

IDEAS, INTERESTS AND INSTITUTIONS
— DETERMINANTS OF FEDERAL INVOLVEMENT
IN ACTIVE LABOUR MARKET POLICY IN CANADA

BY

62

LUCILLE A. GRECHEN

A Thesis
Submitted to the Faculty of Graduate Studies
in Partial Fulfilment of the Requirements
for the Degree of

JOINT MASTER OF PUBLIC ADMINISTRATION

Departments of Political Studies
The University of Manitoba and the University of Winnipeg
Winnipeg, Manitoba

© August 1995

Name _____
 Dissertation Abstracts International is arranged by broad, general subject categories. Please select the one subject which most nearly describes the content of your dissertation. Enter the corresponding four-digit code in the spaces provided.

PUBLIC ADMINISTRATION

SUBJECT TERM

0617

SUBJECT CODE

U·M·I

Subject Categories

THE HUMANITIES AND SOCIAL SCIENCES

COMMUNICATIONS AND THE ARTS

Architecture 0729
 Art History 0377
 Cinema 0900
 Dance 0378
 Fine Arts 0357
 Information Science 0723
 Journalism 0391
 Library Science 0399
 Mass Communications 0708
 Music 0413
 Speech Communication 0459
 Theater 0465

Psychology 0525
 Reading 0535
 Religious 0527
 Sciences 0714
 Secondary 0533
 Social Sciences 0534
 Sociology of 0340
 Special 0529
 Teacher Training 0530
 Technology 0710
 Tests and Measurements 0288
 Vocational 0747

PHILOSOPHY, RELIGION AND THEOLOGY

Philosophy 0422
 Religion
 General 0318
 Biblical Studies 0321
 Clergy 0319
 History of 0320
 Philosophy of 0322
 Theology 0469

Ancient 0579
 Medieval 0581
 Modern 0582
 Black 0328
 African 0331
 Asia, Australia and Oceania 0332
 Canadian 0334
 European 0335
 Latin American 0336
 Middle Eastern 0333
 United States 0337
 History of Science 0585
 Law 0398

EDUCATION

General 0515
 Administration 0514
 Adult and Continuing 0516
 Agricultural 0517
 Art 0273
 Bilingual and Multicultural 0282
 Business 0688
 Community College 0275
 Curriculum and Instruction 0727
 Early Childhood 0518
 Elementary 0524
 Finance 0277
 Guidance and Counseling 0519
 Health 0680
 Higher 0745
 History of 0520
 Home Economics 0278
 Industrial 0521
 Language and Literature 0279
 Mathematics 0280
 Music 0522
 Philosophy of 0998
 Physical 0523

LANGUAGE, LITERATURE AND LINGUISTICS

Language
 General 0679
 Ancient 0289
 Linguistics 0290
 Modern 0291
 Literature
 General 0401
 Classical 0294
 Comparative 0295
 Medieval 0297
 Modern 0298
 African 0316
 American 0591
 Asian 0305
 Canadian (English) 0352
 Canadian (French) 0355
 English 0593
 Germanic 0311
 Latin American 0312
 Middle Eastern 0315
 Romance 0313
 Slavic and East European 0314

SOCIAL SCIENCES

American Studies 0323
 Anthropology
 Archaeology 0324
 Cultural 0326
 Physical 0327
 Business Administration
 General 0310
 Accounting 0272
 Banking 0770
 Management 0454
 Marketing 0338
 Canadian Studies 0385
 Economics
 General 0501
 Agricultural 0503
 Commerce-Business 0505
 Finance 0508
 History 0509
 Labor 0510
 Theory 0511
 Folklore 0358
 Geography 0366
 Gerontology 0351
 History
 General 0578

Political Science
 General 0615
 International Law and
 Relations 0616
 Public Administration 0617
 Recreation 0814
 Social Work 0452
 Sociology
 General 0626
 Criminology and Penology 0627
 Demography 0938
 Ethnic and Racial Studies 0631
 Individual and Family
 Studies 0628
 Industrial and Labor
 Relations 0629
 Public and Social Welfare 0630
 Social Structure and
 Development 0700
 Theory and Methods 0344
 Transportation 0709
 Urban and Regional Planning 0999
 Women's Studies 0453

THE SCIENCES AND ENGINEERING

BIOLOGICAL SCIENCES

Agriculture
 General 0473
 Agronomy 0285
 Animal Culture and
 Nutrition 0475
 Animal Pathology 0476
 Food Science and
 Technology 0359
 Forestry and Wildlife 0478
 Plant Culture 0479
 Plant Pathology 0480
 Plant Physiology 0817
 Range Management 0777
 Wood Technology 0746
 Biology
 General 0306
 Anatomy 0287
 Biostatistics 0308
 Botany 0309
 Cell 0379
 Ecology 0329
 Entomology 0353
 Genetics 0369
 Limnology 0793
 Microbiology 0410
 Molecular 0307
 Neuroscience 0317
 Oceanography 0416
 Physiology 0433
 Radiation 0821
 Veterinary Science 0778
 Zoology 0472
 Biophysics
 General 0786
 Medical 0760

Geodesy 0370
 Geology 0372
 Geophysics 0373
 Hydrology 0388
 Mineralogy 0411
 Paleobotany 0345
 Paleocology 0426
 Paleontology 0418
 Paleozoology 0985
 Palynology 0427
 Physical Geography 0368
 Physical Oceanography 0415

HEALTH AND ENVIRONMENTAL SCIENCES

Environmental Sciences 0768
 Health Sciences
 General 0566
 Audiology 0300
 Chemotherapy 0992
 Dentistry 0567
 Education 0350
 Hospital Management 0769
 Human Development 0758
 Immunology 0982
 Medicine and Surgery 0564
 Mental Health 0347
 Nursing 0569
 Nutrition 0570
 Obstetrics and Gynecology 0380
 Occupational Health and
 Therapy 0354
 Ophthalmology 0381
 Pathology 0571
 Pharmacology 0419
 Pharmacy 0572
 Physical Therapy 0382
 Public Health 0573
 Radiology 0574
 Recreation 0575

Speech Pathology 0460
 Toxicology 0383
 Home Economics 0386

PHYSICAL SCIENCES

Pure Sciences
 Chemistry
 General 0485
 Agricultural 0749
 Analytical 0486
 Biochemistry 0487
 Inorganic 0488
 Nuclear 0738
 Organic 0490
 Pharmaceutical 0491
 Physical 0494
 Polymer 0495
 Radiation 0754
 Mathematics 0405
 Physics
 General 0605
 Acoustics 0986
 Astronomy and
 Astrophysics 0606
 Atmospheric Science 0608
 Atomic 0748
 Electronics and Electricity 0607
 Elementary Particles and
 High Energy 0798
 Fluid and Plasma 0759
 Molecular 0609
 Nuclear 0610
 Optics 0752
 Radiation 0756
 Solid State 0611
 Statistics 0463
Applied Sciences
 Applied Mechanics 0346
 Computer Science 0984

Engineering
 General 0537
 Aerospace 0538
 Agricultural 0539
 Automotive 0540
 Biomedical 0541
 Chemical 0542
 Civil 0543
 Electronics and Electrical 0544
 Heat and Thermodynamics 0348
 Hydraulic 0545
 Industrial 0546
 Marine 0547
 Materials Science 0794
 Mechanical 0548
 Metallurgy 0743
 Mining 0551
 Nuclear 0552
 Packaging 0549
 Petroleum 0765
 Sanitary and Municipal 0554
 System Science 0790
 Geotechnology 0428
 Operations Research 0796
 Plastics Technology 0795
 Textile Technology 0994

PSYCHOLOGY

General 0621
 Behavioral 0384
 Clinical 0622
 Developmental 0620
 Experimental 0623
 Industrial 0624
 Personality 0625
 Physiological 0989
 Psychobiology 0349
 Psychometrics 0632
 Social 0451





National Library
of Canada

Bibliothèque nationale
du Canada

Acquisitions and
Bibliographic Services Branch

Direction des acquisitions et
des services bibliographiques

395 Wellington Street
Ottawa, Ontario
K1A 0N4

395, rue Wellington
Ottawa (Ontario)
K1A 0N4

Your file *Votre référence*

Our file *Notre référence*

The author has granted an irrevocable non-exclusive licence allowing the National Library of Canada to reproduce, loan, distribute or sell copies of his/her thesis by any means and in any form or format, making this thesis available to interested persons.

L'auteur a accordé une licence irrévocable et non exclusive permettant à la Bibliothèque nationale du Canada de reproduire, prêter, distribuer ou vendre des copies de sa thèse de quelque manière et sous quelque forme que ce soit pour mettre des exemplaires de cette thèse à la disposition des personnes intéressées.

The author retains ownership of the copyright in his/her thesis. Neither the thesis nor substantial extracts from it may be printed or otherwise reproduced without his/her permission.

L'auteur conserve la propriété du droit d'auteur qui protège sa thèse. Ni la thèse ni des extraits substantiels de celle-ci ne doivent être imprimés ou autrement reproduits sans son autorisation.

ISBN 0-612-13153-X

Canada

IDEAS , INTERESTS AND INSTITUTIONS
--DETERMINANTS OF FEDERAL INVOLVEMENT
IN ACTIVE LABOUR MARKET POLICY IN CANADA

BY

LUCILLE A. GRECHEN

A Thesis submitted to the Faculty of Graduate Studies of the University of Manitoba
in partial fulfillment of the requirements of the degree of

MASTER OF PUBLIC ADMINISTRATION

© 1995

Permission has been granted to the LIBRARY OF THE UNIVERSITY OF MANITOBA
to lend or sell copies of this thesis, to the NATIONAL LIBRARY OF CANADA to
microfilm this thesis and to lend or sell copies of the film, and LIBRARY
MICROFILMS to publish an abstract of this thesis.

The author reserves other publication rights, and neither the thesis nor extensive
extracts from it may be printed or other-wise reproduced without the author's written
permission.

TABLE OF CONTENTS

	Page
ABSTRACT	i
LIST OF FIGURES	ii
LIST OF TABLES	iii
LIST OF ABBREVIATIONS	iv
Chapter	
1. FEDERAL INVOLVEMENT IN ACTIVE LABOUR MARKET POLICY THE ISSUE IN PERSPECTIVE	
1.1 Introduction	1
1.2 Defining Active Labour Market Policy	4
1.3 The Purpose and Scope of the Study	8
1.4 The Organization of the Study	8
2. A THEORETICAL FRAMEWORK	
2.1 The Main Theoretical Approaches in Public Policy	11
2.1.1 The Rational or Neo-Classical Approach	
2.1.2 Market Theories	
2.1.3 Incrementalism/Pluralism	
2.1.4 Class of Critical Theories	
2.1.5 The Neo-Institutionalist Approach	
2.2 An Integrated Conceptual Framework	18
2.2.1 Rational and Market Theories — Ideas	
2.2.2 Incrementalism and Class Theories — Interests	
2.2.3 Neo-Institutionalism — Institutions	
2.2.4 Ideas, Interests and Institutions	
3. A HISTORICAL PERSPECTIVE OF FEDERAL INVOLVEMENT IN ACTIVE LABOUR MARKET POLICY	
3.1 The First Fifty Years	22
3.2 The Post-War Period	26
3.3 Summary	30

Chapter	Page
4. THE LIBERAL YEARS	
4.1 Towards an Active Labour Market Strategy	32
4.1.1 Creation of the Department of Manpower and Immigration	
4.1.2 A Transformation in Vocational Training	
4.2 Trudeau's 'Just Society'	42
4.2.1 A Proliferation of Job Creation Programs	
4.3 A Shift in Economic Thought	47
4.3.1 Creation of Employment and Immigration Canada	
4.3.2 The Dodge and Allmand Reports	
4.3.3 The Impact on Training	
4.4 Ideas, Interests and Institutions in the Liberal Years	56
4.4.1 The First Decade	
4.4.2 The Second Decade	
4.4.3 Conclusions	
5. THE CONSERVATIVE YEARS	
5.1 The Canadian Jobs Strategy (CJS)	66
5.1.1 Federal-Provincial Relations and the CJS	
5.2 The Labour Force Development Strategy (LFDS)	83
5.2.1 Bill C-21	
5.2.2 The Canadian Labour Force Development Board	
5.2.3 Re-organization of CJS Programs	
5.2.4 Reactions to the LFDS	
5.3 Constitutional Discussions	95
5.4 Ideas, Interests and Institutions in the Conservative Years	111
5.4.1 Ideas	
5.4.2 Interests	
5.4.3 Institutions	
5.4.4 Conclusions	
6. CONCLUSION	
6.1 Summary of the Argument	119
6.2 Some Thoughts for the Future	122
BIBLIOGRAPHY	131

ABSTRACT

The purpose of this study is to illustrate the main determinants of federal involvement in active labour force policy in Canada by undertaking an analysis of the initiatives of the Liberal government from the mid-1960s to 1984 and of the strategies adopted by the Conservative government between 1985 and 1993. The determinants of federal policy are examined within a typology, which separates the factors into (1) 'ideas' — predominantly political ideologies, economic paradigms and electoral considerations — (2) business and labour 'interests' and (3) 'institutions' such as federalism and the bureaucracy.

It is argued that an influential force behind the federal government's involvement in active labour market policy has been the prevailing economic paradigm; however, it was the political ideology of the governing party which determined the extent to which economic theory was turned into practice. The policies provided the political opportunity to be seen taking concrete actions to address areas of public concern and, therefore, to increase the party's chances of re-election. In short, 'ideas' were the catalyst of change and the main determinant of federal policy.

Furthermore, it is shown that 'interests' have had a limited formal role in the development of active labour market policy, providing the state with considerable latitude in decision-making. Nevertheless, business and labour have influenced the general political milieu of society, and it is argued that the decline in the federal government's commitment to active labour market policy corresponds generally to the decline in the political influence of labour and the corresponding increase in the expression of business interests in economic thought and political ideology.

It is also shown that, in terms of 'institutions,' the federal bureaucracy has had an impact on policy development, but its influence appears to have driven and — at the same time — impeded the government's action in this regard. Furthermore, federalism has been a significant factor in influencing federal government involvement in active labour market policy. Provincial resistance was an effective force in opposing the expansion of federal involvement. However, growing regionalist sentiments and Québec nationalism are currently supporting the federal government's apparent retreat from this policy field.

LIST OF FIGURES

Figure		Page
1.	Job Creation & Unemployment Rates	64
2.	EIC Expenditures and Unemployment	80
3.	CRF and UIDU Program Spending	93
4.	Expansion of Federal Involvement	121
5.	Contraction of Federal Involvement	121

LIST OF TABLES

Table		Page
1.	Employment Development Programs and Services	7
2.	Typology for Analysis of Determinants of Federal Involvement in Active Labour Market Policy	21
3.	Industrial/Institutional Balance of Federal Training Expenditures	56
4.	Expenditures: Training and Job Creation 1971-72 to 1984-85	63
5.	EIC Expenditures: Training and Job Creation 1971-72 to 1984-85 and on the Canadian Jobs Strategy 1985-86 to 1993-94	81
6.	CJS Expenditures — 1985-86 to 1993-94	92

LIST OF ABBREVIATIONS

ALMP	Active Labour Market Policy
AOTA	Adult Occupational Training Act
BC	British Columbia
BNA	British North America [Act]
CCDP	Canada Community Development Projects
CCSP	Canada Community Services Project
CEC	Canada Employment Centre
CEIC	Canada Employment and Immigration Commission
CHOICES	Computerized Heuristic Occupational Information and Career Exploration System
CIRB	Canadian Industrial Renewal Board
CJS	Canadian Jobs Strategy
CLFDB	Canadian Labour Force Development Board
CLMPC	Canadian Labour Market Productivity Centre
CMC	Canada Manpower Centre
CMITP	Canada Manpower Industrial Training Program
CMTJP	Canada Manpower Training-on-the-Job Program
CMTP	Canada Manpower Training Program
COFOR	Canadian Occupational Forecasting Program

COPS	Canadian Occupational Projection System
CRF	Consolidated Revenue Funds
CTST	Critical Trade Skills Training
DRIE	Department of Regional Industrial Expansion
EIC	Employment and Immigration Canada
FLIP	Federal Labour-Intensive Program
FOIL	Forward Occupational Imbalance Listing
FTA	Free Trade Agreement
HRDC	Human Resources Development Canada
HRIF	Human Resources Investment Fund
ILAP	Industry Labour Adjustment Program
LEAD	Local Employment and Development
LEAP	Local Employment Assistance Program
LEDA	Local Employment Development Assistance
LFDS	Labour Force Development Strategy
LIP	Local Initiatives Program
MOPS	Metropolitan Order Processing System
MP	Member of Parliament
NDP	New Democratic Party
NEED	New Employment and Expansion Development

NES	National Employment System
NOC	National Occupational Classification
NTA	National Training Act
NTEP	New Technology Employment Program
NTP	National Training Program
OECD	Organization for Economic Cooperation and Development
OFY	Opportunities for Youth
OPEC	Organization for Petroleum Exporting Countries
OTAB	Ontario Training and Adjustment Board
PED	Program for the Employment Disadvantaged
PWS	Portable Wage Subsidy
SELF	Special Employment Loans Program
SPP	Strategic Policy and Planning
SQDM	Société québécoise de développement de la main-d'oeuvre
SYEP	Summer Youth Employment Program
TVTA	Technical and Vocational Training Assistance [Act]
UI	Unemployment Insurance
UIC	Unemployment Insurance Commission
UIDU	Unemployment Insurance Developmental Uses
UK	United Kingdom

CHAPTER 1

FEDERAL INVOLVEMENT IN CANADIAN ACTIVE LABOUR MARKET POLICY

THE ISSUE IN PERSPECTIVE

1.1 Introduction

Canada's prosperity was built upon its natural resources. Even twenty years ago, Canadians were heavily reliant on their abundant natural resources. Most jobs in Canada were, at that time, either unskilled or involved limited skills which could be picked up quickly, usually on the job. Today, many of those jobs are being eliminated by technological change, and the emerging jobs in the 'new economy' require advanced skills.

The liberalization of international trade and the decline in Canada's productivity¹ have refocused the nation's awareness of the globalization of our economy, international competitiveness and the growing importance of knowledge in wealth creation. Today, many analysts are advancing the position that, in our increasingly globalized 'knowledge economy,' human capital has supplanted

¹ Canada's performance, both in terms of labour productivity and total productivity has, according to the Organization for Economic Cooperation and Development, declined between 1960 and 1990. For a discussion of Canada's competitive position see Michel Demers, "Responding to the Challenges of the Global Economy: The Competitiveness Agenda," in *How Ottawa Spends. 1992-93. The Politics of Competitiveness*, ed. Frances Abele (Ottawa: Carleton University Press, 1992), 151-190.

physical capital as the primary basis for promoting economic growth and prosperity.² They contend that the old economic order has passed and that sustained prosperity will no longer come from the exploitation of natural resources but from persistent productivity growth. Workforce training is being promoted as one of the best means of expanding and improving our stock of human capital and, therefore, of increasing our productivity and competitive advantage.

In Porter's³ highly acclaimed analysis of the factors contributing to a nation's competitive advantage, a well-developed national education and training system is cited as a fundamental requirement for sustained economic growth in our new economy. In this context, it is not unreasonable to expect that federal and provincial activities in the area of labour force development would be well-articulated, coordinated and compatible. However, there appears to be a general consensus that Canada's responses to labour force development have been uneven, uncoordinated and ineffective.⁴

Porter also stresses that governments must take a strong and active role in promoting the nation's education and training system. It would therefore seem reasonable to expect that, for sustained economic prosperity to exist in Canada, it would be in the best interests of the nation if the federal government ensured that Canada had a strong, well-funded and well-functioning, articulated and efficient labour force training system. Although open to debate, some have argued this would require that the federal government assume a strong central role in the coordination of a nation's education and training system. However, although one might expect that the federal government

² See, for example, Canada, *Prosperity Through Competitiveness*. (Ottawa: Supply and Services Canada, 1991).

³ Michael E. Porter, *The Competitive Advantage of Nations*. (New York: The Free Press, 1990).

⁴ For assessments of Canada's labour force development programs and services, see the Report of the Advisory Council on Adjustment, *Adjusting to Win*, Jean de Grandpré, Chairman (Ottawa: Supply and Services Canada, 1989). Also see Employment and Immigration Canada, *Labour Market Development in the 1980s* (Ottawa: Supply and Services Canada, 1981).

would assume an even stronger central role in training, it appears to be moving in the opposite direction — towards devolving responsibility for training and reducing federal expenditures.

Federal spending on training and job creation programming has declined, from a peak in 1984-85 of roughly \$2.5 billion to under \$2 billion in 1993-94.⁵ In constant dollar terms, the decline in funding during this period is 42 percent. In addition to a reduced financial commitment to active labour market policy, Ottawa has also made offers to devolve responsibility for training and employment programs to the provinces⁶ and has prompted the private sector to assume a greater role in this policy area.

Although these actions were initiated under the Conservative government of Brian Mulroney, the trend towards a reduced federal presence in active labour market policy appears to be continuing under the Liberal government of Jean Chrétien. In June 1994, the Minister of Human Resources Development Canada put forward a proposal to his counterparts in the provinces and territories for a new series of labour force development agreements which would provide the provinces with a significantly expanded role in federal training programs — offering control over planning, institutional training and a variety of other programs.⁷ In addition, the 1995 federal budget announced a further 22 percent reduction in federal expenditures for employment development programs and services in 1995-96, to be followed by a further 20 percent cut in 1996-97. Coupled with the funding impacts of the proposed Canada Health and Social Transfer, which would shift full responsibility for the maintenance of Canada's post-secondary education system (as well as health,

⁵ Human Resources Development Canada, various sources.

⁶ The term 'provinces' in this paper also includes the territorial governments of the Yukon and Northwest Territories.

⁷ Human Resources Development Canada. "Federal Proposal on Labour Force Development Programs and Services." (Ottawa: Human Resources Development Canada, 22 June 1994), photocopied.

welfare and social services) to the provinces, the future viability of a well-functioning national training infrastructure is threatened.

These actions appear incongruous with the position that the primary role of government should be the development and maintenance of a strong infrastructure in a globally competitive information society. This study explores the determinants of federal involvement in active labour market policy in an attempt to understand better the reasons behind the trend towards a reduced federal role. First, however, it is necessary to define what 'active labour market policy' means in the context of this paper.

1.2 Defining Active Labour Market Policy

As Doern and Phidd have noted, "...labour market policy is without doubt the broadest and most unwieldy" area of public policy.⁸ Others have commented that "It is multifaceted; it affects and is affected by many other public policies, including industrial policy, especially, and policies related to education, regional development, income security, work standards and wages, regulation and fiscal policy."⁹ Therefore, in discussing the factors influencing the federal government's involvement in active labour market development in Canada, it becomes necessary to demarcate the limits of the debate.

In using the term 'labour market,' we are accepting the economists' assumption that the relationship between worker and employer is similar to that of a buyer and seller of any given commodity. In a labour market, the commodity is labour. Workers trade their labour for wages and

⁸ G. Bruce Doern and Richard W. Phidd, *Canadian Public Policy. Ideas, Structure, Process.* 2d ed. (Toronto: Nelson Canada, 1992), 273.

⁹ Andrew F. Johnson, "Towards a Neo-corporatist Labour Market Policy in Quebec," in *Continuities and Discontinuities*, 259.

benefits determined, in theory, by 'what the market can bear.' However, it must be noted that the supply and demand equilibrium is dependent upon a variety of interconnected and complex variables, one of which is governmental influence. Modern governments have found it increasingly necessary to attempt to influence directly the operation of the labour market to increase the efficiency and/or the fairness of market outcomes. These interventions are commonly referred to as **labour market policies**.

There are generally two types of labour market policies. **Passive** policies, e.g., unemployment insurance, provide short-term income support to displaced workers without necessarily helping them to secure other employment. In contrast, **active** labour market policies focus on helping workers find or keep jobs. In Canada, far greater resources have historically been devoted to passive programming than to active measures.¹⁰

Active labour market policies are traditionally categorised as follows:

1. **Employment Services** — labour placements/exchanges which attempt to match specific workers with jobs; financial assistance to help workers move to areas in which they can find jobs (i.e., mobility assistance); labour market information; employment counselling;
2. **Job creation** — wage subsidies and public works projects;
3. **Training** — also referred to as skills, vocational or technical training.

It is important to note that 'training' is considered to be separate and distinct from 'education.' Although this distinction is somewhat artificial and becomes even more obscure as the skills levels of employees within many occupations are raised, it is necessary for the purpose of this

¹⁰ For example, in 1993, the Unemployment Insurance (UI) program paid out \$16.2 billion in benefits, while the entire budget for active measures was only \$3.1 billion. Human Resources Development Canada, *Annual Report, 1993-194*, (Ottawa: Supply and Services Canada, 1994), 9 and 56. It could be argued that the disproportionate emphasis on passive income support has been caused, in part, by the relative lack of success of active labour market policy in Canada.

study to distinguish between the two terms. The issue has been surrounded by a great deal of controversy since the early 1900s when the need for technically oriented education first arose; however, the debate erupted with renewed vigour when the federal government first formally drew the line between education and training, in 1966. The difference in meaning was articulated by Tom Kent, who was at that time Deputy Minister of the newly formed federal Department of Manpower and Immigration:

Training is instruction designed to bring a person to some standard of efficiency in performing the tasks of an occupation. Education, by contrast, is concerned with the systematic development of a man's capacity as a whole. Obviously, there is a distinction, which is perhaps best clarified by the fact that we would never dream of talking about a 'fully educated man,' whereas we refer quite naturally to a 'fully trained mechanic.'¹¹

The distinction between education and training is especially important in the Canadian context because it has significant implications related to the constitutional division of powers. Under the original *British North America Act (1867)*, education at all levels was the exclusive jurisdiction of the **provincial** governments.¹² This arrangement was confirmed under Section 93 of the *Canada Constitution Act*. The federal government has assumed responsibility for the overall level of economic activity, including overall levels of employment. To facilitate economic growth and high

¹¹ Tom Kent, "Intergovernmental Responsibility for Manpower Training," address to the Annual Conference of the Institute of Public Administration of Canada, 7 September 1967, photocopied, 2-3, quoted in J. Stefan Dupré et. al., *Federalism and Policy Development. The Case of Adult Occupational Training in Ontario* (Toronto: University of Toronto Press, 1973, 90. Note, much of the terminology of this period was often not gender-neutral (e.g., 'manpower' development is now more commonly known as 'labour force' development). This study will maintain the original terminology in direct quotations and in the names of programs and agencies.

¹² The federal government had responsibility for operating or supporting education for Status Indians and Inuit, residents of the Northwest and Yukon Territories, inmates of federal penal institutions, and members of the armed services and their dependents. For a full discussion of the involvement of the federal government in education, see Ernest D. Hodgson, *Federal Involvement in Public Education* (Toronto: Canadian Education Association, 1988).

levels of employment, the federal government has assumed a significant role in employment and training policy.

For the purpose of this study, active labour market development policy will include those programs commonly known as Canadian Jobs Strategy (CJS) programs (see table 1). There have been, in the past, considerable variations and permutations of programming in this area, making comparisons of federal programs difficult over time. At times job creation has been stressed over training; programs have been shuffled from one category to another, programs and services have been added and deleted, and names have been routinely changed. A further transformation of active labour market programming can be expected under the federal government's proposed Human Resources Investment Fund (HRIF) to be developed in the Fall of 1995.

Table 1: Employment Development Programs and Services		
Program (1993/94 Expenditures)	Components	
Employability Improvement (\$837.1 million)	Employment Counselling Project-based Training Job Opportunities Purchase of Training	Employment Assistance/Outreach Youth Initiatives Mobility Assistance Delivery Assistance
Labour Market Adjustment (\$104.7 million)	Human Resource Planning Workplace-based Training Work Sharing	Industrial Adjustment Service Labour Market Adjustment Assistance
Community Development (\$271.4 million)	Community Futures Self-employment Assistance	Local Projects
Information and Special Initiatives (\$39.8 million)	Labour Exchange Service Needs Determination Labour Market Information	Innovations and Special Labour Market Initiatives
Program for Older Worker Adjustment (\$106 million)	Program for Older Worker Adjustment Labour Adjustment Benefit Program	Income Supplement Program for Older Workers Plant Worker Adjustment Program
Source: Human Resources Development Canada, <i>Annual Report 1993-1994</i> , (Ottawa: Supply and Services Canada, 1994), 7 and 9. ¹³		

¹³ In addition to these expenditures, the *Annual Report* indicates Unemployment Insurance Developmental Uses expenditures of \$1,853.3 million (over half of which were UI income support for trainees); Community Development Fund (\$8.2 million); Kativik (\$3.5 million); Canadian Labour Force Development Board (\$4.1 million); Sectoral Training Grants (\$1.8 million), Literacy Corps (\$1.0 million); and Labour Market Adjustment Grants and Contributions (\$6.4 million).

1.3 The Purpose and Scope of the Study

The purpose of this study is to illustrate the main determinants of federal involvement in active labour force policy. To understand the dynamics of policy change in this area, this paper includes an analysis of the initiatives undertaken by the Liberal government from the mid-1960s to 1984 and strategies adopted by the Conservative government between 1985 and 1993. The main determinants in the development and implementation of these strategies are analysed within a typology developed from some of the contending theoretical approaches in public policy analysis. The typology separates the determinants into the categories of 'ideas,' 'interests' and 'institutions' in an attempt to understand more fully the trends involved.

It will be shown that 'ideas' — predominantly political ideologies, economic paradigms, and electoral considerations — have been the primary motivators of federal initiatives in this area; however 'institutions' — specifically federalism and constitutional issues — have influenced the success of these initiatives. While 'interests' have had a limited influence on the policy process in this area, the relative strength of business and labour interests has been reflected in the federal government's commitment to active labour market policy.

1.4 The Organization of the Study

Chapter 2 provides an analytical framework for the analysis of the determinants of federal involvement in active labour market policy. The chapter begins with a summary of the main theoretical approaches in public policy and then draws from these perspectives to develop a more integrated, albeit simplified, typology for examining the factors which influence federal involvement in this policy field.

Chapter 3 provides an historical backdrop for the discussion of federal involvement in active labour market policy. It shows that, at the turn of the century, the federal government was adamant in its position that issues like training and employment were the responsibility of the provinces. Catastrophic economic changes and significant public pressure prodded Ottawa into taking its first tentative steps into the jurisdictional mine field of labour market programming. However, the federal government's early involvement was modest, to say the least.

Chapter 4 examines active labour market policy of the Liberal government from the mid-1960s to 1984.¹⁴ This period witnessed tremendous growth in the federal government's expenditures and involvement in this policy field. It will be argued that the ideas reflected in political ideology of the Liberal government and electoral considerations have directed federal involvement in active labour market policy and that, although these factors were supported, initially, by the dominant economic paradigm of post-Keynesianism, they clashed with monetarist thought which came into favour during the mid-1970s. It will also be shown that the dynamics of federalism were fairly effective in frustrating many federal intentions during this expansionary period.

In Chapter 5, attention is turned to the Conservative Years between 1985 and 1993 — a period characterized by reduced federal expenditures and a diminished federal presence in active labour market policy. It will be shown that a market-oriented economic paradigm and the compatible right-wing political ideology of the Conservative government were the prime determinants of the change in the federal government's role in this area. It will be argued that, in contrast to the Liberal years, there were significantly weaker countervailing pressures from societal interests and the provinces.

¹⁴ The chapter is entitled the Liberal Years although it is recognized that Joe Clark was Prime Minister between June 1979 and March 1980.

Chapter 6, the concluding chapter of this study, summarizes the findings and discusses implications for the future. It is shown that ideas are the catalyst of federal involvement; however the nature of the institutions associated in this policy field are influential in determining their success. Specifically, the analysis concludes that federal involvement in active labour market policy has been influenced by the economic paradigm of the day; however political ideology and electoral considerations of the government party have largely determined the extent to which these beliefs were translated into federal programming.

