Neoliberal Federalism and Social Democratic Approaches to Social Assistance in the Canadian Provinces in the 1990s

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INTRODUCTION

The similarity in the trajectory of the social assistance policies adopted by provincial social democratic governments in Quebec, Ontario, Saskatchewan and British Columbia is instructive. In all cases, the parties came to power promising to expand the social rights of social assistance recipients and to increase benefits. In all cases, this original promise was briefly and marginally introduced as policy before subsequently being replaced by an emphasis on welfare-to-work employability measures. The cause of this trajectory can be explained in part by the adoption of ideologies of competitiveness by key leaders in these governments, and by Finance departments trumping social policy communities (e.g. Sheldrick 1998; McBride 2005). Yet the fact that initial reforms were undertaken suggests that the power of finance and the influence of "new social democratic" thinking were not completely entrenched in this period, and so there is some need to unpack aspects of the context which enabled these forces to marginalize and trump the project of expanded social rights and benefits.

This paper seeks to uncover the impact of "neoliberal federalism", and particularly of the joint effects of cuts to transfers and of incentives to adopt employability programming, on this shift. In other words, it asks what effect federal policies and incentives had on shifting the balance of power within these social democratic governments in the favour of Finance, and thus away from expanding the rights of social assistance recipients, towards the emphasis on welfare-to-work. This is a somewhat different account than the dominant one about the impact of federalism on social assistance policy, where emphasis is placed on the decentralization of social assistance policy with the loss of national standards in 1995. In the place of this account of the federal government "washing its hands" of responsibility for this file and opening the door to punitive workfare reforms, this paper proposes a different one. It suggests that the federal government pursued a number of strategies in its dealing with the provinces through the late 1980s and early 1990s that reduced opportunities for the NDP governments to keep their campaign promises, while providing them incentives to pursue welfare-to-work programmes.

This paper starts by describing the social assistance trajectories of the social democratic provincial governments of the early and mid-1990s. It then discusses the main arguments presented for the shifts, namely the tight budgetary situation and changes in social democratic ideology. While it finds these arguments broadly compelling, it then considers the impact of one contextual factor, namely federalism, in contributing to this shift.

COMMON TRAJECTORIES

There is a remarkable degree of similarity in the trajectories taken in the social assistance field across the provincial social democratic governments of the early and mi-1990s. In all cases, the governments came to power with promises to keep to social assistance recipients. In each case, the governments made early moves to fulfill these promises, at least in part. But in each case they also quickly retreated from this approach and implemented more punitive ones.

As Jenson (2003) has underlined, convergence and divergence have to be located theoretically, and certainly my claims of common trajectories could be questioned by an analysis similar to Boychuk's (1998) *Patchworks of Purpose*, as the four governments

discussed below did not all adopt exactly the same approaches. At a broader level of generality, however, we observe a shift from a welfarist programme whereby the problem is the limitation of the citizenship rights of social assistance recipients and the solution is the expansion of their legitimate claims (to income, housing, procedural fairness, training, transportation, child care, etc.) to an employability programme where the problem is welfare dependency and economic inactivity and the solution is finding means to insert recipients into the formal labour market or quasi labour markets of subsidized employment and training placements. The observation of convergence around this second vision may now seem quite banal given its omnipresence in the advanced industrialized countries (although the recent resurgence of the issue of poverty poses a challenge to its hegemony). It nevertheless represents a radical break on the part of social democratic parties, who had come to present welfarism as their greatest achievement, and therefore deserves some scrutiny as to how this shift came about.

In Ontario, the NDP had submitted a brief to the Social Assistance Review Commission (or Thomson Commission) that was built around the principle of enabling recipients to become self-sufficient, increase control over their own lives, "and, whenever they are able, to find meaningful employment." The brief emphasized the need to make full employment the priority, and to improve the condition of the working poor. The logic of employability took a back seat to the issue of reducing barriers to independence flowing from the lack of childcare, equal pay provisions and affordable housing, not to mention a stiff implicit tax on employment income (ONDP Caucus, 1987). The brief also argued for the placement of independent advocates in or near social assistance offices to help recipients assert their rights, and demanded more significant representation of recipients themselves on the appeals board.

