

SUFA: The Future of Canadian Intergovernmentalism?
A Practicum Concerning Social Policy and Federal-Provincial Relations

by
Chris Campbell

A practicum submitted to the Faculty of Graduate Studies
in partial fulfillment of the requirements for the degree of
Master of Social Work

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Chris Campbell

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of Manitoba in partial fulfillment of the requirements of the degree
of**

MASTER OF SOCIAL WORK

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Executive Summary

This practicum report focuses primarily on an analysis of the Social Union Framework Agreement (SUFA). SUFA was signed in February, 1999 and is currently undergoing a review of its first three years. The main objective of the practicum was to analyse this Agreement and then provide recommendations to the Manitoba Government on how to proceed during the review process.

The analysis of SUFA begins by establishing the context for its development. Economic and fiscal problems beginning in the 1970s, and continuing into the 1990s, created a great deal of provincial discontent with respect to the level of transfers provided by the Federal Government. Increasing deficits led the Federal Government to decrease transfers to the provinces. Coupled with increased demands for services, this meant that provinces had to do more with less Federal revenue. A combination of Federal cuts to provincial transfers and increasing provincial expenditures led to a huge disparity in budget situations between the Federal and provincial governments. This is known as the vertical fiscal imbalance. Subsequent surpluses put the Federal Government in a position to use its spending power to increase expenditures in areas of provincial jurisdiction. This was done without consultation with provincial governments. While objecting strenuously to these Federal intrusions, provinces had a difficult time in preventing them. In fact, not only did the Federal Government intrude into areas of provincial jurisdiction, from a political perspective, provinces had no choice but to participate in these newly created programs.

The purpose of SUFA was to try and address many of the concerns noted above. In particular, the provinces wanted to address the unilateral use of the Federal spending power by

developing a new agreement. Provinces also wanted to ensure that arbitrary actions by the Federal Government, like the introduction of the Canada Health and Social Transfer (CHST), would never happen again.

As part of the overall analysis, this report also notes a number of criticisms of SUFA. The first major criticism is the lack of Québec's signature on the Agreement. This is unfortunate since Québec is one of Canada's leaders in the social policy realm. The second major criticism of the Agreement is that it is the first interprovincial government that legitimises the use of the Federal spending power. This power is at the heart of many intergovernmental disputes. A third major criticism is that the language of the Agreement is imprecise which makes it open to different interpretations by the signatories.

The report also notes a number of issues that need to be resolved during the review process of SUFA if it is to be an effective agreement. From the Federal point of view, SUFA has largely worked. It is able to use its spending power and for the first three years of the Agreement there was no dispute resolution mechanism in place to limit its power. Essentially, work has proceeded on Federal priorities such as accountability and mobility while provincial priorities became secondary. The provincial signatories to the Agreement have a number of issues they would like to see addressed. First of all, despite obligations in SUFA, the Federal Government continues to act unilaterally, without consultation, in areas of provincial jurisdiction. This has made it increasingly difficult for the provinces to pursue their own social policy priorities. A second issue for the provinces is that the Federal Government is still not providing adequate funding for health, education, and social services and there is little in SUFA to alter this.

The report goes on to make a couple of recommendations for the Manitoba Government to consider during the review process. First of all, the Manitoba Government should attempt to have the dispute resolution mechanism, which is currently in place for health, extended to cover mobility, intergovernmental transfers, and new joint initiatives. This would make the newly implemented dispute resolution model consistent with section 6 of SUFA. Secondly, this report goes on to recommend that SUFA continue exactly as it is written.

SUFA contains the provisions to make it an effective one. The complaints that are discussed in this report regarding SUFA deal more with implementation than with the provisions of the Agreement itself. The Manitoba Government should therefore continue to press the Federal Government to fully implement the Agreement. Particular attention should be placed on ensuring that the Federal Government is adequately consulting with provinces on new joint priorities.

Structure of Practicum Report

This practicum report is a discussion of the practicum undertaken by the student in the spring/summer of 2001 at the Federal-Provincial Relations Branch of the Executive Council of the Manitoba Government. The primary focus of this practicum was to develop advanced policy analysis skills by undertaking an analysis of SUFA.

Part one of this report provides general background information. First of all, the importance for social work students in studying social policy is explored. Part one then examines the contribution that this report will make to social work knowledge as a whole. The goals and objectives of this practicum are also discussed in this section of the paper. The practicum site is also described in order to see how Executive Council fits into the government bureaucracy. Finally, the student's role in the practicum setting is discussed. It is in this final piece of part one where many of the student's practicum activities are established.

Part two of this report sets the historical context for the development of SUFA. The constitutional basis for fiscal federalism, as well as the transfer payment methods that have been used in Canada, are discussed. This includes an overview of the major policies of fiscal federalism that Canada has had in place throughout history. Part two establishes the economic context for SUFA and looks at the question of jurisdiction in Canadian social policy. Finally, this section of the paper explores, the cost leveraging model of intergovernmental transfers, vertical fiscal imbalances, and the use of the Federal Government's spending power.

Part three of this paper deals with the text of the Agreement itself. What are the provisions of SUFA and what do they mean? This is an important section because without an

understanding of the Agreement it is impossible to understand this student's analysis of the Agreement.

Part four of the paper establishes the theoretical framework from which SUFA will be analysed. It does this by developing the principles and models of fiscal federalism found in the literature and by looking at the key characteristics of a theoretical social union. Part four of this report then applies the analytical framework to policies and issues that fit into the context of Canadian fiscal federalism. This exercise traces the evolution of Canadian fiscal federalism leading up to SUFA. The analytical framework is then applied to SUFA to see how it fits in the broader context of fiscal federalism in Canada. This section of the paper also compares SUFA with a theoretical social union.

Part five of this paper discusses the criticisms of SUFA. Included in this discussion is concern over Québec's exclusion from the Agreement, the fact that the version of the Agreement which was signed was different from the original and that SUFA, for the first time in an intergovernmental agreement, legitimises the use of the Federal spending power.

Part six of this report examines many of the outstanding issues of SUFA. In particular, it notes that SUFA provides no new money to the provinces and that there are implications for Canadian federalism. This is especially true in terms of national programs arising as a result of this Agreement.

Part seven of the report discusses how many of the issues that existed pre-SUFA continue to exist three years after the Agreement was signed. It also examines this writer's thoughts concerning the Agreement developed through the practicum experience. In particular, this section examines ways that this Agreement could be improved and strengthened to make a positive contribution to social policy in Canada. It also explores the likelihood of the

Agreement continuing. Finally, this section makes two concrete recommendations to the Manitoba Government.

Part eight of this paper deals with this writer's self-reflection and self-evaluation. Included in this chapter is a copy of the evaluation form used by members of the Management Internship Program in the Manitoba Government. This form is then completed in written form as a way to evaluate this writer's performance over the duration of the practicum setting.

Part 1 – Background

1.1 - The Importance of Social Policy

In order for the reader to have a better understanding of the practicum at Federal-Provincial Relations, it is first necessary to understand the importance of social policy within the social work profession. To this end, it is necessary to establish what is meant by social policy.

One definition that has been proposed is that “[s]ocial policy is concerned with the public administration of welfare services, that is, the formulation, development, and management of specific services of government at all levels, such as health, education, income maintenance and welfare services” (Yelaja, 1978, p. 7). It is important to note that social policy is about values that are reflective of society. It represents society’s morality and ideology.

According to Hess (1994) there are three important points to understand when developing a definition of social policy:

- 1) Social policy is a subset of public policy. The purpose of social policy distinguishes it from other public policy areas.
- 2) Social policy is the deliberate intervention by various sectors of society in order to address human needs which are not adequately provided for by the private market.
- 3) Social policy involves some degree of redistribution of resources to disadvantaged citizens (p. 6).

By combining the definition proposed by Yelaja (1978) and the important points described by Hess (1994), the following definition was developed for the purposes of this placement: *social policy is comprised of decisions made by government about the use of public money to provide health, social services, and education for its citizens.*

Social policy knowledge is important to allow social workers to have a broader understanding of their jobs. Most likely, new graduates find that they have little control over, or input into, the social policy process. Their jobs were created by the social policy decision that preceded the job being put in place. By obtaining a more comprehensive understanding of social policy, social workers will be better able to understand the very nature of the work that they do. Resource allocation, the types of programs offered, benefit levels, and eligibility criteria all depend on social policy decisions. By extension, the day-to-day environment in which social workers function is dependent on social policy decisions. Related to this is the acknowledgement that social policy emerges out of an ideological framework. It is important to understand this framework to truly understand the nature of the work that social workers do and whose interests may be served in any given social work position.

Knowledge of social policy is critical for social workers to influence social policy and to be become empowered to affect change. Given the structure of the government bureaucracy, social policy is made in isolation from front line staff. Yet it is the front line staff who are most affected by the decisions and who have the best understanding of the issues because they are working in the situation on a daily basis. Social workers need to understand social policy to know when and where to best put forth their efforts to influence policy and have the best chance of success. It is therefore important to understand the policy process, the role of advocacy groups, and who the government listens to in order to promote areas of interest to social workers and to focus on those areas where positive change is most critical. Front line workers are in a position to address the potential impacts of policies and are therefore best aware of where they should get directly involved. By understanding how

ideology influences policy development, social workers will be able to determine in which areas they are most likely to experience success influencing the process.

A third area where knowledge of social policy is useful for social workers is to help recent social work graduates get jobs. There are a number of opportunities in the policy field for graduates possessing an M.S.W. Once hired, social policy students have the opportunity to have direct influence on the shape of future social policy. The better social workers understand the processes of social policy, the more effective they will be. A comprehensive understanding of social policy and its processes will allow future social workers to influence the process from within. Influencing social policy from within is linked very directly to advocacy.

Social workers learn about the advocacy role from the Canadian Association of Social Workers Code of Ethics. Chapter ten outlines a number of areas where social workers are expected to advocate for social change. Social workers have a professional obligation to "...identify, document and advocate for the elimination of discrimination...advocate for the equal distribution of resources to all persons...advocate for the equal access of all persons to resources, services, and opportunities...advocate for a clean and healthy environment and shall advocate for the development of environmental strategies consistent with social work principles" (CASW, 1994, p. 24). Social workers can most effectively fulfil their professional obligation by effectively lobbying for progressive social policy change. It is important for social workers to know how to advocate, and to whom, this advocacy should be directed. Social policy knowledge empowers social workers to advocate for change.

As has been alluded to in this part of the paper, ideology plays a major role in social policy development. It is therefore prudent to understand the components of various ideologies so that the underlying principles behind social policies become apparent (Mullaly, 1997 and

Crane, 1994). Each ideology is based on a set of beliefs about the causes of poverty, the role of government, and the function of the welfare state. These beliefs mean that different ideologies will lead to different types of social policies being implemented. If social workers understand the language of a particular ideology they will be better able to frame their challenges in such a way so as to make them more acceptable to the people who they are attempting to influence.

It is also important to understand social policy to influence the future. The world is dynamic and ever changing. Social workers armed with social policy knowledge, have the opportunity and the obligation to try and influence the future direction of social policy so that all citizens live in a country that is as socially just as possible.

The preceding paragraphs lay out the importance of having and developing a working knowledge of social policy for social workers. It is therefore extremely important for social workers to develop their social policy skills. Undertaking a practicum in a setting that provides exposure to social policy is one such way to develop those skills.

An understanding of fiscal federalism is also extremely important for social work students. Fiscal federalism will be explained in greater detail in subsequent pages but for the purposes of this discussion, fiscal federalism can be defined as the distribution of legislative power and financial capacities between two or more orders of government. Fiscal federalism has a direct impact on social policies. The relationship of various levels of government and the means by which moneys are transferred between them affects the shape of social policies. The practicum experience in Federal-Provincial Relations demonstrated this link. This will be explored throughout the report. In essence, if a social worker does not understand the principles and models of fiscal federalism and their impacts on social policy, then their efforts

to influence these policies become all the more difficult. A thorough understanding of fiscal federalism also allows social work students to see some of the limitations within which social policy must operate.

The practicum is an ideal way for social work students to develop social policy skills as it allows students an opportunity to apply their recently learned academic knowledge in a professional practice setting. A practicum can give social work students the opportunity to work under the supervision and tutelage of an experienced policy analyst or government official. There are differences between what is taught in academia and what actually takes place. A practicum allows students the opportunity to test what they have learned in school but still receive needed guidance and experience to understand what some of the contradictions are between the theoretical knowledge of school and the working world. It also allows students the opportunity to question what they are experiencing and see how it applies to academic learning. Further to these very germane advantages, a practicum allows students the opportunity to debrief, both with professors and professionals, so that they are better able to understand their experiences and the connection between theory and practice. As social policy skills are further developed in the practicum setting, social work students become more attractive candidates to government and social agencies alike, as they have demonstrated that they have a better-rounded education and are able to function in a professional practice environment.

1.2 - Contribution to Social Work Knowledge

This practicum will lead to a major contribution to social work knowledge. This report deals with some of the major frameworks that affect social policy today. The historical

evolution of fiscal federalism has had a profound impact on social policy. These policies determine what front line workers are able to do. Therefore, the better these frameworks and policies are understood, the more likely that they can be challenged or questioned.

The primary focus of this practicum was to undertake a thorough analysis of the Social Union Framework Agreement (SUFA). SUFA represents the current mission statement for intergovernmental relations and social policy. It is also the result of the evolution of fiscal federalism in Canada. SUFA came about due to the challenges to fiscal federalism that were occurring in Canada in the 1990s. This link will be explored in detail in subsequent chapters of this report. The analytical framework presented in this report provides insights and valuable knowledge which will better equip the social work profession to meet the needs of those served. The framework represents a comprehensive analytical tool that can be used beyond the application to SUFA. This framework can also be used to analyse other federal/provincial agreements relating to social policy.

1.3 – Learning Objectives

The learning objectives for this practicum can be divided into two main categories: practical or work related objectives and academic objectives.

Practical Objectives

One of the main objectives of the practicum is to undertake a comprehensive analysis of the Social Union Framework Agreement (SUFA). There are a number of questions that will be answered in this analysis:

- 1) What are some of the outstanding issues and why are they outstanding?
- 2) What is the impact that SUFA has had on Manitobans and on the relationship between the Federal and provincial governments?

- 3) What is the level of compliance of both levels of government (Federal and provincial) to the social union agreement?

These questions will be answered by applying a comprehensive framework that will be used to assess the success of the Agreement in reaching its goals. This will provide the Manitoba Government with an in-depth assessment of the Agreement. The province can then compare the list of pre-and-post SUFA concerns to help them determine any benefits to Manitoba's continuing involvement in the Agreement.

In order to develop the aforementioned analytical framework for SUFA, the historical context that gave rise to SUFA must be considered. Therefore, the first practicum activity focused on researching SUFA and laying out the groundwork for the analysis of the Agreement. The reason for this analysis is that it leads to a better understanding of the current environment within which SUFA operates. It is important to note that SUFA developed in part, as a direct result of, and in response to, dramatic changes to the existing order of fiscal federalism in the 1990s. This culminated with the announcement of the Canada Health and Social Transfer (CHST) in 1995. The CHST radically altered the Federal-Provincial context in which social policy is developed. The nature of the relationship between the CHST and SUFA must be understood to fully appreciate the significance of the social union agreement. As will be demonstrated, SUFA arose as a direct result of the CHST.

The analysis of SUFA includes a theoretical context which includes the models and principles of fiscal federalism (Report of the Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, 1981, Leslie, Norrie, Ip, 1993) discussed in the literature. The theoretical framework is instrumental in helping determine where SUFA fits into the context of Canadian fiscal federalism and what the future might hold. There are three fundamental components of

this theoretical framework. Firstly, the models of fiscal federalism will be placed within the historical overview so that their evolution in Canada can easily be seen. This will make it possible to establish which model was dominant at the time SUFA was being developed. The second fundamental component is to what degree the principles of fiscal federalism apply to SUFA. Again, these principles will be placed within a historical context in order to determine which were most dominant at the time SUFA was created. The third component is an analysis of the theoretical social union and how it compares to SUFA. What are the similarities and differences between the two?

Academic Objectives

As noted earlier, this practicum was designed to allow the student the opportunity to develop specific skills that could be used in a post-graduate environment. The practicum was structured in such a way to allow ample opportunity to develop these skills through the preparation of briefing books for various conferences. In these processes, submissions from various provincial departments were reviewed and synthesized into a coherent briefing note. Part of the briefing notes included proposing the position of the Manitoba Government as well as those that may be taken by other provincial governments.

Another way the student was able to develop skills of analysis was through the preparation of the report on SUFA. In gathering materials, it was necessary to go through a great deal of documentation and integrate the material into the report in a way that made sense and was appropriate. From the material collected, the student then had to develop a set of opinions and make recommendations to the Manitoba Government. This required a critical analysis be done of all that was being read and learned. The student also had to have a

thorough understanding of the positions of all of the actors. This enabled the student to speculate as to the likely future of the Agreement.

Another learning objective was to further develop knowledge of governmental processes. The student wanted to better understand the inner workings of government. Executive Council is the perfect place to accomplish this as the department reporting to the Premier.

One final learning objective was to get a better understanding of how Canada functions as a federation. Federal-Provincial Relations is the ideal environment within which to accomplish this, as it is responsible for managing Manitoba's relationships both with other provinces and with the Federal Government. As will be discussed later, the student became quite cynical as a result of experiences at Federal-Provincial Relations, about how Canada functions as a federation.

1.4 - Description of Practicum site

In consultation with the graduate committee, a placement was arranged at Federal-Provincial Relations. This is part of the Executive Council of the Manitoba Government.

This part of Executive Council is responsible for coordinating Manitoba's relationships with other provinces in Canada and with the Federal Government. It also lends support to Manitoba's Minister on the Council of Social Policy Renewal. As noted, the main goal of the practicum is to analyse SUFA for the Manitoba Government.

A placement at Federal-Provincial Relations Branch also facilitates the learning process given the students interest in understanding how Canada, as a federation, really functions. Canada is about interprovincial relationships and about the relationship between the provinces

and the Federal Government. Federal-Provincial Relations is the hub of this activity for the province of Manitoba. Also, given that this Branch is an integral part of the Executive Council, it allowed the student to understand how the governmental process functions at a senior level.

A review of the Social Union Framework Agreement must be initiated within the next year. This is the process outlined in the Agreement itself. The outcome of this review process will determine whether or not governments will continue to abide by its conditions. Federal-Provincial Relations will be highly involved in developing Manitoba's position regarding this review. This report provides advice and direction to the Manitoba Government on what issues they need to consider during the review process.

1.5 – The Policy Analyst Role at Federal-Provincial Relations

It is important to state at the outset, that this practicum was designed in consultation with the student's graduate committee to ensure that the placement provided the best opportunity to meet all of the learning objectives.

The student's main role at Federal-Provincial Relations was to perform duties assigned to a policy analyst position. A key task in this role is the preparation of briefing books for various intergovernmental conferences. This involved reviewing and analyzing departmental submissions and assessing if the content was what was originally requested. It was then necessary to read through all of the material and synthesize it into a coherent briefing and/or overview note which summarized the key points to be raised and the current status of the relevant issues. These tasks were integral in developing an understanding of governmental

processes. Specifically, the involvement in preparing Annual Premiers' Conference (APC) briefing material allowed for keen insight into how Canada functions as a federation.