These ideas were either constrained or supported by various institutional and interest forces, such as federalism and the influence of provinces, government bureaucracies, and business and labour. Of the institutional forces, federalism has been the primary structural factor affecting federal government involvement, and, although the provinces had been an effective and powerful opposing force during the period in which federal involvement in active labour market policy was **expanding**, this unity of resistance diminished during the period in which Ottawa's role was **contracting**. In fact, the positions of some provinces today have become a supporting — if not a driving — factor in the federal government's apparent retreat from this policy field. It is speculated that the federal government may have a very limited role in active labour market policy in the future but that the political will of the government can still be changed. In any event, it is certain that ideas, interests and institutions will continue to influence federal decisions in active labour market policy.

CHAPTER 2

A THEORETICAL FRAMEWORK

In order to provide a theoretical context for examining the determinants of the federal government's role in active labour market policy, it would be useful to begin by reviewing some of the main theoretical approaches used in the study of public policy decision-making. This chapter begins with an overview of these perspectives. However, it is argued that, while these approaches provide valuable insight into the decision-making process, each is inadequate on its own to explain fully the complex factors influencing public policy making. Therefore, a more generalized typology is developed for use in later chapters for reviewing the determinants of federal involvement in active labour market policy.

2.1. *The Main Theoretical Approaches in Public Policy*

The section which follows outlines the general characteristics of the main theoretical approaches in the field of public policy. Due to the space limitations of this study, the presentation of the various perspectives will necessarily be limited.¹⁵

¹⁵ For a full description of these theoretical approaches see, for example, Michael M. Harmon and Richard T. Mayer, *Organization Theory for Public Administration* (Boston: Little, Brown and Company, 1986). This section of the chapter relies heavily on Harmon and Mayer's narrative.

2.1.1. The Rational or Neo-Classical Approach

The neo-classical school of thought is predicated on the assumption that decision-makers employ a rational process in making choices — a process which involves defining the problem, collecting information, analysing the data, weighing the options, choosing the ‘best way’ in terms of efficiency (i.e., the most advantageous cost-benefit ratio), implementing the decision, and then evaluating the results and altering the course of action, as required. The paradigm relies heavily on the scientific method — i.e., it is very rationalistic in orientation — and on the assumption that causal explanations can be found to predict or explain human or social behaviour. The perspective emphasizes the maximization of utility as the basis of decisions.

While the rational approach may provide an ‘ideal’ standard which practical decision-making can attempt to emulate, it does not describe how real decisions are made nor does it explain behaviour. It does not reflect the very real limitations to possessing full information and people’s ability to problem-solve. This perspective also tends to ignore the relationship between the decision-makers and the organizations in which they are found as well as connections to the external environment.

2.1.2. Market Theories

A body of thought which is closely associated with the rational approach is the public choice perspective or market theory approach. The focus of this school of thought is the self-interested individual who uses rational choices to maximize his or her own personal utility. What distinguishes this perspective from the more general rational choice approach is its focus on narrow self-interest (e.g., a politician’s pre-occupation with re-election) rather than the pursuit of the greater common or public interest. In fact, this perspective dismisses the concept of a ‘public interest.’

Public choice theory has been defined as “the economic study of non-market decision-making, or simply as the application of economics to political science.”¹⁶ Its growth in popularity reflected the emergence of neo-conservatism in the early 1980s and the growing role of economists in public policy.¹⁷ It views the policy process as a series of inter-connected ‘games’ involving special interests, the bureaucracy, political parties, and the media which each self-interested decision maker attempts to win, insofar as ensuring his or her personal objectives are achieved.

Proponents of this school of thought include Trebilcock, Prichard, Hartle and Dewees who suggest that political decision makers choose policy instruments not on the basis of efficiency considerations but instead use an “electoral calculus” which strives to maximize the likelihood of election or re-election.¹⁸ The authors submit that politicians take economic considerations into account only insofar as they are consistent with the maximization of their political self-interests. The authors suggest that, although economic considerations may not form part of the **substance** of decisions, they are often used as a rationale in their promotion.

In understanding the tenets of this perspective it is useful to summarize the ‘axioms’ presented by Trebilcock et al. First, the authors propose that it is in the interests of a governing party to choose policies which confine the **benefits** of a policy decision to voters whose votes can be won over (i.e., marginal voters) and confine the **costs** of the decision to those voters who will likely not change their voting patterns (i.e., infra-marginal voters). It is also in the best interests of the governing party to choose policies which concentrate benefits (to enhance visibility) and disperse

¹⁶ Dennis L. Mueller, “Public Choice: A Survey,” *Journal of Economic Literature*, 14:2 (1976):395; quoted in Harmon and Mayer, 244.

¹⁷ Doern and Phidd, 9.

¹⁸ M. J. Trebilcock, R. S. Prichard, D. B. Hartle, and D. N. Dewees, *The Choice of Governing Instrument*, a study prepared for the Economic Council of Canada, (Ottawa: Supply and Services Canada, 1982).

costs (to diminish visibility) as much as possible; however, the more widely dispersed the group of marginal voters, the less real the benefits need be. In addition, benefits can be made to appear greater than they actually are and costs smaller than they really are by providing “subsidized, selective information, often of a highly symbolic nature” usually through the mass media, which will tend to trivialize complex issues and over-simplify proposed solutions.¹⁹ Furthermore, the less organized the marginal voters are, the more vulnerable they are to “the substitution of symbolism for substance” in the choice of policy.²⁰

Trebilcock et al. maintain that a governing party will tend to choose policies which will benefit the marginal voter (in real or perceived ways) while the party is in power and will try to defer any costs until some point in time beyond the party’s term in office (or concentrate costs at the beginning of the term “so as to exploit incomplete voter recall”).²¹ It is also advantageous for decision-makers to consider the positions of highly concentrated or powerful interest groups in their choices since they are able to influence the political preferences of marginal voters. Furthermore, the governing party should also attach special weight to the views of bureaucrats to secure their cooperation in implementing policies.

Where a governing party is uncertain about the impacts on prospective voters of policy options, the authors maintain that it would be in the party’s best interests to choose an option which could be most easily reversed or changed at a future date. Furthermore, when policies which will have a negative impact on marginal voters cannot be avoided, Trebilcock and his colleagues suggest that, “it may be rational for a governing party to assign the administration of the policies to an

¹⁹ Ibid, 33.

²⁰ Ibid.

²¹ Ibid.

‘independent’ agency of government, so that the causal relationship between the costs and the party is attenuated in voter perceptions.”²²

At first blush, this perspective appears an enticing explanation of some of the reasoning behind the federal government’s actions related to its involvement in active labour market policy. However, not all of Ottawa’s actions can be explained in this manner. Specifically, this perspective fails to take into account the way in which institutions, structures and the processes of interaction affect political activity.

2.1.3. *Incrementalism/Pluralism*

One approach which also reflects practical appeal is that which rejects comprehensive rationality as the basis of decision making and, instead, suggests that most public policy decisions are simply small, risk-adverse incremental changes to the status quo. This school of thought is often associated with the pluralist perspective which sees the decision-making process as a function of balancing competing interest group behaviour towards a suitable compromise. It is the state’s role to balance the competing demands of individuals and groups within society, including the various components of government bureaucracies. Agreement and consensus are highly valued in this perspective, and a good policy is not judged simply as to whether it achieves results but also as to whether it achieves consensus.

Pross²³ and others have contributed to this school of thought by introducing the concept of ‘policy communities’ which attempt to influence decision making in a given policy field. Pross suggests that most policy communities consist of two components: the ‘sub-government’ which is,

²² Ibid.

²³ See, for example, A. Paul Pross, “Pressure Group: Talking Chameleons,” in *Canadian Politics in the 1990s*. 3d ed., eds. Michael S. Whittington and Glen Williams (Scarborough: Nelson Canada, 1990), 285-309.

for all intents and purposes, the inner circle of policy-makers in cabinet and government agencies; and the 'attentive public' which are those who are interested in the policy issues but do not actively participate in policy-making. This perspective affords the state with significantly more influence over the policy process than traditional pluralist thought. As Pross argues, "The power of the inner circle is used to limit the participation of others in the policy debate... [F]or them, the policy community is a protective device, limiting rather than expanding the opportunities for the public at large to achieve major policy changes."²⁴

Again, this approach has considerable intuitive appeal since it describes fairly accurately how decisions are actually made; however, it does not provide much in terms of explaining why certain decisions are made over others nor does it offer much assistance in explaining profound shifts in policy direction. It is a conservative approach which tends to be used to justify the status quo.

2.1.4. Class or Critical Theories

Class analysis examines patterns of power between state actors, focussing on the relationships between those who have control over the means of production (largely human capital) and those who do not. A basic tenet is that the state has three main functions: to facilitate capital accumulation by capitalists; to foster social harmony through legitimating activities; and to maintain social order through coercive or other means.²⁵ For example, the class perspective would tend to look at active labour market development as a means to help the dominant class accumulate capital and would perceive any social benefits as the state's attempt to placate the masses to maintain social order, thereby ensuring the continued dominance of the capitalist class.

²⁴ Pross, 299 and 302.

²⁵ Doern and Phidd, 11.

This perspective has often been criticised for focussing too strongly on large political and social forces and denying the role of individual behaviour on public policy issues. However, this school of thought makes an important contribution to public policy analysis by suggesting that differential power bases may affect the types of decisions made.

2.1.5. The Neo-Institutionalist Approach

The neo-institutionalist perspective is predicated on the assumption that, far from being mere independent by-products of decisions made by self-interested rational actors or arbitrating social interests, our social, political and economic institutions also shape and influence public policy decisions. In other words, institutions have a profound influence on our preferences and play a fundamental role in shaping our social construction of reality.²⁶ As such, proponents of this perspective suggest that public policy analysts consider the impacts of institutional factors on the development of public policy choices.

While institutional forces cannot explain all public policy decision making, this perspective does fill an important gap in dominant public policy theory by suggesting that organizational structures, attitudes and cultures may influence certain policy decisions. This approach also adds a temporal aspect to public policy making by acknowledging that the decision making process occurs within an historical context.

²⁶ See for example, Michael M. Atkinson and Robert A. Nigol, "Selecting Policy Instruments: Neo-Institutional and Rational Choice Interpretations of Automobile Insurance in Ontario," *Canadian Journal of Political Science*, 22:1 (March 1989):107-135, or James G. March, "The New Institutionalism: Organizational Factors in Political Life," *The American Political Science Review*, 78 (1984): 734-49.

2.2 *An Integrated Conceptual Framework*

While it is apparent that each of these theoretical approaches provides valuable insight into public policy decision making, in this author's view, none can stand on its own to provide a full explanation of how and why certain decisions are made. For this reason, this study will borrow from each of these perspectives by re-configuring the main precepts into a more generalized, integrated conceptual framework.

2.2.1 *Rational and Market Theories — Ideas*

Generally, it can be said that the rational and public choice perspectives focus on **ideas** of individual actors or groups of actors. For example, political ideologies address such fundamental matters as the appropriate role of government and such contentious issues as freedom, equality and fairness. While it is often said that liberalism prevails in Canada, it is also evident that a continuum of interpretations — from radical right-wing perspectives on the one hand and socialist beliefs on the other — shape opinions of how political behaviour should be expressed. As will be shown in later chapters, electoral considerations shape the decision-making process of the policy makers and have played a role in the federal government's involvement in active labour market policy.

In addition, economic paradigms are a powerful expression of the preferred approaches for achieving the values of the prevailing interpretation of the dominant ideology. In general, all economic perspectives share some degree of commitment to the basic active labour market functions of employment services, job creation and training/skills development; furthermore, all approaches view active labour market policy as ancillary to macroeconomic policy and as a complement to the broader macroeconomic design. However, the various economic perspectives prevalent in Canada

during the 1900s have assigned different weights to active labour market policy in its subsidiary role.²⁷

For example, the **Keynesian** paradigm focuses on the need for macroeconomic policy to ensure full employment, emphasizing the need to reduce demand-deficient unemployment. Active labour market policy is relegated to a relatively minor role, limited primarily to job creation activities which assist in managing seasonal unemployment. However, this perspective sees some role for training and skills development programming in managing any structural unemployment which may exist.

The **post-Keynesian** perspective, on the other hand, focuses much more on structural unemployment and the **inflationary** consequences of attempting to achieve full employment. While post-Keynesians remain committed to achieving full employment, they argue that stimulating labour **demand** is inevitably inflationary. However, they suggest that unemployment can be minimized by increasing the skills of workers and by implementing other **supply-side** interventions such as relocation assistance to reduce structural and regional unemployment. Training can also ensure that skilled labour is available when the market needs it, thereby eliminating labour shortages and the corresponding inflationary pressures. In addition, targeted job creation programming can continue to minimize seasonal and regional unemployment. Because active labour market measures assume such a predominant role in post-Keynesian thinking, it is this perspective which is most closely identified with active labour market policy.

In contrast, **monetarism** is predicated on the principle of no state intervention in the labour market or other markets. Its primary focus is on fighting inflation through reduced state spending and limited intervention in the economy. A 'natural' state of unemployment becomes the goal, since

²⁷ This account is based primarily on chapter 5 of Stephen McBride, *Not Working: State, Unemployment, and Neo-Conservatism in Canada* (Toronto: University of Toronto Press, 1992), 118-56.

full employment is considered to be unachievable. However, where the unemployment rate is higher than the 'natural rate,' monetarists see a limited role for active labour market policy in terms of assisting the market to work more efficiently (e.g., by providing labour market information, mobility assistance, work-place training for workers to counteract the 'free-loading' tendencies among employers which results in insufficient levels of training). Although, like the post-Keynesians, monetarists stress supply-side interventions, the approach is far more passive and restricted.

2.2.2. Incrementalism and Class Theories — Interests

Incrementalism/pluralism and class theory focus on the impact which various societal **interests** have on decision-making. Most commonly, analysts examine the dynamic tensions between the business interests and organized labour. It will be shown that organized business and labour have had a relatively limited **formal** role in active labour market policy (albeit more institutionalized in recent years). However the interests of business and labour have had varying degrees of influence on the general political ideology of the day and, as such, affect indirectly the development of active labour market policy.

2.2.3. Neo-Institutionalism — Institutions

Finally, neo-institutionalism focuses on how **institutions** — such as federalism, the Constitution, Parliament, Cabinet and the bureaucracy — influence policy outcomes and the capacities of governments. It will be shown in later chapters that institutional factors have either contributed to the success of federal policies in active labour market programming or have frustrated federal intentions.

2.2.4. *Ideas, Interests and Institutions*

The classification of the determinants of federal policies in active labour market development into ideas, interests and institutions (see table 2) is, of course, subjective. As Atkinson asserts "...ideas, interests, and institutions are bound up with one another...[I]t is not a matter of choosing one approach and rejecting the others. The choice is one of where to begin and where to lay emphasis."²⁸ For example, political institutions such as Parliament are obviously shaped by dominant political ideologies and societal interests. In turn these institutions often reinforce and legitimize many of the same dominant ideologies and political interests. However, despite the somewhat arbitrary delineation, the typology of ideas, interests and institutions will be used to examine the determinants of federal involvement in active labour market policy.

Table 2 Typology for Analysis of Determinants of Federal Involvement in Active Labour Market Policy		
Ideas	Interests	Institutions
Political Ideology Dominant Economic Paradigm Electoral Calculus	Business interests Labour interests	Federalism Constitution Bureaucracy

It should also be noted that there are, of course, other determinants affecting federal decision-making beyond those listed in table 2 (e.g., Cabinet, Senate, the Courts, individual personalities). However, it is beyond the scope of this paper to examine an exhaustive listing. The determinants listed above are those which, in this author's opinion, most directly affect active labour market policy.

²⁸ Michael M. Atkinson, "Introduction: Governing Canada," in *Governing Canada. Institutions and Public Policy*, ed. Michael M. Atkinson (Toronto: Harcourt Brace & Company, 1993), 5.

CHAPTER 3

HISTORICAL PERSPECTIVE OF THE FEDERAL GOVERNMENT'S INVOLVEMENT IN CANADIAN ACTIVE LABOUR MARKET POLICY

To understand the current debate surrounding the role of the federal government in active labour market development, it is necessary to review the history of federal involvement in this policy field. This chapter covers the period between 1900 and the mid-1960s and shows that, despite the federal government's initial reluctance to encroach upon what was perceived as an area of exclusive provincial jurisdiction, it eventually carved out a modest role in all three of the areas associated with active labour market policy: employment services, job creation, and training.

3.1 *The Early Years*

At the turn of the century, it was becoming increasingly clear that provincial school systems were not meeting the vocational and technical education needs of the increasingly industrialized Canadian economy. As early as 1901, industrial groups began lobbying the federal government to intervene in the area of vocational education, pointing out that Canada's labour force was not as well trained as some of its trading competitors.²⁹ Ottawa resisted, stating that education was a matter under provincial jurisdiction.

²⁹ Dupré, et al., 13.

At the time the *British North America Act* was passed in 1867, technical education was relatively unknown and was, therefore, not considered in the original drafting of Section 93 — Legislation Respecting Education — which gave the provinces exclusive responsibility for education. Education at the time was heavily dominated by pure academic instruction and was handled primarily by the church. The provinces — especially Québec— jealously guarded their responsibilities under the BNA Act. Furthermore, many Canadians believed that the practice of depending upon imported skilled immigrant and training on-the-job to meet specific skill requirements had done Canada in good stead and, as a result, there was little justification for any federal expenditure in this area.

Nevertheless, continued pressure from business and labour prompted the federal government to establish a Royal Commission on Industrial Training and Technical Education, and when the Commission issued its report in 1913, it argued that the federal government should provide financial support for training to the provinces.³⁰ The Commission's work led to two important pieces of legislation: the *Agricultural Aid Act* of 1912, which was the first use of conditional grants to the provinces; and the *Technical Education Act* of 1919, which established a ten-year, \$10 million program of conditional grants for provincial expenditures in technical education — primarily at the secondary level.³¹

In the early 1900s, immigration sky-rocketed and increasingly greater concentrations of workers were looking for jobs in urban settings. Many of these job-seekers turned to privately owned employment offices, which often charged excessively high fees. Increasing reports of abuse of private employment agencies placed a significant amount of pressure on the federal government to

³⁰ Canada, Royal Commission on Industrial Training and Technical Education, *Report of the Commissioners* (Ottawa, 1913), 25-6, quoted in John Hunter, *The Employment Challenge. Federal Employment Policies and Programs 1900-1990* (Ottawa: Government of Canada, n.d.), 36.

³¹ Agnes Glenn, "The Influences of Selected Government Legislation on the Development of the Community Colleges in Manitoba, (Ph.D. diss., University of North Dakota, 1985), 25.

create **publicly run** employment offices. However, the federal government resisted, stating that responsibility for unemployment was at the municipal level, and if municipalities were unable to deal with that responsibility, it fell upon the provinces to assist them. Ottawa argued that it had no jurisdiction under the BNA Act for unemployment relief.

Nevertheless, the need to absorb 300,000 servicemen and 200,000 employees from the war industries into the peacetime labour market prompted the federal government to introduce the *Employment Offices Co-ordination Act* in 1918. Under these arrangements, the federal government provided conditional grants to the provinces to establish a network of **provincially run** employment offices to address the needs of the unemployed.

Furthermore, in 1920, the federal government agreed to reimburse municipalities for winter job creation projects, although this support abruptly came to an end in 1922 when the Canadian economy began to grow. However, when unemployment rose again in 1929, the federal government was pressured once more to provide assistance to municipalities. In 1930, the *Unemployment Relief Act* was introduced, which covered one-third of the costs of unemployment relief, half of provincial public works projects and one-quarter of municipal job creation programs. This arrangement was replaced by the *Unemployment Relief and Assistance Act* of 1936 which continued the practice of issuing monthly grants to the provinces to pay relief and job creation projects — such as the building of the Trans-Canada Highway and other construction projects.

The high levels of unemployment during the 1930s taxed the capabilities of the provincial employment services to the extreme, and many claimed that these offices were unable to meet the increased demands for services during the Depression. Many critics laid the blame for the failings of the employment service directly at the feet of divided jurisdiction — largely because the federal government was unable to hold the provinces accountable for results. Moreover, it was found that, if

the federal government tried to discipline a province, provincial officials — as operators of the program — often found ways to retaliate against the program.

Critics claimed that the threat of withdrawn funding under the conditional grant scheme was an empty one because politicians would not place themselves in the position of being seen as depriving the citizens of a province with an important service. They maintained that a party in power federally would be loathe to impose sanctions on the same party provincially, and, even if the parties at the two levels of government were the not the same, the federal politician would likely not impose sanctions for fear that the act would be seen as politically motivated.³²

Condemnation of the existing employment service and the need to respond to the high levels of unemployment during the Depression pressured the federal government to introduce a national unemployment insurance program, based on a **federally** controlled employment service. In 1940, the BNA Act was amended to enable the introduction of the *Unemployment Insurance Act* (UI), under which the Unemployment Insurance Commission was created to operate the UI program as well as a federally run National Employment System (NES).

The passage of the *Unemployment Insurance Act* in 1940, which established an unemployment insurance scheme and a federally controlled employment service, solidified the presence of the federal government in the Canadian labour market. This involvement was further cemented, in 1945, by the development of a labour market policy statement, entitled *Employment and Income*. This white paper outlined the federal government's "unequivocal commitment to the adoption of high and stable levels of employment and higher standards of living for all Canadians"³³

³² J. A. Corry, Royal Commission on Dominion-Provincial Relations, *Difficulties of Divided Jurisdiction* (Ottawa, 1939), Appendix 7, quoted in Hunter, 65.

³³ Canada, Department of Reconstruction and Supply, *Employment and Income: With Special Reference to the Initial Period of Reconstruction* (Ottawa, King's Printer, April 1945), 21, quoted in Leon Muszynski, "The Politics of Labour Market Policy," in *The Politics of Economic Policy*, ed. G. Bruce Doern, Vol. 40, Royal Commission on the Economic Union and Development Prospects for

and represented the federal government's commitment to the Keynesian economic philosophy which stresses full employment as a goal.³⁴

In summary, after years of insisting that labour market issues were a provincial responsibility, the federal government — pressured by the necessities of the Great Depression and the challenges of war — assumed a lead role in labour market development. Ottawa transformed its position from stating that it had no jurisdiction for labour market policy under the *British North America Act* to issuing a white paper which secured its continued commitment to labour market development.

3.2 *The Post-War Period*

The federal government's postwar commitment to maintaining high and stable levels of employment would be put to the test during the recession of the late 1950s and early 1960s. The increasing unemployment levels during this period created strong concerns among the Canadian population, whose memories of the Depression were still strong. It was clear that soon the baby boomers would begin to flood the labour market, and governments would be pressured to provide them either with jobs or a post-secondary alternative to university education. Technological advancements were rapidly changing the workplace, requiring the existing workforce as well as the wave of new workers to upgrade their level of skills. Many looked to the federal government for action. As Tom Kent remembers:

It is hard now to appreciate how strongly the Canada of the early 1960s was still marked by the centralization that the second world war had necessitated. We continued to live in a

Canada Series, 255 (Toronto: University of Toronto Press, 1985), 251-305.

³⁴ For a discussion of Keynesianism in Canada, see William D. Coleman, "Macroeconomic Policy: Dwindling Options," in *Governing Canada*, 207-39.

tense world, to which we had not grown accustomed as we since have. And the fears of the depressed thirties still cast dark shadows. The contrasting postwar prosperity was associated, in many people's minds, with the enhanced role of Ottawa. It had the modernized government of the new Canada. Provincial governments, with little money, remained by comparison old-fashioned. Saskatchewan alone excepted, until Lesage's victory in Quebec in 1960, their public services were poor in professional qualifications, their politics largely parochial.³⁵

Spurred by public pressure to act, the federal government began to look for ways to deal with the unemployment issues. In 1958, the federal government introduced its first job creation program since the Depression, the Municipal Winter Works Incentive Program, which covered one-half of the payroll for winter construction projects. This program was soon joined by the Winter House Building Incentive Program, the Manpower Mobility Program, and the Older Worker Employment and Training Incentive Program, which was the first use of direct wage subsidies to encourage the hiring of unemployed workers.

It also became increasingly clear that the federal government would have to contribute substantially more to develop the training infrastructure required to meet the huge demands of the baby boom generation.³⁶ Accordingly, the federal government introduced the *Technical and Vocational Training Assistance Act (TVTA)* in 1960. The TVTA represented what one author has described as "a quantum leap in expenditures and in the number of persons participating in training."³⁷ During the 1950s, federal expenditures to the provinces for vocational training averaged

³⁵ Tom Kent, *A Public Purpose. An Experience of Liberal Opposition and Canadian Government* (Kingston: McGill-Queen's University Press, 1988), 267.

³⁶ The federal government had continued its cost-share arrangements for training with the provinces through the enactment of several pieces of legislation following the termination of the arrangements under the *Technical Education Act* of 1919. These included the *Vocational Education Act* of 1931; the *Unemployment and Agricultural Assistance Acts* of 1937, 1938 and 1939; the *Youth Training Act* of 1939; and the *Vocational Training Coordination Act* of 1942.

³⁷ Noah Meltz, "The Evolution of Worker Training: The Canadian Experience," in *New Developments in Worker Training: A Legacy for the 1990s*, eds. Louis A Ferman, et al. (Madison: Industrial Relations Research Association, 1990), 293.

\$4 million per year.³⁸ However, by the end of the six-year lifespan of the TVTA, the federal government had expended over eight times the amount spent, in total, during the previous forty years.³⁹

Because results of federal studies were showing that the traditional 50 percent cost-sharing approach which Ottawa had taken with the provinces in the past did not always result in the kind of outcomes the federal government had originally planned, federal officials designed the TVTA so that the provinces would be rewarded by **financial incentives** if they moved in the direction the federal government intended. For example, seventy-five cent dollars would be available under the TVTA for **capital construction** costs for technical and vocational training facilities, and limits on the amount one province could claim which were characteristic of previous arrangements were removed from the TVTA.

The provincial responses to the generous contributions by Ottawa were predictably positive. However, some of the provinces were not as enamoured by the TVTA as others. The same social and economic factors pressuring the provinces to accept federal funding were also bringing into the fore the wide disparities in income and wealth which existed among the provinces. It was becoming increasingly difficult for the poorer provinces to maintain comparable levels of public services to those of their more affluent neighbours.⁴⁰

While the poorer provinces complained about the counter-equalizing effects, the more affluent provinces argued that the TVTA was evidence of the federal government's intent to interfere with provincial priorities. Nevertheless, the lure of federal funding was one which the provinces

³⁸ Darius R. Young and A. V. Machinski, *An Historical Survey of Vocational Education in Canada* (Ottawa: Canadian Vocational Association, n.d.), 37.

³⁹ Dupré et al., 17.

⁴⁰ Ibid.

could not ignore. As Dupré states, “TVTA beckoned like a shining beacon and the provinces made haste to take advantage of it. Some provinces, however, made haste a good deal more slowly than others; some provinces too were unseemly in their alacrity.”⁴¹ Ontario and Newfoundland were clear leaders in their pursuit of federal capital grants. Alberta took advantage of about twice the capital grants than did Manitoba and Saskatchewan combined, and almost three times the total claimed by the Maritime provinces of New Brunswick, Nova Scotia and Prince Edward Island. Québec — which, at the time, did not have a department of education — lagged far behind, claiming only \$28 million of the TVTA capital funds by April 1963 as compared to Ontario’s uptake of \$200 million.⁴²

Despite the growth in expenditures for training under the TVTA, federal spending in this area remained relatively modest during the early 1960s. The conditional grant structure allowed the provinces to maintain full operational responsibility for training and reflected the federal government’s deference to the provinces in this area of constitutional ambiguity. The Department of Labour, which had administrative responsibility for federal training expenditures, was clear about its need to respect provincial jurisdiction in this area. One federal official was cited as saying:

Education and training, as you know, is a provincial responsibility which is guarded jealously. The role of the Training Branch [of the Department of Labour] has been to strengthen the provincial agency responsible for Training...so that they can perform the total function of training required in Canada. Consequently, we work with and through the agency in the province that has the responsibility for providing education and training. We do not duplicate, nor interfere, but we do try to influence, but then who doesn’t? Our role therefore is that of trying to get the people who have the responsibility to see the total requirements, and then encourage them to provide the kinds of service that are required.⁴³

⁴¹ Ibid., 18.

⁴² Ibid., 19.

⁴³ Ibid., 87.

3.3 Summary

At the turn of the century, the federal government was hesitant to become involved in labour market policy, stating that it was an area of provincial jurisdiction; however, political pressures prompted the federal government to intervene. Keynesian economic dominated the period between 1920 and 1960 and, because this perspective paid only limited attention to active labour market policy — focussing instead on macroeconomic policy to ensure full employment — federal expenditures during this period were relatively modest. The federal role was, for the most part, limited to that of an invisible financier of job creation and training programs.

Furthermore, Canadian federal/provincial relations during this period could be labelled ‘cooperative federalism.’⁴⁴ The existence of departmentalized cabinets during this era resulted in a network of intergovernmental relationships characterized by ‘trust ties’ and shared values. Officials, often sharing common professional and educational backgrounds, possessed a common vocabulary and a unified outlook of public policy. As Dupré and his colleagues note:

In this setting, it was only natural that the federal Training Branch should become almost exclusively oriented to its provincial clientele and overtly sympathetic to the prime responsibility of provincial officials — their educational institutions. The particular orientation of the branch was abetted by the fact that it recruited much of its personnel from the major available source of expertise, provincial education departments and apprenticeship programs.⁴⁵

Even the ministers at both levels of government developed portfolio loyalties which ensured an ongoing continuity and stability in federal/provincial relationships and structures. The security of the

⁴⁴ Donald V. Smiley, *Constitutional Adaptation and Canadian Federalism Since 1945*, Document 4, Royal Commission on Bilingualism and Biculturalism (Ottawa: Queen’s Printer, 1974), chapter 8, quoted in J. Stefan Dupré, “Reflections on the Workability of Executive Federalism,” in *Intergovernmental Relations*, ed. Richard Simeon, Vol. 63, Royal Commission on the Economic Union and Development Prospects for Canada Series, 5 (Toronto: University of Toronto Press, 1985), 1-32.

⁴⁵ Dupré, “Reflections on the Workability of Executive Federalism,” 87.

relationships was cemented by the financial grant mechanisms which locked-in federal commitments and provided the necessary ‘carrot effect’ to ensure provincial compliance.⁴⁶

The evident exception to the ‘cooperative federalism’ model was Québec. Although francophone officials in Québec and anglophone mandarins in Ottawa may have shared common disciplinary backgrounds, they did not share common school ties. They often did not share the same language nor the same values. In addition, Duplessis stressed provincial autonomy in all aspects of intergovernmental relations, especially in education, which was considered a fundamental prerequisite to cultural autonomy.

However, this form of cooperative federalism was about to change. As the next chapter shows, the 1960s witnessed a profound change in economic paradigm, political ideology and federal/provincial relations — all of which were to transform the federal government’s role in active labour market policy.

⁴⁶ Ibid., 6.

CHAPTER 4

THE LIBERAL YEARS

This chapter describes in detail the growth in federal involvement in active labour market policy during the Liberal administration between the mid-1960s and 1984. It is shown that, initially, the post-Keynesian perspective dominated economic thought and, supported by Liberal political tenets, led to phenomenal increases in the level of federal activity in active labour market development, despite persistent interference from the provinces. The chapter also reveals that a paradigm shift towards monetarism occurred in the mid-1970s, but the political philosophy of the Liberal government did not fully support this new conservative approach to active labour market policy. Therefore, the new market-oriented economic perspective did not become fully expressed during the Liberal administration.

4.1 *Towards an Active Labour Market Strategy*

During the mid-1960s, the federal government began to develop a growing interest in a more active approach to labour market policy as promoted by post-Keynesian economists. Canada was joining the international movement to adopt a 'manpower approach' to combatting unemployment, such as the Organization for Economic Cooperation and Development's (OECD) Active Manpower Policy, which juxtaposed the Swedish-based model of integrating active labour market policies with

economic policy and the American-based model of using active measures to promote social equity and to fight the 'war on poverty.'⁴⁷ To be successful in developing a fully fledged, post-Keynesian active labour market strategy in Canada, it became increasingly clear that Ottawa would need, first, to develop the appropriate administrative structures and, second, to assume greater control over adult training.

