

Federal social policy, the provinces, and the rise of cities

ADDRESSING URBAN ISSUES

The most dramatic socioeconomic transformation in Canadian society during the Chrétien years was the growing distinctiveness of large urban regions. The most prominent, unaddressed issue in social policy remains the particular social challenges facing large urban regions, and the capacity of municipalities to develop social policy innovations.

The Chrétien government's first years in office were influenced primarily by fiscal restraint and the near-death experience of the Quebec referendum. Neither of these influences was conducive to bold social policy initiatives. In the second half of the prime minister's tenure, with the deficit conquered, there was renewed appetite for social policy interventions. The primary restraint in this period was the transformed federal-provincial dynamic, as demonstrated by the Social Union Framework Agreement (SUFA). This restraint was particularly strong in Ontario, whose government during this period was reducing social services expenditures, and implementing private sector solutions to social policy challenges.

The United Way of Greater Toronto's most intensive work with the federal government was in the area of homelessness. At the centre of Ottawa's National Homelessness Initiative is a program called Supporting Communities Partnerships Initiative (SCPI, pronounced "skippy"). The theory behind SCPI is that responses to homelessness should be developed and implemented locally; the federal government—through community entities—supports these local plans. In Toronto—and in many other communities—the federal government discovered that the local entity with the greatest expertise in serving homeless populations and developing prevention strategies was the municipality.

This is not a radical step. But to municipalities, and to many social policy

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advocates, it was significant. In Ontario it was particularly significant because, as the federal government re-asserted its role in areas such as housing, early childhood development and child care, the ability of the provincial government to influence (and—according to some advocates—undermine) federal initiatives was a serious challenge.

AFFORDABLE HOUSING

In the early 1990s, the federal government withdrew from funding new affordable housing. This project was initiated by the Mulroney government, and completed by the Chrétien government. A few years later, the federal government was persuaded to get back into the business of providing affordable housing. The 2002 and 2003 federal budgets contained separate federal multi-year commitments totalling over \$550 million. But both of these commitments depend on provincial participation, and matching funds.

This set the stage for considerable argument between Ottawa and Ontario. The two governments signed an agreement to implement the first of the federal government's commitments. As it turned out, the vast majority of provin-

cial matching funds came from municipalities or other third parties. Even more important, the province of Ontario was committed to building rental units at market rents, not affordable rents. At the same time, many municipalities were indicating their reluctance to participate in any housing program in which provincial matching funds included municipal dollars. When the war of words between Ottawa and Ontario heated up, the federal government issued this warning to the provinces: if provinces like Ontario drag their feet, the federal government was prepared to deal directly with the municipalities ("the SCPI model").

CHILD CARE

Child care is a very different issue, but the script is remarkably similar. The 1993 Liberal Red Book contained a commitment to a \$720 million national child care strategy. Fiscal restraint and inter-provincial paralysis conspired to scuttle the plan. Later in the decade, the federal government once again had an appetite to address early childhood development. But in the post-SUFA environment, this required the participation of the provinces.

In Toronto, where the municipality is the leader in children's services, the city and the province had radically different concepts of the role of child care. To the dismay of child care activists, the province was withdrawing support from regulated, high-quality child care; it developed a separate plan for early childhood development. The city's view was that the distinction between early childhood development and high-quality child care is—in the words of a city-appointed task force—"meaningless and misplaced." The task force was established in response to the city's frustration that no federal funds under the Early Childhood Development Initiative were invested in child care.

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but suffice it to say that they are just as restrictive as the discourse analyzed above would suggest.

The treaty practices first required explicit and, now, implicit extinguishment of rights not mentioned in the agreements, as the *Dogrib* formula for “certainty” has been described. Legislation recently both adopted and tabled was no better—it grants only administrative pow-

ers on land and governance on the precondition that the bands to whom these limited powers are recognized adopt codes regulating behaviour and dealing with prescribed topics, including alienation of lands, which was unacceptable in traditional aboriginal law.

Given the assimilative and restrictive policies that were defended in the Commons and implemented in government

while Chrétien was either minister for Indian Affairs, or influential on his colleagues even before he became prime minister and was able to appoint Robert Nault to finish his job for him, we can only conclude that if he leaves politics with a reputation for open mindedness or even enlightened self-interest, he will have earned it elsewhere than in the field of aboriginal affairs. ❁

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Once again the feds “negotiated” an agreement in which \$27 billion new dollars were transferred, but little was returned. With almost a year passed since the February 2003 accord, governments in Canada have shown little interest in acting on the major recommendations arising from Mr. Romanow, nor have they shown much appetite for living up to their end of the February 2003 bargain—that being, the establishment of a National Health Council, the definition of base elements in a national home care program, and the national establishment of a common, catastrophic drug insurance program.

So how has Chrétien fared? Notwithstanding the major fiscal squeeze arising from the recession of the early 1990s and the downward transfer of fiscal obligations to the provinces, Chrétien has quietly stood behind Canadian values in health reform. In the creation of the National Health Forum he advanced a moderate Canadian vision of reform with a wide consensus of policy elites in the country. In appointing Mr. Romanow, he stood once again close

to Canadian values in identifying a leader of immediate credibility and integrity for the Canadian public.

In contrast, Chrétien has failed to secure a solid footing for the future of Medicare and in particular to provide any significant improvement in the scope of coverage challenges that have plagued Medicare for the last 20 years, as care has shifted out of the hospital and into the community. In addition, with pharmaceuticals rising faster than other expenditures in the health care sector, there is no national formulary or national catastrophic drug program on the horizon to pick up from the calls of the National Forum or Mr. Romanow.