Another major project was to synthesize a summary of all of the Manitoba Government's international activity, as reported by the various departments. The second aspect of this project was to analyse the success of activities in other jurisdictions in coordinating their own international activity. This project was not completed at the time of the student's departure.

Another analytical activity was the preparation of briefing notes on a wide variety of current issues. Briefing notes were usually assigned as a result of a current event or as a result of news that was of interest to the Manitoba Government. This provided exposure into the policy development process used in the government setting.

I also had the opportunity to attend two meetings of the Provincial/Territorial Council on Social Policy Renewal. This was an excellent opportunity to experience intergovernmentalism at work. In particular, these meetings were informative as provinces articulated many of their concerns regarding the Federal Government.

The most significant role in the practicum site was the analysis of SUFA. This analysis led to this report where the student's views and opinions of SUFA are presented in conjunction with recommendations for the Manitoba Government to use during the review phase of the Agreement.

1.6 – Student Evaluation

As suggested by the practicum committee, it was determined that the student would use the Management Internship Program (MIP) evaluation. A completed version of this evaluation is included in the final chapter of this report. One of the reasons why it was decided to use

this evaluation was that the short duration of the student's placement was similar to the experience of interns. One weakness to using the MIP evaluation was that it assumes that interns have knowledge about governmental processes and policies before hand. As will be noted later, the student did not have this knowledge which made the learning curve very steep.

Part 2 – Setting the Context for SUFA

One of the first tasks that was undertaken which was related to the analysis of SUFA was to set the context for the Agreement. The Agreement did not just arrive, but rather was born from a long list of provincial complaints. Some of these complaints included Federal cutbacks, intrusions into areas of provincial responsibility and boutique style social programs. The placement at Federal-Provincial Relations allowed access to a great deal of information on these topics. This information then allowed for a better focus on the research. Perhaps the most important part of this research was the attendance at two meetings of the P/T Council of Social Policy Renewal. These meetings really demonstrated the amount of frustration that the provinces have with respect to their Federal partner. Observations at these meetings are reflected in this section. Also important aspect for understanding the context of SUFA is developing an understanding of the history of Canadian fiscal federalism. This is necessary so that it can be seen how SUFA fits into the evolution of fiscal federalism.

About a month of the practicum was spent gathering information which allowed for an understanding of the context for the Agreement. This work in setting the context for SUFA led to a greater understanding of the Agreement which then allowed recommendations to be made to the Manitoba Government as to the future of the Agreement. This chapter outlines many of the key concepts that are necessary for the reader to fully understand how SUFA came to be.

2.1 - Transfer Payment Options

Transfer payment methods can be classified into two different types. Firstly, there are what is known as expenditure driven programs (Rodgers 2000-10-05). The former Canada Assistance Plan and Medical Care Services Act (1968) are examples of this type of program. With these programs, a province must first spend the money and then apply to be reimbursed

by the Federal Government. There is usually a delay before the provinces receive the money. These agreements are also referred to as bill-back agreements. Under expenditure driven programs, the Federal Government covers a high proportion of the costs. Usually, the Federal Government covers up to 50% of provincial costs of the program with no limit on the amount of provincial expenditures to be reimbursed. With this type of transfer payment option, the Federal Government has a low ability to be able to control and predict its own expenditures from year to year. The provinces decide how much money is to be spent and then bill the Federal Government for 50% of the amount.

The second type of transfer payment method is known as formula driven programs. Under formula driven programs, the money the provinces receive from the Federal Government is determined by a formula. Therefore, their entitlement is calculated and fixed. Two examples of this type of program are the Canada Health and Social Transfer and Equalization. Under these types of programs, the Federal Government has a high ability to predict its expenditures as it controls use of the formula. Block funds usually take the form of cash payments, the transfer of tax points, or a combination of the two. When tax points are transferred, the Federal Government vacates an area where it used to collect taxes and allows the provinces to collect these taxes in its place for their own use.

2.2 - Constitutional Basis for Fiscal Federalism

The Canadian Constitution was originally written to reflect the times. It therefore contains many of the values and beliefs of that period in history. Poor relief in the late 1800s was thought to be the responsibility of the local authorities or family members. It was the responsibility of these two groups to respond to people's struggles, which were thought to be

individual in nature (Guest, 1997). In fact, the state's role was quite limited in providing for poor relief which it did at the local level (Banting, 1982).

It is not surprising, given this understanding of poor relief as being a local responsibility, that the writers of the Constitution would assign responsibility for poor relief to the provincial governments while the Federal Government was given more general and superior powers as laid out in the Constitution:

In 1867 provincial jurisdiction in the health and welfare field could be inferred from the specific heading of section 92 of the BNA Act that granted them authority over "hospitals, asylums, charities and eleemosynary institutions," "municipal institutions"...Federal jurisdiction, on the other hand, would have had to be inferred from more general grants of power, such as the power to make laws for the "peace, order and good government" of Canada and its general spending power (Banting, 1982, p. 27-48).

This demonstrates that there is a clear discrepancy in legislative powers between the Federal and provincial governments. Provinces are exclusively responsible for delivering health, welfare, and education. These are the major programs affected by social policy decisions. Their responsibilities are specific and local. The Federal Government's areas of responsibility, on the other hand are much more general and national in scope. This can be seen, in part, through the powers of revenue generation.

The Federal Government kept for itself the major revenue generating powers. This is evident in section 91(3) of the British North America Act which grants the Federal Government the ability to raise money by any "mode or system of taxation". This grants the Federal Government unlimited revenue generating powers as it is able to generate money through mechanisms such as custom and excise taxes, income taxes, or other modes of taxation. The provinces had only limited taxation power which meant that they could only generate fixed amounts of revenue. In times of need, when demand for their programs grew,

they would not be able to fulfill the demand and would be forced to ask the Federal Government for assistance. This would become known as the “constitutional dilemma” (Banting, 1982). In essence, the constitutional dilemma arises because the Federal Government has the money to fund social programs but, under the Constitution, it has no jurisdiction to do so. On the other hand, the provinces have the jurisdiction, but often times, not the money to adequately fund their social programs. It is the interplay between both orders of government around this issue that gives rise to the constitutional dilemma.

While initially this arrangement posed few problems, the inter-war years changed the way social problems were viewed by Canadians and demonstrated that some sort of national response was needed to deal with the effects of the Depression of the 1930s. “As both the scope of the social problems confronting the country and the difficulties facing a purely municipal and provincial response to them became clearer, advocates of greater action, including many provincial governments, focused their pressures on the Federal authorities” (Banting, 1982, p. 48). The Federal Government was pressured by the provinces and the public to take on a larger role in social programs. Societal views on issues such as unemployment had changed. “From this point on, unemployment was seen as a national problem rather than a purely local or regional one” (Guest, 1995, p. 93).

In 1940, the Royal Commission on Dominion-Provincial Relations, otherwise known as the Rowell-Sirois report, was tabled and it signaled a clear need for the Federal Government to become more involved in social policy. “First, the evidence marshaled by the Commission left no doubt that provincial revenues were not equal to the new social welfare roles being assigned to them and that some realignment of responsibilities and revenues was imperative” (Guest, 1995, p. 92). In terms of unemployment, the Commission agreed with society’s view. “The

Dominion Government...should take over full responsibility for unemployed employables” (Saunders, Back, 1941, p. 28).

The 1950's was a decade marked by an increasing presence of the Federal Government in areas of provincial jurisdiction such as health and social services. The Old Age Security Act (1951) and the Old Age Assistance Act (1951) were two programs that signaled an increasing Federal presence as both were either fully (OAS), or partially (OAA), financed by the central government (Guest, 1995). The Federal Government also became more involved in the area of unemployment with the passing of the Unemployment Assistance Act (1956). This Act provided "...for Federal sharing of general assistance costs for those in financial need not covered by the existing categorical programs of old age assistance, blind and disabled allowances, mothers' allowances, and war veterans' allowances” (Guest, 1995, p. 138). One final area that the Federal Government became formally involvement in during the 1950s was the area of health. In 1957, the Federal Government passed the Hospital Insurance and Diagnostic Services Act (HIDS). This Agreement allowed the Federal Government to pay for half of eligible hospital and diagnostic services if the provinces agreed. The provinces had to pass their own companion legislation in order for the Federal Government to become involved under HIDS.

Perhaps the most important implication of HIDS was that it replaced the previous system of ad hoc grants and formalized Federal involvement in the health field. Previously, funding for health services consisted of a series of fragmented programs that the Federal Government had created. HIDS was a 50/50, open-ended arrangement which was implemented unilaterally by the Federal Government. HIDS was an example of the Federal Government exercising its spending power in the absence of a coordinated strategy from the

provinces. This also demonstrates the huge power imbalance that exists between both orders of government. This is a theme that repeats itself throughout much of Canadian history.

As has been demonstrated, the Federal Government became much more involved in areas of provincial jurisdiction during the 1950s. This extension of Federal power did not resolve the constitutional dilemma. This dilemma became, and continues to be today, a huge challenge for both orders of government to overcome. Professor Jay Rodgers of the University of Manitoba feels that “one of the single biggest barriers to effective social policy development in Canada has been the jurisdictional battle between the Federal and provincial governments” (Lecture notes from 47.603, 2000-09-28).

The issue of the Federal spending power is another issue that is related to the Constitution. Any attempt at a definition of the Federal Government’s spending power is a difficult task to undertake. This is because the spending power is not explicitly described in the Constitution. Instead, this power must be inferred from a number of different sections. By compiling the ideas of Peter Hogg and Ronald Watts, Telford writes that the spending power “...is nowhere explicit in the Constitution Act of 1867,” may be “inferred from the powers to levy taxes (s.91(3)), to legislate in relation to ‘public property’ (s.91(1a)), and to appropriate Federal funds (s.106)”...Section 102, the consolidated revenue fund, has also been cited as part of the basis for the Federal spending power” (Telford, 1999, p. 2). The Federal Government has the ability to spend its money any way it wishes in areas under its jurisdiction. However, in areas of provincial jurisdiction, the Constitution is unclear. “The Canadian Constitution does not explicitly permit the government of Canada to spend monies in areas of provincial jurisdiction. The Federal spending power can, at best, only be inferred from the Constitution” (Telford, 1999, p. 3). One area that the spending power can be inferred from is section 91

which allows the Federal Government to "...make laws for the peace, order, and good government of Canada..." (Section 91 of the Canadian Constitution).

2.3 – Federal-Provincial Agreements for Social Policy – 1960s to the 1990s

One major development that occurred in the 1930s and 1940s was the transfer of tax points from the provinces to the Federal Government to help fund the war effort. This is particularly relevant given how the preceding section of this report discussed the provinces' limited ability to raise money through taxation. It was a trend that would partially be reversed 30-40 years later but its implications were enormous. The original intent was that these points would be returned to the provinces after the Second World War. However, this did not occur, resulting in the Federal Government having a significant spending power. It used this newfound power to finance programs ranging from the Canada Assistance Plan and Medicare to the Established Program Financing Act (EPF).

A) Canada Assistance Plan (CAP)

CAP was first introduced in 1966 and was "...a piece of enabling legislation that allow[ed] the Federal Government to share with provinces the costs of social assistance (commonly known as "welfare") and social services" (Torjman, 1994, p. 99). What this statement alludes to is that the Canada Assistance Plan was a program that allowed for further Federal involvement in the social welfare of Canadians. CAP was "...a scheme to consolidate all the categorical, cost-shared [50-50] programs into a single, comprehensive program of financial assistance, together with an expanded range of social services" (Guest, 1995, p. 145). The Canada Assistance Plan can also be viewed from an institutional standpoint because it allowed for the opportunity for all Canadians to be covered under its jurisdiction:

The Preamble to the Act explained that the purpose of the legislation was to encourage “the further development and extension of assistance and welfare services programs throughout Canada by sharing more fully with the provinces in the cost, based on a concern for “the provision of adequate assistance to, and in respect of, persons in need,” and for “the prevention and removal of the causes of poverty and dependence on public assistance” (Moscovitch, 1996, p. 67-68).

The Preamble clearly shows that the Act was designed to broaden Canada’s social assistance programs. This helped normalize the situation for those people who relied on social programs for assistance and began to reduce the stigma that had previously been attached to people who had accessed programs now funded under CAP. This is because these people were no longer the exception, but rather the rule when it came to receiving services.

There were some conditions put in place through CAP. “In order to establish national standards, provinces had to agree not to require a period of residency as a condition of eligibility. Use of a needs test was compulsory, and provinces were required to implement appeal procedures” (Hum, 1983, p. 28).

B) Medicare and Post-Secondary Education

The 1960s also marked increased Federal involvement in the fields of health and education. In the health field “[m]edicare was federally funded on a per capita basis at 50% of the national average cost of insured medical services” (Stilborn, 1997, p. 7). This means that the Federal Government was in an open-ended agreement with the provinces to cover approximately 50% of health costs. In post-secondary education, the Federal Government was also involved in transferring money to the provinces. “The transfer involved a combination of tax points and cash, with the Federal contribution equal to...50% of total post-secondary education operating costs in a province...(Stilborn, 1997, p. 7). By the end of the 1960s the Federal Government was firmly entrenched in the social services field, paying for half of the

total costs of health, social assistance, social services and post-secondary education in open-ended agreements. It is the previously mentioned tax transfers from the provinces to the Federal Government in the 1930s and 1940s and the growing revenue base from tax increases which allowed the Federal Government to be in a position to become active in this way.

C) Established Programs Financing Act (EPF)

EPF was introduced in 1977 and covered funding to health and post-secondary education. It was a major departure from the aforementioned health and education transfer payment programs which were expenditure driven, 50/50 cost sharing arrangements. EPF was a formula-driven, block fund and signaled a new approach to fiscal federalism. "The 1977 EPF arrangements were the culmination of many years of Federal and provincial attempts to rationalize their fiscal arrangements for public programs while, at the same time retaining national objectives and respecting provincial jurisdiction" (Task Force Report, 1981, p. 67). Essentially, the two levels of government were trying to address the constitutional dilemma. One advantage for the Federal Government through EPF was more power in predicting and determining its own expenditures. The Federal Government was no longer reliant on what the provinces spent to determine its own expenditures. It now had the ability to tell the provinces in health and education how much they would get on a per capita basis. It is important to remember that the Canada Assistance Plan was still in place for the funding of social services. From the provincial point of view, EPF represented a way for the Federal Government to cap its expenditures in health and post-secondary education and therefore shift a greater proportion of the burden onto provincial budgets.

D) Equalization

Equalization payments are one of Canada's most important programs for addressing the horizontal fiscal imbalance that exists within the federation. The Equalization program was announced by the Federal Government in 1957. "Canada's Equalization program is a system of annual payments to less affluent provinces from the Federal Government which should allow them to provide reasonably comparable levels of public services to their residents at reasonably comparable levels of taxation, as stated in the Constitution" (PEI Ministry of Finance, 2001, p. 1). Equalization, which is renewed every 5 years, uses a province's fiscal capacity to determine entitlement under the program. Fiscal capacity is determined by examining a province's available sources of revenue and potential revenue. In 1977, there were 29 revenue sources that were used to determine fiscal capacity. In 1982, 100 percent of energy revenues was added to the list of revenue sources (Courchene, p. 13, 1998).

When it was initially developed, the formula to determine payments to the less well off provinces was a calculation of the 10-province average. In 1982, the Federal Government, facing budgetary shortfalls, changed the equalization formula. "In order to lower payments, the Federal Government replaced the ten-province standard with a five-province standard" (Manitoba Ministry of Finance, 2001, p. C10). The five provinces that are used in the calculation of benefits are Quebec, Ontario, Manitoba, Saskatchewan and British Columbia. One of the reasons for the exclusion of Alberta was to "...ensure that Alberta's mushrooming revenues did not make the system too expensive" (Courchene, p. 14, 1998). Another reason that Alberta was excluded from the five province average was that oil and gas revenues can fluctuate a great deal both up and down thus affecting the entitlements of the have not provinces.

For many provinces, Equalization is an extremely important program. “On average, about 40% of provincial budgets in the four Atlantic provinces comes from Federal transfers, mostly in the form of equalization” (Boessenkool and Crowley, May 31, 2001, A18). This means that while these transfers are not directed specifically at social policy initiatives, they do represent a major source of provincial revenue which then allows provinces to implement social programs at a level comparable to other provinces. In this way, equalization contributes to the social policy environment. At the time of the first draft of this report only Alberta, British Columbia and Ontario did not receive payments under the Equalization program. It should be noted however that British Columbia has subsequently announced that it may be a recipient of the program in 2002.

E) Canada Health Act

The Canada Health Act (CHA) was enacted in 1984 and was incorporated into the EPF funding arrangement. “The purpose of the legislation was to reassert the principles of Medicare, particularly universality and accessibility, and to set forth the conditions to be met by the provinces for full payment for Federal money for health care...(Guest, 1995, p. 211). This Act further reinforced Federal involvement in the health field as they had the ability to withhold funding from a particular province if they determined that a province was in contravention to the CHA.

2.4 - Cap on CAP

In the 1990s, the Federal Government began to withdraw from the social services field. The cap on CAP was a limit of 5% that was placed on the three “have” provinces (Ontario, B. C. and Alberta) with regards to the amount of increases in money that they could receive over the course of a year. Increases to their transfer payments could not increase more than 5%

through CAP. The result of the cap on CAP was that the aforementioned three provinces would have to pay a greater proportion of the costs for their social programs. This had an economic impact in Ontario. By 1992/93, "...Ontario [was receiving] 28 cents for every dollar spent on welfare whereas the "have-not" provinces received 50 cents" (Courchene, 1994, p. 118).

2.5 - Canada Health and Social Transfer

According to material produced by the Federal Government, the Canada Health and Social Transfer is "...the largest Federal transfer to provinces and territories, providing them with cash payments and tax transfers in support of health care, post-secondary education, and social assistance and social services" (Finance Canada).

The CHST is a block-funded program which means that the provinces get a formula determined, lump sum of money. In 1996, the CHST was described as a "...block fund [that] will combine funding that presently exists under the CAP, for social assistance and social support services, and cash and tax point transfers, under the Established Programs Financing (EPF)" (Giroux, 1996, p. 25). The government gave two main reasons for replacing CAP: "...to cut Federal Government spending and to give provincial and territorial governments flexibility by reducing restrictions on the use of Federal money" (National Council of Welfare, 1995, p. 8). Initial cuts to transfer payments, as a result of the shift from CAP to the CHST, amounted to \$6.2 billion. This meant that the cash transfer to the provinces was reduced to \$12.5 billion from over \$18 billion.

According to Sections 92 and 93 of the Canadian Constitution of 1982, the areas financed under the CHST are primarily within provincial domains. However, this paper has discussed some of the jurisdictional conflicts that have arisen between the Federal and

provincial governments. The Federal Government's announcement of the CHST reflects its desire to return some of the power and authority to the provinces by now providing money with few strings attached to carry out their programs. The Federal Government views the CHST as a way of exiting some areas where jurisdictional conflict has occurred. "The CHST gives provinces and territories the flexibility to allocate payments among social programs according to their priorities, while upholding the principles of the *Canada Health Act* and the condition that there be no period of residency with respect to social assistance" (Finance Canada, www.fin.gc.ca/fedprove/chse.html).