4.1.1. Creation of the Department of Manpower and Immigration

The National Employment Service was a subordinate agency within the Unemployment Insurance Commission. Consequently, most of its clients were UI claimants, and it became increasingly focused on processing UI claims.⁴⁸ Many viewed the NES as ineffective and believed that too much staff time was used in policing the UI program and not enough on finding employment for people.

In response, Allan MacEachan, Minister of Labour, announced that — by April 1965 — the NES would be transferred to the Department of Labour:

...to develop an integrated approach to implementing manpower policies and programs in Canada, and to correct the negative image from which the Employment Service suffers in the public mind from its close association with the payments of benefits to the unemployed. ...The merging of the National Employment Service with the Department of Labour will result in a stronger and more positive approach to the solution of manpower problems in Canada.⁴⁹

⁴⁷ Organization for Economic Cooperation and Development, *Manpower Policy and Programmes in Canada*, (Paris: OECD, 1964), quoted in Craig McFadyen, "State, Society and the Development of Active Labour Market Policy in Canada. The Case of the Canadian Jobs Strategy," (Ph. D. diss., University of Toronto, 1994), 56. It should be noted that a copy of McFadyen's dissertation was obtained by the author electronically; therefore, pagination may differ from other versions.

⁴⁸ Dupré et al., 47.

⁴⁹ Hunter, 169.

Almost as soon as the National Employment Service had been transferred to the Department of Labour, some began to re-think the decision. The newly created Economic Council of Canada, which had in its first annual report supported the transfer of the NES to the Department of Labour, suggested in its second report that the NES may still not receive the high profile it required to have to undertake the key economic role which was needed for a true active labour market policy.⁵⁰ The ECC went on to suggest an alternative approach — the creation of a new manpower department.

In October 1966, legislation establishing the **Department of Manpower and Immigration** was passed, and local NES offices were renamed Canada Manpower Centres (CMCs). The original organizational structure of the Department was relatively simple, consisting of two main divisions: (1) the Manpower division which was responsible for the active labour market programming and services and (2) the Immigration division. By the early 1970s, these two line divisions were joined by two staff divisions: the Administrative Services division and the Strategic Planning and Research division.⁵¹

The separation of the employment services from UI offices involved significant transitional challenges for the staff involved. Managers of the previously integrated offices had to choose which organization they would follow; staff had to be divided; office accommodations had to be reconciled; and new linkages and communication lines had to be established. As Tom Kent explains:

The NES had operated mostly in corners of UIC offices chiefly concerned with paying or refusing unemployment benefits. The greater part of the NES staff had neither the facilities nor the training to do much more than a clerical job of assigning people on unemployment benefit to the lower-skilled jobs for which employers informed them of vacancies. The new centres (CMCs) were to have broader purposes. Those were embodied in a decision to designate the operating staff of the CMCs as 'manpower counsellors.' Their task was to help people, whether unemployed or unsatisfactorily employed, to obtain the employment that was likely to maximize their lifetime earnings. This required much more than information about the existing employment opportunities in the area. It required counselling

⁵⁰ Kent, *A Public Purpose*, 397.

⁵¹ See McFadyen, 178.

skills. It required understanding of the abilities and experience needed for various occupations. It required awareness of changing trends in the nature of jobs and the emerging balance of demand and supply in the myriad sub-sectors of the labour market. It required an understanding of what training could and could not do, as well as detailed knowledge of available training facilities and courses. It required the judgment to use training and mobility assistance as effective and efficient instruments to enhance the employability of individuals.⁵²

New staff were actively recruited as counsellors, and this created tensions between the 'old guard' — primarily war veterans without university training — and the new college graduates. The transition was difficult and a common sense of purpose was difficult to achieve. Long time practices and old attitudes often hindered the implementation of the new vision for the service.⁵³

Nevertheless, the federal government had in place the basic organizational framework to implement its vision for a comprehensive active labour market policy. The new Department of Manpower and Immigration would monitor all conceivable labour market information sources. Its CMCs would provide counselling to prospective employees based on their knowledge of employment opportunities. Mobility assistance would be provided to those who needed to move to find employment. Staff would be able to monitor emerging employment opportunities and anticipate future training needs. But one piece was missing from the mix: a federally controlled adult training program.

4.1.2. A Transformation in Vocational Training

If the federal government's active labour market strategy was to work, Ottawa would need to have a say in which adults would be trained, what training would be purchased, and whether that

⁵² Kent, *A Public Purpose*, 397.

⁵³ Hunter, 187.

training would be provided by public institutions, private vocational schools or industry itself. A change in existing training arrangements would be necessary but difficult to achieve.

In order to appreciate the challenge which the federal government faced, it is important to understand the dynamics occurring in Canadian federalism at the time. The mid-1960s witnessed a burgeoning sense of self-confidence and assertiveness among the provinces. In 1965, and for the first time since the Depression, provincial and municipal expenditures exceeded federal spending, even when conditional grants were taken into account.⁵⁴ As Donald Smiley observes:

...federal power was challenged with increasing vigor and competence by provincial governments that became unwilling to play [a] relatively subordinate role in economic and other matters...The most spectacular aspect of this challenge was embodied in the policies of the leaders of the new Quebec who assumed that the welfare of French Canada could be ensured only by aggressive provincial policies in social and economic matters. With great variation from province to province, the other provincial administrations also became increasingly interventionist in economic matters and defined their economic and other objectives with more skill and precision than in the past.⁵⁵

Without prior consultation with the provinces, Prime Minister Pearson announced, at the 1966 Federal-Provincial Conference, that the federal government intended to expand its role in adult training and that, in April 1967, the TVTA would expire and be replaced by the *Adult Occupational Training Act* (AOTA).

The AOTA would be administered by the newly formed Department of Manpower and Immigration with its network of Canada Manpower Centres as part of the government's new active labour market strategy. Prospective employees would receive employment counselling, information on the availability of jobs, mobility assistance, and training.⁵⁶ Dupré describes the AOTA as:

⁵⁴ Dupré et al., 6. Much of the discussion leading up to the *Adult Occupational Training Act* in this chapter is based on the work of Dupré and his colleagues.

⁵⁵ Smiley, 33, quoted in Dupré et al., 6.

⁵⁶ A trainee had to be out of formal schooling for at least one year to qualify, and the duration of the training was limited to 12 months. James B. Davies, "Training and Skill Development" in *Adapting*

... Tom Kent's brainchild, the conceptually innovative program of adult occupational training launched by the newly created Department of Manpower and Immigration in 1966. Fiscal federalism was out; procurement federalism was in. The longstanding shared-cost programs that had linked the old Training Branch of the federal Department of Labour to the like-minded vocational education divisions of provincial Departments of Education were abruptly terminated. Henceforth, the federal government would purchase, at full cost, training courses for adults selected by its community-based employment counsellors on the basis of these counsellors' assessment of their clients' attitudes and future employment prospects. The desired training could be purchased either from public institutions under provincial control or from private sources.⁵⁷

Although the provincial politicians grumbled about the unilateral federal action,⁵⁸ they generally welcomed the elimination of yet another conditional grant. However, the reaction of the front-line senior bureaucrats was quite different. The loss of the fifty-cent dollar incentives, which provided provincial bureaucrats with an advantage when dealing with their respective treasury boards in vying for scarce resources against other priorities, meant a corresponding loss in their competitive advantage. Furthermore, in one fell swoop, the decades of 'trust ties' between officials were severed. The long-time allies of the provincial officials housed within the old Training Branch of the Department of Labour were no longer the only actors involved. Now, training decisions would be made by field officials who were primarily economists and labour market generalists, not educators.

to Change: Labour Market Adjustment in Canada, ed. Craig Riddell, Vol. 18. Royal Commission on the Economic Union and Development Prospects for Canada Series (Toronto: University of Toronto Press, 1986).

⁵⁷ Stefan Dupré, "The Promise of Procurement Federalism," in *The Future of Fiscal Federalism*, eds. Keith Banting, Douglas Brown, and Thomas J. Courchene (Kingston: Queen's University, 1994), 251.

⁵⁸ One official indicated that "We have meetings all right, but no consultation. We are brought together to be told what the federal government has decided to do," and one other noted that the "first real knowledge the provinces had of the detailed nature of the proposal was when they received the documentation on checking into their hotels on the evening prior to the meetings." Institute of Intergovernmental Relations *Report: Intergovernmental Liaison on Fiscal and Economic Matters* (Ottawa: Queen's Printer, 1969), 126, quoted in Dupré et al., 29.

As Dupré and his colleagues describe it, the “philosophical collision between educationalists and economists” had begun.⁵⁹

By announcing that the federal government was going to assume responsibility for adult training, the Liberals transformed adult occupational training from the realm of **education** to a component of **employment** policy.⁶⁰ This formal fragmentation of training from education allowed the federal government to proceed unilaterally, through the direct purchase of courses from public institutions or from private schools and employers, into an area which had been traditionally a provincial jurisdiction. It also effectively eliminated the counter-equalizing effect of the TVTA conditional grants and dispelled criticisms that the federal government was distorting provincial priorities by providing financial incentives in targeted policy areas.

The federal government made the assertion that “the training and re-training of adults for participation in the labour force are well within the scope of federal jurisdiction.”⁶¹ Pearson went on to say that adult training is “not ‘education’ in the constitutional sense...[T]he federal government believes that it has a constitutional and necessary role in the training and development of our adult labour force for economic growth and full employment.”⁶² It therefore followed that, since the federal government had assumed responsibility for employment, authority over adult training was necessary to fulfil that responsibility under its new active labour market policy.

Ottawa’s position was based on the federal government’s right to use its spending power on behalf of any particular **class** of individuals. The federal government stated that its treatment of

⁵⁹ Dupré et al., 89.

⁶⁰ Dupré, “Reflections on the Workability of Executive Federalism,” 9.

⁶¹ Federal-Provincial Conference, Ottawa, October 24 - 28, 1966 (Ottawa: Queen’s Printer, 1968), 16, quoted in Dupré et al., 26.

⁶² Ibid.

adults who need training — as a class — was no different constitutionally than its treatment of veterans who required training after the war. As one author contends:

AOTA was only one demonstration of a new brand of federalism that had evolved since Pierre Trudeau, Gérard Pelletier and Jean Marchand joined the Pearson cabinet in the 1960s. The new federalism represented the belief in a strong federal government vis-à-vis the provinces and reflected an approach that assumed less need to compromise on central political and economic issues. Within this context, labour market training was seen to be unequivocally and foremost a federal responsibility.⁶³

The missing link in the federal government's "grand design"⁶⁴ for its new economic policy was now in place. The AOTA refined the responsibility of the federal government for the training of the **unemployed** (or those facing unemployment) and for the occupational training of **adults**, while conceding youth to the provinces.⁶⁵ Under the AOTA, the federal government would exert more control on its spending on training by purchasing seats directly from public training institutions and, to a lesser extent, from private suppliers and industry. Training activities funded under the AOTA were categorized into two distinct programs: one for **industrial** training — the Canada Manpower Industrial Training Program (CMITP) and the other for **institutional** training — the Canada Manpower Training Program (CMTP). This division was also reflected in the organization of the head office of the Department.

The provinces were not, however, about to relinquish complete control in an area over which they still believed they had jurisdictional authority, and their loud protestations led to some modifications of the original design. Although the AOTA allowed the federal government to contract

⁶³ Muszynski, 267.

⁶⁴ This is the term used by Dupré and his colleagues in their definitive work on the AOTA, *Federalism & Policy Development*.

⁶⁵ In order to qualify for federal support, trainees had to be out of the labour force for three years (the 'three-year rule') or be at least one year older than the school leaving age in the province (the 'one-year rule'). See McFadyen, 76.

directly with industry and private schools, this authority was subject to the approval of the provinces, and agreement was reached that provincial institutions would be given preference. Furthermore, armed with their close ties with college administrators and their vast experience in managing training programs and institutions, they were soon able to position themselves between the colleges and the federal government as the sole 'brokers' of adult training.⁶⁶

The provinces wanted to ensure that the federal government would commit to a certain level of funding, allowing provincial training institutions to plan for capital and staff requirements. The federal government agreed, for the first year, to maintain funding at the level of the final year of the TVTA and to limit future reductions to a maximum of ten percent from one year to the next. The provinces also argued that the 'three-year rule' eligibility was arbitrary and too restrictive, and the federal government consented to reduce the time period to one year for training eligibility (but left it at three years for allowance eligibility).

The conflictual relations which developed between Ottawa and the provinces prompted the federal government to establish a multilateral forum for information sharing, known as the Canada Manpower Training Program committee. However, the committee soon became the battleground for the educationalist versus economist debate. The multilateral forum was soon replaced by **bilateral** federal/provincial committees through which the buying and selling of training was negotiated.⁶⁷

It was becoming clear to the federal government that the provinces were able to frustrate the objectives of the federal strategy and quickly found ways of exploiting the new federal initiative to

⁶⁶ Dupré, "Reflections on the Workability of Executive Federalism," 10.

⁶⁷ Because federal/provincial discussions occurred on a bilateral basis, the level of cooperation or conflict between the federal and provincial governments in the area of adult training varied greatly from province to province. At this point the historical experience in federal/provincial relations was turned on end. The province which now enjoyed the least conflictual relations with Ottawa became Québec, whose officials within its Department of Manpower and Immigration shared similar professional backgrounds with their federal counterparts. As such, Québec was not involved in the economist-educationalist debate with the federal government which hampered relations in other provinces. *Ibid.*, 11.

meet their own needs.⁶⁸ The new design soon began to resemble the shared-cost programs it was designed to replace without, however, the set of common values shared by officials which characterizes most shared-cost relationships. As Dupré observes:

In brief, what happened was that the provincial Departments of Education interposed themselves between the federal adult occupational training program and postsecondary institutions, and forced federal officials to deal with them as “exclusive brokers” of training courses. Provincial insistence on exclusive brokerage not only hobbled private sector trainers as potential competitors; it forced the formation of bilateral federal-provincial committees where the so-called purchase and sale of training became a negotiated, shared-cost planning process that made labor market needs subservient to provincial institutional and enrollment strategies. The federal economists, those would-be purchasers of training as a labor market adjustment tool, were trumped by the provincial educationalists.⁶⁹

However, the provinces were not alone in their resistance to the AOTA. As Kent comments:

In fairness to the provinces, it should be said that they had some encouragement. The federal officials with whom departments of education were accustomed to deal were those of the TVT branch. Most of them made no secret of the fact that the new policy was not of their making, that they violently disliked it, indeed — perhaps the most decisive point — that the structure of the new department made some of their positions redundant.⁷⁰

Despite the resistance from the provinces and the line staff within the federal bureaucracy, the creation of the Department of Manpower and Immigration and the introduction of the *Adult Occupational Training Act*, represented a quantum leap in the level of federal participation in the labour market and moved the government substantially closer to the Swedish model of active labour market policy. In fact, by 1974, Canada’s labour market policy was second only to Sweden’s in terms of its scope and impact on the labour market.⁷¹

⁶⁸ See McFadyen, 80-81.

⁶⁹ Dupré, “The Promise of Fiscal Federalism,” 251.

⁷⁰ Kent, *A Public Purpose*, 403.

⁷¹ Hunter, 196.

4.2 *Trudeau's 'Just Society'*

The election of Pierre Trudeau in 1968 signalled an era of change in Canadian society. The economy had recovered strongly from the recession of the early 1960s, and unemployment had dropped below 4 percent.⁷² The mood of Canadians was upbeat and Canada's strong economy fostered an increasing willingness to share the wealth more equitably with the poor. Pierre Trudeau had promised a 'Just Society' in his election campaign, and the federal government was intent on applying its active labour market measures to reduce income disparities.

The early 1970s were witness to significant improvements in the federal government's employment services, reflecting the government's equity and social service priorities of the day. Innovative ways of helping people find their own jobs were piloted through the Creative Job Search Techniques program. The labour-intensive process of client registration, assessment and referral was redesigned; services were extended to remote areas through the Outreach Program; Job Finding Clubs were introduced; counselling centres and units were established specifically for women and youths, and special diagnostic services were purchased for clients with severe employment problems.

4.2.1 *A Proliferation of Job Creation Programs*

As the 1970s unfolded, general levels of unemployment began to rise, and federal politicians began to look for ways in which they could be perceived as 'doing something' to fight unemployment. Job creation programs were attractive because they allowed the federal government to pursue activities relatively unencumbered by debates about constitutional jurisdiction.⁷³ They also

⁷² Ibid., 175.

⁷³ However, as Muszynski suggests, there were problems between the federal government and provincial and municipal governments over the impact of federal funding on other jurisdictions. Muszynski, 288.

provided a way for federal politicians to raise their public profile through direct payments and involvement in creating jobs at the community level. Furthermore, in the early 1970s, the Department of Manpower and Immigration was a relatively new and high-profile department which was expected to deliver against the high expectations associated with the government's active labour market policy; however, the department was given little in the form of concrete directions or legislation. As McFadyen observes, "In this context, the proliferation of job creation programs can be seen as a 'cash grab' by an expanding spending department that was experimenting with new ways to fulfil an uncertain mandate."⁷⁴

In the early 1970s, youth unemployment remained a concern, given that many of Canada's baby boomers were leaving school and entering the labour force, and during the summer of 1970, the federal government funded summer job centres (called, at the time Canada Manpower Centres for Students), hostels, youth exchanges, student mobility programs and language training. The federal government also introduced the Opportunities for Youth (OFY) job-creation program, which was a relatively modest summer job program for students, and reflected a prevalent attitude in society at the time, "OFY...was envisaged as a challenge to the dissident youth movement of the late 1960s and early 1970s; it was an effort to institute a 'participatory democracy' concept as espoused by the early Trudeau government."⁷⁵

OFY was the precursor to an array of succeeding youth-specific programs targeted to the non-profit and public sectors, including Young Canada Works, which in turn was amalgamated under the Summer Youth Employment Program (SYEP) in 1980s; and the Summer Job Corps. Summer Canada, an umbrella program which coordinated youth activities for the Department, was introduced in 1983.

⁷⁴ McFadyen, 89.

⁷⁵ Muszynski, 270.

The second major job creation program introduced during the early 1970s was the Local Initiatives Program (LIP), which was introduced as part of the federal government's Special Employment Plan in 1971.⁷⁶ LIP was targeted to finding jobs for the seasonally unemployed in labour-intensive community development projects. Critics of the LIP program noted that it had a tendency to create dependency on government funding, lacked accountability measures, was open to political interference, and benefitted the middle class.⁷⁷ Federal officials agreed that the program created dependency and were concerned that some government-sponsored trainees were dropping out of training because the LIP wages were higher than training allowances. In 1977, LIP was replaced by Canada Works, whose funding was allocated on a constituency basis and was popular with MPs in increasing their constituency profiles. However, this program was soon divided into the Canada Community Development Project and the Canada Community Services Project, and in 1982, the New Employment and Expansion Development (NEED) program was introduced to create jobs for those who had exhausted their UI benefits. NEED, in turn, was replaced by a different Canada Works program in 1983-84.

In 1972, the federal government also introduced the Local Employment Assistance Program (LEAP) to create jobs for the unemployed and those on social assistance. Unlike LIP and OFY which provided short-term funding to counter cyclical and seasonal unemployment, LEAP was

⁷⁶ Hunter, 203- 9. The Special Employment Plan authorized spending of almost half-a-billion dollars in seven programs, the last three of which were under the responsibility of the Department of Manpower and Immigration: (1) the Federal-Provincial Special Employment Loans Program (SELF); (2) the Federal Labour-Intensive Program (FLIP); (3) the Accelerated Loan Program (operated by the Central Mortgage and Housing Corporation); (4) the Agricultural Exhibitions Loan Program; (5) the Local Initiatives Program (LIP); (6) the Canada Manpower Training Program (CMTTP) — created to coordinate the Department of Manpower and Immigration's institutional training activities; and (7) the Canada Manpower Training-on-the-Job Program (CMTJP) — a revival of the Older Worker Employment and Training Incentive Program, which was later incorporated into the Canada Manpower Industrial Training Program.

⁷⁷ See Sandra Gwyn, "The Great Ottawa Grant Boom (And How it Grew)," *Saturday Night*, October 1972, 23, quoted in Hunter, 206.

designed to provide long-term job opportunities by providing three-year seed funding to local projects which could then become self-sufficient.

By 1981, LEAP — which was eventually incorporated in to the Jobs Corp program in 1983-84 — was joined by two other community development programs: the Canada Community Development Projects (CCDP) and the Local Employment Development Assistance (LEDA) program. In 1983/84, CCDP and LEDA were consolidated under the Local Employment and Development (LEAD) program. As McFadyen notes, “By this time, however, community economic development had almost become the exclusive domain of the Department of Regional Industrial Expansion (DRIE), and LEAD’s primary function was that of filling in funding gaps left by DRIE in smaller communities and for smaller projects.”⁷⁸

Many of the innovative job creation programs were targeted to helping workers and industry adjust to major layoffs and economic restructuring. In 1981-82, the federal government announced that it would use \$170 million from the UI fund (through Section 38 of the UI Act)⁷⁹ and \$50 million from the Economic and Regional Development Fund to finance job creation activities in various resource industries. Also at this time, the Industry Labour Adjustment Program (ILAP) was announced which provided \$350 million over three years to help communities, workers and industries adjust to industrial restructuring. The Canada Community Services Project (CCSP) supported job creation in the voluntary and community sectors, and the New Technology Employment Program (NTEP) created work for graduates in scientific and technical fields. The Canadian Industrial Renewal Board (CIRB) was established in 1981 to help modernize the textile

⁷⁸ McFadyen, 94.

⁷⁹ Since 1977, the UI program has had several functions added to its original mandate of providing income support to the unemployed. These additions — often referred to as UI Developmental Uses (UIDU) — include the use of UI funds to support work-sharing, training and job creation initiatives.

industry and assist adjustment in this sector, and Work-sharing, which was introduced in the late 1970s (but was found to be too expensive) was resurrected in the early 1980s.

Two other wage subsidy programs were introduced in 1981-82. The first, targeted to older workers, was called the Portable Wage Subsidy Program. The second, a special Program for the Employment Disadvantaged (PED), was established to find jobs for the mentally and physically handicapped. Another initiative, called the Employment Tax Credit Program, provided tax rebates to companies which hired new staff. However, the arrangement was cancelled in 1981 because evaluations showed that 63 percent of the hirings would have occurred without the program.⁸⁰

Many of these programs were simply repackaged and renamed versions of earlier programs, often reflecting a change in minister or senior official. As Hunter points out:

In the early 1980s, EIC was visited by a senior official of the U. K.'s Manpower Services Commission. In a briefing session on the history of job creation programs in Canada, the visitor looked more and more puzzled at the parade of programs with different names and acronyms but very similar content. Suddenly his face lit up and he said, 'Aren't you the clever people! You don't change the programs, you just change the names!'⁸¹

The programs were shuffled and renamed once again in 1983-84, and the department's job creation activities were consolidated into four major employment programs and one summer program:

1. **Canada Works** — which incorporated NEED and the UI/Job Creation Program with other earlier programs;
2. **Local Employment Assistance and Development (LEAD)** program — for areas with chronically high unemployment, incorporating LEDA, CCDP and other programs;

⁸⁰ Hunter, 247.

⁸¹ Ibid., 299.

3. **Career-Access** program — for the disabled and inexperienced worker, incorporating NTEP, PWS, CCSP and PED;
4. **Job Corps** — for the severely employment-disadvantaged, incorporating LEAP, and the Youth Job Corps component of CCDP; and
5. **Summer Canada** — which incorporated CECs for Students and other youth programming.

4.3. *A Shift in Economic Thought*

Just as Canada had developed a truly active labour market policy in the mid-1970s, the nation entered into a recession. Inflation was escalating, caused in part by OPEC price hikes and the influences of post-Vietnam inflation in the United States. By 1975, economists became increasingly convinced that the Keynesian approaches which had dominated the postwar era were contributing the inflationary spiral.⁸² What was to result would be a major shift in the dominant economic philosophy, away from traditional Keynesian techniques to more conservative approaches.

The Bank of Canada and the Economic Council of Canada became increasingly convinced that traditional Keynesian economic policies no longer worked and that government interventions (and the bureaucracies which administered them) had proliferated beyond reasonable limits. The federal government supported the Bank of Canada by introducing an Anti-Inflation Program, involving fiscal and monetary measures, government spending restraints and price and wage controls.

The burgeoning conservative ideology appeared to centre on an OECD report (the McCracken report) which expressed concern, among other things, about the growth in federal

⁸² Muszynski, 272.

spending.⁸³ The federal government responded with a new rash of spending cuts and a discussion paper which described a new approach to labour market policy. The paper, released at a First Ministers' Conference on the Economy in 1978, illustrated that:

The Federal Government's economic program announced by the Prime Minister on August 1 is based on the fundamental principle that an efficient and competitive private sector should play the main role in assuring Canada's economic growth... In terms of the labour market this principle means that governments should intervene specifically to act as catalysts in promoting self reliance. On the demand side, emphasis should be shifted to private sector employment development, helping industry employ Canadians, particularly young job seekers. On the supply side continuing attempts should be made to increase incentives to work and remove barriers to employment which could arise through a lack of appropriate skills.⁸⁴

4.3.1. *Creation of Employment and Immigration Canada*

The economic philosophy, which had turned towards a greater reliance on market forces and less on government intervention, shaped the decision to re-unite employment policy and unemployment insurance. Since 1964, the UI program — housed within the Department of Labour — had been completely separated from the Department of Employment and Immigration's employment programs and services. However, as UI expenditures escalated, resulting from major amendments to the UI Act in 1971, Conservative opposition within Parliament pressured the government to ensure the UI program was not being abused. Accordingly, the federal government announced that employment programs would be reunited with unemployment insurance to facilitate the detection and prevention of abuse of the UI program and to focus the employment services on the unemployed.⁸⁵

⁸³ Organization for Economic Co-operation and Development, *Towards Full Employment and Price Stability* (Paris: OECD, 1977), quoted in Muszynski, 273.

⁸⁴ Canada Employment and Immigration Commission, "Labour Market Policies," discussion paper presented at the First Ministers' Conference on the Economy, 27-29 November 1978 (photocopied) Document No. 800-9/009, 1, quoted in Muszynski, 273-4.

⁸⁵ Hunter indicates it was anticipated that the merger would benefit the employment programs as well as the UI program by redirecting UI funds into training or job creation, 237.

In August 1977, **Employment and Immigration Canada (EIC)** was created. Under the new arrangements, Canada Manpower Centres would be renamed Canada Employment Centres (CECs), and the number of regions was increased from five to ten — one for each province, with Alberta Region being responsible for the Northwest Territories and the B. C. Region taking responsibility for the Yukon.

The creation of EIC complicated the organizational structure considerably, which now consisted of:

1. **the Canada Employment and Immigration Commission (CEIC)** — which had responsibility for all of the active labour market programming and services, unemployment insurance and immigration policy. The CEIC was formally constructed as a tripartite body, comprised of the Chairman, who was also the Deputy Minister of the Department, and two commissioners, representing respectively business and labour. The Labour Market Development and Employment Services branch was created to coordinate EIC's active labour market activities and to oversee the CECs. There was also a separate branch for Immigration and three staff service branches: Systems and Procedures, Finance and Administration, and Personnel. As McFadyen points out:

CEIC was responsible for program operations as well as program development, planning and monitoring. The structure of the Commission provided it with a degree of independence from the minister. In the realm of ALMP [active labour market policy] this independence was enhanced because of the more political nature of immigration issues which generally required constant ministerial attention.⁸⁶

2. **the Department of Employment and Immigration** — which was made up of the Strategic Policy and Planning branch, the Public Affairs branch, and later the Youth Affairs branch.

⁸⁶ McFadyen, 182.

These branches were intended to provide a centralized intelligence and support function to the more decentralized CEIC.

In addition, efforts were made to improve the Department's labour market information and occupational forecasting. A Job Vacancy Survey was undertaken through what is now known as Statistics Canada to provide current information on job vacancies across Canada. This survey was discontinued ostensibly because the data was of questionable quality, but it was also true that the results were often used by critics to attack the government. Work also began to develop a National Occupational Classification (NOC) system.

The Department also introduced an Occupational Shortages Survey to determine the specific location, duration and nature of labour shortages and developed two forecasting tools: the Canadian Occupational Forecasting Program (COFOR) and the Forward Occupational Imbalance Listing (FOIL). In 1981, COFOR and FOIL were the basis for the Canadian Occupational Projection System (COPS).

With the pressures of federal cuts, attempts were made to make EIC operations more efficient through the use of computer technology. Although early attempts to introduce an ambitious Automated Client Information System failed, the Department achieved some success in introducing an on-line computerized Metropolitan Order Processing System (MOPS) and an interactive, computerized information and career planning system, called the Computerized Heuristic Occupational Information and Career Exploration System (CHOICES). In 1980 an on-line computerized inventory of jobs, called the National Job Bank, was officially opened.

By the early 1980s, the new conservative philosophy in labour market economics had been firmly embraced by senior officials, and a Revitalization of the Employment Service project was introduced to explore how automation and expanded self-service arrangements could further

improve client service and increase efficiency. The line staff of EIC reacted to the initiative with a great deal of scepticism. They argued that they were already criticized for not providing enough service, and increases in self-service options would only exacerbate the poor perceptions that employers and workers already had of the CECs. They also were sceptical about how quickly and effectively increased computerization was to resolve their immediate problems. There was a general perception among the staff that, with increasing demands and frozen or reduced staff resources, existing expectations of the employment service had already outstripped its ability to deliver.

The Revitalization exercise led to some changes within EIC. First, despite the concerns of the staff, the decision was made to automate the labour exchange function as much as possible and to introduce more self-service techniques. Furthermore, the service would no longer attempt to undertake activities that were capable of being provided by the private sector (e.g., by corporate personnel offices or private 'head hunting' firms). Instead, resources would be focussed on activities appropriate to the needs of the region, and local CECs were to be provided with more planning and decision-making authority to determine and respond to those needs.

4.3.2. The Dodge and Allmand Reports

By the last half of 1981 the Canadian economy was entering what would be the worst recession since the Depression and, by 1983, unemployment reached a postwar record level (at that time) of 11.9 percent.⁸⁷ In the five short years between 1979-80 and 1984-85, the federal deficit tripled (from \$11.6 billion to \$37 billion) and the national debt grew from \$113 billion to \$250 billion.⁸⁸ Public concerns about the federal deficit and national debt returned to the political fore for the first time since the war.

⁸⁷ Hunter, 264.

⁸⁸ Ibid.

With the onset of the recession and high unemployment of the early 1980s, the federal government announced that it would set up two task forces to examine federal labour market policies. The first was the Task Force on Labour Market Development, led by David Dodge and consisting of seconded departmental staff. Most of the research going into the study was done 'in-house' and represented the views of the bureaucracy, not of the government. The 'Dodge Report'⁸⁹ was released in July 1981.

The second study, with the specific mandate to examine how Canada could meet critical skill needs in the 1980s, was undertaken by the Parliamentary Task Force on Employment Opportunities for the 80s, chaired by the Honourable Warren Allmand. The Allmand Committee was comprised of Members of Parliament from the three main political parties of the day. The Committee held extensive consultations with the provinces and the Canadian public and examined the labour market experiences of other countries. Its report was issued in March 1981.⁹⁰

The Dodge Report offered a new view of labour market policy, one which echoed the new conservative ideology. It suggested that the traditional measures were no longer effective in reducing unemployment and, instead, argued that labour **supply** factors — caused primarily by the increased labour force participation of women and youth — were the cause of high unemployment. This argument was open to political criticism, since many women's groups suggested that it reinforced gender biases in the labour market. Further, social welfare groups criticized the approach, because, in their view, "any effort to justify high rates of youth unemployment flies in the face of the evident

⁸⁹ Employment and Immigration Canada, *Labour Market Development in the 1980s*, Report of the Task Force on Labour Market Development (Ottawa, July 1981).