The incoming NDP government continued the SARC implementation process, asking the Advisory Committee on New Social Assistance Legislation created by the Liberals to draw up a list of changes that could be implemented quickly and without legislative change, followed by a more substantive report setting out a road-map to far-reaching change. The Committee provided 88 suggestions in its 1991 *Back on Track* report, and 51 of these had been implemented by the time it presented its *Time for Action* report in May 1992. The highest profile *Back on Track* changes were an increase in the personal needs allowances, and a reduced tax-back rate for employment earnings in the Supports to Employment Program (STEP --from 80% to 75%). There were also a number of procedural changes, including additional restrictions on home visits, the right to a written explanation of decisions, the right to be advised in writing about the right to appeal, and the right to an advocate (Ontario Advisory Group 1992, 203-208). The *Back on Track* and *Time for Action* reports represented a social democratic spin on the *Transitions* message. They gave more emphasis to benefit adequacy, treated mandatory opportunity planning as controversial, and argued that the transition to employment only made sense in the context of policies favouring full employment (Ontario Advisory Group 1992, 138).

While *Back on Track* was used as a guide for action, the *Time for Action* report found a very different reception. The same month the report was issued, the government announced plans to save roughly $300M by reducing "moderate income earners'" eligibility for STEP, by ensuring recipients maximized their benefits from other government programmes (e.g. UI or CPP), and by attacking fraud (despite the recognition

that it is marginal). This change of direction was confirmed in early 1993 with the adoption of the government's Expenditure Control Plan. The plan reduced or eliminated several special benefits, reduced exemptions for employment income, and strengthened asset tests. It also introduced a review of all case-files in order to ensure eligibility requirements and benefit regulations were being adhered to. These moves, coupled with a more vigilant application of the "spouse-in-the-house" rule, signaled that the government was moving beyond cost-cutting, to apply a more stigmatizing and punitive approach to social assistance recipients (Sheldrick 1998, 45-46; Ontario Ministry of Finance 1993; Ontario MCSS 1994).

This direction was fleshed out in *Turning Point*, a blueprint for turning social assistance into an active labour market policy. This policy was elaborated by former Budget office officials, and bypassed the consultative structures set up by the SARC and drawn on by the Advisory Committee. The solution was to "take children off welfare" with an Ontario Child Income Program, and to then set an Ontario Adult Benefit rate on less eligibility principles (and thus below the minimum wage) (Ontario MCSS 1993, 16-19). The lower benefits under the new programme would encourage recipients to participate in Job Link, a series of counseling, education, training and placement programs designed to integrate people into the paid workforce. The cost of this programme, coupled with the gaps in expertise confronting the government caused by sidelining the SARC consultative structures, meant that *Turning Point* was never implemented (Sheldrick 1998, 57) but the NDP government nevertheless experimented with active programming, particularly through its *jobsOntario* training initiative.

In Saskatchewan, the NDP responded to the workfare approaches of the Devine Conservative government by creating a task force on social services in 1987, and by holding forums on hunger and poverty in 1989. The 1987 task force report prioritized the creation of long-term jobs, and argued for the gradual increase in social assistance benefits to the poverty line. It also sought to democratize the system by placing a social assistance recipient on the appeals committee and by providing funding to welfare rights advocates (Saskatchewan NDP Social Services Task Force, 1987). The 1989 report took up similar themes, but took up the issue of work and training programmes for social assistance recipients. While slightly more work-focused than *Transitions*, it nevertheless balanced the employability focus with demands for childcare spaces and subsidies, the linkage of training to jobs paying above-poverty wages, and the participation of recipients in drawing long-term training plans (Saskatchewan NDP Caucus 1989). Following their election in 1991, the government launched a consultation that led to a widening of procedural and appeal rights, such as giving recipients written explanations of decisions and the right to choose an advocate. Benefits, on the other hand, were only marginally increased, on the grounds that larger increases were unaffordable given the province's precarious financial situation (Saskatchewan Social Services 1992; Saskatchewan Finance 1993, 17). This, however, was the last increase in rates until the late 1990s. Inflation thereby ate away at these benefits, leaving families on social assistance worse off in the mid-1990s than they were in 1986 (Gilmer 1999, 6).

Unlike some of the other provinces, the loss of momentum on the social rights and benefits agenda did not lead immediately to employability initiatives. The government had signaled in its first Throne Speech and its idea of developing "a new social safety net to meet the changing conditions of the 1990s," in part by "breaking the

poverty cycle" with training and employment opportunities (*Debates and Proceedings*, April 27, 1992, p. 4). The direction this would take was signaled by Finance, whose budget argued that the "integration of income support programs with the income tax system is of vital importance in working to address poverty" (Saskatchewan Finance 1992, 14). This agenda would be developed in the second term with reforms seeking reform sought to "ensure that working is a rational economic choice," even if there is no "guarantee that there will be sufficient good jobs available" (August 1999, 62, 66-67). The government freely used the language of dependence to explain increased caseloads, and counterposed this to the preferred alternative of an independence that came from occupying a non-subsidized job (Saskatchewan Social Services 1996a, b, 1997). This reform, launched in 1996 and implemented in 1997-1998, used child benefits and wage supplements to increase the financial benefits of low-wage work as compared to social assistance. Compared to the other social democratic provinces, it relied on these financial incentives more than on employability programming to promote labour force attachment.

