

The New Handshake Federalism

A cautious cordiality has emerged between Ottawa and the provinces around two important issues – child poverty and supports for Canadians with disabilities. The goal of the new relationship is to find better ways to meet social needs and conduct the nation's business.

Most Canadians are unaware of the quiet, behind-the-scenes efforts to make Canada work. These efforts never make it to the headlines – they are not considered newsworthy. Ottawa is not the angry parent; the provinces are not misbehaving children. There are no insults, no temper tantrums, no psychiatric assessments. The lack of drama makes these efforts 'bad news' from a media perspective. But from a state-of-the-nation barometer, they are good news.

This was not the case just two years ago. On a cold winter evening, a chilling announcement in the 1995 federal Budget put the country's social programs – and federal-provincial relations – on ice.

With no prior warning, Ottawa dismantled two key laws that comprised the foundation of social programs. The Canada Assistance Plan (CAP) allowed the federal government to share half the provincial costs for welfare and social services. Ottawa also transferred funds to the provinces

for health and post-secondary education under Established Programs Financing (EPF).

The federal government had been tampering with these arrangements for years – freezing and cutting back the payments. The straw – some would say 'bomb' – came in 1995 when Ottawa replaced CAP and EPF with the Canada Health and Social Transfer (CHST).

The CHST gives provinces greater flexibility on how to spend federal transfers. Yet the newfound freedom is limited; there is less money to spend. The removal of CAP also created concerns around the health of social services – e.g., child care and supports for seniors and persons with disabilities. But the CHST did call for Ottawa to discuss with provinces the principles that would underlie the use of federal funds.

The provinces responded with immediate – but positive – anti-missile action. They jointly developed (minus Quebec) a vision for the future of social programs which included two initiatives: a national child benefit and national disability benefit. Clearly, these proposals were intended to 'upload' some costs back to Ottawa. Provinces were trying to rebalance their fiscal books by redefining who does what within the federation.

The ball was in the federal court. Provinces had made the pitch and were lobbying hard for action. The result was the establishment of a federal/provincial Ministerial Council on Social Policy Renewal supported by working groups of officials to develop the two initiatives. Their hard work has begun to payoff.

The 1997 federal Budget announced a new National Child Benefit System. Ottawa will increase benefits to low-income families with children and, by so doing, eventually will replace welfare expenditures on children. The provincial *quid pro quo* is a promise to invest the savings from reduced welfare costs in new child benefit programs or services for low-income families. A broad national child investment strategy is now being written.

Disability is another active 'file.' A federal/provincial framework is being developed to improve supports for persons with disabilities. Problems often arise because Canadians with disabilities are passed back and forth between jurisdictions – from federal Employment Insurance to provincial welfare; from welfare or workers' compensation to the Canada Pension Plan. The federal-provincial venue will help address the problems of people who end up in jurisdictional no man's land.

The two social reforms on the front burner could go a long way to meet the needs of Canadians. Equally important, these efforts have helped heal some of the post-CHST acrimony that threatened to poison future attempts to reform social policy. After a series of failed constitutional talks, progress on social issues demonstrates that there are other avenues for federal-provincial dialogue and action. There is no guarantee that governments will stop bickering forever, but at least they are working together towards some common goals.

Earlier pressures for 'disentanglement' also have been replaced by collaborative efforts and 'managed interdependence.' Ottawa no longer sets the rules that provinces must follow in order to get money. There are now negotiated processes in

which the terms and conditions of new agreements are jointly hammered out.

The emerging collaborative federalism is by no means problem-free. It must not become a son-of-Meech, secretive process so reviled by the public. The initiatives under way have consulted key groups, although more could be done to engage Canadians in the process.

Another unknown is whether handshake federalism will be secure enough to replace the fiscal imperatives and legislative frameworks of the past. Will it form a solid enough base upon which to build the foundation of future social programs? Will the new cordiality generate much talk – but little action to attack problems like child poverty and unemployment?

The real challenge of handshake federalism will be to ensure that cooperative federalism becomes operative federalism.

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