⁹⁰ Canada, House of Commons, *Work for Tomorrow: Employment Opportunities for the '80s*, (Ottawa, Supply and Services Canada, 1981).

social problems of youth alienation, crime, suicide and poor health, which are linked to an ailing economy.”⁹¹

There were dangers, therefore, in a politician’s supporting this position openly, and this may have been part of the reason that the MPs on the Allmand Committee chose to take a strong opposing view to that of the Dodge Committee. The Allmand Report criticized the Dodge Committee’s work, stating that, although it might represent the new ideology among labour market economists, it did not reflect the views of the Canadian citizenry. However, it was the Dodge Report, prepared by public servants, and not the work of the parliamentary task team, that had the most influence on Canada’s labour market policy.

4.3.3. The Impact on Training

The Dodge Report suggested that existing funding for training was adequate and that the impact of training may have been overly exaggerated during the 1970s, since other interventions had often been shown to produce better results. It emphasized the need for high-level critical skills training and recommended a significant shift in the way training dollars were allocated, transferring funds currently used for basic skills training into high-level technical training at colleges.

In EIC’s view (as reflected in the Dodge Report), expenditures under the AOTA had become too oriented towards basic skill development — considered the responsibility of the provinces — and youths, which was precisely the cohort the federal government was intent on not servicing under the act.⁹² As Muszynski contends:

⁹¹ Muszynski, 276.

⁹² From 1970 to 1980, the percentage of youth trainees in AOTA programs increased from about 40 per cent of all participants to over 50 per cent. McFadyen, 81. Also see Employment and Immigration, *Labour Market Development in the 1980s*, 229.

Evaluations of the federal skill training program had consistently revealed that federal training dollars were being used primarily in upgrading the basic skills of those with minimal or no job skills, and that funds continued to be disproportionately allocated to areas of high unemployment. While this situation had in the past been tolerated for reasons of equity, the prevailing economic climate could, from the federal point of view, no longer afford the use of scarce training dollars for purpose that did not contribute directly to economic growth.⁹³

In contrast to the Dodge Report's recommended, the Allmand Report suggested that **more** funds be allocated for training purposes and recommended an **expansion** of basic skills training in an effort to eliminate functional illiteracy and suggested an increase in training allowances.

Ultimately, however, it was the Dodge Report which had the greatest impact on the federal government's training policy. Federal-provincial agreements were scheduled to expire, and the way was paved for the introduction of the *National Training Act* (NTA) in 1982. The NTA intended to make training more responsive to the needs of the labour market and to shift training priorities from basic and low-level skills training to critical, high-end training.

Under the NTA, the CMTP and the CMITP were replaced by the National Training Program (NTP), which retained the two basic categories of training — institutional and industrial training — but which added a third category, the Skills Growth Fund. This was the first major capital grants program since the TVTA, but, unlike the TVTA, the Skills Growth Fund was designed to allow institutions and industry to update their capital equipment and facilities for training in areas in which **skills shortages** existed.

However, some saw the Skills Growth Fund as:

...a return to the philosophy of the *Technical and Vocational Training Act* of the early 1960s. The federal government would try, through a shared-cost program, to encourage the provinces to give priority to the kinds of training facilities required to meet future skill shortages.⁹⁴

⁹³ Muszynski, 274.

⁹⁴ Hunter, 296.

The program was soon cancelled due to the federal government's growing concern that little of the funding was actually being spent on high-skills training priorities.

The other innovation of the NTA was the introduction of targeted training under the Critical Trade Skills Training (CTST) program in **national demand occupations** — those occupations which were experiencing (or would likely experience) skill shortages. Under the NTA, federal government would, in consultation with the provinces, identify areas of skill shortages and target national occupations for training support.

The NTA was effective in shifting expenditures from institutional training to industrial training (see table 3). Between 1974-75 and 1980-81, the industrial training share of expenditures increased from 9.3 percent to 14.7 percent. Although the 1981 recession reduced the share reflecting the reduced number of firms training, the percentage grew once economic conditions began to improve. The proportional reduction in the share of institutional training represented a loss of funding revenues going to provincial institutions. The impact on some provinces was greater than for others. Unlike most provinces which were hit hard by the recession, Ontario's demand for high-skilled labour remained relatively high. As a result, Ontario was better able to take advantage of the CTST component of the NTA.⁹⁵

The NTA provided more stable funding arrangements than under the AOTA through the establishment of three-year agreements with the provinces with minimum purchase guarantees for institutional training. Provinces maintained the authority to approve federal purchases of training, and as such, they could continue to influence how federal priorities were implemented. In fact, basic skills training still accounted for about one-fifth of federal training purchases, even in 1985.⁹⁶

⁹⁵ See McFadyen, 84-5.

⁹⁶ Canada. A Study Team Report to the Task Force on Program Review, *Service to the Public, Job Creation, Training and Employment Services* (Ottawa, Supply and Services Canada, 1986), 21.

Table 3 Industrial/Institutional Balance of Federal Training Expenditures.		
Fiscal Year	Institutional	Industrial
1973-74	94.9%	5.1%
1974-75	90.7%	9.3%
1975-76	90.0%	10.0%
1976-77	89.1%	10.9%
1977-78	86.5%	13.5%
1978-79	86.7%	13.3%
1979-80	84.9%	15.1%
1980-81	85.2%	14.7%
Source: EIC and CEIC Annual Reports as presented in McBride, <i>Not Working</i> , p. 126.		

4.4 Ideas, Interests and Institutions in the Liberal Years

The Liberal Years reflected a transformative change in the federal government's involvement in active labour market development. Nominal spending on job creation and training increased fifty-two fold from \$48.6 million in 1965-66 to over \$2.5 billion in 1984-85.⁹⁷ It is clear that there were many factors influencing federal involvement in this area. This section examines those factors in two parts. It is shown that during the first decade of the Liberal administration (i.e., the mid-1960s to the mid-1970s), 'ideas' (i.e., economic paradigm, political ideology, and political considerations) were the catalyst of federal actions. Interests played only a minor, indirect role, but institutions such as federalism and bureaucracies, were somewhat effective in frustrating federal intentions. During the second half of the Liberal Years, one sees a split in ideas between the Liberal political tenets and the emergence of monetarism as the dominant economic paradigm.

⁹⁷ Meltz, 287 (for 1965-66 values) and McBride, *Not Working*, 126 (for 1984-85 expenditures).

4.4.1 *The First Decade*

A. Ideas

1. **Economic Paradigm** — Perhaps one of the most influential factors in the federal government's involvement in active labour market policy was the growing acceptance of the post-Keynesian economic paradigm during the 1960s. In this perspective, active labour market policy is seen as a fundamental means by which full employment could be achieved without stimulating inflationary effects. The creation of a dedicated federal department to develop a Swedish-style active labour market policy and the direct purchase of training by the federal government were evidence of Ottawa's acceptance of the post-Keynesian paradigm.

2. **Political Ideology** — The Liberal ideology as expressed through Trudeau's vision of a 'Just Society' complemented this perspective well, echoing its support for economic growth while promoting social equity. The government's commitment to equity concerns was evident in the targeting of employment services and many job creation programs to the employment disadvantaged.

3. **Electoral Considerations** — The Liberal government's interest in political visibility was a significant factor in its decision to expand its role in labour force training under the AOTA. It was apparent that the federal government was no longer content with the shared cost arrangements which placed it in the position of an invisible financier, with the provinces receiving most, if not all, of the credit for the initiatives.⁹⁸ Furthermore, job creation programming became an attractive option for the Liberal government who wished to appear to be doing something about youth unemployment, to ensure their political survival.

⁹⁸

Meltz, 294.

B. Interests

Accepting the assumption that the labour market operates as a 'market,' then the primary interests in active labour market policy, outside of the state, are employers and employees — the 'buyers' and 'sellers' of labour in the marketplace. Therefore, it is these groups which have the most interest in influencing federal activity in this policy area.

It has generally been accepted that weakly associated and poorly coordinated interest groups are better suited to assume a simple advocacy role in areas of narrow interest. The more highly developed the interest groups are, the more capable they are to assume a participatory role in policy making. It is also true that the more these groups become involved in policy making, the greater the chances are of their becoming even more highly developed.⁹⁹

Several studies have shown that business groups in Canada lack the organizational capacity to speak to major policy issues with one voice, especially when those issues cross industry lines.¹⁰⁰ In addition, Canada's business sector has a relatively poor record in training and has largely relinquished responsibility for training to government.¹⁰¹ Similarly, the Canadian labour movement has been described as being divided and highly decentralized.

Human resource development in Canada has generally been labelled ineffective, largely because of the often adversarial labour relations climate.¹⁰² Porter summarizes the Canadian situation as follows:

⁹⁹ McFadyen, 31.

¹⁰⁰ See, for example, James Gillies, *Where Business Fails: Business-Government Relations at the Federal Level in Canada* (Montreal: Institute for Research on Public Policy, 1981), quoted in McFadyen, 228.

¹⁰¹ See, for example, Canadian Labour Market and Productivity Centre, *1991 National Training Survey*, (Ottawa: CLMPC, February 1993).

¹⁰² Michael E. Porter, *Canada at the Crossroads. The Reality of a New Competitive Environment*, a study prepared for the Business Council on National Issues and the Government of Canada, (Ottawa: October 1991), 50.

Canada's wealth has allowed Canadian firms, labour and governments to all achieve their respective goals without major change or sacrifice. This wealth provided little incentive for labour, management and government to work together to improve national competitiveness. The motivations of different constituencies have often focused on capturing a larger share of existing wealth rather than working together to increase it. Significant chasms now exist between the three constituencies and within government itself. The relationship between labour and management has often been confrontational. At the same time, management has seldom treated labour as partners. Labour and government have also not worked well together, with labour often taking on an adversarial role with respect to many aspects of economic policy, while governments' relations with their own work force have also sometimes been strained.¹⁰³

Because of the adversarial nature of Canadian labour relations and the relatively weak organizational structures of these interests, business and labour have been largely ineffective in influencing federal active labour market policy. As McFadyen has shown, the lack of organizational structure of the various societal interest groups meant that the development of federal strategies have been led by Ottawa and the provinces by default.¹⁰⁴

As such, the Liberals found little formal resistance to their plans from business and labour interests. In fact, the federal government's initiatives to create a fully developed active labour market strategy may have enjoyed tacit support from both business and labour since it balanced economic growth objectives with full employment goals — thereby potentially satisfying concerns on both sides of this adversarial relationship.

C. Institutions

1. **Federalism** — If the federal government did not find much resistance to its initiatives from the private sector, it certainly did from the provinces. Following the announcement of the federal government's plans to expand its role in training, the provinces condemned what was perceived as

¹⁰³ Ibid., 64.

¹⁰⁴ McFadyen, 265.

federal intrusion into an area of provincial jurisdiction. Their persistent and loud protests forced Ottawa to make changes to its plans and allowed the provinces to maintain a significant level of influence over federal actions under the AOTA.

The fact that the provinces had less of a jurisdictional claim in the area of job creation may have also contributed to Ottawa's choice in exploiting this policy instrument. As McFadyen points out, much of the federal job creation programming was limited to summer job schemes, and:

The fact that EIC only deemed summer job creation programs for youth (when students are not in provincially run schools) as within its realm of responsibility is further evidence of the reticence on the part of the federal government to engage in anything that may be construed as an infringement on the provinces' authority over education.¹⁰⁵

2. **Bureaucracy** — It is also true that the federal government's own bureaucracy did, at times, frustrate its attempts to create a fully developed active labour market policy. The transitional problems faced by line staff when the employment programs and services were separated from the UI program is a case in point. Additional resistance was evident when the 'educationalists' within the TVT branch of the federal government supported the provinces in their protests against the AOTA.

4.4.2 *The Second Decade*

A. Ideas

1. **Economic Paradigm** — The shift in economic paradigm towards a more market-oriented, monetarist approach clearly began to influence government policies beginning in the mid-1970s. The introduction of the Anti-Inflation program and a succession of federal spending cuts in the late 1970s did not spare active labour market programming. Training programs under the NTA were re-focused to increase the level of industrial training and to make federally sponsored training more responsive to the needs of industry where skill shortages existed. Job creation resources were shifted from

¹⁰⁵ Ibid., 91.

direct, short-term, community-based projects to job creation in the private sector, with an increased emphasis on wage-subsidy programs and employment tax credits.¹⁰⁶ Employment services were 'revitalized' to make them more efficient and focussed by introducing more self-service job-finding techniques. The emphasis of the new conservative economic ideology was less government and a more private sector focus in active labour market policy.

2. **Political Ideology** — Although the Liberal government showed signs of moving federal programming towards a market-oriented focus, it was apparent that the Liberal political ideology prevented the government from embracing this new philosophy in its entirety. For example, despite the government's acceptance of a shift in focus towards industrial training under the NTA, the Liberals continued to target training funding to selected priority groups: women, Natives, and the physically disabled, and special considerations were given to the severely employment disadvantaged. Furthermore, the Liberals continued to funnel funds into job creation activities, despite criticisms of these programs by monetarists and conservative forces. As such, nominal job creation expenditures actually surpassed those in training by 1983-84 (see table 4 and figure 1).

3. **Electoral Considerations** — Because job creation programs were concerned primarily with stabilizing cyclical or seasonal unemployment, many of the interventions were ad hoc and temporary. As a result, they were often viewed as uncoordinated and duplicative. The public often referred to them as wasteful 'make-work' schemes which represented pork-barrel politics. As McFadyen argues, there was some evidence to support this view, given that expenditures on job creation rose substantially in 1979-80 and 1984-85 — both of which were election years — and fell shortly

¹⁰⁶

Muszynski, 289.

afterwards. However, McFadyen proceeds to state that there were also substantial increases in **non-election** years, primarily resulting from cyclical downturns in the economy.¹⁰⁷

Despite the increase in nominal allocations for job creation under the Liberals, in **constant** dollar terms, job creation expenditures remained relatively stable until 1983-84. Even after the major increase in expenditures in 1983-84 — when unemployment was at 11 percent — expenditures were only slightly higher, in constant dollar terms, than they were in 1971-72 when unemployment was only 6.2 percent. This would suggest that job creation activities may have represented the desire of federal MPs to increase their constituency profiles more than a fundamental belief in full employment as an objective.

B. Interests

Although it is true that business and labour have had a limited formal impact on active labour market policy, it should not be assumed that business or labour interests have no political leverage, nor should it be assumed that the influencing capabilities of business and labour are equal. For example, business was vociferous in its attack of the job creation and training programs of the Liberal government. On the other hand, the successive recessions since the early 1970s have reduced the bargaining strength of labour, which in turn has shifted the balance of political influence towards business and away from labour.

This trend is especially significant in the context of a 21-nation study undertaken by Schmidt which found that, “A strong socialist milieu, whether measured in terms of average left-wing vote or the presence of a strong dominant part of the left within the political system, exerts a strong pressure

¹⁰⁷ McFadyen, 99.

on government to practice active labour market policies.¹⁰⁸ There appears to be support for this conclusion in the Canadian context because the decline in the relative strength of the NDP in the federal government during this period appears to correspond to growth in acceptance of the monetarist paradigm.

Fiscal Year	Unemployment	Training		Job Creation		Total	
		Nominal	Constant 1971	Nominal	Constant 1971	Nominal	Constant 1971
1971-72	6.2	\$328.4	\$328.4	\$205.9	\$205.9	\$534.3	\$534.3
1972-73	6.2	\$343.5	\$323.1	\$223.5	\$210.3	\$567.0	\$533.4
1973-74	5.5	\$363.2	\$312.8	\$111.2	\$95.8	\$474.4	\$408.6
1974-75	5.3	\$401.2	\$311.7	\$120.3	\$93.5	\$521.5	\$405.2
1975-76	6.9	\$506.6	\$360.8	\$176.1	\$125.5	\$682.7	\$486.3
1976-77	7.1	\$547.7	\$362.7	\$200.1	\$132.3	\$747.8	\$495.0
1977-78	8.1	\$572.2	\$348.9	\$282.6	\$172.2	\$854.8	\$521.1
1978-79	8.3	\$637.3	\$356.0	\$356.8	\$199.6	\$994.1	\$555.6
1979-80	7.4	\$532.2	\$271.5	\$382.4	\$194.4	\$914.6	\$465.9
1980-81	7.5	\$770.0	\$352.2	\$365.2	\$166.8	\$1,135.2	\$519.0
1981-82	7.5	\$803.1	\$329.4	\$356.4	\$146.1	\$1,159.5	\$475.5
1982-83	11.0	\$925.9	\$350.6	\$410.7	\$155.6	\$1,336.6	\$506.2
1983-84	11.9	\$1,021.3	\$366.1	\$1,054.8	\$378.1	\$2,076.1	\$744.2
1984-85	11.3	\$1,089.8	\$363.7	\$1,325.1	\$441.7	\$2,514.9	\$805.4

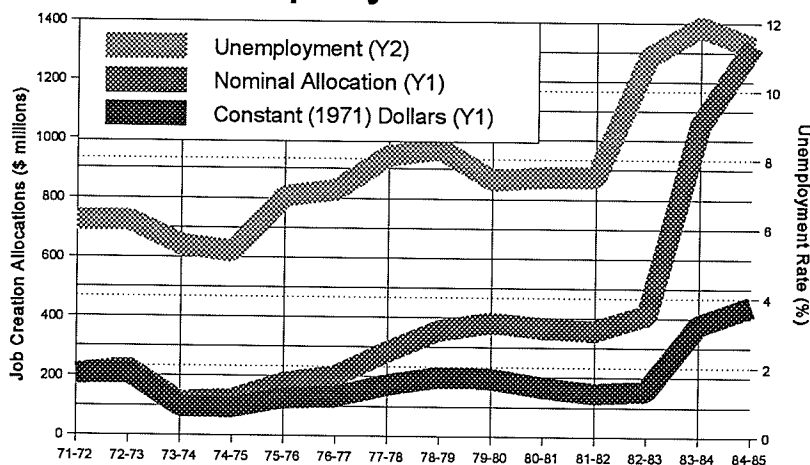
Source: Stephen McBride, *Not Working: State, Unemployment, and Neo-Conservatism in Canada*, (Toronto: University of Toronto Press, 1992), 126

108

Manfred G. Schmidt, "The Role of the Parties in Shaping Macroeconomic Policy," in *The Impact of Parties: Politics and Policies in Democratic Capitalist States*, ed., Francis G. Castles (Beverly Hills: Sage Publications, 1982), 133, quoted in Muszynski, 298.

Figure 1

Job Creation & Unemployment Rates



(Source: Table 4)

C. Institutions

1. **Federalism** — As in the first decade of the Liberal administration, the provinces frustrated federal intentions for training. They managed to maintain a role in approving federal purchases and, for the most part, preserved expenditures in traditional areas of support. Although they did lose some ground in the shift from institutional to industrial training, about 85 percent of federal funding was still channelled to provincial institutions.

2. **Bureaucracy** — Furthermore, the line staff in the federal bureaucracy resisted some of the changes to federal programming, as evidenced by their protestations against the automation of employment services. However, despite the resistance from line staff, it was federal policy staff —

largely economists who supported the dominant economic paradigm — who were the primary vehicles of policy change during this period. As this chapter showed, it was the views of the policy bureaucracy, as represented in the Dodge Report, which shaped many of the changes in federal activities.

4.4.3 Conclusions

Clearly, during the first half of the Liberal administration, ideas in the form of Liberal ideology, the dominant economic paradigm of post-Keynesianism, and electoral considerations were the main driving forces behind the federal government's move to create an active labour market policy. Although interests did not play a major role in the determination of federal policy, institutions such as federalism and bureaucracies resisted federal initiatives.

In the second half of the Liberal Years, a clash of ideas was evident. While it is clear that the monetarist economic paradigm began to influence federal active labour market policy, the political ideology of the Liberal government did not support the full expression of this more conservative approach. Furthermore, although interests still did not have a formal role in policy development in this area, it was clear that business concerns were beginning to dominate economic thought. The institution of federalism continued to provide opportunities to frustrate federal intentions, and it is clear that the new conservative paradigm was actively supported by the federal policy bureaucracy.

Despite the continued resistance from the provinces and the shift in economic thinking towards less government involvement promoted by the economists in the federal bureaucracy, federal expenditures increased by over 5,000 percent during the period in which the Liberals were in power. As such, one could argue that political ideology was the dominant determinant of federal involvement in active labour market development during the Liberal Years.

CHAPTER 5

THE CONSERVATIVE YEARS

This chapter outlines the active labour market policies of the Conservative government under the leadership of Brian Mulroney. It will be shown that, under the Tory government's political ideology, the dominant economic paradigm stressing market forces and reduced federal involvement in many areas of public policy became fully expressed. It will also be revealed that societal interests began to take on a more formalized role in the policy network, reflecting the government's desire to increase private sector involvement, thereby permitting reduced federal support. Finally, it will be shown that institutions — especially federalism and constitutional processes — had a significant role to play in federal strategies. During the first half of the Conservative administration, the provinces united against federal intentions to 'privatize' labour market training; however, their solidarity dissolved during the Tories' second term of office. In fact, demands for greater autonomy in training by some provinces during constitutional discussions supported the federal government in its desire to reduce its role in active labour market policy.

5.1. *The Canadian Jobs Strategy (1985)*

The Progressive Conservatives under Brian Mulroney came to power in September 1984, largely on the election platform of "jobs, jobs, jobs" stemming out of the legacy of the recession of the early 1980s and the structural changes occurring in the Canadian economy. It was necessary,

therefore, for the Tories to be seen as having a commitment to active labour market policy. However, there was significant scepticism that the current system could pass muster. The credibility of training had been damaged because there were often few jobs available for those who were trained, since much of the training occurred in sectors which already had labour surpluses.¹⁰⁹ The public was also concerned about the proliferation of job creation programs, replete with their often pithy acronyms, since they were largely created as a result of ad hoc (and often politically motivated) responses to volatile economic conditions and did not represent a coherent, comprehensive labour market strategy. Many felt that the programs overlapped each other or left gaps in service. The sheer numbers and varieties of interventions were confusing not only to the public but to EIC staff as well.

Armed with this widespread criticism of the existing system, the newly elected Conservative government embarked on an immediate plan to redesign completely the federal labour market policy.¹¹⁰ In November 1984, the Speech from the Throne identified the government's intention to develop a new labour market strategy that would be "cost effective and oriented to the private sector."¹¹¹ In that same month, Michael Wilson's economic statement identified two of the Mulroney government's basic principles in this regard. First, policy would be developed in "cooperation and consultation with the government's economic, political and social partners," and, second, policy would reflect a basic "reliance on the capabilities of the private sector to create job opportunities."¹¹²

Upon assuming office, the new minister of Employment and Immigration Canada, Flora MacDonald, was eager to put her stamp on the active labour market programs and services.

¹⁰⁹ Canada, *Service to the Public*, 17.

¹¹⁰ Hunter, 332.

¹¹¹ Canada, House of Commons, *Debates*, 1st Session, 33d Parliament, Vol. 1, 1984, Speech from the Throne, 5 November 1984, 6, quoted in McFadyen, 149.

¹¹² McFadyen, 150.

However, although dependent upon the public servants in EIC to provide the technical expertise to craft a new strategy, she and her political staff were somewhat suspicious of the bureaucrats in office — many of whom were hired during the Liberal administration.

A decision was made to strike a steering committee to develop the new strategy, comprised of officials from the Labour Market Development Branch within CEIC and representatives from the Public Affairs and Strategic Policy and Planning (SPP) branches of the Department as well as political staff from the Minister's office. The SPP representatives were economists who had embraced the new conservative philosophy which had come to dominate labour market economics in the early 1980s. They had developed a predominantly critical stance with regard to the government's existing active labour market policies, resulting in part from their experiences as evaluators of these programs. And, because it was their job to analyse and plan programs, they were at an advantage over their other committee colleagues in contributing to a new vision for active labour market policy. As a consequence, their views effectively dominated committee discussions, and SPP senior officials eventually took the lead on 'selling' the new policy to the minister.¹¹³

MacDonald was extremely open to the ideas emerging from SPP, despite her initial distrust of the bureaucracy. She wanted change, and here she had bureaucrats admitting that change was required. Furthermore, the ideas of the SPP branch were complementary to the ideology of the government and were politically appealing. Given that Mulroney had provided line ministers with considerably greater discretion over their own budgets than had existed under Trudeau, MacDonald was essentially free to implement the strategy without major obstacles from the federal Cabinet.

¹¹³ As McFadyen points out, the 'chief pen' of the CJS was Peter Hicks of the SPP branch who was an economist by training. His assistant deputy minister, Barry Carin, took on the responsibility of selling the strategy to Flora McDonald, assisted by his deputy minister, Gaétan Lussier, who had been the Chairman/Deputy Minister for nearly three years — an anomaly in the federal system which normally sees deputy ministers change their departments within one-and-a-half years, on average. McFadyen, 187 and Hunter, 327.

The only real opposition to the SPP plan was expected to originate from the CEIC, which operated the programs to be redesigned. However, several factors mitigated their opposition. First, the Labour Market Development branch staff of CEIC felt confident that, given the minister wanted quick reforms, any changes to 'their' programs would be minor and incremental in nature. Furthermore, some of the CEIC staff had not agreed with the modifications under the NTA, and others were unhappy with the lack of stability of some of the job creation programs (and consequently their own job security). They saw the current review as an opportunity to effect changes which would further their interests.¹¹⁴ Consequently, discontent within the CEIC contributed in part to the acceptance of the SPP plan without much of the anticipated resistance.

Reflecting the new government's commitment to approach policy development through open consultation,¹¹⁵ it was decided that a discussion paper on the government's intentions would be prepared to solicit input from the private sector. The *Consultation Paper on Training* was quickly developed,¹¹⁶ and EIC proceeded to meet with business, labour and other groups.¹¹⁷ However, due to the short time frames involved and the lack of consensus among or within the various societal groups, none was able to influence the federal proposal. As McFadyen has noted, business viewed the federal active labour market programs as being socially — not economically — oriented and, therefore, felt them not to be relevant to its interests. Labour was concerned that the proposals were

¹¹⁴ Louise Bourguault, Director General, Innovations, Canadian Jobs Strategy, CEIC, interview by Craig McFadyen, 29 March 1990, quoted in McFadyen, 192.

¹¹⁵ Michael J. Prince and James J. Rice, "the Canadian Jobs Strategy: Supply Side Social Policy," in *How Ottawa Spends, 1989-90: The Buck Stops Where?* ed., Katherine A. Graham (Ottawa: Carleton University Press, 1989), 249.

¹¹⁶ Peter Hicks recalls that this document was prepared over the course of a weekend. Peter Hicks, 28 March 1990, quoted in McFadyen, 193.

¹¹⁷ Employment and Immigration Canada, *Consultation Paper: Training*, (Ottawa: Supply and Services Canada, December 1984).

not tied to a full employment goal but did not actively oppose the federal proposals, and training providers at the time lacked the organizational capacity to play a meaningful role.¹¹⁸

Therefore, despite the Mulroney government's commitment to increase the involvement of the private sector in policy development, the lack of interest and/or organizational strength of societal interests meant that discussions regarding the new federal strategy would be state-led by default. As such, MacDonald proceeded to present the concept of the new strategy to the provinces at a First Ministers' Conference in Regina in February 1985. The federal government's intention was to develop a consensus around the broad principles of the strategy and, in an unusual show of cooperation, all jurisdictions unanimously agreed to the following principles:

- training and job creation must be economic in orientation with emphasis on small business and the support of entrepreneurship;
- programming must be innovative, flexible and responsive to regional and local labour market needs;
- the responsibility for training and employment development must be shared between governments and the private sector;
- there must be a commitment to equality of access to training and employment development programs; and
- programs must be simple, understandable and avoid wasteful duplication.¹¹⁹

Soon afterward, the Nielsen Task Force report¹²⁰ was released, which — as it admitted — took special care to ensure that its recommendations were compatible with the government's direction. The report proposed that the private sector have more involvement in the design and selection of federal training courses and that employment and training programs be made more flexible and be integrated into private sector-directed, longer-term job creation activities. The Task Force also recommended that federal programs be targeted at the employment disadvantaged.

¹¹⁸ See McFadyen, 226-310.

¹¹⁹ Canada, *Employment Opportunities: Preparing Canadians for a Better Future*, paper tabled at the First Ministers' Conference on the Economy (Regina: 14-15 February 1985), quoted in McFadyen, 150-1.

¹²⁰ Canada, *Service to the Public*.

On June 28, 1985, the federal government announced the Canadian Jobs Strategy (CJS). In releasing the strategy, the Conservatives outlined the failures of the previous programs in coordinating the efforts of the provinces and the private sector and criticized them for being inflexible and overly complex.¹²¹ Rather than focussing, as the Liberals had done, on demand-side, job-creation activities, the Conservative government would adopt a **supply-side** approach to labour market policy.¹²² As such, it was the federal government's intention to combine practical work experience and on-the-job (industrial) training with the more theoretical and basic skills training which occurred at the provincial institutions. This required the integration of industrial and institutional training and the amalgamation of wages subsidies, allowances and grants.

Prior to the introduction of the CJS, separate funding allocations were made for **institutional** (mostly community college) and **industrial** training, the latter of which was almost exclusively targeted to apprenticeship training (of which the in-class portion was also delivered at the colleges). Under the CJS, however, training funds would be allocated either through **direct purchases** from the colleges, or through **indirect purchases** by 'third parties' — normally businesses or community agencies — on behalf of the federal government. Indirect purchases could be made at either public institutions or through private trainers.

Some have described this change as a key feature of the new strategy and as a move towards the privatization of training because attention was shifted away from public trainers to private sector 'intermediaries.'¹²³ The underlying philosophy of EIC and the Mulroney government was that the private sector knew best which kind of training was needed; therefore, it was necessary to provide

¹²¹ Employment and Immigration Canada, *Canadian Jobs Strategy* (Ottawa: Supply and Services Canada, 1985), 3.

¹²² Prince and Rice, 248.

¹²³ Leon Muszynski and David A. Wolfe, "New Technology and Training: Lessons from Abroad," *Canadian Public Policy*, 15,3 (September 1989):259.

more funds for training directly to employers and to allow the market to define training needs. This shift in focus led Prince and Rice to conclude that the CJS was “a good example of the Mulroney agenda and the Canadian neo-conservatism in action.”¹²⁴

In response to the Nielsen Task Force recommendation that EIC programs and services should be focussed on the most employment disadvantaged, the CJS program was founded on the principle that “what works best” should be provided to those “most in need.”¹²⁵ As Hunter contends:

The notion of ‘most in need’ recognized that there would never be enough money to do everything worth doing. It meant that EIC would try to direct aid to workers with the most severe employment problems, areas with highest unemployment or industrial sectors with the worst skill shortages...This approach of helping the most in need with what works best is of course consistent with an economic philosophy which respects ‘market forces.’ The state will try to restrict its interventions to extreme cases in which the market, given a chance to operate, doesn’t seem able to resolve the problems encountered by workers or employers.¹²⁶

The Canadian Jobs Strategy was comprised of four key programs: Job Development, Job Entry, Skill Shortages and Community Futures (which did not start operating until 1986-87). Two other smaller programs — Skill Investment and Innovations — completed the package.

Job Development was directed at the long-term unemployed and offered a combination of training and work experience under three options. The first component — Individually Subsidized Jobs — involved providing wage subsidizes to employers who hired long-term, employment-disadvantaged individuals. The General Projects option extended the level of subsidy for employers who hired groups of long-term unemployed persons. The final component involved providing basic job preparation, skills training and work experience for the severely employment disadvantaged. In

¹²⁴ Prince and Rice, 255

¹²⁵ The ‘most in need’ were defined as the long-term unemployed, women re-entrants, youth, displaced workers, employers suffering from skill shortages, and communities threatened with massive lay-offs or experiencing chronic unemployment. Specific participation targets were set for women, Natives (on- and off-reserve), disabled persons and visible minorities.

