high politics was seen in the hierarchical nature of some of the intergovernmental regimes in the health sector and less obviously in the reduced collaboration in the disability sector associated with the end of cost sharing. The effects of sectoral politics were seen in the variations of regime types within the three sectors. Moreover, no one type totally dominates the social union. The regimes vary from sector to sector (more hierarchy in health, classical in disability, mixed in labour market), and more importantly from program to program and over time. These observations

suggest strongly that there is not, and in some sense there cannot be, a single theory or practice of federalism guiding the social ministries that manage the social union.

All of the hierarchy in the eleven case studies was associated with the health sector. The general picture that emerges therefore is a social union that is by no means predominantly hierarchical. The addition of the further nine cases (see Diagram 3) confirm that hierarchy is not a dominant feature of the social union.

The case studies were more or less equally divided between those entailing independence and those involving interdependence and this did not change dramatically when the nine additional examples were added. Relatively few policy or program areas, however, would be at either end point of the independence/interdependence continuum.

With regard to the hierarchical/non-hierarchical aspect of the regime classification system, hierarchy was mainly associated with high politics (although the effect of high politics was not always to enhance hierarchy). Hierarchy is generally linked to large financial considerations or important political symbolism. With regard to the fiscal factor, during the 1980s and 1990s up to and including the CHST, the federal government unilaterally reduced its financial commitments to the provinces numerous times, of which the health containment study referred to here is but one example. This kind of federalism reflects hierarchy and independence, with Ottawa acting on its own most of the time. But the flow of causality for this beggar thy partner federalism is not entirely clear and it may be that the high politics and unilateral actions by the federal government were the result of failures in the federal-provincial dialogue about the allocation of finances rather than their cause. In either case, it should be noted that these particular failures related mainly

to fiscal disputes among governments rather than to differences about the content of social policy.³³

As for the role of political symbolism, it doubtless has added to hierarchy in the health care area. But in the case of the Labour Market Development Agreement study, the result was to move the file from one where Ottawa was able to act more independently of the provinces to one where it acts less independently.

It was seen that the authors in seven of the eleven case studies found the existing intergovernmental regime was more or less appropriate. This suggests something is right with the social union from its intergovernmental perspective. At the same time, we noted four case studies in which the authors did not believe that the regimes were appropriate, especially from a policy perspective, although only one where the regime was truly unacceptable and counterproductive. This same case study (relating to national goals and objectives in health care) also found the regime to be a serious irritant to the workings of the federation. In the two disability cases, even though a shift in regime type was supported on policy grounds, the case for an alternative regime was argued cautiously because of a concern that a shift from a classical to a collaborative regime of intergovernmental relations might well detract from Canada's federalism values. The study of income support for the unemployed expressed a view that it would be better if unemployment insurance and social assistance were both administered by the same order of government but it also quickly acknowledged that this was an unlikely prospect.

Overall, the authors also thought that more collaboration would improve impacts on the public interest. Collaboration implies interdependence, at least to some extent, but

without hierarchy. In this regard, it would be worth repeating the analysis circa 2005 to see if there is a trend toward further collaborative federalism.

The findings of this research fit very well with the spirit and letter of the Social Union Framework Agreement. Its preamble reads: “The following agreement is based upon a mutual respect between orders of government and a willingness to work more closely together to meet the needs of Canadians.” The case studies reported on here speak to the wisdom of those who drafted that agreement. It is, of course, a separate matter as to why the enhanced cooperation called for by SUFA and these case studies is at times difficult to achieve. But that is the subject for another paper.

Implications for the Social Union

A number of points flow from the analysis and conclusions. The first is that there is no one type of intergovernmental regime that is dominant in the social union. Based on the analysis here, both the classical and collaborative models of federalism are widespread. Unilateral federalism and beggar thy partner federalism are also part of the intergovernmental landscape although less common. There is thus a mix of intergovernmental regimes in the social union but the two non-hierarchical regime types are by far the more common.

While these results are at a point in time (circa 2000), preliminary research on the same question of regime type (circa 1992 and 2005) does not suggest major differences.³⁴ This indicates that a mix of regimes is a normal feature of the social union and, for the foreseeable future, that feature seems unlikely to change significantly.

The analysis also suggests that attempting to find an ideal or even a suitable regime type for any program or policy area will always entail understanding both high politics and the specifics of any file (the sector culture and program considerations). It follows that developing or adjusting the intergovernmental dimension of the social union will normally require the involvement of those who understand the specific details. These people are found in the sector ministries of provincial and federal governments and among the interest and stakeholder groups whose members are most affected as well as in central agencies. The line ministries often share similar objectives and goals and working together therefore may entail a positive sum game for them whereas, for finance ministries in particular (among the central agencies), intergovernmental discussion will often involve zero sum games.

Second, the broad content of social policy and the surrounding conditions that help to shape that policy are normally not determined in their broad characteristics by the form of federalism that is practiced in the individual social sectors. Rather, the form of federalism or intergovernmental regime at least to some degree reflects the characteristics and needs of the particular policy file. Stated differently, the broad size of the welfare state and the distribution of its benefits (say, between seniors and children or between education and health) are not mainly a function of the kind of federalism practised in those specific sectors. They are determined by the political culture and the political economy and the priorities that flow from them. In fact, the wide range of intergovernmental practices in the social union suggests that the Canadian federal system can be very flexible, both across issues at points in time and over time.