The major problem that the CHST was trying to address was the debt and deficit. "The second cloud is the debt and deficit" (Martin, <http://www.fin.gc.ca/budget95/speech/SPEECHE.TXT>, p. 1). Clearly, one of the explicit goals of the CHST is to save money and allow the Federal Government to reign in their expenditures and lower their debt and deficit. The government was able, in the 1980s, to create the image of the deficit as a major problem and that social spending was the prime cause of the problem. In essence, the Federal Government was able to over-emphasize the impact of the deficit and the need to reduce it. "Instead, however, Ottawa has created a near-hysteria in the land over the deficit...The reason may be that the deficit is a useful vehicle for arguing that government spending is out of control and must be curbed..." (McQuaig, 1993, p. 149).

For the provinces, the CHST was devastating. The provincial governments had no idea that over \$6 billion dollars was going to be cut from the 1995 Federal budget. A communiqué from the 1998 Annual Premiers' Conference captures the feeling of the provinces:

They expressed concern about unilateral Federal cuts to the Canada Health and Social Transfer (CHST) beginning in the 1994/95 fiscal year that now represent more than \$6 billion per year. This is the transfer to provinces which helps

support core health care services, post secondary education and other social programs for Canadians. The Federal Government cut its funding for social programs through the CHST by 33%... (August 7).

The implications of these cuts were more than financial. These cuts to the CHST further contributed to a deterioration in the relationship between the Federal Government and the provinces. On this subject, Lazar writes: "But politically, when Ottawa changes the financing of joint programs unilaterally, it undermines the confidence of provinces in the Federal Government as a trustworthy partner and this is all the more so when the provincial governments believe that the Federal action is lacking in basic fairness" (Lazar, 2000, p. 21-22).

Another political factor that has come about as a result of the CHST, and which has hurt the relationship between the Federal and provincial governments, was that the provinces were forced to take a great deal of political heat for the program reductions that had to be made due to the huge loss in Federal financing. At the same time the Federal cuts were implemented, the Federal Government had extra money to use and so "...even before the CHST cuts had been fully implemented, the Federal Government began discussing the possibility of launching new programs in education and health" (Lazar, 1998, p. 44). Therefore, because the provinces were forced to cut their expenditures and, by extension, their programs, the Federal Government was given an avenue to be more visible in the health, education, and social services fields. This was done without the approval or consultation of the provinces. As a result of the Federal Government's unilateral actions, culminating with the CHST, the provinces realized the need for a coordinated effort to try and ensure adequate and stable funding for social programs.

2.6 - The Economic Context of SUFA

One important aspect of setting the context for SUFA is understanding the economic environment that helped give rise to the Agreement. For this, it is necessary to begin with the 1970s. At this time, the world economy was experiencing a major slump:

The combined GNP of the OECD countries fell by 5 per cent, industrial output plummeted, and world trade declined by 14 per cent. Unemployment climbed to a staggering 15 million in all OECD countries combined. At the same time inflation accelerated and the advanced capitalist world experienced a growing collective trade deficit (Gough, 1979, p. 32).

In response to this serious economic decline, the Federal Government began to question the relevance of Keynesian economics and instead placed more emphasis on letting the market regulate itself. During this time there was also a shift towards a neo-conservative approach. The focal point of this new approach became the elimination of government deficits and debt.

As discussed earlier, from an intergovernmental perspective, this involved a measure of Federal downloading of the expenditures on these programs. The Federal Government began to cut its expenditures on social programs and gave more responsibility for funding these programs to the provinces. This became evident in 1977 with the Established Programs Financing Act which replaced the previously used 50/50 open ended funding arrangement with the block funding approach.

The block fund uses a capped formula to determine the amount of money that provinces receive. This is much different from earlier approaches which used a cost-sharing approach. Under the block fund, the Federal Government remains in control of its expenditures because it controls the formula. Block funds make it easier for the Federal Government to make cuts because it determines the total amount of money available to be transferred to the provinces through the use of the formula. Under block funds, if provincial costs rise, Federal transfers do

not necessarily have to rise with them. This means that provinces potentially end up paying for a greater proportion of the costs if increases in Federal transfers do not match increases in provincial expenditures. In this light, block funds can be viewed as a way for the Federal Government to off-load program expenditures onto the provinces. The block fund also means that if less money is transferred to the provinces, they are forced to either reconsider their own spending priorities or cut services and programs. Under the block fund, provinces are forced to react to the actions of the Federal Government.

One of the reasons that the deficit has come to the forefront is that businesses lobbied for a reduced role for government. This demonstrates that businesses can be major actors in the social policy world and have contributed to the ideological shift that has occurred in Canada in the past 20 years. "If governments focus on reducing deficits and social programs then they are reducing their role in the economy. This is consistent with the free-market approach" (Campbell 2000 p. 6). "The Conservatives, and the business interests that supported them so well, financially, wanted the marketplace to play a stronger role in making decisions and allocating resources – a change which would deliver more power and more of the nation's resources to business" (McQuaig 102; Mullaly 6). The Federal Government's ability to effectively manage the economy has been greatly reduced as a result, thus giving more power to the free market and more responsibility to the provinces.

The economic and ideological shift that began in the 1970s and 1980s was fully entrenched in Canada in the 1990s. This is particularly true in terms of the concern over debts and deficits and the offloading of program expenditures onto the backs of the provinces. The student's experiences working at Federal-Provincial Relations demonstrated the concerns that the provinces have that the Federal Government will off-load further program expenditures

onto their backs. In talking with a number of senior civil servants, it became clear that the Federal Government used the opportunity of the hysteria created over the debt and the deficit to offload much of its program responsibilities without transferring additional money to offset the increased program expenditures. This contributed to the level of distrust that provincial civil servants currently have in any action made by the Federal Government in the social policy field. The practicum activities undertaken by the student provided the opportunity to witness firsthand the above dynamic.

Related to the economic context of SUFA is the issue of power differentials between the provinces. The provinces with larger populations have larger economic bases which gives them greater political power within the federation. British Columbia, Alberta, and Ontario, have three of the top four populations in Canada and are also three of the stronger provincial economies in the country. These provinces also have a great deal of power in their relationships with other governments. They are also more likely to directly challenge the actions of the Federal Government, while the smaller provinces, and generally those receiving equalization payments, are more careful about public criticism. The reason is that these provinces rely on the Federal Government for a major portion of their revenue. To upset the Federal Government, which is the source of this revenue, could be counterproductive. It is therefore likely that provinces such as P.E.I., Newfoundland, or even Manitoba are going to be more selective in the battles that they chose to fight with the Federal Government. Provinces which are more economically self-sufficient can afford to be more vocal in their criticisms.

Globalization is another important economic phenomenon that has enormous impacts on the economy and, as a result, on intergovernmental relations. Charles Kegley and Eugene Wittkopf, using a combination of definitions come to define globalization as the following:

Globalization may be defined as “the intensification of economic, political, social, and cultural relations across borders” (Holm and Sorensen 1995b). A critical characteristic of these cross-border interactions is that they “are not originated by national governments.” Indeed, governments increasingly are challenged by transforming trends in which borders are becoming transparent (Lopez, Smith, and Pagnucco 1995) (Kegley and Wittkopf 1997, p. 249).

The above definition clearly identifies the weakening of national borders as a consequence of a globalized economy. There is an increasing economic interdependence among nations which they appear powerless to prevent. Globalization also reduces a state’s ability to manage its own affairs because of the increased interdependence on other nations.

The increasing interdependence of nations can, in part, be explained by integration theory. “**International integration** refers to the process by which supranational institutions come to replace national ones - the gradual shifting upward of sovereignty from the state to regional or global structures” (Goldstein 1996, p. 390). Goldstein goes on to say that “The ultimate expression of integration would be the merger of several (or many) states into a single state - or ultimately into a single world government” (1996, p. 390). An example of this sort of movement is the current European Union and the Maastricht Treaty. Other forms of integration include the formation of free-trade zones such as the North American Free Trade Agreement.

Prince identifies a more economic context to globalization: “...modern globalization involves the expanding geographic reach of markets, the deepening of global market relationships across a multitude of goods and services sectors and financial activities, and the elaboration of additional international institutions and agreements for promoting and regulating global trade” (Rice and Prince 2000, p. 131). Thus, in this context, globalization leads to

increased cross border trade which then creates the need for powerful international institutions to regulate this trade.

An important piece of the globalization movement is a focus on government debts and deficits. This focus is part of the neo-conservative movement which favours the free-market business mentality that countries should be run like businesses. Therefore, a country's finance department takes on a larger role managing the economy (Banting 1996, p. 40). This is because debts and deficits are dominant themes in the nation. Therefore, government expenditure proposals must pass through the Federal finance department, including those related to social policy. This is done with pressure from global institutions. "Finance departments set the outer limits of social policy reform with arguments and analyses about fiscal imperatives. These are bolstered by pressures from business interests, the money markets, and international agencies such as the IMF and OECD" (Rice and Prince 2000 p.144).

The North American Free Trade Agreement (NAFTA) is an example of the types of effects that globalization can have on Canadian policy. One school of thought suggests that agreements such as the NAFTA will cause countries to look strikingly similar with regards to their structures and policies:

In such a wide-open economic environment, the question naturally arises, how can any country impose taxes higher to those imposed elsewhere? If it tries to, capital will flee to safer tax havens. But without capital, what will happen to jobs and incomes? And if a country *can't* tax more than other countries, how can it have a bigger government and more generous social programs. It obviously can't. The nation-state may not literally disappear but in a globalized world all nation-states will look more and more alike (Watson 1998, p. 9).

The idea of countries beginning to look similar is known as harmonization (Simeon, 1990 p. 49). In Canada, there is some evidence that this is beginning to happen in the health field. During the 2000 Federal election campaign the idea of two-tier health, similar to the U.S.

model was a central issue of debate. Although no party had endorsed the idea overtly, it had been front and center in the debates and in the campaign advertising. This may be because Alberta appears to be moving in that direction. Canada and the U.S. may be moving closer together. Part of the reason has been discussed earlier. Canada, as a result of the NAFTA is restricted in its taxation methods. The Federal Government is restricted in how much it can tax in comparison with the U.S. because if Canada's tax rates are significantly higher there is an increased likelihood that capital will move southward. In the Federal 2000 mini-budget, which preceded the Federal 2000 election call, billions of dollars in tax cuts were promised bringing the value of tax cuts proposed in the last two years to over one hundred billion dollars. With this huge decrease in revenue, the Federal Government will have to find other sources of revenue to fund programs such as health.

Another school of thought suggests that globalization will lead to a "race to the bottom" with regards to social policy:

As the twenty-first century nears, this 'race to the bottom' is widely thought to be the fate of the world's welfare states. The fear is that nobody, not even the United States, is 'talented enough, and competent enough and tough enough to make their own choices, for their own future, in their own way'. That's bad enough as it is, but what if you are a country that defines your distinctiveness through your social programs [such as Canada does]" (Watson 1998, p. 9)?

Maude Barlow also recognizes this idea. She suggests that if Canada did not give in to the demands of multinationals, there was nothing to stop them from heading south. "If government suggested corporations pay a larger share of taxes, there was nothing to stop the corporations from pulling up stakes and moving away" (Barlow 1990, p. 55). The implication is that these multinationals now have the power to dictate policy to the Canadian government which will help to further business class interests. Clearly, this does not bode well for social

programs because if governments begin to have less power, then it follows that agreements like SUFA will also begin to be less relevant.

As this paper will now demonstrate, the economic environment described above, created an atmosphere full of challenges for intergovernmental affairs. This paper will further show how these challenges then led to the development of a new type of intergovernmental agreement which, it was hoped, would solve many of the issues that existed in the late 1990s.

2.7 - The 1990s: A Decade of Change in Canadian Social Policy

During the 1990s there was significant change in Canada's social policy realm. First, as noted earlier, there was a growing concern over government debts and deficits. All orders of government felt this pressure. "On the fiscal side, government spending cuts have had cascading effects as provincial governments dealt with reductions in Federal transfer programs, and municipal governments [in some provinces] responded to the impact of provincial expenditure reductions" (O'Hara, 1997, p. 3). This led to increased pressure on social program expenditures that fell under the provincial domain.

A second change in the social policy realm was a growing concern about the nature of social programs. International organizations questioned the nature of social program expenditures arguing that it was necessary for a re-focussing of these programs. "The Organization of Economic Cooperation and Development (OECD) and other bodies began to question the proportion of "passive" social expenditures in areas such as income security relations to "active" expenditures for education and skill development" (O'Hara, 1997, p. 3). In this context, passive expenditures refer to the transfer of money to individuals for maintenance only. Active expenditures refer to the transfer of money to individuals where

there is the expectation that the individual will work to improve themselves through education or skill development.

A third change that was occurring in Canada in the 1990s that would affect social policy development was the shift toward non-constitutional means of "...reconfigur[ing] Federal/provincial roles and responsibilities..." (O'Hara, 1997, p. 3). In the preceding decade, Canada had experienced difficulty in reworking the Constitution through the failures of the Meech and Charlottetown Accords. Non-constitutional renewal was to be the new way to modernize the federation. One of the driving forces behind this non-constitutional renewal was the need to ensure better transparency and accountability with respect to social programs. Greater clarification around the roles and responsibilities of both orders of government would alter the nature of social policy development in Canada because citizens would have a better sense of their governments' roles. This would allow them to be better able to put pressure on the appropriate level of government. This would, in turn, force governments to be more responsive.

2.8- Use of the Federal Spending Power

As has been noted in this paper, the use of the Federal spending power, in areas assigned to the provinces without their consent, is a contentious issue. This section of the paper deals with both the arguments for, and against, the use of this power.

The Federal Government has argued that its use of the spending power allows it to pursue national interests. They argue that Canadians look to Parliament for leadership in representing national interests. This is something that the provinces, independently, are unable to do. The result is that there is a definite role for the Federal Government to play "...with the

provinces, in achieving the best results for Canada from provincial policies and programs whose effects extend beyond the boundaries of a province” (Telford, 1999, p. 8).

Another reason why the spending power is an important instrument in Canadian federalism is that “[i]t alone allows the Federal Government to pursue efficiency and equity in the internal economic union and the principles enunciated in Section 36” (Boadway, 1998, p. 38). The equity principle refers to the idea that all citizens are treated similarly throughout the federation. “[A]ll citizens ought to be treated reasonably comparably by the fiscal regime regardless of their province of residence: opportunities or social insurance provided in one province ought to be available, within reason, in another” (Boadway, 1998, p. 38). Boadway argues, therefore, that the spending power is a necessary instrument for the Federal Government to use in order to ensure that all Canadians are treated equally from coast to coast.

While the spending power is an important instrument in the Canadian federation, there are a number of criticisms of it. “First, it is claimed that it has sometimes been too intrusive in areas of provincial jurisdiction” (Boadway, 1998, p. 39). Since areas such as health, education, and social welfare are areas of provincial jurisdiction, intrusion into these areas by the Federal Government through the use of the spending power can be problematic. This question of jurisdiction will be addressed in a later section of this chapter.

Another of the arguments for the spending power is that it allows for greater harmonization and coordination across the country. Critics of the spending power argue that this is not necessarily the case (Boadway, 1998). They feel that provincial coordination and harmonization can occur naturally. An example of this is post-secondary education and mobility. Currently there are few restrictions regarding students studying out of province. The provinces worked cooperatively together to reduce barriers. The Federal spending power is not

needed to achieve this goal. Another example of provinces working together is the Premiers' meeting in January, 2002 regarding health. During this conference, the Premiers pledged to work together on a number of specific initiatives to improve Canada's health care system.

The final objection to the Federal spending power deals with the way that the power is used. "The third criticism...is that the process by which the spending power is exercised is unduly secretive and unilateral, and has led to many unwelcome surprises for the provinces" (Boadway, 1998, p. 39). For example, the Federal Government has used the spending power to coerce provinces to participate in federal initiatives through the cost-leveraging model. This model places provincial governments in difficult situations financially. In part, this is because many of the Federal Government's spending decisions arise out of a budget process which is very secretive, leaving provincial governments with little advance notice. There is also a tendency to announce programs first, without consultation and then finance them through the budget. This is often done by leaking spending decisions prior to the budget to test public/provincial reactions.

The above criticisms make it clear that there are a number of areas that raise provincial concerns:

Once the Federal Government takes the initiative by offering to share the cost of a proposed program to be administered by the provinces, provincial options are seriously circumscribed. If a provincial government does not provide its inhabitants with the same benefits as are enjoyed by people in other provinces, there are likely to be political consequences. If the province does join the program, however, it may not be able to afford the necessary expenditure or may have to neglect other budget priorities. There is also the possibility that the Federal Government may pull out of the program, leaving the province with increased financial responsibilities (Dunsmuir, 1991, p. 6).

This demonstrates the enormous power the Federal Government can wield over the provinces. In effect, the Federal Government can set provincial priorities without their permission.

The desire of provinces to limit the use of the Federal spending power was one of the driving forces behind the development of SUFA. "In shaping this agenda, provinces and territories have been united in a common purpose aimed at achieving the following objectives...preventing Federal unilateral action in areas of provincial jurisdiction through the use of its spending power" (Théiault, 1998, p. 22). This idea is further demonstrated in the Joint Communiqué issued at the First Ministers' Meeting in 1997.

All First Ministers, with the exception of the Premier of Quebec, agreed to mandate designated Ministers, under the auspices of the Ministerial Council for Social Policy Renewal, to commence negotiations on a framework agreement for Canada's social union, that would apply to Federal/Provincial/Territorial governments while respecting each others' constitutional jurisdiction and powers. Within this context, the objectives for negotiation of such an agreement are:

- ...Collaborative approaches to the use of the Federal spending power (FMM Joint Communiqué, 1997, p. 1).

The use of the Federal spending power will be revisited in subsequent chapters of this report to determine whether SUFA was successful in limiting this power.

The practicum experiences at Federal-Provincial Relations demonstrated the effects that the use of the Federal spending power can have for provinces. It is clear that there are a number of areas and programs where Manitoba feels the Federal Government has behaved inappropriately. The Federal Government did this by using its spending power to implement programs in areas of provincial jurisdiction without due warning. Very clearly, the provinces had reached the boiling point in the mid-1990s with the cuts arising from the CHST. Provinces, at that point, came to completely distrust the Federal Government and wanted to

find a way to insulate themselves from its unilateral actions. This is one of the reasons for the development of SUFA.

2.9 - Vertical Fiscal Imbalance (VFI)

The issue of vertical fiscal imbalances has been around since Confederation:

The Constitution Act, 1867, included a series of constitutionally guaranteed Federal grants and subsidies to the provinces, which were subject to intense negotiation at that time...While the sums involved are modest when compared to the intergovernmental transfers of today, the pressure by the provinces on the Federal Government to increase transfers to them began right after Confederation and continues to this day” (<http://reform.kuban.ru/journal/61/61.html>).