¹²⁶ Hunter, 342.

order to be considered 'long-term unemployed,' a person had to be out of work for 24 of the last 30 weeks. This criterion was severely criticized for being inflexible and for forcing people stay unemployed for the full 24 weeks, even though the CEC counsellor may have recognized early on that it would be difficult for the individual to find a job.¹²⁷

Job Entry had four options which combined training and on-the-job experience: Job Entry, which was designed for youth having difficulty making the transition from school to work; Re-Entry, which attempted to help women who were re-entering the job market after a minimum of three years; Co-operative Education, which supported the introduction or expansion of work/study programs at provincial institutions; and the Challenge option for summer students.

Skills Shortages provided employers with wage subsidies and financial supports for training workers in high demand occupations. Employers were able to provide either workplace-based training, institutional training or a combination of the two. Despite the slight modification of combining two approaches, this program has been described as, in effect, a simple continuation of the Critical Trades Skills Training program introduced under the NTA.¹²⁸

Community Futures provided assistance under five streams to communities which were facing major lay-offs or plant closures or which were experiencing chronic unemployment and economic decline. There were five options under this program: Self-Employment Incentive provided weekly income subsidies to individuals who wanted to become self-employed; Business Development Centres provided loans and advice to local small businesses; the Community Initiatives Fund offered direct funding for projects which would generate new, permanent jobs; Relocation and Exploration Assistance provided support for those looking for work in other areas of the country;

¹²⁷ See, for example, Miles Corak, "Eligibility Rules in the Canadian Jobs Strategy: Shifting the Burden or Targeting the Assistance?" *Canadian Public Policy*, 17,1(1991):64-76.

¹²⁸ McFadyen, 155.

and the Direct Training Option provided support for training. As McFadyen contends, the program was very similar to LEAD and the Canada Mobility Program which preceded the CJS.¹²⁹

Skills Investment provided on-the-job or classroom training, relocation and travel assistance and work-sharing to individuals whose jobs were threatened by technological or economic change. Four options were available: Extended Training Leave allowed employers to match a portion of the employee's wages while he or she tried to acquire more marketable skills; Work Sharing used UI funds to supplement wages earned by workers on a reduced work week; the Training Trust Fund provided matched funding for training trusts created by employers and labour; Small Business Training provided training support to firms with fewer than 100 employees as well as the self-employed. Again, this program was essentially a regrouping of old programming techniques.

Innovations was intended to provide funding for pilot or demonstration projects which tested new approaches to resolving labour market problems. There were no predetermined funding limits and each project would be judged on its individual merits based on the level of creativity and innovation it displayed. As Hunter notes, evaluations of this program revealed that it did not meet its objectives. Because eligibility criteria under the CJS were significantly tighter than in the past, EIC managers at times used Innovations funding to keep long-established, familiar activities going.¹³⁰

The similarities between CJS and prior programs led McFadyen to conclude that:

To a considerable extent the design and the objectives of the CJS represented continuity in ALMP [active labour market policy], and when this is coupled with the implementation and actual program experience under the strategy, it is manifestly more accurate to argue that the CJS reflected incrementalism rather than a radical break with past policy....the various options under the six CJS programs all reflected in whole or in part, previous EIC programs or policy ideas that had been germinating at the Department since at least the late 1970s.¹³¹

¹²⁹ Ibid., 156.

¹³⁰ See Hunter, 349-50.

¹³¹ McFadyen, 164.

In summary, the CJS did not make significant changes in the kinds of labour market interventions used by EIC, nor was the system necessarily made simpler. As one EIC official explained, "Before the CJS we had about 28 programs, under the CJS we have 6 programs with 28 options."¹³²

5.1.1 Federal-Provincial Relations and the CJS

Immediately following the announcement of the CJS in June 1985, the provinces met to carve out a collective provincial response to the federal strategy. The deputy ministers responsible for labour market matters developed a discussion paper indicating that the provincial governments would be left picking up the tab for programs which the federal government would be abandoning. The provinces were especially concerned about reductions in institutional training, fearing that it would disappear entirely because there was no reference to it in the federal documents. The deputy ministers suggested that each jurisdiction develop a separate bilateral agreement with the federal government, and, over the course of that summer, provincial officials began to develop the following set of principles to guide bilateral negotiations:

- 1) There must be recognition of the primary role of the Provinces/Territories in skills training...
- 2) Within each bi-lateral agreement, provision must be made for a separate sub-agreement which would apply to all federally-sponsored institutional training...
- 3) There must be a recognition of the role of each province/territory to approve all employer-based training funded by federal programs...
- 4) Multi-year funding must be provided which would naturally include a joint Federal-Provincial/Territorial planning process...
- 5) Planned Federal purchases of institutional training should maintain Adult Basic Education and Language Training as important components...
- 6) In cases where the Federal and Provincial/Territorial Governments negotiate changes to the basic agreements governing skills training, there should be a minimum transitional period of three years...
- 7) In all cases, the priority concern must be that a high quality of training and transferability of skills are maintained...

¹³² George Latour, Director of Program and Policy, EIC, interview by Craig McFadyen, 27 March 1990, quoted in McFadyen, 165.

- 8) Agreements must provide for provincial approval for all federally funded training in the Province/Territory...
- 9) Funding must be provided to offset the costs of Provincial Administrative Services...
- 10) Apprenticeship must be recognized as a distinct program and be fully funded by the federal government...
- 11) Provinces/Territories should have the option to engage in the selection enrolment and/or placement of trainees in federally funded training programs...
- 12) Program structure and planning must be more responsive to Provincial/Territorial priorities...
- 13) Access to federally funded training must be equitable to individuals of selected target groups and of geographic regions.¹³³

During that summer, provincial officials reported being under significant pressure from MacDonald's office to sign bilateral agreements before Parliament resumed in September.

McFadyen points to the concerns of one Ontario official:

The negotiations with the federal government have become part of the political agenda. Clearly, the other provincial/territorial officials are concerned that their Ministers may sign meaningless documents in order to help the federal Minister, which will eventually have a detrimental effect on these agreements.¹³⁴

The apparent urgency behind MacDonald's wish to have some evidence of movement regarding the CJS in place before the Session began, was likely a factor in Ottawa's agreeing to incorporate these provincial principles into letters of agreement which would allow EIC to begin the programs under the CJS. It would appear, therefore, that the provinces were able to present a united front early in the development of the CJS and influence the implementation of its programming.

¹³³ Provincial/Territorial Human Resource Development Working Committee, *Draft of Provincial/Territorial Response to the Canadian Jobs Strategy*, 29-30 August 1985, 1-4, quoted in McFadyen, 203.

¹³⁴ Memorandum from Robert A. Nutbrown, Manager, Federal/Provincial Policy Planning and Development, Ministry of Skills Development, to Les Horswill, Assistant Deputy Minister, Policy and Development Division, Ministry of Skills Development, 3 September 1985. Archives of Ontario, Reference Group 72, Accession 20551, Box 1, Ministry of Skills Development, Manager, Federal/Provincial Policy Planning and Development, 1985-86, quoted in McFadyen,

Nevertheless, when MacDonald announced the details of the CJS to the ministers responsible for labour market matters in late September 1985, the consensus between the two levels of government which was achieved earlier that year was quickly destroyed. It appeared that, while agreement was relatively easy to achieve when the discussions focussed around broad principles and 'motherhood' statements, strong disagreements arose when the details of implementation were announced. The provinces contended that the details of the CJS violated the principles agreed to in Regina.

The provinces' worst suspicions were confirmed when MacDonald informed them in late September that institutional training would be reduced by 45 percent over three years. As one of the observers noted, some of the premiers literally screamed their condemnation of the proposed cuts to institutional training. Any officials in attendance were hurriedly removed from the room so they would not observe the proceedings. The heated debate set the stage for future federal/provincial relations, and, reportedly, "It went downhill after that. It was open warfare. The next federal-provincial agreement took one-and-one-half years to negotiate. The next three years were brutal."¹³⁵

The provinces and their post-secondary infrastructures had been heavily dependent upon federal revenues for years. The colleges had capital commitments and tenured staff, protected by collective agreements, and had little flexibility in which to respond to federal cuts in funding. The provinces felt that, although the federal government had taken the lead in creating the college system, Ottawa was now abandoning responsibility for its maintenance to the provinces. The ministers met again in November 1985 in Ottawa. As McFadyen remarks:

The federal government was determined to use this gathering to get some movement from the recalcitrant provinces, especially on the issue of the institutional training guarantee, and expedite the re-negotiation of training agreements. As the federal government pressed, partisan political considerations became more of a factor in federal-provincial dealings...At

¹³⁵ Curtis Nordman, past Director of Intergovernmental Relations of Department of Employment Services and Economic Security, Government of Manitoba, interview by author, 10 March 1993.

the meeting MacDonald locked out the other officials in the ministers' entourages, and was able to get the Conservative ministers from the Atlantic provinces and Alberta to break ranks with the other provinces. MacDonald's ability to divide the provinces at this meeting ultimately would serve as the key to obtaining bilateral agreements.¹³⁶

Despite the fact that MacDonald was able to divide the ministers along partisan and regional lines, many of the provinces were still able to influence the implementation of the CJS through bilateral negotiations with the federal government. For example, McFadyen reports that, in Ontario, federal training purchases at the colleges were reduced by 19 percent — significantly lower than the 45 percent cut that was threatened initially. By 1989, the share of federal training spending flowing to provincial institutions had been reduced by only 7 percent, and over 90 percent of federal training expenditures continued to be spent at provincial institutions.¹³⁷

Nevertheless, many have claimed that the impact of the CJS on the provincial community college system in Canada was profound.¹³⁸ The shift of federal training dollars from public institutions to the private sector triggered a series of reactions within the colleges, including the discontinuation of many programs and the introduction of short-term, unaccredited, profit-generating

¹³⁶ McFadyen, 206. Although the federal government was able to divide the provinces along party lines, it is of interest to note that it was a Liberal government (Ontario's newly elected Peterson administration) which was the first to sign a letter of intent for a bilateral agreement under the CJS. Although Ontario had initially assumed a lead role in developing an interprovincial position, it later 'broke ranks' and became intent on securing its own bilateral agreement with EIC to provide security for its provincial institutions. Ibid, 224.

¹³⁷ Ibid., 221. It should be noted, however, that Ontario's circumstances were far from representative of the provinces in general, providing Ontario with relatively more favourable access to federal training purchases under the CJS. For example, unlike other provinces, Ontario had in place a network of local and regional structures which the federal government was willing to recognize as 'third parties' under the CJS. It also had higher concentrations of large corporations which were better positioned to access CJS funding and which generally have stronger commitments to training than small enterprises which characterize the business community of other provinces. Ontario also had relatively high numbers of apprentices, and apprenticeship training was secured under the CJS training agreements.

¹³⁸ For a discussion of the negative effects the CJS had on the college system, see Bob Luker, "The Canadian Jobs Strategy and Ontario's Community Colleges," in *Education for Work. Education as Work. Canada's Changing Community Colleges*, ed., Jacob Muller (Toronto: Garamond Press, 1990), 150.

programs.¹³⁹ Many of the critics of the CJS maintained that the use of private intermediaries to monitor individual training activities took scarce funds away from actual training and led to low-quality training and a duplication of efforts.¹⁴⁰

Within the first three years of the CJS program, funding at the federal level decreased by 32 percent, in 1984 dollars, which is disproportionate to the reduction of unemployment (19 percent) during the same period.¹⁴¹ Further, Ottawa chose only to spend a portion of its CJS allocation, which some have claimed as evidence of the low priority given to helping Canadians train.¹⁴² Others have argued that the reduction in the overall federal funding commitment to active labour market programming reflected the general policy of fiscal constraint of the Mulroney government. As McBride states:

Provincial officials express the view that [expenditure reduction] was the true objective of the initiative. An Ontario official recalled that federal provincial consultations over the CJS occurred in the context of the Nielsen expenditure review process. Its report consisted of proposals to 'plunder' the labour market area in order to save money.¹⁴³

However, as McFadyen argues, a case can be made that CJS expenditures were consistent with longer term historical trends. He points out that there had been a slow but steady growth in federal expenditures on job creation and training since the early 1960s; however, between 1981-82 and 1983-84, federal expenditures had increased dramatically, resulting for the most part from

¹³⁹ John D. Dennison and John S. Levin, *Canada's Community Colleges in the Nineteen Eighties. Responsiveness and Renewal* (Toronto: The Association of Canadian Community Colleges, 1989), 166.

¹⁴⁰ Canada, Senate, Standing Senate Committee on Social Affairs, Science and Technology, Sub-Committee on Training and Employment, *In Training, Only Work Works: Train Canadians and Create Jobs Without Increasing the Deficit, Inflation, or Tax Rates, Report* (Ottawa: Supply and Services Canada, 1987), 13-6.

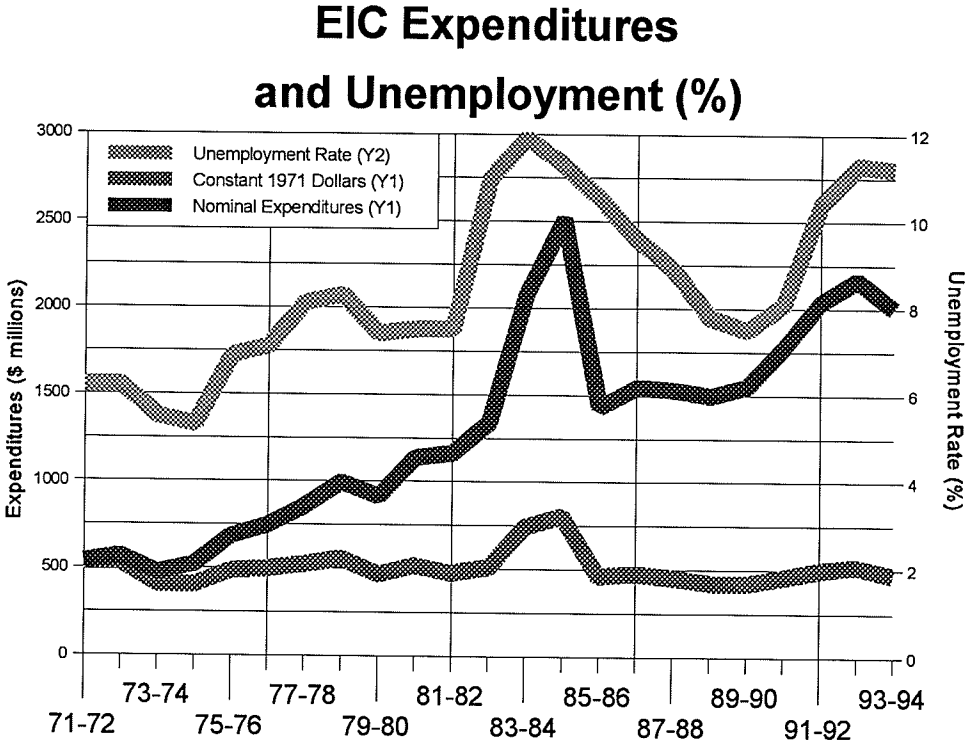
¹⁴¹ *Ibid.*, 13.

¹⁴² *Ibid.*, 14.

¹⁴³ Stephen McBride, "The Political Economy of Ontario's Labour Market Policy," in *Continuities and Discontinuities*, 275.

increased expenditures on job creation projects during the recession of the early 1980s. As table 5 and figure 2 show, spending declined after the 1983-84 peak, corresponding generally to a reduction in the unemployment rate. And, although federal expenditures dropped dramatically during the first year of the CJS, it would appear that the long-term trend of slow growth in expenditures was re-established. In fact, in constant dollar terms, federal expenditures of active labour market policy have remained relatively consistent over the past twenty-five years.

Figure 2



(Source: Table 5)

Fiscal Year	Unemployment	Expenditures (\$ millions)	
		Nominal Dollars	Constant 1971 Dollars
	%		
1971-72	6.2	\$534.3	\$534.3
1972-73	6.2	\$567.0	\$533.4
1973-74	5.5	\$474.4	\$408.6
1974-75	5.3	\$521.5	\$405.2
1975-76	6.9	\$682.7	\$486.3
1976-79	7.1	\$747.8	\$495.0
1977-78	8.1	\$854.8	\$521.1
1978-79	8.3	\$994.1	\$555.6
1979-80	7.4	\$914.6	\$465.9
1980-81	7.5	\$1,135.2	\$519.0
1981-82	7.5	\$1,159.5	\$475.5
1982-83	11.0	\$1,336.6	\$506.2
1983-84	11.9	\$2,076.1	\$744.2
1984-85	11.3	\$2,514.9	\$805.4
1985-86	10.5	\$1,431.9	\$458.9
1986-87	9.6	\$1,542.8	\$474.7
1987-88	8.9	\$1,528.8	\$451.0
1988-89	7.8	\$1,496.7	\$424.0
1989-90	7.5	\$1,550.7	\$418.0
1990-91	8.1	\$1,775.7	\$456.5
1991-92	10.4	\$2,033.1	\$494.7
1992-93	11.3	\$2,165.4	\$519.3
1993-94	11.2	\$1,999.3	\$470.4

Sources: McBride, *Not Working* (from 1971-72 to 1984-85) and Manitoba Education and Training, "HRD Canada Labour Force Development Expenditures and Participants in the Province of Manitoba." (Winnipeg: Labour Market Support Services Branch, 2 February 1994). Expenditures in 1990-91 and afterwards exclude UI Developmental Uses income support.

McFadyen proceeds to argue that:

...even with respect to public and private sector expenditure shares, a strong argument can be made that the CJS did not involve a significant change from its predecessors. In terms of the pattern of spending, the success of the CJS remained dependent upon the cooperation of traditional program providers. In order to avoid alienating provincial training institutions and non-profit sector programmers, and in defence of the CJS, EIC officials were quick to point out that the for-profit sector accounted for only 30 per cent of all program expenditures and that most of this benefitted smaller firms with less than 100 employees... Moreover, under the CJS much of the funding accounted for by private sector sponsors found its way back into provincial training institutions which provided the training components under many of the privately sponsored projects.¹⁴⁴

Although the colleges faced greater competition from other training providers and did not have the fiscal stability they had enjoyed under guaranteed federal seat purchase arrangements, they still received the majority of federal training dollars.¹⁴⁵ McFadyen suggests that there were a number of factors accounting for the fact that most of the training expenditures remained with provincial institutions. First, the colleges were able, for the most part, to adapt to the changes and to compete successfully for the indirect training dollars (although the impact was felt disproportionately across Canada). Second, in some regions there were no viable private sector alternatives to public institutions. Third, the provinces were able to negotiate — through their bilateral agreements with the federal government — preferential treatment for public institutions and provincial control over program approvals and the certification of trainers.¹⁴⁶ They were, to a large degree, successful in altering the federal government's initial intentions regarding the CJS. In fact, although expenditures

¹⁴⁴ McFadyen, 165-6. It should be noted that, although the overall national level of funding to provincial training institutions did not decline as significantly as had originally expected, some provinces were more negatively affected than others.

¹⁴⁵ Employment and Immigration Canada, Canadian Jobs Strategy Group, "The Canadian Jobs Strategy. A Review" (Ottawa, July, 1988), 53, photocopied.

¹⁴⁶ McFadyen, 221.

on direct purchases decreased, there was actually an increase in total EIC program dollars spent on training in public institutions.¹⁴⁷

5.2 The Labour Market Development Strategy

The late 1980s were witness to some of the more significant events in recent Canadian history. In January 1988, Prime Minister Brian Mulroney signed the Canada-US Free Trade Agreement (FTA) and won the November 1988 federal election on a platform of increased trade liberalization. The end of the decade was also characterized by a growing public concern surrounding the looming size of the national debt and the federal government's annual operating deficit.¹⁴⁸

The Mulroney government's second election victory found the federal Tories grappling with the need to fulfil two apparently contradictory election commitments: containing the federal deficit while, at the same time, fostering the development of the workforce to adapt to the increasing globalization of the economy.¹⁴⁹ Pressured by the Liberals and NDP for an adjustment program to help those adversely affected by the FTA,¹⁵⁰ the Mulroney government began to formulate a plan for

¹⁴⁷ EIC, "The Canadian Jobs Strategy. A Review."

¹⁴⁸ See, for example, Peter M. Leslie and Ronald L. Watts, eds., *Canada: The State of the Federation. 1987-88*, (Kingston: Institute of Intergovernmental Relations, 1988) and Ronald L. Watts and Douglas M. Brown, *Canada: The State of the Federation, 1989*, (Kingston: Institute of Intergovernmental Relations, 1989).

¹⁴⁹ Rianne Mahon, "Adjusting to Win? The New Tory Training Initiative," in *How Ottawa Spends 1990. Tracking the Second Agenda*, ed., Katherine A. Graham (Ottawa: Carleton University Press, 1990), 73.

¹⁵⁰ Pat Armstrong and Hugh Armstrong, "Choosing Equity and Prosperity: Access to College and the Ontario Economy," in *Colleges and the Changing Economy. A Background Paper to Vision 2000. A Review of the Mandate of the Colleges of Applied Arts and Technology*. (Toronto: Ontario Council of Regents, October 1989), 20. Despite the numerous debates on the anticipated consequences of the FTA, there was a general consensus at the time that jobs would disappear and that the economy would undergo significant restructuring.

getting more money for labour market adjustment and development which, at the same time, would not increase the government's deficit position. As Doern and Phidd note, "At one point, Prime Minister Mulroney promised such a[n adjustment] program only to be contradicted the next day by Finance Minister Michael Wilson, who indicated that existing programs were adequate for this task."¹⁵¹

The complexity of conflicting objectives led the Mulroney government to create the Advisory Council on Adjustment, chaired by A. Jean de Grandpré. In its report, the Council rejected the notion of any specific FTA-related adjustment policy but recommended that Canada undertake a comprehensive review of the education/training system to increase its ability to respond to changing international and national economic realities. It called for a 'skills strategy' which would include a shift in unemployment insurance income maintenance funds into "employment promotion activities,"¹⁵² to address the fact that, unlike Sweden in which the situation was reversed, approximately 75 percent of Canada's labour market expenditures are directed to income support and only one-quarter to training and employment creation.¹⁵³

The federal government responded to the report of the Advisory Council by releasing, in April 1989, a policy paper entitled *Success in the Works*,¹⁵⁴ which outlined the federal government's intention to introduce legislation to reform the *Unemployment Insurance Act* by moving away from its emphasis on passive income support to more active labour market measures — that is, to provide a 'trampoline' to bounce unemployed workers back into the workforce rather than the traditional

¹⁵¹ Doern and Phidd, 283-4.

¹⁵² Advisory Council on Adjustment, xviii - xxi.

¹⁵³ Porter, *Canada at the Crossroads*, 57.

¹⁵⁴ Employment and Immigration Canada, *Success in the Works. A Policy Paper. A Labour Force Development Strategy for Canada* (Ottawa: EIC Public Affairs and Strategic Policy and Planning, 1989).

'safety net' of passive support.¹⁵⁵ At the same time, Finance Minister Wilson announced that Ottawa would withdraw its share of contributions to the UI program, leaving the financing of the UI account entirely dependent upon employer and employee contributions. Ottawa's new approach was billed the Labour Force Development Strategy (LFDS) and was to designed to achieve:

- a substantial increase in the private sector's role in training workers and in ensuring that training is more responsive to current labour market needs;
- a re-alignment within the Unemployment Insurance program, so that more expenditures are directed to active training and re-employment measures for the unemployed;
- in compliance with the Charter of Rights and Freedoms, a significant improvement in UI benefits, to better respond [*sic*] to the needs of working parents and to encourage the full participation of those workers over 65; and
- a reduction of work disincentives in the UI program.¹⁵⁶

The federal government proceeded to undertake consultations with the private sector on the proposed changes to the legislation. In June 1989, Barbara McDougall, Minister of Employment and Immigration, announced the creation of various task teams to undertake the consultations, and appointed the Canadian Labour Market and Productivity Centre (CLMPC)¹⁵⁷ to lead the process. The CLMPC task forces reported in two stages. Phase I commented on the federal government's proposed strategy itself.¹⁵⁸ The Phase II report¹⁵⁹ examined how the LFDS could be administered, and recommended that a labour-business Labour Force Development Board be established to manage the programs under the LFDS.

¹⁵⁵ See Advisory Council on Adjustment, 45-9.

¹⁵⁶ EIC, *Success in the Works*, 5.

¹⁵⁷ The creation of the CLMPC as a private sector, non-profit corporation was announced in the 1983 federal budget under the Trudeau government. The Board of Directors of the CLMPC consists of twelve business and twelve labour representatives and two educators. Ex-officio members included the deputy ministers from the federal departments of Finance, DRIE, Labour and CEIC, as well as representatives from each province. See Hunter, p. 320.

¹⁵⁸ Canadian Labour Market and Productivity Centre, *Report of the CLMPC Task Forces on the Labour Force Development Strategy* (Ottawa: CLMPC, March 1990).

¹⁵⁹ Canadian Labour Market Productivity Centre, *A Framework for a National Training Board. The Report of the Phase II Committee on the Labour Force Development Strategy* (Ottawa: CLMPC, July 1990).

One of the main recommendations of the Phase I report was that UI funds **not** be used for any purpose other than passive income support. The business and labour representatives agreed that, if Ottawa wished to increase its funding to active labour market measures for adjustment purposes and to increase the competitive advantage of the workforce, it should increase its general revenue allocation to CJS programming.¹⁶⁰ However, the federal government had specifically stated in the terms of reference for the task forces that the intended changes to the UI Act were **not** open to negotiation nor subject to modification. As one federal official stated, Ottawa had no intention of changing its plans regarding the reforms to the UI Act, despite what the task forces recommended.¹⁶¹

5.2.1. *Bill C-21*

By June 1989, the Mulroney government introduced Bill C-21 (*An Act to amend the Unemployment Insurance Act and the Employment and Immigration Department and Commission Act*), which would allow a shift of UI funds into more active labour market measures, beginning in 1990-91. Through Bill C-21, Ottawa intended to employ new funding sources for labour force development without putting additional strains on public coffers. Instead, new funding for active measures would come from the **private** sector through employer and employee UI premiums.

The Bill would amend the UI Act by increasing UI premium rates, increasing minimum entrance requirements (i.e., eligible weeks), reducing the maximum period during which an unemployed person could receive benefits, and increasing penalties for quitting or refusing a job.

¹⁶⁰ Although UIDU has been strongly criticized by business and labour, it has been used increasingly by EIC. As Muszynski states, "The gradual broadening of the program's role to include these developmental uses within the context of unemployment insurance may be attributed to the fiscal constraints placed on the Department of Employment and Immigration in a very slack labour market. The fund generated by employer-employee contributions appeared available and was independent of the control of central government agencies." Muszynski, 286.

¹⁶¹ Arthur Kroegeer, former Deputy Minister of Employment and Immigration Canada, interview by Craig McFadyen, 19 November 1992, quoted in McFadyen, 314.

The changes were expected to result in savings of approximately \$1.3 billion, of which about \$800 million would be shifted to more 'active' uses like training. There would then be **two** main funding streams for active labour market measures: the **UI Developmental Uses (UIDU) fund** — restricted to UI recipients and financed through the shift in funds from the UI Account — and **Consolidated Revenue Funds (CRF)** (i.e., regular tax dollars), for people who were not 'UI-eligible.'

Although Bill C-21 passed through the House of Commons relatively quickly, given the Mulroney government's large majority, it ran into opposition in the Liberal-dominated Senate, which sent the Bill back to the House twice, delaying the process for the better part of a year. However, after eight Conservative senators were appointed to the Senate by the prime minister, the bill received royal assent in October 1990.¹⁶²

5.2.2. *The Canadian Labour Force Development Board*

In response to the recommendation of the CLMPC task forces' Phase II report, the federal government announced, in January 1991, the creation of the Canadian Labour Force Development Board (CLFDB). The Board was expected to encourage the development of a 'training culture' among the private sector and private sector investment in skills training and to develop annual expenditure plans for the UIDU account. As Arthur Kroeger, deputy minister of EIC, was quoted as saying, the CLFDB's mandate will be limited at first, but "will evolve as it gains experience."¹⁶³

The CLFDB would be co-chaired by representatives from both labour and business and would be comprised of twenty-two members: eight representatives each from the business and labour communities, two representatives from the educational community, and one representative from each

¹⁶² McFadyen, 314.

¹⁶³ Robert M. Campbell, "Jobs...Job. .Jo...J... The Conservatives and the Unemployed," in *How Ottawa Spends 1992-93. The Politics of Competitiveness*, ed., Frances Abele (Ottawa: Carleton University Press, 1992), 36.

of the social action groups — women, Natives, visible minorities, and the disabled — with ex-officio representation from the provinces. The intent was to establish similar structures at the provincial/territorial level and between sixty and seventy-five boards at the local level. **Provincial** boards would translate national guidelines into appropriate regional strategies; **local** boards would develop annual training plans and fund training activities using UIDU dollars.

The Mulroney government was on record as saying that its intention was to double the private sector's contribution to training within five years.¹⁶⁴ It was the federal government's hope that the creation of boards would facilitate the achievement of this goal. The theory was that, once the private sector became more involved in training decisions, employers and their employees would assume more ownership for labour market development and would voluntarily increase their level of spending on training. As Mahon remarks, the aim of the LFDS was:

...to lever more training expenditure out of the private sector via a restructuring of state-economy relations. In other words, the LFDS also attempts to reconcile the government's contradictory aims [of deficit reduction and labour force development] by 'reprivatization,' an attempt to shift a formerly public responsibility (training) to "private or quasi-public (self-administering) forms of organization of the decision-making process."¹⁶⁵

The creation of the boards was attractive to Ottawa because these structures would allow the federal government to circumvent much of the intergovernmental squabbling and provincial interference which had plagued previous federal strategies. It was hoped that, because boards would be made up of private sector members, who would, purportedly, act in the best interests of broad national, regional and local economic and social goals — rather than personal, jurisdictional or partisan agendas — the economic objectives of active labour market policy could be better realized. While the federal government would agree to provinces becoming involved in the creation of the

¹⁶⁴ EIC, *Success in the Works*, 1.

¹⁶⁵ Claus Offe, "Social Policy and the Theory of the State," in *Contradictions of the Welfare State*, ed., J. Keane (Boston: MIT Press, 1984), 112, quoted in Mahon, 74.

boards and participating in board discussions, its intent was to have the private sector members make the decisions. As Arthur Kroeger forewarned, “governments must be prepared to relinquish gradually some control over policy matters.”¹⁶⁶

5.2.3. *Re-organization of CJS Programs*

The federal government’s new strategy was to include a re-organization of CJS programs. Although Ottawa admitted that “the new program structure is partially a relabelling, regroup and integrating exercise,”¹⁶⁷ it also involved changes to some of the eligibility criteria and in the way the programs and services would be delivered. More emphasis was to be placed on local decision-making and involvement with business and labour.

The programs and services related to the CJS were re-organized under a new framework which had four main components. **Information and Special Initiatives** included labour market information, service needs identification, labour exchange, and innovations (a fund for research and pilot projects). **Employability Improvement** was designed primarily for UI claimants who faced serious labour market disadvantages. **Labour Market Adjustment** was designed to encourage employers to assume responsibility for training in the workplace, and **Community Development** was designed to help communities in difficulty to achieve self-sufficiency.¹⁶⁸

¹⁶⁶ Quoted in Campbell, 36.

¹⁶⁷ Employment and Immigration Canada, *Partnerships for the Future. Implementing the Labour Force Development Strategy* (Ottawa: Employment and Immigration Canada, May 1991), 15.

¹⁶⁸ Employment and Immigration Canada, *Employment. New Programs and Services, 1991-92* (Ottawa: Employment and Immigration Canada, July 1991).