Third, there are some exceptions to these general observations. The form of the Canada Pension Plan, especially its investment strategy during its early years, was a result of the constitutional division of powers. In a unitary state, things might well have been different. Even the existence of the parallel Canada and Quebec Plans speaks to Canada's federal reality.

Fourth, and in contrast to the second point, the precise way in which particular programs are structured and the way in which benefits and costs are distributed are influenced significantly by the federal nature of Canada and its intergovernmental forms and practices. The nature of cost sharing, the extent of conditionality, the idea of opting out, and the move away from cost sharing to block funding, for example, are all linked to the intergovernmental forces that were at work on the individual files- forces that include both high politics and sector-specific considerations. Thus, for example, significant federal conditions are attached to the Canada Health Transfer but not to the notional education component of the Canada Social Transfer (CST) or that part of the CST notionally intended to help finance social assistance. This reflects the interaction of the specifics of those files with Canada's federal nature. The difficulty in developing a coherent income security program for the disabled is partly a result of the kind of the disentangled regime found in this area.

Fifth, the growth of executive federalism has generated an additional layer of secrecy to the normal layer of secrecy associated with Westminster governments. In this sense, the social union processes remain largely insulated from the scrutiny of federal and provincial legislatures and a diligent press. Even the SUFA itself was not debated and reviewed in Parliament or provincial legislatures before the federal and provincial

governments signed the agreement. Whether this is truer of collaborative programs than disentangled programs was not made clear through our case studies. Perhaps because there is so little transparency in government within Canada, it is difficult to make this kind of fine grained analysis.

NOTES

¹ [n.a.] "Portraits of Canada, 2001" *Centre for Research and Information on Canada* (CRIC)[web site] (Montreal: The Centre for Research and Information on Canada, 2002) at http://www.cric.ca/en_re/analys/surveys_archive.html#portraits2002.

² Special Committee of the Quebec Liberal Party on the Political and Constitutional Future of Quebec Society under the direction of Benoit Pelletier, MNA, *A Project for Quebec: Affirmation, Autonomy and Leadership* (Montreal: Quebec Liberal Party, 2001).

³ John Richards, *Retooling the Welfare State: What's Right, What's Wrong, What's to Be Done* (Toronto: C.D. Howe Institute, 1997), especially text from pp. 224-242.

⁴ Based on author's conversations with numerous provincial officials.

⁵ The project was launched by the Institute of Intergovernmental Relations, School of Policy Studies, Queen's University in 1997, before SUFA was signed. The empirical

phase of this work was completed in 2002. See Duane Adams, ed., *Federalism, Democracy and Health Policy in Canada*, (Kingston: Institute of Intergovernmental Relations, 2001); Tom McIntosh, ed., *Federalism, Democracy and Labour Market Policy in Canada*, (Kingston: Institute of Intergovernmental Relations, 2000); and Alan Puttee, ed., *Federalism, Democracy and Disability Policy in Canada*, (Kingston: Institute of Intergovernmental Relations, 2001).

⁶ J. Stefan Dupré, “Reflections on the Workability of Executive Federalism,” in *Intergovernmental Relations*, in cooperation with Richard Simeon, Research Coordinator for the Royal Commission on the Economic Union and Development Prospects for Canada, (Toronto: Royal Commission on the Economic Union and Development Prospects for Canada, 1986).

⁷ For a similar view, see J. Stefan Dupré, “Reflections on the Workability of Executive Federalism,” p. 1.

⁸ J. Stefan Dupré et al., *Federalism and Policy Development: The Case of Adult Occupational Training in Ontario* (Toronto: University of Toronto Press, 1973). Les Pal, *State, Class and Bureaucracy: Canadian Unemployment Insurance and Public Policy* (Kingston and Montreal: McGill-Queen’s University Press, 1988). See also Banting, *The Welfare State and Canadian Federalism*, 2nd ed.; Keith Banting, “The Welfare State as Statecraft: Territorial Politics and Canadian Social Policy,” in Stephan Leibfried and Paul Pierson, eds., *European Social Policy: Between Fragmentation and Integration* (Washington DC: Brookings Institution, 1995); Carolyn Tuohy, “Health Policy and Fiscal Federalism,” in Keith Banting, Doug Brown and Thomas Courchene, eds., *The Future of Fiscal Federalism* (Kingston: School of Policy Studies, Queen’s University,

1994), pp. 189-212; Gerard Boychuk, *Patchworks of Purpose: The Development of Provincial Social Assistance Regimes in Canada* (Montreal: McGill-Queen's University Press, 1998); Jacqueline Ismael, ed., *Canadian Welfare Policy: Federal and Provincial Dimensions* (Montreal: McGill-Queen's University Press, 1985).