Arrangements between the provinces and the Federal Government during WWII helped contribute to the imbalance:

For one thing, huge sums of money were needed which led to changes in the allocation of revenues between the two orders of government...In the event, a tax “rental” agreement was worked out between the Federal and provincial governments. Under these arrangements, Ottawa alone would levy and collect personal and corporate income taxes and death duties in return for rent payments to the provinces” (Lazar, 2000, p. 7-8).

These tax-collection agreements were extended after the war so that the Federal Government could finance post-war reconstruction efforts. “In the event, Ottawa was able to negotiate agreements with most provincial governments to extend initially the tax-rental agreements. And, over time, the Federal Government secured provincial acceptance of a set of tax-collection agreements for personal income and corporate income taxes...” (Lazar, 2000, p. 8-9).

Today, in Canada, the Federal Government collects far more than it needs while its program expenditures remain relatively unchanged. The provinces, on the other hand, are in a situation where their revenues remain relatively static while their program expenditures

continue to rise dramatically. This situation is particularly relevant to the equalization receiving provinces which depend on the Federal Government for a major part of their revenues. For the Federal Government to accumulate major surpluses while many provinces are in a deficit situation is the heart of the issue. "By 2020, the Federal surplus is expected to reach \$126 billion while the provincial governments will collectively have a very small surplus" (Ruggeri, 2001, p. 2).

The issue of the VFI is relevant to the creation of SUFA because the size of the VFI between the Federal and provincial governments led to a great deal of discontent on the part of the provinces. The large Federal surplus gave Ottawa the means to interfere in areas of provincial jurisdiction. Provinces wanted to find a way to curb this interference and focus the spending power on more collaborative undertakings. It was hoped that SUFA would be the answer.

2.10 - The Question of Jurisdiction

To be a federation means that there is more than one order of government within a country. In Canada, the Federal and provincial governments are charged with their own responsibilities. In a sense, the Federal Government is responsible for the well-being of the nation as a whole, while the provinces are responsible for their own respective populations.

This paper has already established the specific responsibilities of both orders of government in Canada. It noted that during the 1950s, the Federal Government became more involved in areas of provincial jurisdiction than it ever had before. This Federal involvement led to a great deal of conflict in terms of social policy development in Canada. These jurisdictional conflicts led the provinces to push for a social union agreement. It is therefore

important to understand both the provincial and the Federal Governments' perspectives regarding jurisdiction of the social policy field.

From the provincial point of view, they want to ensure access to adequate resources so that they can meet their Constitutional responsibilities. The Federal Government does have a role to play but that role must be regulated:

It has become accepted wisdom that the Federal Government should refrain from interfering with the rightful provincial role in the formulation and delivery of social policy. Providing money is fine, but using that money to lever provincial policies is not. Not only is Federal involvement in areas like education, health, labour market policy and welfare said to lead to unnecessary overlap and duplication, it is also said to constitute unacceptable intrusion into what ought to be exclusive provincial responsibility (Boadway, 1998, p. 37).

Therefore, from the provincial perspective, the Federal Government should not announce new programs in areas of health, education, or social programs without the involvement and approval of the provinces. To do otherwise is *ultra vires* and leads to increased conflicts between both orders of government.

The Federal Government, on the other hand, has a much different perspective on this question of jurisdiction. From their perspective, it is not practical to have areas of exclusive authority. The reason is that, in today's complex world, programs and governments are becoming increasingly interconnected:

"In this era of globalization and an increasingly competitive world economy, it is no longer possible – if it ever was – to segregate public policy into neat, air-tight compartments between social and economic policy, between Federal and provincial or territorial responsibilities, or even between domestic and international considerations. The actions of one government increasingly affect other governments (McLellan, 1998, p. 7).

The Federal Government would argue that because of this increasing integration, provinces should not keep social policy, or other areas, as their exclusive jurisdiction. This provides the

Federal Government with justification for intrusion into areas of provincial jurisdiction. As has been noted, the jurisdictional conflicts between the Federal Government and the provinces helped contribute to the need for SUFA.

2.11 - Cost-leveraging Model

Cost-leveraging occurs when the Federal Government announces new funding or new programs with little or no consultation with the provinces in an area of provincial jurisdiction. Often times, provinces are only informed of these new Federal programs just before the announcement date. This model makes provinces extremely vulnerable to unanticipated Federal initiatives which they ultimately end up paying for (Personal Conversation with Diane Gray, Assistant Deputy Minister, Federal-Provincial Relations).

In most cases, Federal involvement under this model takes the form of time-limited programs which have the effect of creating a need that previously had not existed before. The provinces are left to fill this need on their own when the Federal Government withdraws its funding, usually after 3-5 years. Generally, programs created under this model leverage 40-50% of the program costs from provinces. All of the money, Federal and provincial, usually flows through the provinces, thus creating the appearance that the provinces are paying for the program (Personal Conversation with Diane Gray, Assistant Deputy Minister, Federal-Provincial Relations). When the Federal funding dries up, the provinces are left to continue the program on their own or face public criticism for reducing or cutting the program. "This has left the provinces and territories with the responsibility of either maintaining the program or restructuring the service [at their own expense]" (Provincial/Territorial Council on Social Policy Renewal, 1997, p. 8).

A communiqué from the 2001 Western Premiers' Conference further develops this idea. "Time-limited, unsustainable programs that are developed and announced unilaterally by the Federal Government and are designed to leverage provincial/territorial funding, come at the expense of funding for core services and may conflict with the priorities of provincial/territorial governments and their citizens" (Western Premiers' Conference Communiqué, May 31, 2001). It is important to note that these new federally driven programs often contain a sustainability clause to ensure that provinces continue the program after Federal funding has dried up.

A specific example of the Federal Government's use of this funding mechanism is the homelessness initiative (Supporting Communities Partnership Initiative, 1999). There are a number of points contained in the Federal Government's announcement of the homelessness initiative that demonstrate the cost leveraging mechanism (Office of the Minister of Labour, Dec. 17, 1999). Firstly, the press release does not discuss how provinces were involved in the development of this initiative, yet it is an area of provincial jurisdiction. Apparently, provinces were consulted after the fact despite this initiative requiring cost-matching from their coffers. The result is that the provinces are forced to re-arrange their spending priorities to deal with this new program. Secondly, the program is slated to run for three years after which, the Federal Government may no longer be involved in funding the program. By its very existence, provincial governments will be pressured to continue the program after Federal involvement is finished. It is programs like the homeless initiative which indicate the need for a set of rules to govern how new programs will be developed and implemented.

2.12 - Non-Constitutional Reform

Also contributing to the need for a social union agreement was the decision to redefine the relationship between both orders of government concerning social policy without altering the Constitution. This is known as non-constitutional reform:

The approach was not entirely new, but it became more explicit and ambitious, and involved the different governments in a range of discussions that were unprecedented in scope and in depth. On a number of issues, going from fiscal and trade to labour market and social policy questions, positions were defined, reports were drafted, meetings were held, and compromises were reached or at least envisioned (Noel, 2000, p. 6).

The desire for non-constitutional reform came about as a result of the failures of the Meech Lake and Charlottetown Accords. Both of these Agreements had offered major changes for Canada's social union.

The major change Meech and Charlottetown offered dealt with opting out of national programs. The Meech Lake and Charlottetown Accords "...proposed constitutional amendments that would have provided "reasonable" compensation to the government of a province that chose not to participate in a new national shared-cost program in an area of exclusive provincial jurisdiction, on condition that the province carried on an initiative compatible with the national objectives" (Schwanen, 1999, p. 11).

The Charlottetown Accord had another important point that would affect the social union. "Other provisions would have prevented a government from unilaterally altering the terms of an intergovernmental agreement before its expiry..." (Schwanen, 1999, p. 11). While both Accords had a great deal to offer, they ultimately failed. As a result, governments had to find another way to redefine their relationship. "One can reasonably say that the failure of these two mega-accords resulted in governments' shifting their emphasis toward addressing the

causes of stress within the federation through non-constitutional means” (Schwanen, 1999, p. 11). SUFA was one way that this shifting emphasis came to fruition.

2.13 - Summary of Pre-SUFA Concerns

The first provincial concern that gave rise to SUFA was the introduction of the Canada Health and Social Transfer. Provinces were caught unaware by the huge cuts to transfers that were unilaterally announced. Provinces came to view the Federal Government as a partner that could not be completely trusted. This helped fuel calls, on the part of the provinces, for a new mechanism to govern the relationship between both orders of government.

The second provincial concern was the use of the Federal spending power. The Federal Government’s use of this power has generally not been viewed in a positive light by the provinces. This is in part because the Federal Government often uses the cost-leveraging model to exercise the spending power. As noted, this model often places a great deal of financial hardship on the provinces. This hardship becomes further exacerbated when provinces are negatively impacted by the huge vertical imbalance that exists in Canada.

The above two major areas of provincial concern are further broken down into four priorities that the provinces wanted addressed through an agreement with the Federal Government. First of all, provinces wanted to ensure stable, adequate Federal funding for social programs. Second, provinces wanted to find a way to end Federal unilateralism. Third, provinces wanted to establish a dispute resolution model which could be used to resolve differences under the Canada Health Act. Finally, provinces wanted to develop ground rules for cooperative engagement with the Federal Government.

The Federal Government also had concerns which it wanted to see addressed in a social union agreement. One of the Federal Government's goals was "...to secure Canadians' right to move freely across the country" (Robson and Schwanen, 1999, p. 2). The Federal Government was looking to expand upon the mobility provisions in the Canada Health Act and the CHST. As social services evolved, new programs such as home care were not covered under the aforementioned agreements thus allowing the possibility of the provinces using residency requirements as a condition of receiving these services. The Federal Government wanted to ensure that this would not happen. It should be noted however that pre-SUFA, there were very few mobility barriers in place.

Another concern of the Federal Government was to "...improve the portability and comparability of social programs across provinces" (Robson and Schwanen, 1999, p. 2). With thirteen jurisdictions all delivering similar programs, the Federal Government wanted to ensure that common measures were used to determine effectiveness and then report these to the public. As part of this goal, the Federal Government also wanted to ensure that all citizens had access to comparable services, independent of which province delivers the program. The Federal Government also had an interest in ensuring accountability. One of the ways that the Federal Government could achieve this goal was to use report cards for programs as they withdraw their funding and support. These report cards could be used as a way to ensure provinces are complying with national objectives. The result will be that these report cards will help influence provincial expenditures because they will result in public pressure on provinces to continue services on their own.

One final goal of the Federal Government heading into discussions surrounding a social union framework was concerning their spending power. The Federal Government wanted

provinces to recognize that they did have a role to play in health and social services and that the spending power was one way in which they could exercise that role. With increased cooperation between both orders of government, it was hoped that the use of the spending power would not be as problematic.

2.14 - The Development of SUFA

Given that this is a report on practicum activities, it should be noted that the following section of this paper dealing with the development of SUFA was made possible because of the placement in Federal-Provincial Relations Branch. This placement provided the opportunity to research a number of primary documents related to the development of SUFA.

The process leading up to the signing of SUFA began in 1995, four years before the Agreement was signed. As referred to earlier in this report, this process was initiated by provinces due to a significant number of concerns regarding actions by the Federal Government. In 1995, the provinces formed the Ministerial Council on Social Policy Review and Reform (hereafter the P/T Council). The overriding objective of this Council was to develop a strategy to modernize Canadian social policy.

In 1996, Premiers released a Report by the P/T Council which set out four main themes for social programs and their funding. The four themes were:

- “social programs must be accessible and serve the basic needs of all Canadians;
- social programs must reflect our individual nature and collective responsibility;
- social programs must be affordable, effective and accountable; and
- social programs must be flexible, responsive and reasonable comparable across Canada” (P/T Council, 1996, p. 1).

There are three main reasons why this Report is significant. “...[I]t demonstrated the anger and determination of the provinces to take the initiative in social policy reform in the country;

it indicated that...social protection remained the dominant discourse...; and, its principles fed into a process of Federal, provincial, and territorial negotiations on a social union framework..." (Prince, 2001, p. 7).

In 1997, Premiers invited the Federal Government to discuss the development of a framework agreement to guide future social policy development. At the December 1997 First Ministers' Meeting, the Prime Minister reluctantly agreed.

In late January 1999, the P/T Council met in Victoria. This meeting led to the development of a negotiating text for the framework agreement. Shortly thereafter, the Federal Government convened a First Ministers' Meeting where it put forward its own version of the Agreement for signature. "However, as the signing date approached, the fiscal circumstances of the Federal Government improved dramatically, and Ottawa was able to put cash on the table in exchange for looser constraints on its spending power" (Gibbins, 2001, p. 7). On February 4, 1999, all provinces, except the province of Québec, signed the Agreement. Québec's exclusion will be discussed in a subsequent chapter of this paper.

Part 3 - The Social Union Framework Agreement

As has been noted, a major focus of this practicum was to analyse the Agreement and provide recommendations to the Manitoba Government. Thus far, this report has set the context for the development of the Agreement. The next step that I performed within my practicum was to become familiar with the Agreement itself. The purpose of this chapter is to focus on the structure and content of the Agreement. On a broad level, SUFA is an agreement between the Federal Government and all of the provinces, except Québec, to govern the direction of future social policy development in Canada. It is broken down into seven distinct sections (see Appendix B for the full text of the Agreement). The content and social policy implications are discussed below.

3.1 - Principles

The principles that are established in the Agreement are very broad in nature. These principles include equality, fairness, dignity, adequate and sustainable programs, and the principles of medicare. Also included in this section is a commitment by the signatories to have greater public input into Canada's social programs. *"Work in partnership with individuals, families, communities, voluntary organizations, business and labour, and ensure appropriate opportunities for Canadians to have meaningful input into social policies and programs"* (Section 1 of SUFA). It seems clear that "...the section 1 principles touch mainly on the goals and purposes of social policy" (Lazar, 2000, p. 102).

3.2 – Mobility Within Canada

This section contains very clear policy directives. *"Governments will ensure that no new barriers to mobility are created in new social policy initiatives. Governments will*

eliminate, within three years, any residency-based policies or practices which constrain access to post-secondary education, training, health and social services and social assistance unless they can be demonstrated to be reasonable and consistent with the principles of the Social Union Framework” (Section 2 of SUFA). This section aims to achieve one of Ottawa’s pre-SUFA concerns to ensure that there are no residency requirements for programs. “In it, reflecting mainly Ottawa’s desire to reinforce mobility, governments commit that no new barriers to freedom of movement will be created as a result of new social policy initiatives” (Lazar, 2000, p. 105). As has already been mentioned, this section of SUFA ensures that those programs that may no longer fall under the purview of the CHA or the CHST are now covered and can not have residency as a condition of eligibility.

3.3- Informing Canadians – Public Accountability and Transparency

This section of the Agreement brings citizen engagement to the forefront. “It thus proposes to make available to the public the kind of information that could enable citizens to engage one another, and their governments, in serious dialogue about policy choices” (Lazar, 2000, p. 102). It also promises to provide the mechanisms for Canadians to be involved in the social policy process. “*Ensure effective mechanisms for Canadians to participate in developing social priorities and reviewing outcomes*” (Section 3 of SUFA). As this section of SUFA also forces governments to report on outcomes to the public there is a built-in aspect of accountability.

3.4- Working in partnership for Canadians

Section 4 of SUFA commits governments to work together in the social policy field. To do this, governments will “*Undertake joint planning to share information on social trends,*

problems and priorities and to work together to identify priorities for collaborative action... Collaborate on implementation of joint priorities when this would result in more effective and efficient service to Canadians” (Section 4 of SUFA). Governments must also offer to consult when they are planning major changes that may affect other jurisdictions. This section of SUFA clearly has as one of its goals, a redefinition of the relationship of both levels of government.

3.5– The Federal Spending Power

This section commits the Federal Government to give advance notice (one year) for any significant changes to current funding mechanisms. It also commits the Federal Government to consult with provinces on any new Canada-wide programs and not initiate these programs without the agreement of a majority of provinces (any 6). There is no formal “opting-out” provision, however, provinces that don’t want to participate can design their own programs and, provided they meet the “Canada-wide objectives,” be eligible for funding. If provinces do not use all of the funding, they are free to use it in another related area. This section also allows the Federal Government, with three months notice, to introduce new Canada-wide initiatives funded through direct transfers. The Agreement therefore legitimizes the Federal spending power.

3.6- Dispute Avoidance and Resolution

This section of the Agreement commits governments to work collaboratively to resolve disputes. Dispute avoidance and resolution will apply to mobility, intergovernmental transfers, interpretation of the CHA and any new joint initiative. “The section suggests that governments

may be able to avoid disputes through the information sharing, joint-planning, collaboration, and advance notice and consultation provisions referred to above” (Lazar, 2000, p. 104).

3.7- Review of the Social Union Framework Agreement

Section 7 of SUFA binds governments to undertake a full review of the Agreement within three years and make appropriate adjustments as required. This review process will allow for input and feedback from Canadians and all interested parties (social policy experts, etc.).

Part 4 – Theoretical Analysis

Theoretical Framework

The purpose of this chapter is to establish a theoretical framework from which to analyse SUFA and the history of fiscal federalism in Canada. This is an important exercise to undertake because by doing so, it allows for a better understanding of SUFA and how it fits into the evolution of fiscal federalism. Also included in this chapter is a discussion of the theoretical social union. The theoretical social union lays out the key elements that should be included in an agreement of this kind. It allows for a comparison to be done in order to determine how SUFA fits into the ideal social union.

4.1 - Theoretical Social Union

An important concept of the theoretical framework is to establish the Canadian social union in general terms. The purpose of this section is to discuss, from a theoretical perspective, the values, principles and, functions, etc. of the Canadian social union. This will prove useful later as this report progresses because SUFA will be evaluated against these ideas to see where it fits in terms of the general social union.

A) Values

According to O'Hara (1997), values can fit into three broad categories: social policy, intergovernmental relations, and democratic engagement. Social policy values generally are compassion, sharing, equal opportunity, equity, fairness, and collective responsibility. As with any set of values there are inherent tensions (e.g. collective responsibility vs. individual rights). The challenge is to find a sustainable balance between them. Values related to intergovernmental relations are primarily based on federalism and the notion that both orders

of government should work together to "...enable Canadians to pursue their shared values, and for flexible and autonomous action to respond to the diversity of regional and local priorities in Canada" (O'Hara, 1997, p. 7). Values regarding democratic engagement include values such as transparency, accountability, and citizen engagement.

B) Principles

The Ministerial Council on Social Policy Reform and Renewal (provincial/territorial in origin) produced a Report to Premiers, which outlined 15 principles, divided into 4 general themes, which they felt would have to be considered in the development of a social union agreement. The first of these themes is that "Social programs must be accessible and serve the basic needs of all Canadians" (Ministerial Council, 1995, p. 5). The basic needs described by the Council include health, education and training, and income support and social services. The goal of these basic needs is to provide for the well being of Canadians across the country.

The second general theme described by the Council is that: "Social policy must reflect our individual and collective responsibility" (1995, p. 6). This theme deals with the notion that citizens have a collective responsibility to all Canadians that must be balanced against the rights of individuals. Also included under this general theme is the idea that both orders of government, Federal and provincial, must work together "...in the establishment, maintenance and interpretation of national principles for social programs" (Ministerial Council, 1995, p. 6).

