

Axworthy's Armada: Becalmed or Lost at Sea?

Is the reform of Canada's social security system sunk before it's launched?

The Social Security Review is at best way off schedule and at worst in trouble. The release of Human Resources Development Minister Lloyd Axworthy's "Action Plan" had slipped from April to June to July. Now we are told the social policy Magna Carta will not be unveiled until after Parliament returns in mid-September and the provinces have had a chance to shape its proposals.

A key reason for the delay is that the Quebec government asked Ottawa to postpone the Action Plan's release until after the provincial election so as not to provide the *Parti Québécois* with more ammunition during the campaign. The federal discussion paper will explore, among other things, possible changes to training, welfare, social services and post-secondary education – sensitive areas which Quebec feels should be its exclusive domain.

This is just the latest chapter in an old story. Ever since the Quiet Revolution in the 1960s, Quebec has sought more power over social

policy. Its suspicions about the present federal government's intentions regarding social reform are traditional and predictable. Jacques Parizeau has made it clear that a PQ government would not bother joining in the reform of Canada's social security system, but instead build its own in a sovereign Quebec.

But the Quebec factor is not the only threat to the Axworthy reforms. Ontario, in its own pre-election fed-bashing mode, is still smarting from cuts to federal cost-sharing of welfare and social services initiated by the Conservatives and kept in place by the Liberals. All the provinces are fed up with Ottawa's unilateral cuts to transfer payments for health and postsecondary education. They are angry that changes to Unemployment Insurance under the Tories and now the Liberals have increased their welfare costs.

Canadians would do well to remember what went wrong the last time the federal and provincial governments set out in search of a new world of social policy. That ill-fated voyage took place two decades ago, but its lessons are entirely relevant today.

The Social Security Review, as it too was named set sail in 1971 with the release of the federal map (the “Orange Paper”) that provided general directions for reform, though the all-important details were to be worked out between Ottawa and the provinces. The destination was “an acceptable basic income for all Canadians.” The proposed primary route was a form of guaranteed income to replace welfare and supplement the incomes of the working poor.

The admiral of the fleet was Health and Welfare Minister Marc Lalonde. Serving under the astute Lalonde were some of the best and brightest public servants of the day, armed with sharp analytical instruments and a faith in the power of rational public policy to vanquish social programs such as poverty and unemployment.

Unlike Columbus, however, the Lalonde expedition did not sight land and, after an arduous voyage of three years, returned home with little to show for its efforts. The ship’s log reveals two major obstacles to the success of the venture.

One was the failure of federal-provincial cooperation. The new land of social policy could not be found unless the federal and provincial governments together discovered and followed a common route. But the provinces could not agree with the federal navigators or even amongst themselves, and in the end sailed off in different directions. Essentially, the provinces wanted the federal government to pay most of the cost of the new income security scheme but let them run it. Ottawa, for its part, wanted to operate or at least share in the delivery of a new program of income supplementation for the working poor.

The Social Security Review ran into foul weather in the form of the global oil price shock and a downturn in the economy. Rising inflation

and unemployment, the imposition of wage and price controls, and revenue losses resulting from the indexation of the income tax system took the wind out of the sails of social policy reform. Finance Minister John Turner won out over Lalonde, and the fleet was called back to port.

The same icebergs – the provinces and the economy – threatened to scuttle the Axworthy Review of social security.

Comprehensive reform will require the provinces’ cooperation, but prospects for achieving a consensus seem as remote today as they proved to be in the 1970s. The provinces are wary of federal proposals for radical restructuring of Unemployment Insurance and converting federal transfers to the provinces for post-secondary education into direct grants for students. A PQ government in Quebec will not even bother testing the waters of federal-provincial social security reform.

The irony is that the provinces, as much as Ottawa, acknowledge the present system’s failure to help unemployed Canadians and to improve the skills of the workforce. A number of provinces have been in the forefront of social policy reform. All governments are feeling fiscal pain from beleaguered social programs struggling to cope with profound changes in the labour market and society.

The Finance Minister has decreed that the Review must adhere to the reductions in social spending announced in the February 1994 Budget. But, like his Tory predecessors, Martin faces high interest rates that endanger his plans for deficit reduction. He might be tempted to demand deeper cuts from social programs than Axworthy has accepted as the price that must be paid for serious reform.

There are rumours that the Finance Minister will include social policy in his pre-budget consultations. That certainly would muddy the waters, since the Human Resources Development Standing Committee is supposed to conduct public hearings on the Action Plan. If Axworthy and his officials lose control of the reform process, the Finance Department will regain the paramount power over social policy that it wielded during the Mulroney era.

The shipwreck of the Axworthy armada will dash a once-in-a-generation opportunity to refurbish Canada's social security system. His proposals could bring the Unemployment Insurance juggernaut back to dry dock for along-needed refit; launch a bold new guaranteed income plan for children; strengthen supports for families; and tackle the conflict over federal cost-sharing of provincial welfare and social services.

The Action Plan must lay the keel for a social security system for the 21st century. The

federal and provincial governments must build the new ship of social policy together. And there must be a firm and steady hand on the helm to steer the process of reform.

If the Social Security Review founders, our social programs could take in more water and eventually sink beneath the waves.

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