⁹ It is recognized that some provincial officials view the direct use of the federal spending power as offensive as they do the use of the federal spending power where federal-provincial joint action is involved. The view here is that it is not, however, normally as coercive or intrusive.

¹⁰ This concept is similar to what John Kincaid refers to as "coercive federalism". See "From Cooperative to Coercive Federalism" in John Kincaid, ed., *The Annals of the American Academy of Political And Social Science*, Vol. 509, May 1990, 139-152.

¹¹ Examples are provided below.

¹² For a broader conceptual treatment of this type of regime see Thomas Courchene, *ACCESS: A Convention on the Canadian Economic and Social Systems*, Working Paper prepared for the Ministry of Intergovernmental Affairs, Government of Ontario. 1996.

¹³ The selection of these three sectors was based on advice from an advisory committee to the research project that included government officials and academics.

¹⁴ Regarding the case studies, the following is noteworthy. First, no author did more than one study. Most authors are political scientists in Canadian universities but one is a physician who does social science research, two are attached to a think tank, and two others former senior public servants.

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- ¹⁵ Duane Adams, “Canadian Federalism and the Development of National Health Goals and Objectives,” in Duane Adams, ed., *Federalism, Democracy and Health Policy in Canada* (Kingston: Institute of Intergovernmental Relations, 2001).
- ¹⁶ Katherine Fierlbeck, “Cost Containment in Health Care: The Federalism Context,” in Adams, ed., *Federalism, Democracy and Health Policy in Canada*.
- ¹⁷ Joan Price Boase, “Federalism and the Health Facility Fees Challenge,” in Adams, ed., *Federalism, Democracy and Health Policy in Canada*.
- ¹⁸ Kumanan Wilson, “The Role of Federalism in Health Surveillance: A Case Study of the National Health-Surveillance ‘Infostructure’”, in Adams, ed., *Federalism, Democracy and Health Policy in Canada*.
- ¹⁹ Ken Rasmussen, “Regionalization and Collaborative Government: A New Direction for Health System Governance,” in Adams ed., *Federalism, Democracy and Health Policy in Canada*.
- ²⁰ Alan Puttee, “Reforming the Disability Insurance System: A Collaborative Approach,” in Alan Puttee, ed., *Federalism, Democracy and Disability Policy in Canada* (Kingston: Institute of Intergovernmental Relations, 2002).
- ²¹ Roy Hanes and Allan Moscovitch, “Disability Supports and Services in the Social Union,” in Puttee, ed., *Federalism, Democracy and Disability Policy in Canada*.
- ²² Michael Bach, “Governance Regimes in Disability-related Policies and Programs: A Focus on Community Support Systems,” in Puttee, ed., *Federalism, Democracy and Disability Policy in Canada*.
- ²³ Tom McIntosh and Gerard W. Boychuk, “Dis-Covered: EI, Social Assistance and the Growing Gap in Income Support for Unemployed Canadians,” Tom McIntosh, ed.,

Federalism, Democracy and Labour Market Policy in Canada (Kingston: Institute of Intergovernmental Relations, 2000).

²⁴ Thomas R. Klassen, “The Federal-Provincial Labour Market Development Agreements: Brave New Model of Collaboration?” in McIntosh, ed., *Federalism, Democracy and Labour Market Policy in Canada*.

²⁵ Stephen McBride and Peter Stoyko, “Youth and the Social Union: Intergovernmental Relations, Youth Unemployment and School-to-Work Transitions,” in McIntosh, ed. *Federalism, Democracy and Labour Market Policy in Canada*.

²⁶ This does not mean that all provinces fully agreed with the three legislative initiatives by Ottawa. Rather, it suggests that a good number of the provinces favoured these programs and that the others were not entirely reluctant partners.

²⁷ It is possible, however, to think of other examples where one order of government, acting unilaterally, can impose major obligations (often financial), on the other although acting independently of one another. To the extent that the federal government operates a policy on First Nation’s reserves that results in First Nation’s residents moving off reserve, this entails a form of ‘beggar thy partner’ offloading of costs on to provincial governments. To the extent that the federal government makes decisions about immigration that impose immigration settlement costs on provinces without providing appropriate financial compensation, this might also be an example of independent but hierarchical intergovernmental relations. When provinces create short-term jobs so that their residents can collect unemployment compensation from the federal government, this is an example of such provinces acting in an independent and hierarchical fashion and uploading costs on to Ottawa.

²⁸ Harvey Lazar and France St-Hilaire eds., *Money, Politics and Health Care:*

Reconstructing the Federal-Provincial Partnership (Kingston and Montreal: The Institute of Intergovernmental Relations and The Institute for Research on Public Policy, 2003).

²⁹ Patricia O'Reilly, "The Federal/Provincial/Territorial Health Conference System" in Adams, ed., *Federalism, Democracy and Health Policy in Canada*.

³⁰ By the early 2000s the support for intergovernmental collaboration was flagging.

³¹ There is still no federal-Ontario agreement.

³² These are the three volumes cited in note 5.

³³ The issue of for-profit privatization was at best a distant second as an item of controversy.

³⁴ This preliminary work is being undertaken by the author.