The Council's third theme is that "Social programs must be affordable, effective and accountable" (1995, p. 6). This theme deals with the sustainability of social programs. It also discusses the importance of prevention and early intervention as goals of future social programs. Also included under this theme is the idea that both orders of government should

collaborate in order to "...ensure efficient and effective program delivery, and to reduce waste and duplication" (Ministerial Council, 1995, p. 6).

The final theme is that: "Social policy must be flexible, responsive and reasonably comparable across Canada (Ministerial Council, 1995, p. 7). This theme acknowledges that social programs may be different across the country as they try to respond to local needs. However, residents of St. John's should have reasonably comparable services to those in Victoria.

At this point in time it is important to recognize the link that exists between values and principles:

"Our values are the fundamental underpinning of the social union. They are reflected in the social programs that were put in place in the post-war period, and continue to be reflected in the evolution of these programs. Many have even argued that our definition of Canadian citizenship is based on our social programs and the sense that these programs symbolize our membership in a community that shares values of solidarity and mutual responsibility" (O'Hara, 1998, p. 23).

The values of Canadians are crucial in that they provide the backdrop for social policy development in Canada. The Ministerial Council's proposed principles for social policy renewal contain many of the values that Canadians want to see in their programs. These programs then help define what it is to be Canadian.

C) Functions and Objectives of A Social Union

The social union and Canadian citizenship are two concepts that, over time, have become interconnected. Many Canadians identify themselves by their social programs. "Taken together [a national support system of health care, an array of income support programs, free public and secondary education, and affordable post-secondary education] represent and symbolize Canadian's sense of themselves as members of a community where

solidarity and mutual responsibility are fundamental social norms” (Ontario, 1991, p. 2).

Because of this sense of social citizenship, Canadians have high expectations of their social programs.

According to O’Hara, there are three broad objectives that a social union should accomplish:

- to **promote social cohesion**, by promoting sharing, providing security, and assisting all Canadians to actively participate in economic and social life;
- to **support human development**, by ensuring that basic needs are met and that individuals’ skills and capacities are fully developed throughout their lives; and
- to **strengthen the economic union**, by sharing risk, ensuring mobility, and providing access to comparable levels of essential public services (O’Hara, 1997, p. 6).

These objectives cannot be examined on their own. They are related and dependent upon each other. As a result, a social union must seek to integrate them together.

O’Hara describes three integrative functions of the social union. Two are particularly important for this discussion. “The first integrative function of the social union is to provide a policy framework that allows the linkages among these objectives to be explicitly considered in an integrated or horizontal way across policy sectors, both within and beyond traditional social policy” (1997, p. 6). A social union is an all-encompassing concept. As such, one of its functions is to cut across a variety of policy arenas and establish relationships and connections between them. This helps to ensure that the interests and needs of Canadians are being met.

As has been previously discussed, intergovernmental cooperation is a value that helps typify what it is to be Canadian. The social union has a role to play in managing this value. “The second way in which the social union performs an integrative function is in providing a framework for governments to manage interdependencies as they address these interrelated policy issues” (O’Hara, 1997, p. 6).

D) Mission Statement

Up to now, this chapter has established the values, principles, objectives, and functions of a social union. The purpose of this exercise has been to set the context for a progressive social union mission statement based on the above criteria. O'Hara provides an example of what a mission statement might look like: "One possible mission statement for the social union would be: The purpose of the social union is to provide security and share risk, guarantee comparable essential services, ensure mobility, and support human development and social cohesion. It uses mechanisms and institutions based on intergovernmental collaboration, and public engagement and accountability to achieve this purpose" (1998, p. 9).

E) Measuring Success

The measurement of success of social policies and programs is another issue that a social union must deal with. How is it determined if a program is meeting its intended needs? Outcome measurements are one method of accomplishing this task. "A recent trend in governance...has been to move away from traditional performance measurement programs focused on inputs and outputs and toward attempts to measure the actual outcomes of government programs" (O'Hara, 1997, p. 10). Outcome measurement can be used to allow the government to set explicit goals for itself. It also allows an opportunity for the public to have access to information through which the government can be held accountable. This information also allows governments the ability to find ways to improve their programs to better meet their objectives (O'Hara, 1998).

F) Social Union Institutions

Canada is a federation. As such, the relationship between both orders of government has a major role to play in determining Canada's operation. When this relationship is marked

with difficulties and disputes it follows that some sort of mechanism is needed to mediate this relationship. Intergovernmental institutions are one way to do this. There are four key functions that intergovernmental institutions can play:

- vertical management within the social union, such as priority setting, planning, and management of issues that cut across the social union, and horizontal functions within sectors in the social union, such as research, information sharing, and policy coordination;
- data collection on outcomes, monitoring, and reporting to the public;
- interpretation, dispute settlement, and mediation; and
- ensuring adherence to social union principles (O'Hara, 1997, p. 12).

These four points will be revisited in subsequent chapters to see how they relate to SUFA.

G) Citizen Engagement

Citizen engagement is another area that must be considered when discussing a social union. This is, in part, due to the importance that Canadians place on social policy. Many Canadians want to have a say in the policy process to ensure that their needs are being met. "Social policy is important to Canadians and is one area where citizens are able to offer informed participation in terms of the setting of priorities and making of value-based choices between competing options" (Mendelsohn and McLean, 2000, p. 44). This begs the question of what is meant by the term citizen engagement?

In its simplest terms, citizen engagement is a mechanism to ensure that citizens are allowed to actively participate in the policy process:

Citizen engagement is different from traditional consultation. True engagement means that, along with traditional decision-makers – public servants, interest groups, and elected representatives – ordinary citizens have a continuing say in outcomes. While traditional consultations tend to provide a snapshot of public opinion at a particular moment in time, engagement is deliberative, interactive, and on-going, much like decision-making within government. Citizen engagement mechanisms permit citizens to be present not only in the opening and closing stages of

decision-making but also in the middle stage where choices are actually made (Mendelsohn and McLean, 2000, p. 44).

One of the problems of traditional consultations that is alluded to above "...is that they are lopsided: government usually determines who is invited; opportunities for real exchange of views and genuine dialogue seldom exist; and there is limited feedback to participants about the use of results" (Phillips, 2001, p. 5). One further problem with traditional consultation is that it is usually done after the government has reached a decision. This means that the consultation is more of a sales pitch to convince the public of the righteousness of the government's position rather than to provide them with any meaningful input.

There are a number of benefits to using citizen engagement as it has been defined. One benefit "...is its impact on creating more active citizens and a more vibrant civil society" (Phillips, 2001, p. 8). Citizens would be able to debate and discuss policies from the very early stages. This would help increase the legitimacy of these policies because the citizenry would feel like they have some ownership over the final product.

A second benefit to citizen engagement is related to the creation of a more vibrant society. Citizen engagement will lead to a more informed public and will increase democratic practices. "Deliberation may also enhance democratic control of political institutions because it opens up legislative and other decision making processes to scrutiny by informed citizens, or at least creates a more informed citizenry who can pressure for such scrutiny" (Phillips, 2001, p. 8). Citizen engagement has the possibility, then, of leading to a much more politically active, and informed citizenry.

4.2 - The Principles of Fiscal Federalism

This section outlines the six principles of fiscal federalism. This paper has discussed, in detail, the evolution of Canadian fiscal federalism. Knowledge of the six principles is important because it allows the reader to examine major policies relating to fiscal federalism and determine how many of the principles may apply. It also allows the reader the opportunity to trace the importance of the various principles. Throughout Canadian history, different emphasis has been placed on different principles. With an understanding of these principles, an examination of SUFA can be undertaken to see how it fits into the evolution of fiscal federalism.

Before a discussion of the principles of fiscal federalism, it is first necessary to offer a definition of fiscal federalism:

Fiscal federalism, broadly defined, comprises three elements: (1) the assignment of governmental functions and responsibilities to two or more orders of government, involving the conferral of legislative powers and access to revenue sources; (2) the allocation of tax receipts and other revenues to each order of government, in cases where a given revenue source is shared between them; and (3) a system of intergovernmental grants, generally from the central government to the states (Leslie, Norrie, Ip, 1993 p. 9).

Elements of this definition are contained within the principles of fiscal federalism.

The Report of the Parliamentary Task Force on Federal-Provincial Fiscal Arrangements outlined six principles of fiscal federalism within the Canadian context. "The first principle is to ensure that each government has sufficient access to fiscal resources to enable it to discharge its responsibilities" (Canada, 1981, p. 30). This is the very essence of fiscal federalism in that it clearly states that there must be a redistribution of resources between different levels of government. This can take the form of cash transfers or through the transfer of tax room from one level of government to another.

“The second principle, fiscal responsibility, holds that the government that spends should also be the government that taxes” (Canada, 1981, p. 30). The principle pertains to the transfer of tax room from the Federal Government to the provinces. Instead of just transferring cash to the provinces, the Federal Government vacates some of its tax room and allows the provincial government to collect those taxes. The money should then be used for specific purposes although this often proves problematic to enforce.

The third principle relates to fiscal equalization. This is the idea that all provinces should be able to offer comparable services to their residents at comparable levels of taxation. “It arises out of the fact that although provincial governments have the same constitutional responsibilities, they do not, due to economic disparities among the various regions of the country, have the same financial capacity to assume those responsibilities” (Canada, 1981, p. 35). The Federal Government, as a result of this disparity, must provide the resources necessary so that all provinces can offer comparable services to their residents. Boadway and Flatters also discuss this principle. “The main argument is simply that everyone in the nation ought to “count” equally in the social welfare function; this is taken to be a fundamental implication of citizenship” (1993, p. 30). Clearly, the Federal Government has a responsibility in this area to address the horizontal imbalance that exists in the nation.

“The fourth principle seeks to ensure that the Federal Government has sufficient control over the personal and corporate income tax fields for economic stabilization purposes” (Canada, 1981, p. 31). Again, Boadway and Flatters (1993) discuss the nature of this principle. Their argument is that in almost every federal economy, the Federal Government collects more money than it needs and then transfers some of it to the lower orders of government. They give two reasons for this. “First...the decentralization of taxation gives rise to inefficiencies in

the internal economic union and reduces the ability of the Federal Government to pursue its equity goals. Second...a vertical fiscal imbalance is a prerequisite for the Federal Government to be able to implement a system of grants to achieve the goals of efficiency and equity in the federal economy” (p. 31-32). The issue of vertical fiscal imbalances is an important one. A vertical fiscal imbalance can be defined in the following way: “When subnational governments are faced with spending pressures that test the revenue-raising potential of their revenue structures while the central government’s fiscal structure produces surpluses on increasing amounts over time, we say that the federation has a vertical fiscal imbalance” (Ruggeri, 2000, p. 2).

“The fifth principle states that there should be uniformity in fiscal relations between the Federal Government and the provinces, that is, there should be no special deals with individual provinces” (Canada, 1981, p. 31). This means that no one province can have a special arrangement with the Federal Government unless it is open to all provinces. Any method of fiscal federalism must provide individual provinces with what they want without giving one province more than another.

“The sixth principle, that fiscal arrangements should provide for a harmonization of Federal and provincial policies and priorities, is particularly relevant to present concerns about the machinery of ‘co-operative federalism’, designed to accommodate greater independence between governments” (Canada, 1981, p. 31). This principle relates to the idea that because there are two levels of government who have an interest in, and are involved in, implementing the same programs, there needs to be some sort of general agreement between them. The Social Union Framework Agreement fits into this notion and will be discussed in a later section of this paper.

These six principles have been discussed as they are essential to the analysis of the Social Union Framework Agreement. In particular, SUFA will be compared to these principles to determine which are most applicable to the Agreement. The underlying idea is that the greater number of principles that are relevant to SUFA, the stronger the agreement is for positive intergovernmental relations.

4.3 - Models of Fiscal Federalism

Further to the principles of fiscal federalism, it is also necessary to understand the models of fiscal federalism. By determining which of the models is most applicable to Canada, it allows for the reader to speculate as to the form that future arrangements may take. The models can also be compared to SUFA. After a review of the literature, it is apparent that Leslie, Norrie, and Ip offer the most extensive framework for exploring models of fiscal federalism. Leslie, Norrie, and Ip examine the models of fiscal federalism by establishing three general categories. These are described below.

A) Quasi-Unitary Model

The goal of a quasi-unitary state is to achieve "...a uniform mix and quality of public services for all provinces" (Leslie, Norrie, Ip, 1993, p. 11). Under a quasi-unitary state, a single body generally collects taxes. These resources are then redistributed to the provinces by the central government according to one of two principles. The first principle is revenue equalization. If resources are redistributed under this principle all provinces receive the same amount of money on a per capita basis. The second principle is fiscal need. Under this principle, revenues are redistributed on the basis of estimated expenditure requirements (Leslie, Norrie, Ip, 1993, p. 11).

Quasi-unitary states can also exist where individual states, or provinces, collect their own taxes. For this to happen it is necessary for them to "...coordinate their revenue systems so that all have an identical or at least similar tax base and impose standard or near-standard rates of taxation" (Leslie, Norrie, Ip, 1993, p. 11). However, it is likely that there will be regional disparities in revenue generation. With this in mind it is necessary for the central government to redistribute the resources equitably on the basis of revenue equalization or fiscal need.

B) Quasi-Confederal Model

This model places more emphasis on the state level than does the quasi-unitary model. Under the quasi-confederal model "...community attachments, political loyalties, and notions of citizenship would be focused either exclusively or primarily on the states, not on the center" (Leslie, Norrie, Ip, 1993, p. 13). This places the central government into a limited role. Any money that it raises can only be used for very specific purposes. These purposes are usually restricted to the reasons why the states got together in the first place. Military protection is one such reason. The redistributive function is therefore very limited in scope.

C) The Decentralized Model

The decentralized model is both highly decentralized and highly redistributive. "Such a decentralized/redistributive variant of federal fiscal arrangements combines far-reaching state autonomy with equity. It allows for variability in tax rates, program standards, and spending priorities" (Leslie, Norrie, Ip, 1993, p. 14). Under this model, even if there are regional disparities with regards to revenue generation there is a mechanism in place which allows for equalization. These transfers are allowed to be spent by the states or provinces any way that they wish. This is similar to a block fund.

Which of these models Canada fits into will be discussed in a subsequent chapter of this paper. By establishing which model is most applicable to Canada, it will allow the reader to see how SUFA may fit within the context of fiscal federalism.

Application of the Analytical Framework

The purpose of this chapter is to apply the analytical framework to different periods of fiscal federalism. Included in this discussion is an application of the models of fiscal federalism to SUFA. This exercise helps in providing a better understanding of how fiscal federalism in Canada has evolved and how SUFA fits into this process. This section also applies SUFA to the theoretical social union.

4.4 - Application in the 1960s

At the end of the 1960s, very clearly a number of the principles of fiscal federalism were applicable. Perhaps the most relevant principle of fiscal federalism is the first one which states that governments should have access to sufficient resources so as to be able to discharge their responsibilities. It has been demonstrated that in health, education, and social programs, the Federal Government was providing a full 50% of the costs of these programs with no limit on contributions. This means provinces had more ability to discharge their constitutional responsibilities. This principle of fiscal federalism is most applicable during this time period than any other as the Federal Government began, in the mid-1970s, to withdraw some of their financial aid. Because of the amount of support being provided by the Federal Government, it is fair to say that the 1960s represents the pinnacle of Canadian fiscal federalism.

4.5 - Canada Health and Social Transfer

A number of the principles of fiscal federalism are illustrated through the Canada Health and Social Transfer. The CHST is the mechanism that is supposed to transfer sufficient money to the provinces so that they can adequately fund health, education, and social programs. While the amount of money transferred may not be adequate, at the very least, it can be said that there is an attempt to ensure that provinces can adequately discharge their responsibilities. This is consistent with the first principle of fiscal federalism.

Because the CHST also transfers tax room to the provinces, the second principle of fiscal federalism is applicable. This principle states that the government that spends should be the government that taxes. This allows the provinces to collect some of the money that they will then use to fund their programs. It also gives the provinces more power over the shape of their programs and allows them to tailor these programs to their individual circumstances. However, at the same time, the fourth principle of fiscal federalism is applicable because while the Federal Government transferred tax room to the provinces, it is still ensured that it possessed sufficient tax room to pursue its own goals.

4.6 - Equalization

The Equalization Program is a perfect example of the third principle of fiscal federalism. This principle deals with two fundamental ideas. The first is that all provinces should be able to offer comparable services to their residents at comparable levels of taxation. The second idea is that all regions of the country should have the same financial capacity to assume their constitutional responsibilities. As has been described above, the purpose of Canada's Equalization Program is to ensure that those provinces which fall below the average (how to calculate this average is a matter of dispute) are given a way to discharge their

responsibilities. One issue of contention here is whether or not the money transferred to the provinces is sufficient.

4.7 - The Spending Power

In terms of the principles of fiscal federalism relating to the use of the spending power, the first principle is, at least, partially applicable. This principle holds that each government have sufficient access to fiscal resources so that they can discharge their responsibilities. In a truer form, this would result in transfers from the Federal Government to the provinces to help finance programs (e.g. CHST, equalization). As has been discussed previously, the spending power is often used in areas of provincial jurisdiction without their consent. From a Federal standpoint, the fact that they are spending money in areas of provincial jurisdiction could be seen as them helping to finance programs so that provinces have more money to spend in other areas. Nevertheless, provinces would rather receive the money so that they can design their own programs which can better serve their population.

The spending power also allows the Federal Government to accomplish the sixth principle of fiscal federalism: to pursue the harmonization of Federal and provincial policies and priorities. The use of the spending power allows the Federal Government to create national programs to ensure there are comparable programs and standards across the country. This has often led to conflict between both orders of government as the Federal Government often does not adequately consult with the provinces regarding programs and standards and instead, forces provinces to pursue Federal social policy priorities.

4.8 - Canada's Model of Fiscal Federalism

Up until now, this chapter has focused on applying the principles of fiscal federalism to some of the more prominent fiscal arrangements in Canadian history. At this point, it is important to understand what model of fiscal federalism was most applicable in Canada in the years leading up to SUFA. This may give clues as to the shape SUFA would ultimately take.

The practicum proposal established three possible models of fiscal federalism. Based on much of the discussion contained in this chapter, it is fair to conclude that Canada generally falls into the decentralized model of fiscal federalism. This model is both highly decentralized and highly redistributive. Canada is highly decentralized in that it is composed of thirteen separate jurisdictions, each of which makes its own laws, sets its own priorities, and creates its own programs. Provinces are allowed to do this, for the most part, without the interference of the Federal Government which also has its own agenda to pursue. Under this model, the Federal Government should deal with the provinces as separate jurisdictions, but consult with them when becoming involved in areas of provincial jurisdiction.

At the same time, it has been argued that Canada is a highly redistributive federation. This is demonstrated through two main programs: the CHST and Equalization. As has been demonstrated, both of these programs involve the transfer of billions of dollars to the provinces and ensure they have the same capacity to provide comparable programs for their residents. Thus, while the provinces are their own unique entities, all are also reliant on the Federal Government for funding although the degree varies from province to province.