5.2.4. *Reactions to the LFDS*

The relationship between the provinces and the federal government had continued to be abrasive and confrontational since the announcement of the CJS in 1985. Therefore, it was not surprising that the provinces reacted to the announcement of the LFDS with more than a bit of suspicion and hostility. They feared the same kind of unilateral decision making regarding the design of the LFDS as had occurred with the CJS, and it became clear early on that their fears were justified. EIC Minister Barbara McDougall informed them at the time that the CLMPC task forces were created that the provinces would have no formal role in the consultation process and suggested that, if the provinces had a position to put forward, it "might best be done by submitting a brief to the CLMPC."¹⁶⁹

Rebuffed, the provinces united and prepared a collective position paper in response to the LFDS.¹⁷⁰ The position paper stated that:

While the provinces and territories would have welcomed the LFDS' commitment to increase federal expenditures for training and employment measures, they still have serious reservations concerning the way in which the details of these measures are to be defined. Under the LFDS an extensive private-sector consultation process has been launched to provide this definition. However, it is the belief of the provinces and territories that they should have been asked as partners to help in the drafting of the new strategy. To exclude the provinces and territories, who are not only the managers of the public training systems, but share responsibility for the competitiveness of their respective labour force, is to seriously jeopardize the planning process.¹⁷¹

¹⁶⁹ Letter from Barbara McDougall, Minister of Employment and Immigration Canada to Alvin Curling, Minister of Skills Development, Government of Ontario, 29 June 1989, 2, quoted in McFadyen, 316.

¹⁷⁰ *Partners for People. A Human Resource Adjustment and Development Strategy for the 1990s*. Mutual Position of the Provinces and Territories, November 1989. It is of interest to note that, despite the apparent solidarity of thought behind *Partners for People*, the provinces were far from united in their positions. For example, Québec wanted to assume a much more radical public position against the federal government's training activities than many of the other provinces. Tensions were evident during the transfer of responsibility for Lead Province under the Forum of Labour Market Ministers from Manitoba to Québec.

¹⁷¹ *Ibid.*, 15.

The paper went on to outline the provincial perspective, which recommended, among other things, that the real level of federal training be increased; that federal activities support — not compete with or duplicate — public institutions; and that federal and provincial roles be clarified. The provinces also expressed concern over the withdrawal of the federal government from funding the UI program and stated their fears that the UI reforms would ultimately lead to a reduced federal commitment to funding active labour market programs and services.¹⁷²

Once again, the provinces' fears were largely justified because, as table 6 and figure 3 illustrate, Ottawa reduced the amount of CRF funding (i.e., tax dollars) it provided at the same time as it introduced UIDU funding. And although there was an increase in overall funding levels, there was a reduced commitment in terms of federal revenues (CRF funds) on active labour market development.¹⁷³ Many provinces complained about the decline in CRF revenues and about the fact that the reductions were not spread out equally among the provinces.¹⁷⁴ Support through the CRF had traditionally been targeted to the most economically disadvantaged groups in Canadian society: school drop-outs, women trying to re-enter the labour force, Aboriginal peoples, disabled persons, and social assistance recipients. For those jurisdictions which had higher concentrations of individuals who did not qualify for UI and could, therefore, not access the new UIDU funding, the impact of reduced CRF allocations was proportionately greater.

The problem was exacerbated because changes to the UI Act introduced through Bill C-21 — such as reduced benefits periods and tighter eligibility criteria — would make more people ineligible for UI and more dependent upon CRF funding. It was estimated at the time that 50,000

¹⁷² Ibid., 15-16.

¹⁷³ Campbell, 33.

¹⁷⁴ See, for example, M. C. McCracken and R. A. Jenness, "Labour Market Development and Training," No. 5, prepared for the Ministry of Intergovernmental Affairs, Government of Ontario (Toronto: Informetrica, 5 November 1993), photocopied. This report concluded that Ontario has never received its fair share of federal spending in active labour market programming.

Canadian families would be added to those living below the poverty line as a result of the changes to the UI Act, and provincial social assistance caseloads would grow proportionately.¹⁷⁵ Some provinces were hit harder than others,¹⁷⁶ but, even though the provinces would bear the brunt of the increased expenditures resulting from higher welfare costs, they were largely ineffective at influencing the reforms to the UI Act, given that UI was under exclusive federal jurisdiction.

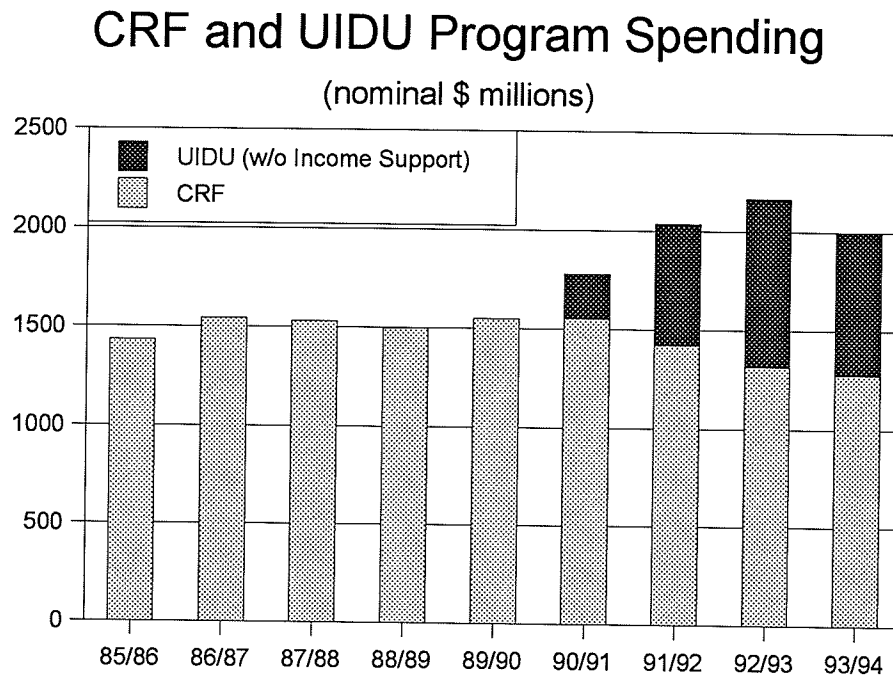
Fiscal Year	CRF	UIDU Programming Support	Sub-Total	UIDU Income Support	Total
1985/86	\$1,431.9	-	\$1,431.9	-	\$1,431.9
1986/87	\$1,542.8	-	\$1,542.8	-	\$1,542.8
1987/88	\$1,528.8	-	\$1,528.8	-	\$1,528.8
1988/89	\$1,496.7	-	\$1,496.7	-	\$1,496.7
1989/90	\$1,550.7	-	\$1,550.7	-	\$1,550.7
1990/91	\$1,553.5	\$222.2	\$1,775.7	\$330.8	\$2,106.5
1991/92	\$1,422.8	\$610.3	\$2,033.1	\$523.2	\$2,556.3
1992/93	\$1,316.5	\$848.9	\$2,165.3	\$950.7	\$3,116.0
1993/94	\$1,276.3	\$723.0	\$1,999.3	\$939.0	\$2,938.3

Source: Manitoba Education and Training, "HRD Canada Labour Force Development Expenditures and Participants in the Province of Manitoba." (Winnipeg: Labour Market Support Services Branch, 2 February 1994).

¹⁷⁵ Geoffrey York, "UI Limits Blamed for Rise in Welfare. Council Points to Federal Policies," *The Globe and Mail*, 13 August 1992.

¹⁷⁶ For example, it is estimated that Manitoba's loss of annual UI benefits paid to its population would be \$35 million -- the second largest proportional reduction of any province -- yet only \$18.6 million in UI training funds were allocated to Manitoba in 1991-92. This represents a net reduction of 47 percent in UI dollars in the province as a result of the changes to the UI Act for the LFDS. Furthermore, it has been estimated that the annual cost to Manitoba employees and employers of the increases in UI premium rates would be \$200 million. Manitoba Education and Training, *Labour Market Analysis, Briefing Note*, (Winnipeg: February 1992). Also see Employment and Immigration Canada, "Success In the Works. A Labour Force Development Strategy for Canada. Analysis of Structural Changes to the UI Program," (Ottawa: August 1989), photocopied.

Figure 3



(Source: Table 6)

Furthermore, as part of the LFDS, the federal government announced its intention to phase-out entirely the direct (government-to-government) purchase of training. The provinces' reactions were predictably negative. The elimination of government-to-government training purchases meant that the community college system would no longer have a guaranteed source of federal revenues.

Because the federal government was decreasing the number of seats which it purchased at **full cost** through the government-to-government direct purchase option and, instead, was increasing the number of 'feepayers' (i.e., clients who paid their own tuition but received living allowances through UIDU), greater numbers of federal clients would be trained at **provincially subsidized**

tuition rates. In those provinces which already had a college capacity problem, the prospect of increased numbers of UIDU-sponsored trainees meant longer waiting lists, often at the expense of younger, sequential students seeking a post-secondary alternative to university training.¹⁷⁷

The discontent of the provinces regarding the changes to the funding allocations in their region was exacerbated by the fact that the original three-year agreements under the CJS had expired in 1988, and the federal government had refused further negotiations. As McFadyen noted, although the federal government was using the 1988 election and various Cabinet changes as rationalizations, "It became clearer to the provinces...that the delays in negotiating new agreements were actually being driven by the LFDS policy review and federal intentions to change ALMP [active labour market policy]."¹⁷⁸ One-year extensions to existing arrangements governed training purchases until April 1991, and in some provinces for much longer.¹⁷⁹

As a result of not being invited to be part of the consultative process which led up to the development of the CLFDB, some provincial governments chose not to participate as ex-officio members on the Board. Some jurisdictions demanded that the CLFDB cease any activity to establish provincial boards in their province. Other provinces circumvented the CLFDB process by creating and funding their own provincial boards. For example, the Ontario government established the Ontario Training and Adjustment Board (OTAB); British Columbia developed its own advisory board, and Québec instituted the Société québécoise de développement de la main-d'oeuvre (SQDM) with no federal or CLFDB involvement. The territorial battles over the creation of boards caused

¹⁷⁷ For example, Manitoba's community colleges have one of the lowest enrolment rates of sequential students in Canada and many college courses have two- or three-year wait lists. Manitoba Education and Training, Labour Market Support Services, Briefing Note (Winnipeg: 1993).

¹⁷⁸ McFadyen, 321.

¹⁷⁹ For example, Manitoba did not sign another Canada/Manitoba Labour Force Development Agreement until March 26, 1993. Canada and Manitoba, "Canada-Manitoba Labour Force Development Agreement Signed," News Release, 26 March 1993.

considerable delays in their implementation and, to date (1995), no provincial boards exist in Alberta, Manitoba, Prince Edward Island, Yukon or the Northwest Territories. Furthermore, no local boards have been established anywhere in Canada.

5.3. Constitutional Discussions

The failure to ratify the Meech Lake Accord marked a turning point in Canadian history. The Meech Lake Accord was an attempt to address Québec's five conditions to secure its membership in the 1982 Constitution; however, two provinces, namely Manitoba and Newfoundland, failed to ratify the Accord by the prescribed deadline of 22 June 1990. From Québec's perspective, "Canada's refusal to reply to Québec's five minimum conditions therefore means that federalism, in its current form, no longer allows Québec to reconcile its desire for unity with its determination to maintain its autonomy. The bridges are burned. We have reached an impasse."¹⁸⁰

Upon the failure of Meech, the Québec Liberal Party immediately established a committee to examine the constitutional future of Québec, chaired by Jean Allaire. The Allaire Report, released in January 1991, suggested a radical departure from current constitutional arrangements. It called for Québec to take over exclusive authority in several areas, including "manpower and formation" (i.e., training and employment programming) and proposed to eliminate federal spending and residual powers.¹⁸¹

¹⁸⁰ Québec Liberal Party, *A Québec Free to Choose: Report of the Constitutional Committee*, Jean Allaire, Chairman (Québec: The Québec Liberal Party, 1991), 13.

¹⁸¹ *Ibid.*, 35.

Shortly after the release of the Allaire Report, the Bourassa government announced that Québec would be seeking control of all training and the repatriation of unemployment insurance.¹⁸² Québec's position had consistently been that the federal government's use of spending power in the area of training had violated its constitutional jurisdiction over education. The argument today is an economic one. As Lucien Bouchard explains, "Education and training are the backbone of the new economy. They are to the future what coal was to the nineteenth century, and oil to the first seven decades of the present one. To control these sectors is to control the very fabric, hence the quality of tomorrow's society."¹⁸³ The fact that the federal government's new Labour Force Development Strategy enabled UI funds to be used more and more to finance active labour market measures meant that labour force programming had become so interweaved in the fabric of the UI program, it would almost be impossible to separate the two. Therefore, Québec was seeking control over UI as well.

Furthermore, Québec's labour market was and continues to be markedly different from those in the rest of Canada, and, unlike other provinces, Québec has its own labour force development infrastructure in place, in the form of a network of vocational training commissions to determine training and employment development needs. In addition, Québec was in the process of creating the SQDM, a corporation controlled by the private sector to manage Québec's active labour market policies. Together, the federal and Québec governments were running a network of almost 200 offices which were often located on the same street.¹⁸⁴

Québec, however, was not alone in its call for increased autonomy. Westerners, too, expressed their frustration at their isolation from the centre of power in Canada. Many provinces

¹⁸² "Training, Yes: UI, No. Quebec Makes Good Case for all Job Training," *Montreal Gazette*, 17 December 1990, B2.

¹⁸³ Mark Kennedy, "Governments Play Tug-of-War Over Manpower Training," *Ottawa Citizen*, 25 July 1994, A4.

¹⁸⁴ *Ibid.*, A4.

were annoyed with the federal government's encroachment into areas of their authority. Economic globalization and liberalized trade were making north-south linkages more important to many provinces than their east-west ties. Economic linkages were becoming more important at the regional level than at the national level,¹⁸⁵ and Ottawa's deficit crisis inhibited the federal government from appeasing regional tensions, as it had in the past, through spending programs. Public opinion polls were showing a significant increase in regional identification,¹⁸⁶ a trend which became institutionalized through the genesis of two new regional political parties: the Reform Party (founded in October 1987) and the Bloc Québécois (formed in July 1990 after the death of Meech). Finally, the Meech Lake process resulted in a loss of public acceptance for the practice of 'executive federalism.' No longer would the Canadian public accept constitutional change by 'elite accommodation'; the people would insist on having a direct say in the future of the country.

The increased desire for public involvement was evident in the fact that several provinces and private citizen groups commissioned studies of the current Canadian constitutional impasse.¹⁸⁷ The federal government also set up two commissions to examine constitutional issues more closely: the Citizen's Forum,¹⁸⁸ (also known as the Spicer Commission) which reported on its consultations

¹⁸⁵ For example, New Brunswick began actively promoting its information and telecommunications capabilities in competition with other provinces for American markets.

¹⁸⁶ For example, Environics found a 13-point drop between 1980 and 1990 in the percentage of people who felt more like a citizen of Canada than a citizen of their province. Richard Simeon and Mary Janigan, eds., *Toolkits and Building Blocks: Constructing a New Canada*. (Toronto: C. D. Howe Institute, 1991). It can be argued that the growing sense of regionalisation can be explained, in part, by public dissatisfaction with the Mulroney government's policies, steering them towards more regional perspectives in hopes that their concerns would be more appropriately addressed.

¹⁸⁷ Provincial efforts included the Select Committee on Ontario in Confederation, the New Brunswick Commission on Canadian Federalism, the Manitoba Constitutional Task Force, and the Constitutional Reform Task Force of Alberta. Private sector task forces included the Group of 22, the Northumberland Group and papers commissioned by the Business Council on National Issues. See Canada, Economic Council of Canada, *A Joint Venture* (Ottawa: Supply and Services Canada, 1991), note 5, 119.

¹⁸⁸ Canada, Citizens' Forum, *Citizens' Forum on Canada's Future: Report to the People and Government of Canada*, Keith Spicer, Chairman (Ottawa: Supply and Services Canada, 27 June 1991).

across the nation; and the Beaudoin-Edwards Commission,¹⁸⁹ which provided recommendations on an amending formula for the constitution. The Spicer Commission attempted to find common values among Canadians and reported, that, although there was strong support for national programs and an insistence that Ottawa be active in areas of national interest, there was also a strong desire among Canadians for more direct participation in government decision-making, implying a greater degree of decentralization.¹⁹⁰

In February 1991, Prime Minister Mulroney announced the basic principles he believed must be respected in any future discussions on the constitution. These included the reduction of overlapping jurisdictions between federal and provincial government while maintaining national standards.¹⁹¹ This somewhat paradoxical stance was supported by the report of the Group of 22 which stated that:

Training is closely linked to education, the proper functioning of the labour market and international competitiveness. We therefore recommend that training be a field of provincial jurisdiction, but that national standards be established to preserve mobility and where international competitiveness applies, it be concurrent.¹⁹²

¹⁸⁹ Canada, Special Joint Committee of the Senate and the House of Commons, *The Process for Amending the Constitution of Canada*, Gérald Beaudoin and Jim Edwards, Co-Chairmen (Ottawa: Queen's Printer, 20 June 1991).

¹⁹⁰ Terrance Hunsley, "Constitutional Change and National Social Programs," in *Canada: The State of the Federation, 1991*, ed., Douglas M. Brown (Kingston: Institute of Intergovernmental Relations, 1991), 109.

¹⁹¹ Darrel R. Reid, "Chronology of Events July 1990 - June 1991," in *Canada: The State of the Federation, 1991*, 224.

¹⁹² Group of 22, *Some Practical Suggestions for Canada. Report of the Group of 22* (Montréal: The Group of 22, June 1991), 23.

As Lazar concludes, "This proposal is ambiguity at its best, for it is difficult to envision areas of training that could escape from the 'international competitiveness' rule and so be exempt from concurrent jurisdiction."¹⁹³

In September 1991, Prime Minister Mulroney presented Ottawa's constitutional reform proposals to the House of Commons. The document, entitled *Shaping Canada's Future Together*, would be used as the basis of consultations with the Canadian public through a 30-member committee, chaired by Manitoba Conservative MP Dorothy Dobbie and Québec Senator Claude Castonguay (who was later replaced by Senator Gérald Beaudoin). It was in this set of proposals that the federal government officially submitted that "labour market training [be] an area of exclusive provincial jurisdiction" and that "leadership in the area of skills standards be exercised jointly."¹⁹⁴

Despite statements that the federal government's constitutional proposal on training was "fundamental reassurance of the authority of Quebec and of the other provinces over matters related to education,"¹⁹⁵ Ottawa unilaterally proceeded to channel \$12 million in funding to Québec organizations to set up sectoral training programs.¹⁹⁶ Québec protested strongly, and, in just over a month, the federal government and Québec entered into a federal-provincial training agreement which halted any further unilateral actions by Ottawa and placed authority for coordinating future labour force development programming in Québec with the SQDM.¹⁹⁷

¹⁹³ Fred Lazar, "Labor Market Policies and the Jurisdictional Distribution of Powers," in *Free to Move: Strengthening the Canadian Economic Union*, No. 14, The Canada Round: A Series on the Economics of Constitutional Renewal, ed., John McCallum (Toronto: C. D. Howe Institute, 1992), 108.

¹⁹⁴ Canada, *Shaping Canada's Future Together. Proposals* (Ottawa: Supply and Services Canada, 1991).

¹⁹⁵ Canada, *Shaping Canada's Future Together. Speech by the Prime Minister. House of Commons, 24 September 1991* (Ottawa: Supply and Services Canada, 1991), 4.

¹⁹⁶ Robert McKenzie, "Federal Training Projects Irk Quebec," *The Toronto Star*, 10 October 1991, A13.

¹⁹⁷ Paul Mooney, "Ottawa Gives Up Control in Manpower Training Pact. Quebec to Call Shots Until Constitutional Deal is Set," *Winnipeg Free Press*, 22 November 1991, A4.

In January and February 1992, five constitutional conferences were held, leading to the release of the report of The Special Joint Committee of the Senate and House of Commons (Beaudoin-Dobbie Report) in March, 1992. The report stated that:

More provincial control over labour market training programs is a practical answer to the diversity of the country. As well as for language reasons, Quebecers are less likely than residents of other provinces to pursue employment opportunities outside of the province. Quebec's labour training needs differ from those of other parts of the country. We believe that the current constitutional round is an opportune time to examine whether better ways exist for the federal and provincial government to manage their shared presence in the field.¹⁹⁸

Immediately following the release of the Beaudoin-Dobbie report, the Minister Responsible for Constitutional Affairs, Joe Clark, announced that the provinces, with the exception of Québec, had agreed to produce, over a period of ten weeks, a constitutional package which would be acceptable to all Canadians.¹⁹⁹

The CLFDB immediately expressed its concerns about the federal government's proposal to devolve responsibility for training to the provinces. In April 1992, the CLFDB sent copies of its response²⁰⁰ to each of the provincial premiers stating that, although the Board was generally supportive of the recommendation that the division of federal and provincial responsibilities be defined and that national standards be developed, it proposed that non-governmental organizations, such as itself, be used to "improve labour market policy and planning in general,...[and] contribute to

¹⁹⁸ Canada, *A Renewed Canada. The Report of the Special Joint Committee on a Renewed Canada of the Senate and the House of Commons* (Ottawa: Queen's Printer, 28 February 1992), 70.

¹⁹⁹ Anne Poels, "Chronology of Events July 1991-June 1992," in *Canada: The State of the Federation 1992*, eds., Douglas Brown and Robert Young (Kingston: Institute of Intergovernmental Relations, 1992), 268.

²⁰⁰ Canadian Labour Force Development Board, *The CLFDB Response to the Federal Proposals for Constitutional Change with Respect to Labour Market Training* (Ottawa: CLFDB, December 1991).

a more cooperative and co-ordinated approach to the labour market policy and programming of the federal and provincial/territorial governments.”²⁰¹

Organized labour also indicated its grave concerns about decentralized power in the area of labour market development, citing the erosion of national standards and the decline of quality programming. One labour group was quoted as saying that:

It is absolutely essential that Canada have a national labor market development strategy, not 10 that only reflect the needs of a specific provincial jurisdiction. We can't hope to survive in the highly competitive international marketplace by introducing chaos and disorder into our national strategy.²⁰²

Despite the cautions and criticisms, once the proposal to devolve training was placed on the table, several provinces — namely Ontario, Alberta and BC, which had significant resources of their own targeted to labour force development — eagerly embraced it.²⁰³ The position assumed by these jurisdictions was that concurrent responsibility led to wasteful overlap and duplication in the provision of labour market programs and services. The Québec department of intergovernmental affairs had commissioned a study on overlap and duplication in the province to support its position for exclusive jurisdiction in many areas leading up to Meech.²⁰⁴ During the constitutional discussions following the failure of Meech Lake, both Alberta and the federal government undertook

²⁰¹ Letter from E. Gérard Docquier and J. Laurent Thibault, Co-Chairs, Canadian Labour Force Development Board to all premiers, 3 April 1992.

²⁰² Dan Lett, “MFL Warns Against Decentralization,” *Winnipeg Free Press*, 17 June 1992, B23.

²⁰³ Jim Eldridge and Peter Dubiński, members of Manitoba’s constitutional negotiation team on labour market matters, interview by author, December 1992.

²⁰⁴ See Germain Julien and Marcel Proulx, *The Overlapping of Federal and Québec Programs* (Québec: Ecole Nationale D’Administration Publique (ENAP), 22 June 1978) and Germain Julien and Marcel Proulx, *Analysis of the Consequences of Overlapping in Federal and Québec Programs* (Québec: Ecole Nationale D’Administration Publique (ENAP), 22 June 1978).

their own studies of the extent of overlap and duplication which existed in Canada.²⁰⁵ All three studies showed that extensive overlap existed; however, because of difficulties in measurement, none was able to demonstrate that this overlap caused significant government inefficiency. Nevertheless, armed with anecdotal evidence, the Québec and Alberta studies predictably concluded that overlap was causing significant inefficiencies, while the federal government's report indicated that any overlap which did exist was managed relatively well. It was apparent, as Brown has argued, that "the debate about overlap remains essentially a debate about federal and provincial power, not about efficiency."²⁰⁶

Although it was evident that some of the more influential provinces were supporting devolution, other 'have less' provinces argued against the federal proposal, recommending instead that the provinces be provided with more opportunities to have a greater say in federal decision-making processes. Throughout the constitutional discussions there was a clear division on this issue between the 'have' and 'have less' provinces. The proposal to devolve training and its impact on the provinces was assessed in a *Winnipeg Free Press* editorial as follows:

...to drive Ottawa completely out of the manpower training field...might be good news for Ontario and Quebec, which would have the resources to establish their own programs. It would not be so good for provinces like Manitoba, which lack those resources, and not so good for Canada, which will need an effective national manpower training system if it is to compete in a new world economy.²⁰⁷

Recognizing that not all provinces would want a diminished federal presence in labour market training, Ottawa softened its original position. The revised proposal, which was reflected in

²⁰⁵ Alberta, *Improving Efficiency and Accountability, Rebalancing Federal-Provincial Spending Responsibilities* (Alberta: May, 1992) and Canada, Treasury Board Secretariat, *Federal-Provincial Overlap and Duplication: A Federal Program Perspective* (Ottawa: Treasury Board Secretariat, 1991).

²⁰⁶ Gordon R. Brown, "Canadian Federal-Provincial Overlap and Presumed Government Inefficiency." *Publius: The Journal of Federalism*, 24,1 (Winter 1994): 22.

²⁰⁷ Editorial, "Improvising Policy" *Winnipeg Free Press*, 4 July 1992, A6.

the final Consensus Report, suggested that provinces could opt to retain a federal presence through five-year 'justiciable' intergovernmental agreements.²⁰⁸ Furthermore, in response to loud and persistent protests related to the threat to the national unemployment insurance system which the devolution of training suggested, the Charlottetown Accord made specific reference to the condition that federal jurisdiction for unemployment insurance would not be altered, despite Québec's original demands for exclusive authority over UI.²⁰⁹

Although the provision to opt into continued federal involvement was a concession to protect the interests of the 'have less' provinces, there were still lingering concerns. It was feared that once the initial five-year arrangements had expired, Ottawa would be loathe to continue to maintain an infrastructure for labour force development (i.e., the CECs) for a few small provinces, when the remainder of the national network had been absorbed by the provincially run systems. The concern was that the smaller provinces would then be compelled to assume exclusive responsibility for labour force development in their jurisdiction, without the transfer of an adequate level of resources.²¹⁰

Nevertheless, in August 1992, the Charlottetown Accord was agreed to by the ten provincial premiers (including Québec's Premier Robert Bourassa), two territorial leaders, four Aboriginal leaders and Prime Minister Brian Mulroney, but the national referendum held two months later resulted in a majority "No" vote in six of the ten provinces. The Charlottetown Accord was defeated.

The result of the referendum would suggest to some that the issue of devolving responsibility for training to the provinces was dead. However, in October 1992, in a press

²⁰⁸ First Ministers' Meeting on the Constitution, "Final Consensus Report on the Constitution" (Charlottetown, 28 August 1992), 11, photocopied.

²⁰⁹ See, for example, Virginia Galt, "Labour says UI at risk in Unity Deal," *The Globe and Mail*, 15 July 1992, also Terry Weber, "Crowd Protests UI transfer to the Provinces," *Winnipeg Free Press*, 15 July 1992.

²¹⁰ Manitoba Education and Training, Briefing Note, prepared on the federal government's constitutional proposal to devolve responsibility for skills training to the provinces (Winnipeg: n.d.)

conference commenting on the after-effects of the referendum, Premier Bourassa made it clear that Québec would still pursue the devolution of training. Despite comments from Prime Minister Mulroney that the federal government would not enter into any administrative agreements on labour force development if the result of the referendum was “No,” Bourassa argued that he “would expect the federal government to understand that if we want to avoid overlaps and duplication costs, we have to co-ordinate better manpower powers.”²¹¹ He still hoped to save the ‘single window’ approach envisioned for the SQDM — including training and active labour market programming as well as the administration of UI program and almost 6,000 federal employees — through administrative arrangements, without the need for constitutional amendments. Ottawa originally responded by stating that it would not consider any outright transfer of power.²¹² However, less than one month after the death of the Accord, EIC Minister Bernard Valcourt told the media that “as early as January [1993], I intend to sit down with provincial ministers to see how we can better co-ordinate our [labour market] activities.”²¹³

The ministers responsible for labour market matters did meet in January 1993 — the first time they had met in four years. Québec, Ontario, Alberta and British Columbia came to the meeting seeking an agreement to devolve powers. However, it was clear that EIC Minister Bernard Valcourt would not move in any direction which suggested devolution. Valcourt came to the table telling the provinces that the status quo was no longer acceptable and that something would have to be done to improve client service. He spoke of the need to introduce a ‘client-centred service’ which would focus on the needs of the client and not jurisdictional responsibilities. He suggested pilot projects

²¹¹ Michel Venne, “Bourassa is Already Asking for a Transfer. He Hopes to Save the Single Window on Manpower” *Le Devoir*, 28 October 1992 (translated).

²¹² “Quebec is Rebuffed in Bid to Control Jobs,” *The Toronto Star*, 11 November 1992, A12.

²¹³ Canadian Press, “Ottawa Plans Federal-Provincial Manpower Meet,” *Montreal Gazette*, 24 November 1992, B1.

which would experiment with new forms of service delivery (e.g., co-location of federal and provincial offices).²¹⁴ The federal government had initiated an internal review of overlap and duplication and was prepared to discuss, on a bilateral basis, how gaps and overlaps could be addressed. Valcourt's press secretary was quoted as saying:

The minister is of the view that if everybody around the table is prepared to not get bogged down in questions of jurisdiction which emanate from the constitutional debate, if everyone is prepared to focus on the needs of that person in need out there, there is enough flexibility within our current constitutional arrangement to do positive things.²¹⁵

Many of the provinces were offended by the paternalistic stance assumed by the federal government and were incensed that the federal government thought that 'client-centred' services would be a completely new concept to them as Valcourt had suggested.²¹⁶ Some of the EIC officials in attendance were as appalled by the federal posturing as the provinces were.²¹⁷

The provinces had come to the table seeking federal endorsement of a set of multilateral principles which they had developed to guide future negotiations related to new bilateral labour force development agreements to replace the ones which would expire in March 1993. These principles, developed with increased provincial authority over training in mind, included:

- the need for a flexible and equitable approach that meets economic development and labour market needs and circumstances of each jurisdiction;
- more effective use of public funds in support of service to clients;
- the need for a fair allocation of resources to accompany any negotiated reallocation of responsibilities;
- terms and conditions of the arrangements should be secure;

²¹⁴ Correspondence from Bernard Valcourt, Minister of Employment and Immigration Canada to Rosemary Vodrey, Minister of Manitoba Education and Training, 15 January 1993.

²¹⁵ Canadian Press, "Self-Interest May Frustrate Plans of Skills Meeting," *The Toronto Star*, 18 January 1993, C6.

²¹⁶ Oral account given to the author by a Manitoba official, 4 February 1993.

²¹⁷ Oral report given at the Senior Officials Responsible for Labour Market Matters Conference Call, 25 January 1993.

- an open process; and
- a strong, national U.I. system.²¹⁸

The federal government indicated its discomfort with the third and fourth principles and the parties were unable to reach a compromise. Ruth Hubbard, deputy minister of EIC at the time, indicated that the provinces were “the most unfriendly bunch she had ever had to deal with and that the provinces were being unreasonable in their reactions.”²¹⁹ The federal government decided to develop a second set of principles for public release which included:

- increased private sector role in labour force development;
- shared and cooperative responsibility for labour force development between governments;
- reciprocal obligations; and
- complementarity.²²⁰

Although Valcourt conceded there was duplication of service in Québec which he was prepared to address,²²¹ it was clear that this might not be enough for Québec. Québec’s Manpower Minister André Bourbeau issued a thinly veiled threat that the federal government may pay the price for its position on labour market development in the next federal election.²²² The conference ended in bitterness when the ministers of Ontario — disgruntled that Ottawa was not living up to its funding commitment under its federal-provincial agreement — and Québec accused Valcourt of breaking promises and being stubborn.²²³

²¹⁸ Provincial Ministers Responsible for Labour Market Matters, News Release, 20 January 1993. 2.

²¹⁹ Oral account provided during the Senior Officials Responsible for Labour Market Matters Conference Call, 25 January 1993, respecting a national conference call between Ruth Hubbard and regional EIC officials after the ministers’ meeting.