THE HEALTH CARE LEGACY

In many respects, Chrétien appears to have acted as a leader spooked by the extremely narrow victory of the federalist forces in the Quebec sovereignty vote of October 1995. He never quite recovered political stability on federal-provincial relations. The ghost of regional succession threats has stalked a fearful and tentative federal govern-

ment during Chrétien’s tenure. Nowhere is this truer than in the health care sector, where the federal government has had a strong and forceful mandate to act arising from the Romanow commission, and has been unable to expand coverage in a fashion anticipated by the National Forum and Romanow reports.

Chrétien has protected Medicare from the worst—wholesale privatization—but the triumph of the politics of pragmatism over the politics of principle has allowed creeping privatization, particularly in the financing of community care and pharmaceuticals. And this is slowly and surely eating away at the heart of Medicare—national coverage for medically necessary services. Without strong federal leadership, the prognosis for Medicare is poor. Ironically, perhaps it will fall to his successor, Mr. Martin, to finally announce the creation of a National Health Council for Canada, and take a more vigorous set of steps to re-establish a federal presence and extended federal base of coverage for health in Canada. ❁

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The city’s task force recommended that the federal government get tough with the province. In its view, the federal government was not enforcing the accountability provisions of SUFA. The task force argued that the federal government should provide additional support to those provinces that have integrated child care into their plans for early child-

hood development. And in cases where the provinces fail to comply, the federal government should enter into direct funding agreements with municipalities (the SCPI model).

In the 2003 budget, the federal government made a tangible and dedicated commitment to child care. The government committed \$900 million over five

years, and invited the provinces to the table. This set the stage for another Ottawa–Ontario confrontation; the federal government’s funds were to be spent on regulated child care, but the province of Ontario favoured the inclusion of informal child care arrangements. In the end, the governments agreed that the pro-

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gram would benefit the regulated sector, but left the province responsible for defining “regulated.” This left child care advocates nervous.

The constraints of space do not permit me to describe in any detail all the social policy initiatives of the Chrétien government. Most notably, the National Child Benefit (NCB) was an important innovation and—as it grows—it becomes more significant. But it is worth noting that the NCB set the stage for another federal–provincial wrinkle; to the dismay of most child poverty advocates, Ontario decided to “clawback” this benefit from social assistance recipients by reducing welfare rates by an identical amount. This is permitted by the federal government, provided the province can demonstrate that the savings have been invested in child care or other in-kind services for low-income children and their families. In Ontario, many activists disputed Ontario’s contention that it was honouring the agreement, and that equivalent services were being supported.

GETTING BACK TO THE CITIES

Finally, it is worth noting that the federal

government’s social policy initiatives have largely ignored the most remarkable social change in Canada in the past few years. As *The Economist* and many others have pointed out, the greatest divide in Canada today is between the country’s large urban regions and the rest of the country. This is a product of globalization. Large urban regions are fully connected to the global economy, particularly through immigration. Between 1996 and 2001, 62 percent of Canada’s population growth occurred in four cities—Toronto, Montreal, Vancouver, and Ottawa. Non-urban areas as a whole lost 25,000 people.

Large urban areas are characterized by extremes of wealth, and the increasing concentration of urban poverty. As Judith Maxwell has argued, poverty in Canadian cities has become more concentrated in discrete neighbourhoods. At the same time, the capacity of municipal governments to undertake significant social policy innovation is diminished by a combination of property tax dependence, and downloading. There is a growing need to focus more energy on the livability and vitality of our urban areas. This does not come easily to the

senior levels of government, which have historically expended more energy on providing services equally across jurisdictions; these governments have difficulty with what Jane Jacobs calls the “particularity” of large urban areas.

Interestingly, it was a speech on this issue that triggered the political stand-off that began with Paul Martin’s resignation as finance minister and ended with the announcement of Jean Chrétien’s retirement in August 2002. Paul Martin delivered a speech to the Federation of Canadian Municipalities that described a different relationship between the federal government and municipalities. As part of his campaign for the Liberal leadership, he confirmed his commitment to sharing a portion of the federal gas tax with municipalities.

It is not yet clear whether a Paul Martin government will have the fiscal or policy flexibility to work with municipalities on an innovative social policy that reflects the rise of city-regions. Nevertheless, there are important signals that the treatment of municipalities—and big cities, in particular—will be one policy area where he hopes his government can distinguish itself from its predecessor. ❁

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political agenda in 2003 when Finance Minister John Manley’s budget committed \$25 million for early childhood development services in 2003-04 with the promise of an additional \$875 million over the following four years. With Manley out of politics and Jane Stewart, the main proponent of the 2003 initiative, out of the Cabinet, there is reason for skepticism about the renewed child care promise.

Rather than direct resources to services, the Chrétien Liberals chose to frame support for working parents in terms of an employability agenda. They significantly enhanced the Conservative’s child tax benefit and offered provinces the option of reducing the amount

that goes to social assistance recipients in order to encourage labour market attachment. Structured as a negative income tax benefit, the child tax benefit might well play a role within a coherent set of family and labour market policies. In the absence of child care services and in the context of federal and provincial policies directed at creating greater competition at the bottom end of the labour market, the measure operates primarily as a subsidy to low-wage employers.

THE ONE BRIGHT SPOT

The extension of marital/parental leave under the Employment Insurance Program to a total of 50 weeks stands out as an important exception to the over-

all lack of progress on women’s equality measures under the Chrétien Liberals. It is a gain that will be difficult for any subsequent government to reverse. The absence of a coherent Liberal family policy is, however, evident in the fact, noted above, that other changes to EI resulted in women of childbearing/rearing ages losing their entitlement to EI benefits and therefore to maternity and parental benefits.

The employability model of the welfare state was constructed primarily through measures introduced in budgets during Paul Martin’s term as finance minister. The 10 lost years for women’s equality should therefore be seen as a joint Chrétien /Martin legacy. ❁