4.9 - SUFA and Fiscal Federalism

In terms of the models of fiscal federalism, it has been noted that Canada appears to fall under the decentralized model. Although SUFA does not involve the transfer of funds from one jurisdiction to another, SUFA can be seen to be consistent with the decentralized model. First of all, the decentralized model means that both orders of government should consult with each other and collaborate when undertaking initiatives that will affect the other. Section 4 of SUFA describes how governments should undertake this collaboration and therefore fits in the decentralized model.

Another important part of the decentralized model is that it is highly re-distributive.

The beginning of Section 5 of SUFA discusses this:

The use of the Federal spending power under the Constitution has been essential to the development of Canada's social union. An important use of the spending power by the Government of Canada has been to transfer money to the provincial and territorial governments. These transfers support the delivery of social programs and services by provinces and territories in order to promote equality of opportunity and mobility for all Canadians and to pursue Canada-wide objectives.

Section 5 then goes on to discuss how the Federal Government may use its spending power in areas of provincial jurisdiction. While the adequacy of these provisions can be debated it is still clear that the spending power will be used to help transfer resources to the provinces consistent with the decentralized model.

Many of the principles of fiscal federalism also apply to SUFA. The third (all provinces should be able to offer comparable services) and the sixth (there should be a harmonization of Federal and provincial priorities) principles are most applicable to SUFA. Section 1 of SUFA best demonstrates the third principle of fiscal federalism. According to Section 1, provinces must “*Ensure access for all Canadians, wherever they live or move*

in Canada, to essential social programs and services of reasonably comparable quality.”

This makes it clear that Canadians from coast to coast should have access to comparable programs. This is clearly consistent with the third principle.

SUFA is also consistent with the sixth principle of fiscal federalism as well. Section 4 of SUFA describes how both levels of government should collaborate and develop joint priorities for programs. They are supposed to work together to find common ground. An example of SUFA’s language around this issue is that governments will “*Collaborate on implementation of joint priorities when this would result in more effective and efficient service to Canadians, including as appropriate joint development of objectives and principles, clarification of roles and responsibilities, and flexible implementation to respect diverse needs and circumstances, complement existing measures and avoid duplication*” (Section 4 of SUFA).

4.10 - Comparing SUFA to the theoretical social union

There are a number of similarities between SUFA and the theoretical social union. For the purposes of this comparison, it is necessary to assume that SUFA works exactly as it is written. As shall be discussed in a later chapter, this has not happened.

The first significant similarity between SUFA and the theoretical social union comes in the first section of the Agreement. This is where the principles and values that the Agreement intends to uphold are stated. Included are fairness, dignity, and equality. Almost word for word, these values mirror the theoretical social union. Therefore, from this perspective, SUFA holds true to the theoretical social union.

A second major area of similarity between SUFA and the theoretical social union comes in section 3 of the Agreement. In the theoretical social union, the importance of measuring success is cited as a way of improving programs. SUFA also has a provision for measuring success. Section 3 of SUFA binds governments to report on outcomes of social programs to the public. This also has the effect of a built-in accountability measure.

The third and final major area of similarity between SUFA and the theoretical social union comes in the area of citizen engagement. The theoretical social union stresses the importance of engaging citizens in the process of social policy at all levels. SUFA also allows for citizen involvement, though only on a limited level. SUFA contains the provision that citizens will be invited to provide input and feedback regarding the Agreement in the review process which is to occur after the third year. While this is an improvement on past practices in Canada, it falls short of the expectations of the theoretical social union.

Part 5 - Criticisms of the Agreement

The next major undertaking within the practicum was to analyse the Agreement and to identify the criticisms from different perspectives. Over a month was spent working through this process. Of particular assistance in this matter were conversations with Diane Gray, Assistant Deputy Minister of Federal-Provincial Relations and Luci Grechen, Director of Federal-Provincial Relations in the Manitoba Government. Also of great assistance was my attendance at two meetings of the Provincial/Territorial Council on Social Policy Renewal. What follows is a list of provincial concerns of the Agreement that were derived from these information sources.

5.1- The Absence of Québec

To have a Canada-wide intergovernmental agreement without one of the largest provinces would seem unusual at first glance. This has occurred with SUFA and is one major criticism of the Agreement. This is particularly startling as Québec made some major concessions in order to participate in the development of the Agreement:

In Saskatoon, the Québec government compromised on these three conditions: it left aside unsolved constitutional difficulties to join a bargaining process that did not make the opting out formula unconditional; it accepted much of the inter-provincial – and pan-Canadian – discourse on the social union; and it recognized implicitly a legitimate role for the Federal Government in social policy (Noel, 2000, p. 8).

These concessions went all but unnoticed as the other provinces altered their own positions for the Agreement in order to receive extra funding. “When the provinces turned around to accept, very rapidly, a framework that represented even less than their own, long-held, pre-Saskatoon position, most concluded that the Québec government was responsible,

because it never intended to reach an agreement” (Noel, 2000, p. 8).

The Agreement does not bode well for Canada as a whole. “On a series of questions, Canada now marches on as if Québec did not exist or did not matter. The Social Union Framework Agreement is a case in point. As with the Constitution, Québec will be bound by an agreement it did not demand and did not approve” (Noel, 2000, p. 16). Québec’s absence is even more conspicuous given that nationally, they are considered to be leader in many social policy initiatives in Canada.

The main reason why Quebec did not sign was because of the spending power and opting out provisions. Québec’s view is “...that while the Federal spending power may be constitutionally valid, it lacks political legitimacy. By enabling the Federal Government to spend in areas of the Constitution that are within the exclusive legislative competence of the provinces, the spending power ultimately undermines the Federal character of Canada” (Lazar, 2000, p. 113). As has been noted, the spending power under SUFA is legitimized so clearly this would represent a divergence from Québec’s position. SUFA “...reinforces the Federal spending power, and it continues to advance a new pan-Canadian vision of social policy that will affect Québec, with or without its approval” (Noel, 2000, p. 17).

Related to the spending power is the lack of a formal opting-out provision in SUFA which has long been a Québec position. Lazar (2000) quotes the Québec minister responsible for Canadian intergovernmental affairs as declaring, “For Québec, only a true opting out clause with full fiscal compensation can concretely assure respect for Québec’s responsibility in relation to social matters” (p. 111).

Québec’s exclusion in SUFA also suggests a great deal about Federal-provincial relations and federalism as a whole. Québec has always protected areas of its jurisdiction

from Federal intrusion. The Québec minister responsible for Canadian intergovernmental affairs, Joseph Facal stated in 1999 that “What this Agreement reveals is the inability of the Federal Government and the other provinces to reform the Federal system while taking into account Québec’s specific character”. This is something that must be addressed. The lack of Québec’s signature on SUFA is consistent with their position, not only because of the absence of an opting-out provision but because:

Québec signs intergovernmental agreements when it is convinced that those agreements advance or protect Québec’s autonomy, improve its finances or fit with its broad economic strategy. Otherwise, it declines to do so fearing that what the Federal Government calls “collaboration” is a poorly disguised attack on Québec’s areas of exclusive sovereignty (Lazar, 2000, p. 115).

It is very clear that Québec’s exclusion from SUFA is not a desirable outcome. Every effort should be made to include the province in the review process.

5.2- Legitimizing the Spending Power

Many scholars have argued that SUFA represents a recognition, for the first time, of the Federal spending power. “...[I]t provides the first explicit recognition, by the provinces, of the legitimacy of Federal expenditures and standards in areas under their jurisdiction” (Noel, 2000, p. 16). It is not as clear what this section of the Agreement means for future intergovernmental arrangements. Will future arrangements build on the Section 5 provisions and grant the Federal Government further ability to exercise its power? Alternatively, will the provinces push for greater controls on the spending power?

5.3- A Watered-down SUFA

Another prominent criticism of SUFA is that the Federal Government signed because

they did not really have to give anything up. "The Social Union Framework Agreement that was adopted was basically the one Federal civil servants had written, borrowing the inter-provincial vocabulary but conceding little that had not already been offered" (Noel, 2000, p. 9). Although the Federal Government offered extra dollars for health in return for the provinces' signatures, it is very likely that the provinces would have received this funding anyway. "Still, given the public [and political] pressure for better health funding and the difficulty, for the Federal Government, of supporting health services without going through the provinces, improved financing was likely in any case..."(Noel, 2000, p. 9).

5.4 - Miscellaneous

One of the criticisms of the Agreement is that the final negotiating process was rather one-sided with the Federal Government putting forth its own agreement. This may not be a positive occurrence for federalism because clearly there is, at least the appearance of, a senior partner in the form of the Federal Government. The final negotiating process effectively pushed the provinces back into a second-class status (Dunn, 2000). Related to this is that even though SUFA is filled with the language of collaboration, it did not result from collaboration. Instead, the end result was a very one-sided affair.

Another criticism of the Agreement is that Canada-wide priorities can result with the agreement of any six provinces. The percentage of the national population is irrelevant. Therefore, there is potential for Canada-wide priorities to result with the approval of six provinces representing only 15% of the population:

Since only six provinces are required for Ottawa to launch a new Canada-wide program, in theory the six could be made up of the six smallest provinces that together contain only 15 percent of the Canadian population. Since all of the provinces are equalization-receiving provinces, they might have a self-interest in the implicit redistribution in their favour that would flow from a new national

program that distributed funds on an needs basis or even on equal per capita basis (Lazar, 2000, p. 112).

Even though the potential is there for a situation such as that described above, it is unlikely that the Federal Government would proceed with a program without the involvement of some of the four larger provinces.

Part 6 – Third Year Review Issues

This part of the report examines the issues that are still outstanding, three years after the Agreement was signed. This process of identifying these issues began during the practicum setting and continued as this report was completed.

6.1 - Federal Perspective

From the perspective of the Federal Government, SUFA must be viewed as a success. Perhaps one of the most important reasons why SUFA can be viewed in this light is that it has formally sanctioned the Federal Government's ability to use their spending power in areas of provincial jurisdiction. "It has brought governments together in a generally productive and civil environment, and it has provided a vehicle for Federal involvement in provincial program areas without overly constraining the spending power" (Gibbins, 2001, p. 9).

There are a number of reasons why the spending power will likely be unchanged by the review process:

The 2000 election can be interpreted as an endorsement of an activist stance by the Federal Government with respect to provincial areas of jurisdiction such as health care. The fragmentation of the opposition voice in Parliament and the collapse of the Canadian Alliance have also removed any immediate electoral threat to an entrenched Liberal hegemony. An assertive stance toward the use of the spending power therefore carries no electoral risk beyond that which provincial governments might be able to mobilize (Gibbins, 2001, p. 9).

Essentially, the Federal Government faces little political opposition at the present time so it can continue with "business as usual". The real source of opposition comes from the provincial governments, however, they often have a difficult time influencing the Federal Government.

From the Federal perspective, SUFA can also be seen as a success in terms of what it means for non-constitutional renewal. While SUFA has not had a major impact on the

relationship between both orders of government, it has shown a great deal of potential.

“Although this pattern of intergovernmental relations is by no means new, it has been reinforced and, to a degree, institutionalized by SUFA. If it has fallen short as a transformative step, it must still be judged a success from the Federal Government’s perspective. It has hinted at the potential for non-constitutional renewal of federalism...” (Gibbins, 2001, p. 9). Being the first agreement of its kind it would be unreasonable to expect that there would be no problems along the way. It is likely there will be similar agreements that build on the successes on SUFA for future social policy negotiations. Given the failures of previous constitutional accords, the Federal Government is likely to place further emphasis on these efforts as a way to build the federation.

Overall, the Federal Government is unlikely to approach the review process with the intent of making substantial changes to the Agreement. It has been served very well over the last three years by SUFA. Also, as previously mentioned, the Federal Government has no real opposition in Parliament and has done well by allowing the status quo to proceed. “There may be a more general reluctance on behalf of the Federal Government to formalize anything. With substantial financial capacity and an iron grip on national office, there is little interest in any agreement that might limit its scope of action. A more robust SUFA, particularly one with an effective dispute settlement mechanism, would work against the logic and architecture of power in Ottawa” (Gibbins, 2001, p. 10-11).

Ultimately, the Federal Government will consider what it has to gain by proceeding with the review process. “The review of SUFA will most likely be approached by the Federal Government with a single, dominant question in mind: will the Agreement reinforce rather than threaten the status quo” (Gibbins, 2001 p. 11)? From the previous discussion, it appears

that the Federal Government has a great deal to lose if the Agreement is radically altered. Therefore, it seems likely that the Federal Government will do one of two things: a) argue that the Agreement is working and that it should be continued with only minor changes or; b) allow the Agreement to lapse and continue with business with usual. Only time will tell which option will be eventually chosen.

6.2 - Provincial Perspectives

Given that there are ten provinces and three territories in Canada, it follows that there are number of perspectives and individual conditions that will impact on the third year review process. Québec is at the top of the list. As has been discussed in earlier sections of this paper, Québec is not a signatory to this Agreement. However, its inclusion into this Agreement should be an important objective for the review. The likelihood of Québec becoming a signatory is slim at this point. "Pending the next provincial election, the PQ government is unlikely to endorse the extension or expansion of SUFA to Québec. Given that there are no financial consequences to being outside SUFA, it is more likely that Québec will seize upon any moves in that direction as yet another affront" (Gibbins, 2001 p. 12).

Perhaps the only chance of Québec becoming a signatory to SUFA lies in changes to section 5. As noted, one of Québec's long held positions in terms of national programs is an unconditional opting-out clause. It is also likely that they will require greater conditions on the use of the Federal spending power. The fact that the Federal Government is unlikely to give into these requests does not bode well for Québec's inclusion.

Since SUFA was signed, the Alberta Government has begun to accumulate massive surpluses. As a result, they are no longer as reliant on Ottawa as they once were for funding. This has led Alberta to call for greater autonomy, especially in the health care field:

It is difficult to believe that Alberta's improved fiscal circumstances will do anything other than undercut its government's enthusiasm for SUFA... It is therefore unlikely that Premier Klein would agree again to "sign in blood" any document that would provide greater Federal Government contributions to health care in exchange for Federal conditions. Given the provincial surplus and growing political pressure...Premier Klein is more likely to forego Federal health care funding than he is to accept greater conditionality (Gibbins, 2001, p. 12-13).

Even if SUFA were to continue as is, it is likely that Alberta would have difficulties. Concern over the section 5 provisions would be at the top of list because Alberta, given its large surpluses, resents Federal intrusion into areas of its jurisdiction. Being in a position where it is not as reliant on Federal funding means that it can be more forceful in its confrontation with the Federal Government. It should be noted that since the first draft of this paper, Alberta's financial situation has declined dramatically which may influence their positions regarding SUFA and intergovernmentalism.

In British Columbia, it unlikely that the government will have a great deal of time to invest in the review process. "As the government seeks to overcome a decade of poor economic performance and at best indifferent fiscal management, it is not clear that the British Columbia Liberals will have the time or the energy to devote much attention to the SUFA review. Nor is it clear that SUFA in any form would give the government additional leverage on its own provincial agenda" (Gibbins, 2001, p. 13). Given the low public profile of SUFA, if the Agreement lapses, it does not really matter as no political points are lost. This means that it does not place high on B.C.'s priority list. The same can be said for other provinces as well.

Ontario is another province where the review process is unlikely to be well received. One of the reasons is that the Ontario Government and the Federal Government seem to be in a constant state of conflict. Ontario's economic position in the country gives the provincial

government a great deal of power with respect to its relationship with the Federal Government. This has led to partisanship on the part of the provincial government. Further to this ideological divergence is that "...the Federal Liberal caucus from Ontario will not support any SUFA agreement that might reflect well on the Harris government" (Gibbins, 2001, p. 14). Therefore, given the conflict that exists between both governments, the review process is likely to be a difficult task.

The practicum experience at Federal-Provincial Relations has clearly demonstrated the obstacles that lie ahead for the review process. The preceding paragraphs have discussed the positions of the larger provinces and their likely positions regarding the SUFA review process. Attending meetings of the Provincial/Territorial Council allowed the opportunity to experience these feelings first hand. In a lot of ways, the provinces feel that they have been betrayed by the Federal Government's actions post-SUFA. There is a high degree of animosity between the provinces and the Federal Government. Given the sound financial position of many of these provinces, it may be more difficult for the Federal Government to enforce its position.

Recent global developments may work to the advantage of the Federal Government. There has been a recent decrease in energy prices which has reduced Alberta's surplus. This may make the Alberta Government more receptive to the Federal Government's position during the review process. A second major development is the incidents of Sept. 11, 2001. These acts of terrorism have greatly hurt the American economy and by extension Canada's. This will clearly have an impact on Canadian social policy because as provinces begin to feel the economic impact, they will likely turn to the Federal Government for assistance. This could place the Federal Government in a favourable position during the review process.

Another important consideration for the review process is that both parties (Federal and provincial governments) view the Agreement from different perspectives. Clearly governments interpret the clauses of the Agreement differently. For example, the provinces place greater emphasis on sections 5 and 6, relating to the spending power and dispute resolution respectively, while the Federal Government is more concerned with sections 2 and 3, dealing with mobility and public accountability. This demonstrates the differences that both governments have regarding the Agreement. In order for any substantial change to occur, both sides must agree on the priority issues to be achieved.

Further to the above differences, both governments view the Agreement, as a whole, from different perspectives. The provinces view the Agreement as legally binding between two jurisdictions, while the Federal Government wishes to avoid a strict interpretation of the Agreement. In this way, the Federal Government feels that it can avoid binding mechanisms such the one desired by the provinces regarding dispute resolution.

6.3- Federal Unilateralism

One of the most important issues that is still outstanding is federal unilateralism in areas of provincial jurisdiction. As was noted earlier in this paper, federal unilateralism was one of the prime motivators for the development of SUFA. When the Federal Government acts on its own, it often does so with a national program that is supposed to meet the needs of all Canadians. As Canada is a very diverse country, it may not be possible to develop one program that will adequately serve the needs of citizens in all provinces. Because of this, collaboration is an important tool. The development of the National Child Benefit is one example of the effectiveness of collaboration in intergovernmental relations. It was hoped that

SUFA would be able to put an end to unilateral actions taken by the Federal Government. After two and a half years, this has not happened. There appears to have been very little change at all related to this concern.

The Federal Government's current approach appears to be announcing highly visible programs in areas of provincial jurisdiction so that it is able to take the credit for these programs. "...the Federal Government's capacity for unilateral action even in these policy fields has been demonstrated by initiatives such as the Millennium Scholarship Foundation and the Innovation Fund" (Gibbins, 2001, p. 11). While increasing Federal visibility, these programs do little else. Oftentimes, national Federal initiatives work against local initiatives and priorities at the provincial level. Both levels of government end up working against each other instead of moving in a common direction. The homelessness initiative is another example of Federal unilateralism. As noted, this program was announced without consultations with the provinces and forced them to re-evaluate their priorities. The problem with this program wasn't that the Federal Government was trying to address an issue that badly needed attention, but rather, that the provinces should have been adequately consulted and involved in the development process.

Another example of what happens when the Federal Government employs its unilateral approach is the Federal fetal alcohol syndrome initiative. This program was announced in 2000 without consultation with the provinces. Western provinces, through the Prairie Northern Partnership on FAS, had already done a great deal of work in this area. The Federal Government ignored this work and proceeded on their own. This demonstrates the need for further collaboration to occur. SUFA was intended to provide the means for both orders of government to work together. It can be seen that this has yet to occur.