²²⁰ Employment and Immigration Canada, News Release, 2 January 1993.

²²¹ Leslie Papp, “Talks Fail to Sort Out Job Training Disputes,” *The Toronto Star*, 21 January 1993. C1.

²²² Canadian Press, “Self-Interest May Frustrate Plans of Skills Meeting.”

²²³ Eoin Kenny, “Feds Accused of Breaking Promises,” *The Vancouver Sun*, 21 January 1993.

Shortly thereafter, Brian Mulroney announced his intention to step down from office in June 1993, at which time Kim Campbell became Prime Minister of Canada. Immediately following Bourassa's expressions of congratulations for Campbell's leadership win, he demanded the immediate transfer of labour market programs to Québec. As one columnist quipped:

Lest the prime-minister-to-be miss the subtle edge to Mr. Bourassa's celebratory missive, a couple of members of his provincial government spelled it out in plain language: If the federal Tories want provincial Liberal help in the next general election — as they received during the Mulroney years — Ottawa had better hand over training jurisdiction, and the \$600 million to \$800 million that goes with it to Quebec. Given the shaky start Ms. Campbell appears to be having in that province, a shakiness that can only be exacerbated in the weeks ahead as she is forced to choose between her federalist and provincialist wings, it is not surprising that Mr. Bourassa, the old fox, went right for the jugular.²²⁴

Another threat was issued in early July by Bourbeau;²²⁵ however, by the end of the month, the media announced that Bourbeau was willing to compromise Québec's position on managing the UI program, if federal training programs became Québec's sole responsibility.²²⁶ Bourbeau did suggest, however, that the federal UI program could be co-located with the Québec training programs in a single window office. He also stated that timing and politics went hand-in hand on the manpower-training issue and was convinced that the issue would be at the centre of the debate in Québec during the fall federal election.²²⁷ For its part, the Québec Liberals were also nearing an election and would benefit by showing the Parti Québécois that co-operative federalism could work and that Québec did not have to separate to get what it wanted.

²²⁴ Robert Sheppard, "Premier Bourassa Puts on the Pressure," *The Globe and Mail*, 21 June 1993, A11.

²²⁵ William Johnson, "No to Quebec. Feds Should Not Give in to Manpower-Training Demand," *Montreal Gazette*, 9 July 1993, B3.

²²⁶ Danny Vear, "Quebec Makes Concessions." *Le Devoir*, 21 July 1993, (translated).

²²⁷ Susan Delacourt, "PM Faces Skill Test in Quebec. Manpower Deal Sought by Bourassa puts Campbell in Difficult Position," *The Globe and Mail*, 3 August 1993, A3.

Recognizing the need for Québec's support in the upcoming federal election, Campbell met with Bourassa in August 1993 and reached an agreement-in-principle to develop a provincially controlled labour market development service in Québec, managed by the SQDM. In transferring administrative responsibility for labour market training programs to Québec, Ottawa would obtain the right to appoint members to the SQDM's board of directors. Furthermore, Québec would assist Ottawa in developing a network of single wicket offices, wherein labour market programs and UI services would be available in the same location.²²⁸ The media indicated that the single window concept would likely involve the amalgamation of the federal government's CECs and the province's job training offices and would likely result in the transfer of some federal employees. Campbell indicated that other provinces would be able to get the same type of deal and announced that Alberta had already expressed interest in the single window approach.²²⁹

As one columnist observed, "An hour's chat on a rooftop has apparently achieved what the failed Charlottetown accord and months of negotiations failed to do."²³⁰ However, Campbell was quick to point out that Ottawa would not be abandoning labour market training and that there would be a role for both levels of government.²³¹ She further asserted that this arrangement did not represent a transfer of constitutional power to Québec.²³² Furthermore, both she and Bourassa

²²⁸ André Picard, "Quebec Gets Nod to Train Workers," *The Globe and Mail*, 4 August 1993, A1-A2.

²²⁹ Jack Branswell, "Campbell, Bourassa Agree on Manpower Training Deal," *Winnipeg Free Press*, 4 August 1993, A2.

²³⁰ Montreal Gazette with Canadian Press, "Manpower Training Pact Won. Campbell, Bourassa Reach Deal," *The Vancouver Sun*, 4 August 1993, A4.

²³¹ Edison Stewart, "Bourassa, Campbell at Odds Over Control of Labor Training," *The Toronto Star*, 4 August 1993, A9.

²³² Alan Toulon, "No Power Transfer in Deal: PM. Campbell Insists Quebec Training Pact Co-operative," *Financial Post Daily*, 6,106 (August 5, 1993):4.

acknowledged that nothing would be formally implemented before the federal election — and then only if the Conservatives were re-elected.

Nevertheless, the 'deal' quickly came under fire. In an unlikely consensus of thought, Parti Québécois Leader Jacques Parizeau and Reform Leader Preston Manning denounced the arrangement as an attempt to implement parts of the Charlottetown Accord through the back door. Parizeau went on to condemn the move to allow the federal government to have a seat on a provincial board in an area of exclusive provincial jurisdiction.²³³ Liberal Leader Jean Chrétien commented that "It's a pre-election move that lacks substance...It's the first time she has tackled a serious issue since becoming Prime Minister and there's already confrontation within the caucus."²³⁴ Academics and labour criticized the arrangement because it represented "a balkanization of the labour market... driven by Quebec nationalist imperatives."²³⁵

Provincial politicians too began to criticize the arrangement. British Columbia Labour Minister Moe Sihota was quick to announce that:

Any deal Quebec gets over control of job training must also be given to B. C. or Prime Minister Kim Campbell risks being labelled a traitor to her home province...[T]o give only one province those powers on the eve of a federal election smacks of political opportunism and unfair treatment of the West.²³⁶

The media made a great deal of the fact that Ontario Premier Bob Rae returned from holiday to send Prime Minister Campbell a strongly worded letter stating that he would not stand for any

²³³ Ross Howard and Geoffrey York, "Power Sharing with Quebec Draws Criticism," *The Globe and Mail*, 5 August 1993, A4.

²³⁴ Ibid.

²³⁵ Ibid. James McCambly, president of the Canadian Federation of Labor also commented on the balkanization of the training system. See Eric Beauchesne, "PM Wants Tacit Support of Quebec Liberals," *The Vancouver Sun*, 6 August 1993, A4.

²³⁶ Keith Baldrey, "B.C. Seeking Quebec Deal on Manpower Job Training," *Vancouver Sun*, 5 August 1993, B3.

further 'deals' before a set of multilateral principles had been agreed to by all of the provinces to ensure a fair allocation of resources.²³⁷ Newspapers also reported that, despite Rae's protestations, New Brunswick was also joining Québec in planning a 'one-stop shopping' system — involving UI, training, welfare and social services — and that Prince Edward Island had also expressed interest in the single-window concept.²³⁸ Later that month, Ottawa and Alberta released an announcement that they had reached an agreement to establish a set of principles to guide future discussions related to labour market development and training, including the reduction of overlap and duplication in the area of training.²³⁹

Despite the controversy created in the media, the Québec-Ottawa 'deal' was not beyond the scope of the 'administrative arrangements' which provincial officials had been discussing with their federal counterparts for months, as a regular process of renegotiating federal-provincial agreements which had governed labour market development activities since the early days of cost-shared programs. As one reporter concluded after seeing nothing much of substance in the written text of the Campbell-Bourassa discussion, "What Campbell made public is a political statement for the sake of an election campaign. She commits herself publicly to do what Bourassa publicly asked her to do as soon as she was chosen leader and prime minister."²⁴⁰

Despite the alleged political gamesmanship, the federal Conservatives lost the October 1993 election, and the Liberals, under Prime Minister Jean Chrétien, assumed office. Just days after the Chrétien cabinet was sworn in, Québec's labour market minister André Bourbeau indicated that,

²³⁷ Richard Mackie, "Secret Deals For Quebec Irk Rae. Rae Moves to Block Ottawa-Quebec Job-Training Deal," *The Globe and Mail*, 7 August 1993, A1 and A4.

²³⁸ Edison Stewart, "N. B. Joining Plan for Jobs, PM Says," *The Toronto Star*, 20 August 1993, A12.

²³⁹ Canada and Alberta, "Federal Government and Alberta to Examine New Arrangements on Labour Market Development and Training," News Release, 25 August 1993.

²⁴⁰ William Johnson, "Political Opportunism. Campbell Offers up a Bargaining Chip," *Montreal Gazette*, 22 September 1993, B3.

although there would be a delay in implementing the agreement-in-principle while the new government reviewed it, the deal was not dead.

It was clear that — despite the fact that the devolution of responsibility for training had been rejected as part of the Charlottetown Accord, and, although the initial fervour surrounding the Campbell-Bourassa ‘deal’ may have been nothing more than political staging — the concept of the provinces having more control over training remained very real in the minds of provincial decision-makers. Devolution was still very much alive.

5.4 *Ideas, Interests and Institutions in the Conservative Years*

The Conservative Years were characterized by a significant reduction in federal involvement in active labour market policy. As table 5 shows, spending on active labour market policy was reduced by 21 percent, from a high of \$2.5 billion at the end of the Liberal administration to under \$2 billion (of which \$725 million is from the UIDU account) in 1993-94. In real dollar terms, this represents a reduction of almost 40 percent (from \$805 million in 1984-85 to \$503 million in 1993-94) during the Mulroney government’s tenure. And, despite McFadyen’s observations that federal spending in constant dollar terms had been relatively stable over the last twenty-five years, it should be noted that 1993-94 expenditure levels were 6 percent lower, in constant dollar terms, than they were in 1971-72, even though the unemployment rate had climbed from 6.2 percent to 10.4 percent over this same period.

5.4.1 *Ideas*

There was such a marriage between market-oriented economic thought and Conservative ideology that it becomes difficult to separate the influences of the two factors during the Mulroney

administration. The Tories' focus on deficit control — strongly supported by the monetarists — superseded considerations of labour market adjustment and development, as evidenced in the significant reduction in federal expenditures in active labour market policy during the Mulroney years. However, as Doern and Phidd observe, deficit reduction can be used as a rationalization for actions which reflect a right-wing social philosophy:

The deficit in turn raises issues about whether it itself is influencing choices or whether right-wing ideologues are using it to pursue an anti-social agenda. The deficit, according to the latter argument, becomes a stalking horse for an agenda of social policy retrenchment that would not be supported by Canadians if these policies were presented on their own merits... Clearly, there are some elements of the Mulroney government and caucus that would like to give more complete meaning to the promise of the social adjustment concept, but equally there are strong elements of the 'new right' who see the deficit as a way to put into practice a far less generous concept of modern social policy.²⁴¹

The Conservatives' Labour Force Development Strategy represented a shift in active labour market policy away from the principle of equity — and a focus on the employment disadvantaged — to the standard of efficiency. While the CJS included a component of helping those who needed it most through programs for the employment disadvantaged, the LFDS moved sharply away from equity considerations. As Campbell points out, the shift reflected the Conservatives' market-oriented, 'hands-off' approach.²⁴²

In addition, the Conservative's preference for smaller government — also a tenet of market-oriented economic thought — influenced a shift in labour market policy towards a greater private sector orientation. One of the most significant changes brought about by the Conservative government was the massive diversion of UI funds for active measures. Although the UI fund had

²⁴¹ Doern and Phidd, 282 and 284.

²⁴² Campbell, 32.

been used for years to support unemployed workers enrolled in training and adjustment programs,²⁴³ expenditures in this area were limited. Some critics of the increased use of UI funding protested that “What the federal government has done is to effectively off-load the largest share of its labour force development expenditure on workers and employers.”²⁴⁴

Although the Tory government publicly stressed the need for ‘jobs, jobs, jobs,’ it was clear that government spending control won the tug-of-war battle between deficit reduction and labour adjustment needs. This apparent contradiction between political rhetoric and actual activity can be explained, in part, by an interpretation provided by McBride, who employs a class perspective to examine the state’s involvement in labour market matters. McBride suggests that active labour market policy can be viewed as a “concrete legitimation” activity of the state if it leads to full employment, is available to anyone in society who needs help to find jobs, and is financed through general revenues based on a progressive taxation system. Active labour market policy which does not have full employment as a goal, is focused on certain individuals, and does not meet its objectives can be viewed as “ideological legitimation” activity by the state. McBride states in relation to the latter case that:

Such programs serve to promote capital accumulation if they are designed primarily to serve the needs of employers for a good supply of training labour power, do not aim at full-employment, are financed from regressive sources of revenue, such as UI contributions, and/or put major priority on allowing profit-making opportunities to the private sector in implementation of the programs.²⁴⁵

²⁴³ The use of UI funds to help unemployed workers adjust to economic changes began in 1977 with the incorporation, in the UI Act, of assistance programs for Work Sharing, Job Creation and Income Support. Income Support for UI claimants in training was first implemented in 1978 and the Work Sharing and Job Creation funding under UI began in 1981-82. See Employment and Immigration Canada, *Unemployment Insurance Developmental Uses Programs 1993* (Ottawa, Supply and Services Canada, 1992), 1.

²⁴⁴ McCracken and Jenness, 9.

²⁴⁵ McBride, *Not Working*, 122.

Increasingly, under the CJS and then through the LFDS, training and job creation activities provided direct benefits to employers, either through tax benefits or wage subsidies, and, according to McBride, constituted direct state assistance to the accumulation of capital by industry.²⁴⁶ Because of the declining emphasis on the goal of full employment, job creation programs and some forms of training become “placebos (‘ideological legitimation’) designed to help manage public discontent occasioned by the return to high unemployment.”²⁴⁷ McBride concludes that the shift to monetarism resulted in abandonment of the full-employment objective, and the subsequent preoccupation with deficit control meant that the federal government’s active labour market activities were “much more of an exercise in symbolic politics.”²⁴⁸

Another factor influencing the federal government’s actions related to labour market policy has been narrow political motivations. A case in point was Kim Campbell’s move to enter into an agreement with Robert Bourassa to transfer more control for training and employment programming to Québec. It was apparent that Campbell was attempting to secure the Québec vote to increase her chances of being elected in the Fall of 1993. Bourassa also hoped that this strategy could be used to further his chances of re-election in the provincial contest.

Politics have also come into play in various other instances as well. For example, Flora MacDonald was successful in getting Tory premiers to break ranks with their provincial counterparts, allowing her to move ahead in obtaining bilateral agreements associated with the CJS. It is also likely that the relative and unusual ease by which concurrence was achieved around the

²⁴⁶ Ibid., 156.

²⁴⁷ Ibid.

²⁴⁸ Stephen McBride, “Trends and Priorities in Job Creation Programs. A Comparative Study of Federal and Selected Provincial Policies,” in *The Canadian Welfare State. Evolution and Transition*, ed., Jacqueline S. Ismael (Edmonton: The University of Alberta Press, 1987), 167.

principles for the CJS was facilitated by the fact that most of the premiers around the table belonged to the same political party as the federal minister.

5.4.2 *Interests*

It has been stated earlier in this paper that business and labour interests have not had a significant influence on the development of an active labour market policy; however, it is evident that the strategies of the Conservative government influenced the role of business and labour would have, formally, in this area. For example, the creation of the CLMPC and the CLFDB provided business and labour with the opportunity to develop the policy capacity to become more involved in active labour market development. McFadyen concludes that, as a consequence, the role of business and labour has been transformed from one of limited policy advocacy to policy participation.²⁴⁹

However, McFadyen may have been premature in his conclusions about the significance of introducing societal structures into what has traditionally been a state-centred policy arena. Although the Mulroney government's labour market strategy has been described as the first real beginning of the Conservative government's experiment in consensual policy formation,²⁵⁰ several factors have placed into question the sincerity of the government's commitment to consensus-building. First, funding for — and therefore the continued existence of — the CLFDB and the CLMPC have been in the control of the federal government, placing it in a position of considerable influence over the activities of these structures. Second, despite the Tories' formal commitment to consultations with the private sector, the federal government has often not accepted the advice of these organizations,

²⁴⁹ McFadyen, 50.

²⁵⁰ Campbell, 32.

especially when it came to using UI funds other than for income support²⁵¹ or when devolution of training to the provinces was considered during the constitutional discussions. The fact that Ottawa has ignored many of the recommendations of the CLFDB and the CLMPC is evidence of the limits to the federal government's commitment to private sector involvement in decision-making. Third, as McFadyen observes:

...by institutionalizing societal input through the CLMPC [and the CLFDB], the federal government not only simplified and regularized access for recognized groups, it also restricted access for groups representing interests other than the traditional labour market partners. This reinforced the redirection of ALMP [active labour market policy] — again, a redirection that was characterized by a greater economic policy orientation.²⁵²

Another factor which suggests that societal interests may not develop a strong, formal policy role in active labour market development has been the opposition exhibited by some provinces to the creation of private sector boards. As a result of this resistance, the kind of private sector infrastructure which the Mulroney government envisioned has not been achieved.

Furthermore, Canada's tradition of adversarial labour relations has meant that a consensus between business and labour has not been easy to obtain. This rift was apparent in the fact that the CLMPC Task Force on Human Resource Planning issued separate business and labour reports. It was clear that the LFDS objective of developing a widely held training culture among all Canadians would be difficult to achieve when the two major private sector partners could not agree on how private sector training should be financed.

²⁵¹ The CLFDB has repeatedly stated its position that UIDU funding not be used for purposes other than direct income support for UI claimants involved in training; however the federal government continues to use UIDU funds for other interventions. Similarly, the recommendations of the CLFDB related to the size of the UIDU allocations have not always been accepted. See CLFDB, "Majority of CLFDB Recommendations on 1994 Budget for Development Uses of UI Accepted," News Release, 22 December 1993, which indicated that the CLFDB was "disappointed and regrets [the] decision" to reduce the UIDU budget from \$2.2 billion for 1994 to \$1.9 billion."

²⁵² McFadyen, 325.

Some have suggested that the involvement of the private sector in the area of labour force development was simply a convenient way for the federal government to deflect some of the blame in a traditionally sensitive area, without the complications and risks involved in developing first an overall national policy framework. As one author states:

Recently there has been a trend in both federal and provincial governments to devolve responsibility for training entirely into the hands of business (typically the large business community) and labour. Although at first blush this may be welcomed by all, at this point it appears to be motivated by governments' desire to avoid responsibility — or perhaps avoid the blame is more appropriate — for policy implementation in a contentious and costly area. It is true that business, including small business, and labour have key roles to play... governments still must retain accountability for the spending of public funds and ensure that funding is allocated equitably among the various stakeholders.²⁵³

5.4.3 *Institutions*

As was evident during the Trudeau administration, senior policy staff within the federal bureaucracy continued to be instrumental in shaping federal policy in active labour market development under the Tory administration. The influence of the bureaucracy was apparent in the role the Strategic Policy and Planning branch had in the development of the Canadian Jobs Strategy and in the relative consistency of program design between the NTA, the CJS and the LFDS.

Again — as it had occurred under the Liberals — the provinces were largely successful, initially at least, in frustrating the federal government's intentions related to training. The primary example was the provinces' ability to alter the outcome of the Conservatives' plans to 'privatize' training under the CJS. However, as the federal government relied more heavily on UI funds to support its training initiatives, the strength of the provinces' negotiating position was correspondingly eroded, given that Ottawa had exclusive jurisdiction over the UI Act.

²⁵³ Catherine Swift, "Building a Competitive WorkForce," Remarks at a Financial Post Conference, Toronto, 13-14 November 1990, photocopied.

Furthermore, the consensus among the provinces began to decay. Pressures from some jurisdictions for exclusive provincial control over training and employment programs supported — if not inspired — the federal government's apparent intent to withdraw from this field. Pushed by concerns for national unity and political pressures to reduce the overall level of federal spending, the Conservative government made several overtures to devolve responsibility for training, first through formal constitutional discussions and, when that failed, through 'administrative arrangements.'

5.4.4 Conclusions

As it has been shown, political ideology integrated with economic thought gave renewed strength to the idea of a diminished federal presence in this policy field. The advice of societal interests was sought through formal mechanisms to legitimize this direction, but was not heeded when the advice ran contrary to federal intentions. Furthermore, traditional opposition from institutional forces was diminished, and provincial demands during constitutional discussions supported a diminished government role in active labour market policy. As such, there was an unprecedented degree of unity in the factors supporting a reduced federal commitment to active labour market policy during the Conservative Years.

CHAPTER 6

CONCLUSION

This study has argued that ‘ideas’ embodied within the prevailing economic paradigm and governing political ideology are the main determinants of federal active labour market policy. However, the success of federal strategies are significantly influenced by the ‘institutions’ associated with this policy field — namely federalism and the federal bureaucracy, but ‘interests’ have played a limited, indirect role in active labour market policy development.

6.1 Summary of the Argument

Two case studies formed the focus of analysis: Chapter 4 outlined the policy under the Liberals, covering the twenty-year period between the mid-1960s and mid-1980s; while Chapter 5 examined the ten-year period during which the Conservatives were in power. In both cases, an influential force behind the federal government’s involvement in active labour market policy was the prevailing economic paradigm; however, in both instances, the political ideology of the governing party determined the extent to which economic theory was turned into practice. In both cases the policies adopted provided the political opportunity to be seen as taking concrete actions to address areas of public concern and, therefore, to increase the party’s chances of re-election. In short, ‘ideas’ were the catalyst of change and the main determinant of federal policy.

It was argued interests have had a limited formal role in the development of active labour market policy, providing the state with considerable latitude in decision-making. Nevertheless, business and labour have influenced the general political milieu of society, and it is argued that the decline in the federal government's commitment to active labour market policy corresponds generally to the decline in the political influence of labour and the corresponding increase in the expression of business interests in economic thought and political ideology.

It is also shown that, in terms of institutions, the federal bureaucracy has had an impact on policy development, but its influence appears to have driven and — at the same time — impeded the government's action in this regard. The answer to this apparent contradiction lies in the dual nature of the bureaucracy. **Policy** staff are largely economists by training who often reflect the prevailing economic theory of the day. The relative consistency of policy direction since the shift to the monetarist paradigm — despite the political party in power — can be explained in part by the stability of thinking within the policy analysts in the bureaucracy. On the other hand, **line** staff often do not share the same professional backgrounds as their policy colleagues and have a vested interest in maintaining the status quo and their continued employment. Thus one observes instances in which line staff circumvent federal policy initiatives in order to maintain their own priorities.

Furthermore, it was revealed that federalism has had a significant impact on the implementation of federal strategies. The federal nature of the Canadian state is a major determinant of active labour market policy, because of the constitutionally divided but overlapping jurisdictions in the area of training. Although provincial resistance was an effective and powerful opposing force during the period in which federal involvement was expanding, the situation under the contractionary influences of the Conservatives was quite different.

As seen in figure 4, the driving forces behind the federal government's increased involvement during the early Liberal years were countered to some degree by the influence of the

provinces. However, this countervailing pressure has weakened considerably since 1990, and, as illustrated in figure 5, there are no powerful forces counteracting the federal government's withdrawal from active labour market policy.

Figure 4

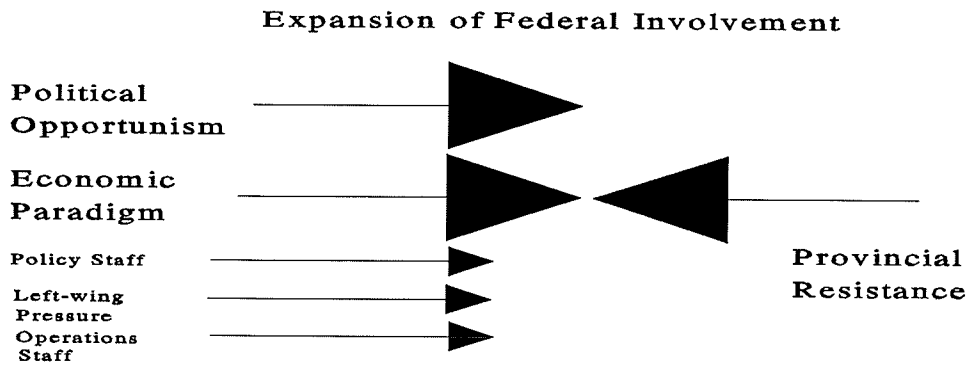
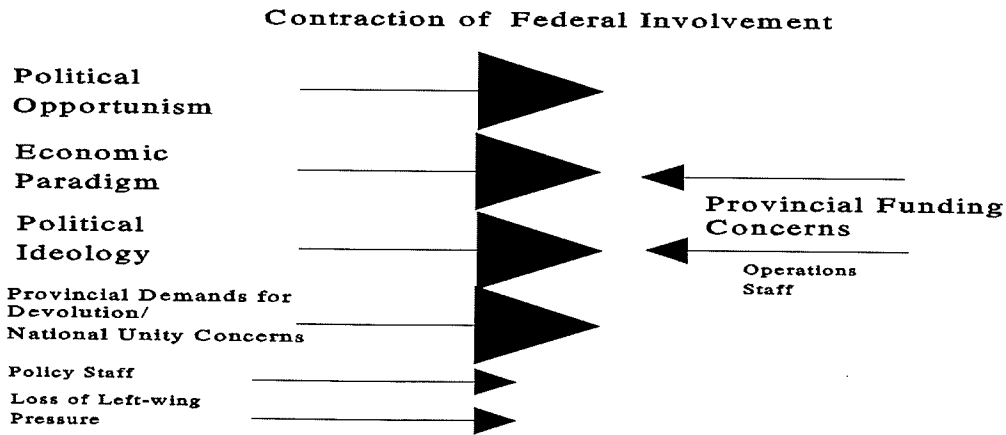


Figure 5



6.2 Some Thoughts for the Future

Some would applaud a reduced federal involvement in active labour market policy. There are those who see the provinces as being better able than the federal government to address the differences in regional labour market needs, values and circumstances which exist across Canada.²⁵⁴ Some believe that greater public accountability would be restored if the provinces were responsible for the financing of their own programs, because the linkages between taxes and program benefits would be more direct.²⁵⁵ Others view the presence of two levels of government in one policy field as inevitably wasteful and duplicative. For example, Fletcher and Wallace state that, "In purely administrative terms, there is little doubt that divided jurisdiction leads to duplication, gaps in program coverage, conflicting regulations, buck-passing and so on, creating problems for citizens and conflicts between governments."²⁵⁶ Others maintain that a decline in Ottawa's influence is perhaps inevitable, given that economic globalization limits the importance of national economies and reduces the influence of the economic role of government. Still others applaud any action which limits and reduces government activity.²⁵⁷

²⁵⁴ See, for example, Jonathan R. Kesselman, "Reforming Canadian Social Security for Equity, Efficiency and Employability," *IRPP Choices. Social Security Reform. Commentaries on the Axworthy Green Paper*, 1, 2:33.

²⁵⁵ See, for example, W. Craig Riddell, "Reforming Income Security in Canada: An Assessment of the Green Paper," *IRPP Choices. Social Security Reform. Commentaries on the Axworthy Green Paper*, 1,2:70.

²⁵⁶ Frederick J. Fletcher and Donald C. Wallace, "Federal-Provincial Relations and the Making of Public Policy in Canada: A Review of Case Studies," in *Division of Powers and Public Policy*, ed., Richard Simeon. Vol. 61. Royal Commission on the Economic Union and Development Prospects for Canada Series. (Toronto: University of Toronto Press, 1985), 143.

²⁵⁷ See, for example, Allan Tupper, "Reinventing Canadian Federalism?" *Public Sector Management*, 6,1: 11.

However, as one analyst notes, “devolution does not divide the potential for government interference by 10: It multiplies it.”²⁵⁸ There are economies of scale in the design, delivery and administration of programs which may not be fully realized at the provincial level. Furthermore, as has been seen throughout history, some provinces are better equipped to deliver programs and services than others, and the result has been regional inequities in service, unequal infrastructures, and dissimilar training standards. It was argued as far back as the early 1900s that a national government presence was required in funding active labour market policies because of the externalities and spillovers of benefits from one province to another. Others maintain that shared jurisdiction between the federal and provincial governments does not necessarily lead to overlap and duplication. As Maslove suggests, “[competitive federalism] may...lead to the most efficient result, allowing for maximum regional variation within a national program and creating incentives through which governments will best serve their overlapping electorates.”²⁵⁹ Finally, some argue that a national presence in active labour market policy is necessary for Canada to be competitive in the global economy. As Arthur Kroeger, Deputy Minister of EIC between 1988 and 1992 and currently the head of the Public Policy Forum think-tank, observes:

Canada is already the only federation in the industrialized world which does not have a department of education at a national level. Had the Charlottetown Accord passed, we would have become the only country in which the national government had given up all responsibility for labor-market matters except for income support...This is not a road that we should seek to go down a second time.²⁶⁰

²⁵⁸ Andrew Coyne, “Block Funding for Social Programs Imperils Federal Standards,” *The Globe and Mail*, 20 February 1995, A18.

²⁵⁹ Allan M. Maslove, “Trying to be Liberal in Difficult Circumstances,” *IRPP Choices. Social Security Reform. Commentaries on the Axworthy Green Paper*. 1,2:50. Also see Albert Breton, “Supplementary Statement of Commissioner,” in Royal Commission on the Economic Union and Development Prospects for Canada, *Report*, Vol. 3 (Ottawa: Supply and Services Canada, 1985), 486-526.

²⁶⁰ William Johnson, “An Old Refrain. Tiff Over Manpower Training the Same Scratchy Old Stuff,” *Montreal Gazette*, 16 April 1994, B5.

There is no consensus on whether the federal government should continue to maintain a presence in active labour market policy, and this uncertainty is reflected within the current Chrétien cabinet, which is in the process of debating the future role of the federal government in active labour market policy. The confusion of thought is exacerbated by the opposing pressures of deficit control, on the one hand, and social concerns, on the other.

The conflicting forces facing the Chrétien government were evident throughout 1994 in the tug-of-war battle between Human Resources Development Canada (HRDC) Minister Lloyd Axworthy's social security reform agenda and Finance Minister Paul Martin's deficit cutting strategy. As the 1995 federal budget revealed, fiscal considerations won out over social policy reform, as evidenced by the announcement that \$1.1 billion in cuts to HRDC programming would occur over the next two years.

Human Resources Development Canada (HRDC) officials have indicated that they are currently designing options for addressing the funding cuts announced in the 1995 federal budget by developing new training and employment programming to be financed through the Human Resources Investment Fund (HRIF).²⁶¹ They have indicated they are designing the HRIF — not as a scaled down version of the status quo — but as a fundamental transformation of the existing order.

Officials indicated that the HRIF would move away from nationally run programs to more regionally specific interventions. CECs would be given significantly more decision-making authority in the new context of **client-specific** programming. Under the client-specific model, pre-defined programs — with restrictive rules and criteria — would be eliminated. Instead, each client would be asked what he or she needed to become employed. If, for example, the only reason a person was not working was because of child care problems, funding for child care would be provided. If another

²⁶¹ The following section is based upon information given informally by federal officials to the Labour Market Support Services Branch, Manitoba Education and Training between March and June 1995.

person needed to buy a bus pass to get to work, that is what he or she would receive. If another needed a one-week course to master a certain software package, that would be the extent of the training HRDC would fund. In fact, as federal officials have indicated, it is possible that under this new model HRDC may purchase very little in terms of training.

HRDC's plans for the HRIF are closely tied to planned reforms of the UI program. Given that CRF funding for active labour market programs and services will be reduced to very minimal levels, and that further reductions are likely, the only noteworthy source of funding left is the UIDU 'pot.' However, only those people who qualify for UI can currently be funded under the UIDU allocation. Furthermore, there has been significant resistance in the past from business and labour — within the UI Commission and the CLFDB as well as from external organizations — to use UIDU funds for any purpose other than direct income support while UI clients are in training. Therefore, if HRDC hopes to use UIDU funds to support non-UI clients in non-training-related activities, it will require significant changes to the status quo. Legislation to change the UI Act will be necessary to make UIDU more flexible, and Cabinet will have to approve the redirection of UI funding into the new HRIF.