Another way that the Federal Government has been able to act unilaterally is by announcing programs through the media instead of through the budget process. This has the effect of creating a high public profile for a social need which, in turn, increases public expectations and political pressure that something will be done. Provinces are then pressured to put in place the Federal initiative even though it may be inconsistent with their beliefs and priorities. This is consistent with the cost-leveraging model.

6.4- Adequacy of Funding

Adequacy of funding is another issue related to the third year review. As noted, SUFA arose as a result of the drastic cuts that occurred through the CHST in 1995. Premiers have consistently called for a restoration of CHST funds but have had little success. Premiers argue that these cuts have made it impossible to adequately fund their social programs. They have called on the Federal Government to restore CHST funding to previous levels and to introduce an escalator clause to ensure that these funds will grow with GDP. In essence, they are calling on the Federal Government to maintain its share of social program expenditures: "Restoration of Federal health funding through the CHST to at least 18% and introduction of an appropriate escalator...The proportion of Federal contributions for provincial/territorial health care services has declined significantly over the past 25 years. All Premiers agree that this problem needs to be addressed through enhanced Federal transfer payments" (2001, Annual Premiers' Conference Press Release).

Premiers argue that due to the lack of funding, the Federal Government has not met its SUFA requirements to provide adequate funding as stipulated in section 1 of the Agreement. This further undermines the provinces when coupled with the Federal Government's unilateral actions as they may not have the fiscal capacity to participate in new Federal initiatives.

Another reason why the lack of adequate Federal funding is an issue is due to the vertical fiscal imbalance that exists in Canada. "More generally, the fiscal imbalance between the Federal and provincial governments has increased, and it is likely to worsen in the years to come, because the most rapidly growing revenues are collected by Ottawa, while the sharpest rise in expenditures occur at the provincial level" (Noel, 2001, p. 14). With the Federal Government's growing surpluses, there is no reason why the provinces should be forced to struggle to fund important programs such as health and social services.

6.5- Clarifying Roles and Responsibilities

One of the goals of SUFA is to "enhanc[e] each government's transparency and accountability to its constituents" (Section 3 of SUFA). Provinces would argue this has yet to occur to any substantial degree. One example often cited is funding for health care. It is an area of provincial responsibility, yet cuts to this area are blamed on the provincial government. On the surface this would seem okay, however, provinces receive some funding for health from the Federal Government. If the Federal Government cuts its transfer payments, the provinces must cut their funding of health, or another area, to deal with the loss. Provinces then get blamed even though it was a Federal action that led to the cut in funding. Further to this point is the idea that the Federal Government, while trying to cover up its cuts, jumps on any opportunity to score political points by announcing programs of its own. Programs such as the Millennium Scholarship, the homeless initiative, and the upcoming housing initiative are examples of this approach.

The Federal Government's approach to accountability is also an area of concern. The Federal Government has used SUFA to measure inputs and outputs of provincial programs.

Through this method, the Federal Government is able to subtly affect the design and implementation of programs by tying funding to these measures. Furthermore, because SUFA discusses measuring outcomes and reporting these results to citizens, it effectively acts as another accountability check for the provinces.

6.6- Citizen Engagement

The lack of citizen involvement in the social policy arena, and with SUFA in particular, is another issue that needs to be addressed. As has been noted, SUFA was intended to increase public involvement and input in the policy process. In fact, the opposite has happened:

Indeed, I would argue that SUFA represents the decisive triumph of intergovernmentalism over populism. SUFA has not only constructed a more complex intergovernmental process, but it has effectively drawn a veil across its operations. If anything, transparency has been reduced, as governments meet more often in settings that are less open to public scrutiny or even knowledge (Gibbins, 2001, p. 16).

An example of this is that the Provincial/Territorial Council on Social Policy Renewal, which has guided the SUFA process, is closed to the public. There is no mechanism for formal public involvement.

It has been demonstrated in this chapter that there are a number of issues that need to be resolved during the review process. Two main questions that remain are:

- 1) Can SUFA be improved to address the outstanding issues?
- 2) What is the likelihood of SUFA continuing?

It is to these questions that this report now turns.

Part 7 - SUFA: What Now?

The purpose of this chapter is to perform my own analysis of the Social Union Framework Agreement and indicate where I think the future is headed for this Agreement. Previous chapters have laid out the perspectives of the Federal and provincial governments and some of the issues that should be addressed through the review process. Given the amount of research done in this placement, I have my own perspectives on this Agreement.

On paper, SUFA is an excellent agreement. It is an attempt by the Federal and provincial governments to catch up with the times. Canadian society is evolving at a rapid pace for a number of reasons. Governments struggle to keep up. SUFA is a way for them to accomplish this. On paper, it redefines the way governments are to do business. In essence, SUFA is a document that is primarily about process. It does not make promises that directly relate to policy except in terms of reducing mobility restrictions. Instead, SUFA discusses how governments are to work together and create policy. Its emphasis on collaboration as the new way to undertake intergovernmental relations is promising and extremely relevant as society becomes more interdependent due to the forces of technology and globalization. The fundamental question that has to be asked is whether or not Manitobans, and Canadians as a whole, have benefited as a result of this Agreement. The simple answer is no.

In order to determine the success of the Agreement one needs to examine the issues that gave rise to the Agreement. Have these issues been resolved because of SUFA? A quick review of these issues is necessary to identify the changes that have occurred as a result of the Agreement. The first of the pre-SUFA issues for the provinces was the use of the Federal spending power. It was noted that the use of the spending power by the Federal Government placed a great deal of hardship on some provinces, particularly when the cost-leveraging model

was employed. This, coupled with the huge vertical imbalance that exists, made the use of the spending power a contentious issue. SUFA was intended to place restrictions on the use of this power and ensure that provinces weren't negatively affected by its use.

SUFA has been completely ineffective at curbing the use of the Federal spending power. If anything, SUFA has made the situation worse. This is because SUFA has, for the first time, granted provincial recognition of the spending power. This has made its use more legitimate. While there are some limits on the use of this power, the impact has been negligible. A number of programs have been started by the Federal Government through its use of the spending power. This has undermined the ability of the provinces to maintain their sovereignty in social policy. For example, this paper has noted that the homelessness initiative and the Federal fetal alcohol syndrome initiative are examples of the failure of SUFA to curb the use of the spending power.

The increasing Federal surplus has exacerbated this problem. When SUFA was signed, governments were still battling the debt and deficit problem. Now, as this paper has noted, the Federal Government finds itself in a situation of growing surpluses. It has money that it wants to spend in politically attractive areas. This increases the likelihood that the spending power will continue to be used in a unilateral fashion. Even if the Federal Government accepts the three month notification required by SUFA, it is still free to use the spending power for its own national programs. Given the current economic situations of both orders of government, it is likely that the use of the spending power will be increased without the agreement of the provinces. SUFA has failed in meeting its objective to curb the use of the Federal spending power.

Another goal of SUFA was to try and address the jurisdictional conflicts that

existed between the Federal and provincial governments. In this area as well, SUFA has not had a positive effect. In fact, I would argue that the opposite has happened. This paper has outlined how Federal intrusion in areas of provincial jurisdiction was another of the driving forces for SUFA. SUFA was supposed to ensure that when the Federal Government became involved in areas of provincial jurisdiction, it was to be with adequate consultation and collaboration. This created the expectation, on the part of the provinces, that the Federal Government would begin to collaborate and consult on social policy initiatives. This, however, has not happened and provinces are more disgruntled than they might otherwise have been because now, not only is the Federal Government not consulting, but they are also breaking one of the commitments they made under SUFA. The end result is that the intergovernmental conflict that existed before the Agreement continues unabated.

A further issue that helped contribute to the development of SUFA was the CHST. As mentioned, the provinces were caught completely unaware by the CHST and the drastic cuts that resulted from its implementation. This was the catalyst for the development of SUFA. To date, provinces are still awaiting the full restoration of the CHST and for the Federal Government to provide the same proportion of the costs for health and social services that they did before 1995. Provinces are also calling for an escalator to help finance the increasing costs associated with social programs. While SUFA wasn't supposed to directly result in a restoration of the CHST, it does have a clause pertaining to adequate and sustainable funding. Provinces are still waiting for this to occur. It should be noted that as a result of the 2000 First Minister's Meeting, the Government of Canada made a commitment to invest a total of \$23.4 billion over five years. Over \$21.1 billion of this amount will be invested in the Canada Health and Social Transfer.

One final issue that needs to be explored is the language of SUFA as it has led to many conflicts between both orders of government. Both the Federal and provincial governments interpret different sections of the Agreement differently. This is an issue that needs to be addressed.

When the list of pre-SUFA concerns is compared with and the list of third year review issues, few discrepancies appear. The concerns that existed in 1999 when the Agreement was signed are the same as those expressed in 2002. SUFA can therefore be seen as just a well written agreement that has had little positive effect for Manitoba intergovernmentally, and the other provinces as a whole.

The above analysis raises an important question: What needs to be done in order to improve the Agreement through the review process in 2002? Given its importance and potential impact for social policy, SUFA should continue. Action must now be taken in order to strengthen some specific sections of the Agreement. The most important section that needs action is section 6. This is the section which concerns dispute resolution. If an adequate dispute resolution mechanism were put in place it would alleviate many of the provincial concerns regarding the use of the spending power and the jurisdictional conflict between both orders of government. As it is written now, part of section 6 states: "*Dispute avoidance and resolution will apply to commitments on mobility, intergovernmental transfers, interpretation of the Canada Health Act principles, and, as appropriate, on any new joint initiative*" (Section 6 of SUFA). Thus, transfer payments, health care and any program employing the cost-leveraging model would be covered under this section. If there were a problem with one of these areas, provinces would have a way to challenge the Federal Government.

It should be noted that in April 2002, the dispute resolution issue for the Canada

Health Act was resolved to the satisfaction of the provinces and the Federal Government:

The first step in the formal process will be fact-finding and negotiation. If no agreement on the facts or a solution is reached, either party may refer the matter to a third party panel. The panel will be composed of one representative appointed by the Federal Government, one representative appointed by the province or territory and a chairperson agreed to by each government. It will have the ability to provide non-binding advice and recommendations. To ensure an open process, the panel's final report will be made public (Government of Alberta Press Release, April 24, 2002).

Clearly, this new process is a major step towards making SUFA a stronger agreement.

It is likely that one of two things will happen as a result of the review process. First SUFA may be allowed to lapse and governments will withdraw their support. This would likely occur if both orders of government were unable to adequately resolve their differences. Not finding satisfaction in the Agreement, both the provinces and the Federal Government would let the Agreement die. The other alternative for SUFA is that the Agreement is continued by all, or most parties, with little change to the text of the Agreement.

Based on the experience of this practicum, the differences between both orders of government are going to be too great to overcome. The provinces are so strong in their grievances that I believe they will lobby for an end to the Agreement unless there are major concessions on the part of the Federal Government. The new dispute resolution mechanism should go a long way here. However, SUFA has not been successful at protecting provincial interests. If they are not going to benefit from the Agreement, why then, would they remain signatories? All of the provinces have seen how the Federal Government has acted with SUFA in place and it is not much different than in the pre-SUFA era. The Federal Government is not likely to agree to any major changes to the Agreement that would negatively affect its position.

There are two key recommendations that this report makes for the Manitoba

Government. First of all, the Manitoba Government should attempt to have the dispute resolution mechanism, which is currently in place for health, extended to cover mobility, intergovernmental transfers and new joint initiatives. This would bring the dispute resolution into line with section 6 of SUFA. Secondly, this report goes on to recommend that SUFA continue exactly as it is written. This is because the Agreement contains the provisions to make it an effective one. The complaints that are discussed in this report regarding SUFA deal more with implementation than with the provisions of the Agreement itself. The Manitoba Government should therefore continue to press the Federal Government to fully implement the Agreement. Particular attention should be placed on ensuring that the Federal Government is adequately consulting with provinces on new joint priorities.

SUFA was supposed to usher in an era of cooperation and collaboration. Instead, what Canada has experienced is a continuation of intergovernmental bickering. Little has changed as a result of SUFA and little is likely to change in the future. SUFA will probably die and the Federal Government will continue its "business as usual" approach. The provinces will continue to protest when the Federal Government oversteps its boundaries but their protests will continue to fall upon deaf ears. At some point in the future, both sides will come together again to attempt some type of constitutional or non-constitutional reform. Perhaps they will learn from the lessons offered up by SUFA, or perhaps, these issues will continue to arise as Canada continues to evolve.

Part 8 - Self-Reflection/Evaluation

The purpose of this section is to self-reflect on my experiences at Federal-Provincial Relations as well as to discuss some of the views that I have developed as a result of my experiences. Before I begin, I think that it is important to thank all of my co-workers in Room 42 who made my practicum experience a memorable one. In particular I would like to thank Jim Eldridge, Diane Gray, Luci Grechen, Heather Wood, Jeff Kelly, and Karen DeVries. Without their help and guidance I would have been lost.

One of the things that I learned throughout the course of my placement was that there appears to be a lack of communication within the Manitoba Government. Where I noticed this was in the relationship between Federal-Provincial Relations and the line departments. In part, I think that this has to do with a different focus between Federal-Provincial Relations and the departments. Departments are more focused solely on their particular area. Federal-Provincial Relations focuses more on the broader context within which social policy takes place. In some respects, it appears that Federal-Provincial Relations and the line-departments have different priorities. Perhaps this is necessary, given the different focuses that they have, but at the very least, it was an interesting dynamic to observe.

I entered my placement not knowing a lot about how the intergovernmental process worked. Sure, I have a degree in Political Science and I have done a great deal of reading on the subject, but reading about something and experiencing it often yield very different results. When I began my placement at Federal-Provincial Relations I had this idea in my head that intergovernmental relations worked fairly smoothly. Of course there were disagreements between the Federal Government and the provinces but they could be overcome.

Now that my placement has finished, I am very cynical of Federal-Provincial relations and intergovernmental processes. I am amazed that the country is still able to function as a federation given the feelings of the provinces and the Federal Government towards each other. One thing that I noticed working in Federal-Provincial Relations was that almost any Federal action can be, and often was, seen in a negative light. There seems to be an unwillingness on both sides to work with each other. SUFA is the perfect example of this. The report has noted how SUFA was supposed to be an agreement that focused on intergovernmental collaboration as the new way to do things in this country. As this report has also noted, SUFA has been a dismal failure because both orders of governments are largely unable to resolve their differences.

It should be noted that, at the beginning of my placement and at the time that this report is being written, I am a strong advocate for greater provincial power and autonomy within the federation. I believe that the Federal Government has, and continues to, overstep its jurisdictional boundaries. This has led to increased hardships for the provinces. I think that the Federal Government has given the provinces every reason not to trust them. However, that being said, Canada cannot work until there is at least a measure of trust. My experience in Federal-Provincial Relations has demonstrated to me that there is a lot of work that must be done by both sides before this can occur.

On a personal level, I have taken a great deal from my practicum experience. One of the things that I have taken from my experience is confidence. When I started my placement I was concerned about my ability to work at the high level required at Executive Council given my lack of work experience in a policy environment. I believe that now I have the confidence to function in this type of environment. I had the opportunity to attempt of number of

assignments which developed my skills as a policy analyst. Not only that, the staff in my office were excellent at providing me with guidance and constructive feedback. While, I recognize that there is still a great deal for me to learn as a policy analyst, I feel that I made excellent headway given the 3 1/2 months that I worked at Federal-Provincial Relations.

There were a number of other skills that I have taken with me from my experiences at Federal-Provincial Relations. Certainly, one of the most important skills that I learned was time management. My practicum environment was highly stressful and involved managing multiple deadlines. While I have always been good at doing this, I am not sure anything could have prepared me for the stress of putting briefing books together. The time-management skills that I developed through this experience are now serving me well in my current role as a family service worker for Winnipeg Child and Family Services.

One final skill that I believe was further developed through my experience at Federal-Provincial Relations was my ability to be self-critical. One of my tasks has been to analyze my performance at my placement using the Management Internship Program evaluation. This has been helpful in capturing many of my strengths and weaknesses. A copy of this evaluation has been attached to this report.

Proposed Practicum Evaluation Form

It was suggested during my practicum proposal meeting that I may want to examine the Management Intern Program evaluation as a way to help evaluate my experiences at this placement. I believe that this evaluation form is quite applicable for me to use as a social work placement student. As such, this evaluation form was submitted for my committee's approval.

The major indicators of successful performance for the interns are as follows:

1. THINKING SKILLS

The individual is a "quick learner" - he or she can gather and absorb new information quickly and effectively.

The individual uses information appropriately, both new and previously held, to provide thorough analysis and balanced recommendations, given the situation and circumstances within which he or she is functioning.

The individual problem solves, and generates a series of options based on thorough research, good situational knowledge, and good judgement.

2. COMMUNICATION SKILLS

The individual communicates in writing for a number of audiences. Specific types of writing include reports - both formal and informal, memos, and briefing papers.

The individual demonstrates good oral communication skills - formal and informal presentations, ability to chair meetings if relevant, and informal dialogue - can the intern "communicate for understanding"? Are they sensitive to non-verbal as well as verbal communication messages?

3. RELATIONSHIP SKILLS

The individual demonstrates sensitivity to a wide variety of perspectives on issues - which may or may not emanate from cultural, age, gender or race differences. This would be shown through the ability to build consensus, facilitate good working relationships, and effectively manage conflict. Individuals should demonstrate the ability to work effectively within a team.

If there is supervisory, lead hand, or project management responsibility, this facet of the assignment should be covered in this area.

Interns will be assessed on their personal abilities to accept responsibility for their own actions, to act with integrity, and to be aware of, and sensitive to the corporate culture within which the specific placement is taking place. This will require the interns to demonstrate a balance between adaptability and commitment to their own values.

4. RESULTS SKILLS

The intern conceptualizes, develops, plans, implements and evaluates specific tasks/projects, with acceptable results, on time, and within budget, using resources (people, technology, dollars, time) appropriately. This would be shown through the "product" that the intern is working on - e.g. briefing note, project plan/results, policy/planning document, analysis, etc.

5. LEADERSHIP SKILLS

Within the confines of the intern's project, leadership indicators such as the display of initiative and appropriate risk taking; a focus towards customer service; and modeling clear values are taking place. This may be demonstrated during meetings with other individuals, by action, and through identification of options for improvement of the "product" that the individual is completing.

DOCUMENTATION PROCESS

The intern should be assessed against each of the indicators listed above, with specific examples given to illustrate the assessment. In all cases, the assessment should be relevant to the amount of opportunity the placement affords for the intern to demonstrate the specific skill set. Specific examples to illustrate the rating should be documented. The assessment can be broken into four categories:

- a) not present - this would normally only occur if there was no opportunity for the intern to display the skill listed. If this is the case, some consideration to the nature of the work should be given by the supervisor.
- b) present to some degree - needs some development.
- c) satisfactory given the situational opportunities.
- d) exemplary.

The attached chart may prove useful in organizing the documentation

NOTE: These criteria are derived from the following sources: Selection criteria and preview profile development and cross-jurisdictional research into "core competencies" for public servants.

Skill Set	Job Responsibility/Result {What the Participant Did}	Comments/Examples {How the task illustrates the skill level}	Rating (a,b,c,d) Rationale
Thinking: quick learning use of information analysis recommendations			
Communications: writing - several audiences oral - formal and informal verbal and non-verbal active listening			
Relationships: sensitivity supervisory, lead hand team project management adaptability, commitment			
Results: decision making product (time, dollars, people, technology) shifting course			
Leadership risk taking modelling values customer service			
Self Development, Skills/Organizational Development Skills Engaging in learning, transferring learning to the workplace Seeks self-development opportunities through a variety of venues, including community volunteer activities, self-education and committee work			

a) not present - this would normally only occur if there was no opportunity for the participant to display the skill listed. If this is the case, some consideration to the nature of the work should be given by the supervisor; b) present to some degree - needs some development; c) satisfactory given the situational opportunities; d) exemplary.

It is important to state that I started my placement with little knowledge of governmental processes and issues in a working environment. This meant that I was starting in a position where I had to do a lot of catch up, while at the same time, undertake the assignments given to me. This evaluation should be read with this fact in mind. I was only at Federal-Provincial Relations for about 4 months. For me to function at an appropriate level is unreasonable at the outset. What is more important here is that throughout my four months, I demonstrated that I learned new material and that I consistently moved forward. I believe that I was successful in this endeavour.

8.1 - Thinking

There are four areas that are used to help assess my ability to think in the practicum. The first two areas are quick learning and use of information. When I first began my practicum I had little practical knowledge of how the government works as an organization and very little knowledge of the issues that were important to Federal-Provincial relations. I was placed in a position where I had to learn a huge amount of material very quickly in order to be able to function in this setting. This is particularly true in terms of my research on SUFA. When I began my placement I knew very little about the Agreement. I had to learn very quickly what SUFA was about in order to assist me in undertaking a thorough analysis of the Agreement.

Another project which placed me in a position where I had to learn a great deal of information very quickly was the briefing book process for the Annual Premiers' Conference. I was given the responsibility for preparing three sections of the briefing book. I had to learn a great deal about these areas very quickly so that I could synthesize the material being received from departments into comprehensive briefing notes.

A third area that is used to help assess my thinking ability within the practicum is my ability to analyze information. Again, my work on SUFA and the briefing books is helpful. As part of these tasks, I had to understand all of the information that I was given and formulate positions based on this information. For my work on SUFA and the briefing books, I had to develop and apply my analytical techniques to determine positions of both the Manitoba Government and other levels of government. With respect to the briefing books, while I didn't fully understand all of the relevant issues that went in to developing positions, I believe that I was able to determine, with a fair degree of accuracy, what various governmental positions were. These positions could then be fine-tuned by more experienced staff in Federal-Provincial Relations.

The final area of the thinking skill set is my ability to make recommendations. This flows directly from my analytical abilities. The stronger my analysis, the more relevant are the recommendations. This can best be assessed from my work on SUFA because it was the most in-depth of my assignments. My analysis of SUFA ends with some concrete recommendations for the Manitoba Government to use in the review phase of the Agreement. These recommendations are a synthesis of all of my research and analysis into the Agreement and demonstrate my ability in the thinking area.

The rating that I have given myself for the thinking skill set is a "b". This means that I feel that my thinking skills were present to some degree, but that further development is needed. I feel that much of this further development would have occurred naturally if I had been at my placement for a longer period of time. This would have allowed me to fully understand all of the relevant issues. A better understanding of the issues would have allowed both my analysis and recommendations to be stronger.

Given the fact that I was at my placement for a short period of time, it is difficult to fully assess my thinking ability within this setting.

In my conversation with my practicum placement supervisor, Diane Gray, dealing with this evaluation, Diane felt that when I started my placement, I rated a “b”, but when I finished my placement, I rated a “d”. Diane felt that I had, in some ways, confused knowledge and thinking. My lack of knowledge at the start of my practicum should not be confused with my ability to work through material. Diane feels that the briefing book process demonstrated my thinking ability because of the amount of information that I had to process to compile the briefing notes. Diane notes that the improvement in my briefing notes demonstrates that I have strong thinking abilities.

8.2 - *Communications*

My ability to communicate is another important area which was to be assessed within my practicum site. It is important to understand that communicating within the governmental environment is much different from communicating in academia. I quickly learned that brevity is valued more within the government. The ability to “get to the point” is important. This was a difficult adjustment for me to make given my long history in academia. The ability to summarize an issue in one page was an important skill that I had to develop in my practicum setting. This is another example of how I had so much to learn from the outset. I feel that throughout my placement, my written communication skills improved greatly as I began to learn what the expectations were. I feel that it is more important to evaluate my placement in terms of the learning that I undertook. My written communication skills within the government environment greatly improved over the course of the four months.

My oral communication is another important skill to be evaluated. I believe that more improvement was needed here. Throughout my placement, I was very reluctant to speak up in a formal setting. By formal I mean, conference calls, meetings, etc. I did not want to speak up, in part, because I did not yet have confidence that I had something relevant to offer. Speaking up in formal settings had never been a problem for me until this placement. During my placement I cannot think of an opportunity where I spoke up in a formal setting. On the other hand, my informal oral communications skills are excellent. I interacted continually with the other staff at my placement. I always asked questions when I felt that I did not understand what was expected of me or if I did not understand an issue. I was not afraid to admit that I did not understand something.

The rating that I have given myself for communications is a "b". The reason that I feel a "b" is warranted is that in my placement I obviously needed some development on my formal communication skills. I also feel that had I been at Federal-Provincial Relations longer, I would have been given the opportunity to do so. Furthermore, I would have had a much better sense of how to properly prepare written submissions. As noted, I made a lot of progress in this area, however, more work needed to be done.

My practicum supervisor feels that I should have been rated a "c". My silence in not speaking up during meetings is not necessarily a fault. Given, the fact that I had a huge learning curve and was trying to learn as much information as possible, my silence was not a negative thing. Diane also feels that I was not really given an opportunity, in my four months at the placement, to make presentations in a formal setting. I should therefore not attempt to evaluate myself against this standard.

8.3 - Relationships

Relationships is the third area being used to evaluate my practicum experience. Perhaps the most important piece here is my ability to come into the placement and to, very quickly, form strong working relationships. I believe that I was able to do this successfully. I consider the people that I worked with at my placement friends. Another important aspect to consider in this section is my ability to function well within a team environment. I believe that I was very successful in this regard. The briefing book process is the best example of this. While each staff member was given separate sections that they were responsible for, we did not restrict ourselves to these areas. We all helped each other when we were able to. This is the essence of teamwork and I was a full participant in this.

The rating that I have given myself for relationships is a "c". This rating means that my relationship skills were satisfactory given the situational opportunities. I was tempted to give myself a "d" rating which means exemplary, however, there is one major reason why I did not. First of all, part of relationships, according to this evaluation form, is my ability to be a team leader and/or project manager. I was not given this opportunity at my placement. Therefore, I cannot fully assess my abilities under relationships. I do believe that, in terms of teamwork and forming working relationships, there was little room for improvement.

In my conversation with Diane regarding this evaluation, Diane noted that a "d" in this area would not be unwarranted. She does not feel that it is fair to evaluate me against being a team leader and/or project manager because I did not have a suitable opportunity to do so.

8.4 - Results

The results skill set is difficult to evaluate given the short period of time that I was at my placement. My main focus, the analysis of SUFA, was not completed when my placement was over. In evaluating this area, I have to assume that people were satisfied with the results of my work, as I did not receive any negative comments. In the briefing book process and other assignments, I did have to do multiple drafts of some sections because I had neglected to include something important. However, I feel that this was not excessive and stemmed more from my lack of understanding of the issues than the lack of quality to my work.

The results skill set also deals with coming in within budget and using resources appropriately. This was not something that I had an opportunity to do given the short duration of my placement. As such, I have rated myself a "b". This means that results were present to some degree, but more development was needed. My SUFA project does qualify as a major project, however, it was not my intention to finish a first draft until after my placement was finished. Therefore, there is no real way to assess my results except for the short briefing notes and briefing book material that I worked on in areas other than SUFA. I feel that the quality of my work was good considering the position I was starting in. I also feel that with respect to results, it is important to assess the progress that I made. I strongly feel that the briefing notes I completed near the end of my placement were much stronger than those that I attempted in the first month. While a great deal of progress was made, I feel that there is still a lot of work needed to fully develop some of my skills.

In my conversation with Diane, she feels that that a "c" would be appropriate. Given my experience entering the placement and the workload assigned to me, Diane

feels that I did a good job. There was constant improvement in my work and this should be considered one of the more important pieces to be evaluated against.

8.5 - Leadership

I feel that to evaluate my leadership abilities in my placement is not very applicable. In part, I feel that the extremely high workload made it difficult to show leadership abilities, as I had to struggle to stay on top of the work. The description of leadership talks about risk taking. I do not feel that I can be evaluated against this because, as a student, it was not my place to take risks. As such, I have rated myself an "a". This means that there was no opportunity for me to display my leadership abilities.

In my conversation with Diane, she feels that I should rate a "c" in this area. She cites as a prime example, my work on the APC briefing book process. I showed initiative by asking to be involved very heavily in this process even though it meant working late hours and on weekends. I also offered to help co-workers when my parts were completed. These actions demonstrate elements of leadership.

8.6 - Self Development, Skills/Organizational Development

The most important facet of this section is my ability to demonstrate that learning occurred in my placement and that I was able to transfer new skills to the work place. I believe that I was very successful in this endeavour. My placement was all about learning how to function in a governmental environment. In terms of applying skills to the workplace, my SUFA analysis accomplishes this as it applies many of the concepts that I have learned in my M.S.W. studies. As noted, I feel that as my placement progressed, I became much stronger in a number of areas such as writing briefs and my analytical skills. This is the essence of skill development.

I have given myself a "c" for this category. As noted, "c" means satisfactory given the situational opportunities. I feel that I learned an incredible amount of information over the course of the 4 months of my placement. However, when I left my placement, I felt that there was still a great deal to learn. As such, I cannot justify giving myself an exemplary rating for this section.

In my conversation with Diane Gray, she feels that a rating of "d" would not be unreasonable. This is because, during my placement, my overall effort was excellent. Diane feels that I did an excellent job coming into an environment I knew very little about, fitting in, and working very hard. Diane feels that this was a very successful placement.

Appendix A

A Framework to Improve the Social Union for Canadians* An Agreement between the Government of Canada and the Governments of the Provinces and Territories February 4, 1999

The following agreement is based upon a mutual respect between orders of government and a willingness to work more closely together to meet the needs of Canadians.

1. Principles

Canada's social union should reflect and give expression to the fundamental values of Canadians - equality, respect for diversity, fairness, individual dignity and responsibility, and mutual aid and our responsibilities for one another.

Within their respective constitutional jurisdictions and powers, governments commit to the following principles:

All Canadians are equal

- Treat all Canadians with fairness and equity
- Promote equality of opportunity for all Canadians
- Respect the equality, rights and dignity of all Canadian women and men and their diverse needs

Meeting the needs of Canadians

- Ensure access for all Canadians, wherever they live or move in Canada, to essential social programs and services of reasonably comparable quality
- Provide appropriate assistance to those in need
- Respect the principles of medicare: comprehensiveness, universality, portability, public administration and accessibility
- Promote the full and active participation of all Canadians in Canada's social and economic life
- Work in partnership with individuals, families, communities, voluntary organizations, business and labour, and ensure appropriate opportunities for Canadians to have meaningful input into social policies and programs

Sustaining social programs and services

- Ensure adequate, affordable, stable and sustainable funding for social programs

Aboriginal peoples of Canada

- For greater certainty, nothing in this agreement abrogates or derogates from any Aboriginal, treaty or other rights of Aboriginal peoples including self-government

2. Mobility within Canada

All governments believe that the freedom of movement of Canadians to pursue opportunities anywhere in Canada is an essential element of Canadian citizenship.

Governments will ensure that no new barriers to mobility are created in new social policy initiatives.

Governments will eliminate, within three years, any residency- based policies or practices which constrain access to post- secondary education, training, health and social services and social assistance unless they can be demonstrated to be reasonable and consistent with the principles of the Social Union Framework.

Accordingly, sector Ministers will submit annual reports to the Ministerial Council identifying residency-based barriers to access and providing action plans to eliminate them.

Governments are also committed to ensure, by July 1, 2001, full compliance with the mobility provisions of the Agreement on Internal Trade by all entities subject to those provisions, including the requirements for mutual recognition of occupational qualifications and for eliminating residency requirements for access to employment opportunities.

3. Informing Canadians - Public Accountability and Transparency

Canada's Social Union can be strengthened by enhancing each government's transparency and accountability to its constituents. Each government therefore agrees to:

Achieving and Measuring Results

- Monitor and measure outcomes of its social programs and report regularly to its constituents on the performance of these programs
- Share information and best practices to support the development of outcome measures, and work with other governments to develop, over time, comparable indicators to measure progress on agreed objectives
- Publicly recognize and explain the respective roles and contributions of governments
- Use funds transferred from another order of government for the purposes agreed and pass on increases to its residents
- Use third parties, as appropriate, to assist in assessing progress on social priorities

Involvement of Canadians

- Ensure effective mechanisms for Canadians to participate in developing social priorities and reviewing outcomes

Ensuring fair and transparent practices

- Make eligibility criteria and service commitments for social programs publicly available
- Have in place appropriate mechanisms for citizens to appeal unfair administrative practices and bring complaints about access and service
- Report publicly on citizen's appeals and complaints, ensuring that confidentiality requirements are met

4. Working in partnership for Canadians

Joint Planning and Collaboration

The Ministerial Council has demonstrated the benefits of joint planning and mutual help through which governments share knowledge and learn from each other.

Governments therefore agree to

- Undertake joint planning to share information on social trends, problems and priorities and to work together to identify priorities for collaborative action
- Collaborate on implementation of joint priorities when this would result in more effective and efficient service to Canadians, including as appropriate joint development of objectives and principles, clarification of roles and responsibilities, and flexible implementation to respect diverse needs and circumstances, complement existing measures and avoid duplication

Reciprocal Notice and Consultation

The actions of one government or order of government often have significant effects on other governments. In a manner consistent with the principles of our system of parliamentary government and the budget-making process, governments therefore agree to:

- Give one another advance notice prior to implementation of a major change in a social policy or program which will likely substantially affect another government
- Offer to consult prior to implementing new social policies and programs that are likely to substantially affect other governments or the social union more generally. Governments participating in these consultations will have the opportunity to identify potential duplication and to propose alternative approaches to achieve flexible and effective implementation

Equitable Treatment

For any new Canada-wide social initiatives, arrangements made with one province/territory will be made available to all provinces/territories in a manner consistent with their diverse circumstances.

Aboriginal Peoples

Governments will work with the Aboriginal peoples of Canada to find practical solutions to address their pressing needs.

5. The Federal spending power - Improving social programs for Canadians

Social transfers to provinces and territories

The use of the Federal spending power under the Constitution has been essential to the development of Canada's social union. An important use of the spending power by the Government of Canada has been to transfer money to the provincial and territorial governments. These transfers support the delivery of social programs and services by provinces and territories in order to promote equality of opportunity and mobility for all Canadians and to pursue Canada-wide objectives.

Conditional social transfers have enabled governments to introduce new and innovative social programs, such as Medicare, and to ensure that they are available to all Canadians. When the Federal Government uses such conditional transfers, whether cost-shared or block-funded, it should proceed in a cooperative manner that is respectful of the provincial and territorial governments and their priorities.

Funding predictability

The Government of Canada will consult with provincial and territorial governments at least one year prior to renewal or significant funding changes in existing social transfers to provinces/territories, unless otherwise agreed, and will build due notice provisions into any new social transfers to provincial/territorial governments.

New Canada-wide initiatives supported by transfers to Provinces and Territories

With respect to any new Canada-wide initiatives in health care, post-secondary education, social assistance and social services that are funded through intergovernmental transfers, whether block-funded or cost-shared, the Government of Canada will:

- Work collaboratively with all provincial and territorial governments to identify Canada-wide priorities and objectives
- Not introduce such new initiatives without the agreement of a majority of provincial governments

Each provincial and territorial government will determine the detailed program design and mix best suited to its own needs and circumstances to meet the agreed objectives.

A provincial/territorial government which, because of its existing programming, does not require the total transfer to fulfill the agreed objectives would be able to reinvest any funds not required for those objectives in the same or a related priority area.

The Government of Canada and the provincial/territorial governments will agree on an accountability framework for such new social initiatives and investments.

All provincial and territorial governments that meet or commit to meet the agreed Canada-wide objectives and agree to respect the accountability framework will receive their share of available funding.

Direct Federal spending

Another use of the Federal spending power is making transfers to individuals and to organizations in order to promote equality of opportunity, mobility, and other Canada-wide objectives.

When the Federal Government introduces new Canada-wide initiatives funded through direct transfers to individuals or organizations for health care, post-secondary education, social assistance and social services, it will, prior to implementation, give at least three months' notice and offer to consult. Governments participating in these consultations will have the opportunity to identify potential duplication and to propose alternative approaches to achieve flexible and effective implementation.

6. Dispute Avoidance and Resolution

Governments are committed to working collaboratively to avoid and resolve intergovernmental disputes. Respecting existing legislative provisions, mechanisms to avoid and resolve disputes should:

- Be simple, timely, efficient, effective and transparent
- Allow maximum flexibility for governments to resolve disputes in a non-adversarial way
- Ensure that sectors design processes appropriate to their needs
- Provide for appropriate use of third parties for expert assistance and advice while ensuring democratic accountability by elected officials

Dispute avoidance and resolution will apply to commitments on mobility, intergovernmental transfers, interpretation of the Canada Health Act principles, and, as appropriate, on any new joint initiative.

Sector Ministers should be guided by the following process, as appropriate:

Dispute avoidance

- Governments are committed to working together and avoiding disputes through information-sharing, joint planning, collaboration, advance notice and early consultation, and flexibility in implementation

Sector negotiations

- Sector negotiations to resolve disputes will be based on joint fact-finding
- A written joint fact-finding report will be submitted to governments involved, who will have the opportunity to comment on the report before its completion
- Governments involved may seek assistance of a third party for fact-finding, advice, or mediation
- At the request of either party in a dispute, fact-finding or mediation reports will be made public

Review provisions

- Any government can require a review of a decision or action one year after it enters into effect or when changing circumstances justify

Each government involved in a dispute may consult and seek advice from third parties, including interested or knowledgeable persons or groups, at all stages of the process.

Governments will report publicly on an annual basis on the nature of intergovernmental disputes and their resolution.

Role of the Ministerial Council

The Ministerial Council will support sector Ministers by collecting information on effective ways of implementing the agreement and avoiding disputes and receiving reports from jurisdictions on progress on commitments under the Social Union Framework Agreement.

7. Review of the Social Union Framework Agreement

By the end of the third year of the Framework Agreement, governments will jointly undertake a full review of the Agreement and its implementation and make appropriate adjustments to the Framework as required. This review will ensure significant opportunities for input and feed-back from Canadians and all interested parties, including social policy experts, private sector and voluntary organizations.

Quebec is not a signatory to the Social Union Framework Agreement.

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