However, there are many Liberal cabinet members who would argue that training and employment programs are the responsibility of the provinces, and any savings resulting from the UI changes announced in the 1995 budget should either be used to increase the balance in the UI account or be used to reduce employer premiums in order to stimulate job creation. Furthermore, significant opposition could reasonably be expected from business and labour, the CLFDB, the UI Commission and from some provinces, if further UI funds are routed away from income support. As Québec Employment Minister Harel states:

Not only is Ottawa shamelessly dipping into a scheme to which it doesn't contribute a penny, but its series of 'reforms' have completely distorted a system originally designed, need we remind people, to guarantee income in the event of job loss. Unemployment insurance has gradually become the federal government's second largest source of income,

ahead of the GST and corporate taxes, and *Ottawa's cash cow*. The government now intends to divert additional funds from the insurance function to bankroll its initiatives.²⁶²

However, devising ways of adapting to reductions in HRDC's **programming** budget is not the only challenge facing the department. It is also examining ways to reduce its **operating** expenses. One option HRDC is also looking at is reducing the number of regional offices and cutting the number of CECs from 450 to 300 and more emphasis is being placed on self-service, electronic kiosks and on-line computerized services. HRDC indicated that it has no pre-conceived ideas about the management structure of the remaining CECs; however it would appear that its preference would be to have the CECs subsumed under a network of single window offices. Federal officials have indicated that the CECs will be redesigned with this type of transfer in mind.

Given the currency of thought within the Chrétien cabinet that active labour market activity should be transferred to the provinces, it is possible to imagine that the federal government may permit HRDC to evolve into a department which simply administers the UI Act with some limited services provided exclusively to UI clients. Officials have speculated that, should UIDU flexibility not be granted, it is likely that, with additional funding cuts in the future, the provinces may be the only deliverers of employment development programs and services by the end of the century. Devolution may simply occur through the protracted starvation of HRDC.

This is not to suggest that this is the vision of the future which will be realized. Much is based on speculation and conjecture. However, there is a surprising consistency in thought between the Chrétien government's vision and the comments made under the previous Tory administration. This consistency of thought may reflect a general acceptance of a market-oriented economic ideology

²⁶² Québec Executive Council, "The Martin Budget: Diversion of Unemployment Insurance Funds and No to the Quebec Consensus on Workforce Development and Job Training." News Release, March 1995, emphasis in original.

or a devolutionist bias, reflecting the growing sense of regionalism in Canada. It may also be explained, in part, by the continued influence of federal policy staff. As one commentator observes:

To fashion a strategy, the Chretien government intends to rely more heavily on the advice of civil servants than the Mulroney government did. Power has shifted away from ministerial aides and back to senior bureaucrats, the way it was before the Trudeau years in government.²⁶³

Another observer makes these comments:

The Grits are turning into Tories. And not just any old kind of Tories. They're turning into Mulroney Tories, the kind Canadian voters utterly rejected less than a year ago. The latest and most persuasive evidence of the change has been Human Resources Minister Lloyd Axworthy's 'green book' on social security. It reads like a document the previous Conservative government would have produced. It has the same high-and-mighty lecturing tone, the same empty promises of consultation, the same sneakiness about numbers and dollars... Why are the Grits sounding more and more like Tories? Perhaps there's a clue in the fact that they're sounding more and more like bureaucrats as well. The people who advised Mulroney on his way to the history books are now advising Chretien, Axworthy and Co.²⁶⁴

However, not everyone within HRDC or the federal government shares this vision of the future. Clearly, line staff within the department are concerned about their continued employment and may not support a position which would see their positions cut. Furthermore, it is not evident that the Minister shares his policy staff's insights, for it has been strongly speculated that Axworthy is more of a centralist than a devolutionist, and may prefer to see more control (and credit) in the hands of the federal government and his office.²⁶⁵

²⁶³ Jim Carr, "Like Christmas Morning. Axworthy Seizes the Reigns of Power," *Winnipeg Free Press*, 9 December 1993, A7.

²⁶⁴ Don McGillivray, "Grits Sounding More Like Mulroney Tories," *Winnipeg Sun*, 10 October 1994, 2.

²⁶⁵ For example, it has been suggested by federal officials that, while departmental policy staff envision programs and services being devolved to the private sector through boards and community groups, Mr. Axworthy appears to prefer devolving responsibility to local CECs and maintaining a degree of control within government.

Yet, in June 1994, Axworthy offered the provinces significantly greater control over (1) planning which federal programs would be used in their jurisdiction and at what levels; (2) managing the purchase of institutional training; (3) planning and implementing a single window network, encompassing the labour force development activities of all governments (federal, provincial and municipal), including training, employment services, unemployment insurance and welfare; and (4) managing some HRDC programs. However, the offer made it clear that no transfers of federal funding or staffing resources would occur.

Nevertheless, it is of interest to note that Axworthy has not yet answered those provinces which responded to the offer by saying that they would assume **full control** over all federal training and employment programs, with an appropriate transfer of federal resources. For example, British Columbia responded by stating that it was:

...prepared to negotiate an agreement with the federal government for the devolution of federal labour force development responsibilities, both those funded through Unemployment Insurance Development Uses (UIDU) and the Consolidated Revenue Fund (CRF), to the province for single provincial agency program delivery, with these responsibilities to be funded as tax points.²⁶⁶

New Brunswick Premier Frank McKenna also counter-offered Axworthy's proposal, stating that the province would take over responsibility for all federal labour force development programming; however, no agreement was reached. Ontario Premier Mike Harris indicated during the evening of the provincial election that he would also seek provincial control over labour market matters; however, the newly elected government has not, to date, submitted a formal response to the offer indicating its position. Only Saskatchewan has entered into an agreement with Canada;

²⁶⁶ Correspondence from Dan Miller, Minister of Skills, Training and Labour, Province of British Columbia to Lloyd Axworthy, Minister of Human Resources Development Canada, 26 January 1995, 3.

however, its agreement represents only incremental changes from previous arrangements and does not represent any shift in control to the province.²⁶⁷

Given Axworthy's apparent hesitation to respond favourably to demands for provincial autonomy in the area of active labour market policy, it would appear that the federal government intends, for a time at least, to maintain a presence in this policy field. However, there appears to be a lack of consensus in Ottawa on the issue of devolution. As one provincial official reports, B. C. Premier Mike Harcourt wrote to the Prime Minister requesting some movement in response to the letter which the province had sent in January 1995. He received two letters from Ottawa in reply: one from Marcel Massé, Minister of Intergovernmental Affairs, who indicated that it was important to move ahead on providing the provinces with more authority in active labour market programming; the other was from the Privy Council Office which stated that it was not an appropriate time to discuss the matter. Clearly the federal Cabinet is not of one mind on this issue.²⁶⁸

However, given the direction the HRIF appears to be taking with respect to client-centred services, reduced numbers of CECs and the potential refocussing of activities and client groups — and given that further funding cuts will undoubtedly occur in the future which may result in provincial control by default — it is far from certain that, by the year 2000, the federal government will continue to have a substantial role in active labour market policy. Only time will tell.

As this paper has attempted to show, the federal government is motivated primarily by the predominant economic paradigm and the need to respond to public pressures to maximize the

²⁶⁷ Of the four components of the federal government's offer, three have been rendered obsolete given the expected changes resulting from the development of the HRIF. Only the option of developing single window networks remains relevant. Federal officials have indicated that Axworthy is in the process of reviewing the 1994 offer, contemplating whether it should be revised on a formal basis (i.e., between ministers) or whether his deputy minister should simply deal with provincial officials to develop bilateral, ad hoc, administrative co-location projects.

²⁶⁸ Alberta, Lead Province for the Forum of Labour Market Minister, oral report given to the author, 30 June 1995.

chances of re-election. As long as the public remains relatively silent on this issue, it is likely Ottawa will continue to embrace the dominant economic perspective of the monetarists and conform to the aspirations of Québec and the wealthy provinces — and continue down the road to devolution.

However, the die has not yet been cast. It is still possible that a groundswell of public dissent directed against the federal government's funding cuts and withdrawal from social programming, including active labour market policy, may turn the tide of political thought. A recent confidential opinion poll, commissioned by the Minister of Human Resources Development Canada, and leaked to the media, revealed that almost two-thirds of respondents opposed any further devolution of powers to the provinces and a full 88 percent supported a strong federal presence in post-secondary education.²⁶⁹ Although the Québec sovereignty referendum remains a significant unknown in the equation, it is still possible that political pressure will motivate the federal government to maintain a meaningful presence in active labour market policy. Regardless of the outcome, it can be assured that the future of active labour market policy in Canada will continue to be influenced by ideas, interests and institutions.

²⁶⁹Frances Russell, "Liberal Rebels Go to the Barricades," *Winnipeg Free Press*, 20 June 1995, A6.

SELECTED BIBLIOGRAPHY

Books/Articles/Documents/News Releases/Theses

- Advisory Council on Adjustment. *Adjusting to Win*. Jean de Grandpré, Chairman. Ottawa: Supply and Services Canada, 1989.
- Alberta. *Improving Efficiency and Accountability, Rebalancing Federal-Provincial Spending Responsibilities*. Alberta: May 1992.
- Armstrong, Pat and Hugh Armstrong. "Choosing Equity and Prosperity: Access to College and the Ontario Economy." In *Colleges and the Changing Economy*. A Background Paper to Vision 2000. A Review of the Mandate of the Colleges of Applied Arts and Technology. Toronto: Ontario Council of Regents, October 1989.
- Atkinson, Michael M. "Introduction: Governing Canada." In *Governing Canada. Institutions and Public Policy*, ed. Michael M. Atkinson. Toronto: Harcourt Brace & Company Canada, 1993. 1-16.
- Atkinson, Michael M. and Robert A. Nigol. "Selecting Policy Instruments: Neo-Institutional and Rational Choice Interpretations of Automobile Insurance in Ontario." *Canadian Journal of Political Science*. 22:1 (March 1989): 107-135.
- Baldrey, Keith. "B.C. Seeking Quebec Deal on Manpower Job Training." *The Vancouver Sun*. 5 August 1993. B3.
- Beuchesne, Eric. "PM Wants Tacit Support of Quebec Liberals." *The Vancouver Sun*. 6 August 1993. A4.
- Branswell, Jack. "Campbell, Bourassa Agree on Manpower Training Deal." *Winnipeg Free Press*. 4 August 1993. A2.
- Breton, Albert. "Supplementary Statement of Commissioner." In Royal Commission on the Economic Union and Development Prospects for Canada. *Report*. Vol. 3. Ottawa: Supply and Services Canada, 1985. 496-526.
- Brown, Gordon R. "Canadian Federal-Provincial Overlap and Presumed Government Inefficiency." *Publius: The Journal of Federalism*, 24,1 (Winter 1994).

Campbell, Robert M. "Jobs...Job...Jo...J... The Conservatives and the Unemployed." In *How Ottawa Spends. The Politics of Competitiveness. 1992-93*, ed. Frances Abele. Ottawa: Carleton University Press, 1992. 23-56.

Canada. House of Commons. *Work for Tomorrow: Employment Opportunities for the '80s*. Ottawa: Supply and Services Canada, 1981.

_____. A Study Team Report to the Task Force on Program Review, *Service to the Public: Job Creation, Training and Employment Services*. Ottawa: Supply and Services Canada, 1986.

_____. Senate, Standing Committee on Social Affairs, Science and Technology, Sub-Committee on Training and Employment. In *Training, Only Work Works: Train Canadians and Create Jobs Without Increasing the Deficit, Inflation or Tax Rates*. Report. Ottawa: Supply and Services Canada, 1987.

_____. *Prosperity Through Competitiveness*. Ottawa: Supply and Services Canada, 1991.

_____. Economic Council of Canada. *A Joint Venture*. Ottawa: Supply and Services Canada, 1991.

_____. Citizens' Forum. *Citizens' Forum on Canada's Future: Report to the People and Government of Canada*. Keith Spicer. Chairman. Ottawa: Supply and Services Canada, 27 June 1991.

_____. Special Joint Committee of the Senate and the House of Commons. *The Process for Amending the Constitution of Canada*. Gérald Beaudoin and Jim Edwards, Co-Chairmen. Ottawa: Queen's Printer, 20 June 1991.

_____. *Shaping Canada's Future Together. Speech by the Prime Minister. House of Commons, September 24, 1991*. Ottawa: Supply and Services Canada, 1991.

_____. Treasury Board Secretariat. *Federal-Provincial Overlap and Duplication: A Federal Program Perspective*. Ottawa: Treasury Board Secretariat, 1991.

_____. *A Renewed Canada. The Report of the Special Joint Committee on a Renewed Canada of the Senate and the House of Commons*. Ottawa: Queen's Printer, 28 February, 1992.

Canada and Alberta. "Federal Government and Alberta to Examine New Arrangements on Labour Market Development and Training." News Release. 25 August 1993.

Canada and Manitoba, "Canada-Manitoba Labour Force Development Agreement Signed." News Release. 26 March 1993.

Canadian Labour Force Development Board. *The CLFDB Response to the Federal Proposals for Constitutional Change with Respect to Labour Market Training*. Ottawa: CLFDB, December 1991.

- Canadian Labour Force Development Board. "Majority of CLFDB Recommendations on 1994 Budget for Developmental Uses of UI Accepted." News Release. 22 December 1993.
- Canadian Labour Market and Productivity Centre. *Report of the CLMPC Task Forces on the Labour Force Development Strategy*. Ottawa: CLMPC, March 1990.
- _____. *A Framework for a National Training Board. The Report of the Phase II Committee on the Labour Force Development Strategy*. Ottawa: CLMPC, July 1990.
- _____. *1991 National Training Survey*. Ottawa: CLMPC, February 1993.
- Canadian Press. "Ottawa Plans Federal-Provincial Manpower Meet." *Montreal Gazette*. 24 November 1992, B1.
- _____. "Self-Interest May Frustrate Plans of Skills Meeting." *The Toronto Star*. 18 January 1993. C6.
- Carr, Jim. "Like Christmas Morning. Axworthy Seizes the Reigns of Power." *Winnipeg Free Press*. 9 December 1993. A7.
- Coleman, William D. "Macroeconomic Policy: Dwindling Options." In *Governing Canada. Institutions and Public Policy*. ed. Michael M. Atkinson. Toronto: Harcourt Brace & Company Canada, 1993. 207-39.
- Corak, Miles. "Eligibility Rules in the Canadian Jobs Strategy: Shifting the Burden or Targeting the Assistance?" *Canadian Public Policy*, 17,1 (1991):64-76.
- Coyne, Andrew. "Block Funding for Social Programs Imperils Federal Standards." *The Globe and Mail*. 20 February 1995. A18.
- Davies, James B. "Training and Skill Development." In *Adapting to Change: Labour Market Adjustment in Canada*, ed. Craig Riddell. Vol. 18. Royal Commission on the Economic Union and Development Prospects for Canada Series. Toronto: University of Toronto Press, 1986.
- Delacourt, Susan. "PM Faces Skill Test in Quebec. Manpower Deal Sought by Bourassa Puts Campbell in Difficult Position." *The Globe and Mail*. 3 August 1993. A3.
- Demers, Michel. "Responding to the Challenges of the Global Economy: The Competitiveness Agenda." In *How Ottawa Spends, 1992-93. The Politics of Competitiveness*, ed. Frances Abele, 151-90. Ottawa: Carleton University Press, 1992. 151-90.
- Dennison, John D. and John S. Levin. *Canada's Community Colleges in the Nineteen Eighties. Responsiveness and Renewal*. Toronto: The Association of Canadian Community Colleges, 1989.
- Doern, G. Bruce and Richard W. Phidd. *Canadian Public Policy. Ideas, Structure, Process*. 2d ed. Scarborough: Nelson Canada, 1992.

Dupré, J. Stefan. "Reflections on the Workability of Executive Federalism." In *Intergovernmental Relations*, ed. Richard Simeon. Vol. 63. Royal Commission on the Economic Union and Development Prospects for Canada Series. Toronto: University of Toronto Press, 1985. 1-32.

_____. "The Promise of Procurement Federalism." In *The Future of Fiscal Federalism*, eds. Keith Banting, Douglas Brown and Thomas J. Courchene. Kingston: Queen's University, 1994.

Dupré, J. Stefan, David M. Cameron, Graeme H. McKechnie and Theodore B. Rotenberg. *Federalism and Policy Development: The Case of Adult Occupational Training in Ontario*. Toronto: University of Toronto Press, 1973.

Editorial. "Improvising Policy." *Winnipeg Free Press*. 4 July 1992. A6.

Employment and Immigration Canada. *Labour Market Development in the 1980s*. The Report of the Task Force on Labour Market Development. Ottawa: Supply and Services Canada, July 1981.

_____. *Consultation Paper: Training*. Ottawa: Supply and Services Canada, December 1984.

_____. *Canadian Jobs Strategy*. Ottawa: Supply and Services Canada, 1985.

_____. Canadian Jobs Strategy Group. "The Canadian Jobs Strategy. A Review." Ottawa: July 1988. Photocopied.

_____. *Success in the Works. A Policy Paper. A Labour Force Development Strategy for Canada*. Ottawa: EIC Public Affairs and Strategic Policy and Planning, 1989.

_____. "Success in the Works. A Labour Force Development Strategy for Canada. Analysis of Structural Changes to the UI Program." Ottawa: August 1989. Photocopied.

_____. *Partnerships for the Future. Implementing the Labour Force Development Strategy*. Ottawa: Employment and Immigration Canada, May 1991.

_____. *Employment. New Programs and Services, 1991-92*. Ottawa: Employment and Immigration Canada, July 1991.

_____. *Unemployment Insurance Developmental Uses Programs 1993*. Ottawa: Supply and Services Canada, 1992.

_____. News Release. 2 January 1993.

First Ministers' Meeting on the Constitution. "Final Consensus Report on the Constitution." Charlottetown, 28 August 1992. Photocopied.

- Fletcher, Frederick J. and Donald C. Wallace. "Federal-Provincial Relations and the Making of Public Policy in Canada: A Review of Case Studies." In *Division of Powers and Public Policy*. ed. Richard Simeon. Vol. 61. Royal Commission on the Economic Union and Development Prospects for Canada Series. Toronto: University of Toronto Press, 1985. 125-200.
- Galt, Virginia. "Labour Says UI at Risk in Unity Deal." *The Globe and Mail*. 15 July 1992.
- Glenn, Agnes. "The Influences of Selected Government Legislation on the Development of the Community Colleges in Manitoba." Ph.D. diss., University of North Dakota, 1985.
- Group of 22. *Some Practical Suggestions for Canada. Report of the Group of 22*. Montreal: The Group of 22, June 1991.
- Harmon, Michael M. And Richard T. Mayer. *Organization Theory for Public Administration*. Boston: Little, Brown and Company, 1986.
- Hodgson, Ernest D. *Federal Involvement in Public Education*. Toronto: Canadian Education Association, 1988.
- Howard, Ross and Geoffrey York. "Power Sharing with Quebec Draws Criticism." *The Globe and Mail*. 5 August 1993. A4.
- Human Resources Development Canada. "Federal Proposal on Labour Force Development Programs and Services." Ottawa: Human Resources Development Canada, June 22, 1994. Photocopied.
- _____. *Annual Report, 1993-1994*. Ottawa: Supply and Services Canada, 1994.
- Hunsley, Terrance. "Constitutional Change and National Social Programs." In *Canada: The State of the Federation, 1991*, ed. Douglas M. Brown. Kingston: Institute of Intergovernmental Relations, 1991.
- Hunter, John. *The Employment Challenges. Federal Employment Policies and Program. 1900-1990*. Ottawa: Government of Canada, n.d.
- Johnson, Andrew F. "Towards a Neo-corporatist Labour Market Policy in Quebec." In *Continuities and Discontinuities: The Political Economy of Social Welfare and Labour Market Policy in Canada*. eds. Andrew F. Johnson, Stephen McBride and Patrick J. Smith. Toronto: University of Toronto Press, 1992. 253-67.
- Johnson, William. "No to Quebec. Feds Should Not Give in to Manpower-Training Demand." *Montreal Gazette*. 9 July 1993. B3.
- _____. "Political Opportunism. Campbell Offers up a Bargaining Chip." *Montreal Gazette*. 22 September 1993. B3.

- Johnson, William. "An Old Refrain. Tiff Over Manpower Training the Same Scratchy Old Stuff." *Montreal Gazette*. 16 April 1994. B5.
- Julien, Germain and Marcel Proulx. *The Overlapping of Federal and Québec Programs*. Québec: Ecole Nationale D'Administration Publique (ENAP), 22 June 1978.
- _____. *Analysis of the Consequences of Overlapping in Federal and Québec Programs*. Québec: Ecole Nationale D'Administration Publique (ENAP), 22 June 1978.
- Kennedy, Mark. "Governments Play Tug-of-War Over Manpower Training." *Ottawa Citizen*. 25 July 1994. A4.
- Kenny, Eoin. "Feds Accused of Breaking Promises." *The Vancouver Sun*. 21 January 1993.
- Kent, Tom. *A Public Purpose. An Experience of Liberal Opposition and Canadian Government*. Kingston: McGill-Queen's University Press, 1988.
- Kesselman, Jonathan R. "Reforming Canadian Social Security for Equity, Efficiency and Employability." *IRPP Choices. Social Security Reform. Commentaries on the Axworthy Green Paper*, 1,2:29-46.
- Lazar, Fred. "Labor Market Policies and the Jurisdictional Distribution of Powers." In *Free to Move: Strengthening the Canadian Economic Union*. No. 14. The Canada Round: A Series on the Economics of Constitutional Renewal, ed. John McCallum. Toronto: C. D. Howe Institute, 1992. 99-135.
- Leslie, Peter M. And Ronald L. Watts, eds. *Canada: The State of the Federation. 1987-88*. Kingston: Institute of Intergovernmental Relations, 1988.
- Lett, Dan. "MFL Warns Against Decentralization." *Winnipeg Free Press*. 17 June 1992. B23.
- Luker, Bob. "The Canadian Jobs Strategy and Ontario's Community Colleges." In *Education for Work. Education as Work. Canada's Changing Community Colleges*. ed. Jacob Muller. Toronto: Garamond Press, 1990.
- Mackie, Richard. "Secret Deals for Quebec Irk Rae. Rae Moves to Block Ottawa-Quebec Job-Training Deal." *The Globe and Mail*. 7 August 1993. A1 and A4.
- Mahon, Rianne. "Adjusting to Win? The New Tory Training Initiative." In *How Ottawa Spends. 1990. Tracking the Second Agenda*, ed. Katherine A. Graham. Ottawa: Carleton University Press, 1990. 73-111.
- Manitoba Education and Training, "HRD Canada Labour Force Development Expenditures and Participants in The Province of Manitoba." Winnipeg: Labour Market Support Services Branch, 2 February 1994. Photocopied.
- March, James G. "The New Institutionalism: Organizational Factors in Political Life." *The American Political Science Review*. 78 (1984): 734-49.

- Maslove, Allan M. "Trying to be Liberal in Difficult Circumstances." *IRPP Choices. Social Security Reform. Commentaries on the Axworthy Green Paper*, 1,2:47-57.
- McBride, Stephen. "Trends and Priorities in Job Creation Programs. A Comparative Study of Federal and Selected Provincial Policies." In *The Canadian Welfare State. Evolution and Transition*, ed. Jacqueline S. Ismael. Edmonton: The University of Alberta Press, 1987. 151-170.
- _____. *Not Working: State, Unemployment, and Neo-Conservatism in Canada*. Toronto: University of Toronto Press, 1992.
- _____. "The Political Economy of Ontario's Labour Market Policy." In *Continuities and Discontinuities: The Political Economy of Social Welfare and Labour Market Policy in Canada*, eds. Andrew F. Johnson, Stephen McBride, and Patrick J. Smith. Toronto: University of Toronto Press, 1994. 268-90.
- McCracken, M. C. And R. A. Jenness. "Labour Market Development and Training." No. 5. Prepared for the Ministry of Intergovernmental Affairs, Government of Ontario. Toronto: Informetrica, 5 November 1993. Photocopied.
- McFadyen, Craig. "State, Society and the Development of Active Labour Market Policy in Canada: The Case of the Canadian Jobs Strategy." Ph.D. diss., University of Toronto, 1994.
- McGillivray, Don. "Grits Sounding More Like Mulroney Tories." *Winnipeg Sun*. 10 October 1994. 2.
- McKenzie, Robert. "Federal Training Projects Irk Quebec." *The Toronto Star*. 10 October 1991. A13.
- Meltz, Noah. "The Evolution of Worker Training: The Canadian Experience." In *New Developments in Worker Training: A Legacy for the 1990s*, eds. Louis A. Ferman, Michele Hoyman, Joel Cutcher-Gershenfeld, and Ernest J. Savoie. Madison: Industrial Relations Research Association, 1990. 283-307.
- Montreal Gazette with Canadian Press. "Manpower Training Pact Won. Campbell, Bourassa Reach Deal." *The Vancouver Sun*. 4 August 1993. A4.
- Mooney, Paul. "Ottawa Gives Up Control in Manpower Training Pact. Quebec to Call Shots Until Constitutional Deal is Set." *Winnipeg Free Press*. 22 November 1991. A4.
- Muszynski, Leon. "The Politics of Labour Market Policy." In *The Politics of Economic Policy*, ed., G. Bruce Doern, Vol. 40, Royal Commission on the Economic Union and Development Prospects for Canada Series. Toronto: University of Toronto Press, 1985. 251-305.
- Muszynski, Leon and David A. Wolfe. "New Technology and Training: Lessons from Abroad." *Canadian Public Policy* 15,3 (September 1989):

- Papp, Leslie. "Talks Fail to Sort Out Job Training Disputes." *The Toronto Star*. 21 January 1993. C1.
- Partners for People. A Human Resource Adjustment and Development Strategy for the 1990s. Mutual Position of the Provinces and Territories.* November 1989.
- Picard, André. "Quebec Gets Nod to Train Workers." *The Globe and Mail*. 4 August 1993. A1-A2.
- Poels, Anne. "Chronology of Events. July 1991 - June 1992." In *Canada: The State of the Federation, 1992*, eds. Douglas Brown and Robert Young. Kingston: Institute of Intergovernmental Relations, 1992. 247-55.
- Porter, Michael E. *The Competitive Advantage of Nations*. New York: The Free Press, 1990.
- _____. *Canada at the Crossroads. The Reality of a New Competitive Environment. A Study Prepared for the Business Council on National Issues and the Government of Canada.* Ottawa: October 1991.
- Prince, Michael J. and James J. Rice. "The Canadian Jobs Strategy: Supply Side Social Policy." In *How Ottawa Spends, 1989-90: The Buck Stops Where?* ed. Katherine A. Graham. Ottawa: Carleton University Press, 1989. 247-287.
- Pross, A. Paul. "Pressure Group: Talking Chameleons." In *Canadian Politics in the 1990s*. 3d ed. eds. Michael S. Whittington and Glen Williams. Scarborough: Nelson Canada, 1990, 285-309.
- Provincial Ministers Responsible for Labour Market Matters. News Release. 20 January 1993.
- Québec Executive Council. "The Martin Budget: Diversion of Unemployment Insurance Funds and No to the Quebec Consensus on Workforce Development and Job Training." News Release. March 1995.
- "Quebec is Rebuffed in Bid to Control Jobs." *Toronto Star*. 11 November 1992. A12.
- Québec Liberal Party. *A Québec Free to Choose: Report of the Constitutional Committee*. Jean Allaire, Chairman. Québec: Québec Liberal Party, 1991.
- Reid, Darrel R. "Chronology of Events. July 1990 - June 1991." In *Canada: The State of the Federation, 1991*, ed. Douglas M. Brown. Kingston: Institute of Intergovernmental Relations, 1991. 208-38.
- Riddell, W. Craig. "Reforming Income Security in Canada: An Assessment of the Green Paper." *IRPP Choices. Social Security Reform. Commentaries on the Axworthy Green Paper*, 1,2:66-77.
- Russell, Frances. "Liberal Rebels Go to the Barricades." *Winnipeg Free Press*. 20 June 1995. A6.

- Sheppard, Robert. "Premier Bourassa Puts on the Pressures." *The Globe and Mail*. 21 June 1993. A11.
- Simeon, Richard and Mary Janigan, eds. *Toolkits and Building Blocks: Constructing a New Canada*. Toronto: C. D. Howe Institute, 1991.
- Stewart, Edison. "Bourassa, Campbell at Odds Over Control of Labor Training." *The Toronto Star*. 4 August 1993. A9.
- _____. "N.B. Joining Plan for Jobs, PM Says." *The Toronto Star*. 20 August 1993. A12.
- Swift, Catherine. "Building a Competitive WorkForce." Remarks at a Financial Post Conference. Toronto: 13-14 November 1990. Photocopied.
- Toulin, Alan. "No Power Transfer in Deal: PM. Campbell Insists Quebec Training Pact Co-operative." *Financial Post Daily*. 6, 106 (5 August 1993):4.
- "Training, Yes: UI, No. Quebec Makes Good Case for all Job Training." *Montreal Gazette*. 17 December 1990. B2.
- Trebilcock, Michael J., R. S. Prichard, D. G. Hartle and D. N. Dewees, *The Choice of Governing Instrument*. A Study Prepared for the Economic Council of Canada. Ottawa: Supply and Services Canada, 1982.
- Tupper, Allan. "Reinventing Canadian Federalism?" *Public Sector Management*, 6,1:11-12.
- Vear, Danny. "Quebec Makes Concessions." *Le Devoir*. 21 July 1993. Translated.
- Venne, Michel. "Bourassa is Already Asking for a Transfer. He Hopes to Save the Single Window on Manpower." *Le Devoir*. 28 October 1992. Translated.
- Watts, Ronald L. and Douglas M. Brown, eds. *Canada. The State of the Federation, 1989*. Kingston: Institute of Intergovernmental Relations, 1989.
- Weber, Terry. "Crowd Protests UI Transfer to the Provinces." *Winnipeg Free Press*. 15 July 1992.
- York, Geoffrey. "UI Limits Blamed for Rise in Welfare. Council Points to Federal Policies." *The Globe and Mail*, 13 August 1992.
- Young, Darius R. and A. V. Machinski, *An Historical Survey of Vocational Education in Canada*. Ottawa: Canadian Vocational Association, n.d.

Briefing Notes/Correspondence/Interviews/Oral Accounts

Alberta. Lead Province for the Forum of Labour Market Ministers. Oral report given to the author. 30 June 1995.

Dubienski, Peter. Member of Manitoba's constitutional negotiation team on labour market matters. Interview by author. Winnipeg, December 1992.

Eldridge, Jim. Member of Manitoba's constitutional negotiation team on labour market matters. Interview by author. Winnipeg, December 1992.

Letter from E. Gérard Docquier and J. Laurent Thibault, Co-Chairs, Canadian Labour Force Development Board to all premiers. 3 April 1992.

Letter from Bernard Valcourt, Minister of Employment and Immigration Canada to Rosemary Vodrey, Minister of Manitoba Education and Training. 15 January 1993.

Letter from Dan Miller, Minister of Skills, Training and Labour, British Columbia, to Lloyd Axworthy, Minister of Human Resources Development Canada. 26 January 1995.

Manitoba Education and Training, Labour Market Support Services. "Briefing Note." Prepared on the estimated impact of changes to Unemployment Insurance regulations in Manitoba. Winnipeg: February 1992.

_____. "Briefing Note." Prepared on college enrolments in Manitoba. Winnipeg: 1993.

_____. Labour Market Support Services. "Briefing Note." Prepared on the Federal Government's Constitutional Proposal to Devolve Responsibility for Skills Training to the Provinces. Winnipeg: n.d.

_____. Oral account of events of 1993 Meeting of Ministers Responsible for Labour Market Matters to the author. 4 February 1993.

_____. Labour Market Support Services. Oral accounts of federal reform plans made to the author. March and June 1995.

Nordman, Curtis, Past Director of Intergovernmental Relations, Department of Employment Services and Economic Security, Government of Manitoba. Interview by author. Winnipeg. March 1993.

Senior Officials Responsible for Labour Market Matters, Conference Call. 25 January 1993.