The case of British Columbia is slightly different in that the NDP government elected in 1991 had made few promises concerning social assistance. However, it did raise hopes by appointing Joan Smallwood, who had significant credibility in the anti-poverty and social assistance communities, to the Social Services portfolio (Gawthrop 1996, 142-43). The government amended the social assistance legislation in 1992 to appoint a multi-stakeholder Advisory Council on Income Assistance (ACIA), in order to involve recipients in the decision-making process and to develop a broad, long-term vision for income security programs and services. At the same time, it broadened the scope of appeal rights and doubled earnings and assets exemptions (B.C. Social Services 1994, 40, 53). The government also introduced a modest increase in rates (ranging from 5% for single employables and 6.5% for single people with disabilities to 12.9% for a single parent with five children), although the size of these increases was felt to be small by welfare rights activists (Hunter 1992). The ACIA, in turn, developed a report giving fuller form to a vision of renewing social assistance. This fell into three parts, namely increasing benefit adequacy, increasing access to training, and increasing procedural fairness. Training programmes were thereby placed in the context of increased social rights, and indeed included some novel proposals to develop interventions through local multistakeholder councils, rather than running one-size-fits-all province-wide employability programmes (British Columbia Advisory Council 1994).

Rising social assistance costs nevertheless stifled this open-ness, and Smallwood was shuffled out of the portfolio within two years. By September 1993, the stigmatizing language of fighting fraud had taken root, and Premier Harcourt was speaking of clearing cheats and deadbeats off the welfare rolls (Gawthrop 1996, 239-45). The government developed a Premier's Forum on New Opportunities for Working and Living that paralleled important parts of the ACIA's mandate, but which was set much more firmly in the context of adapting to "new economic realities." This led to a series of reform in 1995 and early 1996 that revamped social assistance. These included: adding a 3 month waiting period for non-residents and the non-replacement of lost and stolen cheques in December 1995; reducing asset exemptions (exclusive of cars and houses) by 80% in October 1995; and the launch of a pilot "early detection program" in the same month to conduct "pre-eligibility investigations of selected high right applicants" (B.C. Social

Services 1997, 19, 26). The main thrust of the reform was to activate social assistance recipients by cutting social assistance rates starting in the second month or receipt of benefit, and to use that money to double the training opportunities provided. Recipients would be expected to maintain an active job search through their first seven months on benefits, to participate in specific programmes for the next two months, and then to take up training or work experience. This progression was made mandatory for youth under twenty-five. These "sticks" were complemented with the "carrots" of providing dental and vision care along with family bonuses to low income working families (British Columbia 1995).

This experience was in turn repeated in Quebec, where the Parti Québécois came to power in 1994 with promises to keep, having steadfastly opposed the punitive workfare programme introduced in 1989. In the first year of the government, several administrative measures were taken to recognize the rights of recipients. The Deputy Minister reported that the government took "the gamble" of being more considerate to income security recipients, while at the same time tightening programme management in the name of equity. The Ministry sought to improve the targeting of its control and recovery activities, and to elaborate more effective tools. It also attempted to gain a better understanding of recipients so as to create a relation based on mutual respect and dignity. As well, it launched a "sensitivity" media campaign to counter negative stereotypes about social assistance recipients. Finally, the government widened channels of representation by creating a *Conférence permanente sur la sécurité du revenu*, although the Conference was not too *permanente*, ceasing activities in December 1995 (Québec Sécurité du revenu 1996a, 9, 21, 24). The government's employability measures were also overhauled to reduce some of the more blatant abuses by employers looking for cheap labour. Yet, when the time came to overhaul the social assistance system, the centre of gravity shifted towards a more punitive, employability focus. The majority report of the external committee on social assistance reform presented a programme not unlike *Transitions*' Opportunity Planning, with a generous vision of voluntarily chosen pathways to employment, backed with meaningful supports, and placed in the context of labour market programmes to increase employment. The government's reform took up much of the language of the majority report, but this had to be weighed against the increased sanctions and obligations it imposed, such as the mandatory nature of the transition plans, and the adoption of Employment Insurance provisions for penalizing just cause fires and voluntary quits (Québec Sécurité du revenu 1996b, 46). The reform also elided the question of benefit adequacy. Overall, it could be argued that the reform stressed individual responsibility, particularly for labour force attachment, over the values of autonomy and participation (Beauchemin and Beauchemin 1998, 141).

EXPLAINING THE COMMON TRAJECTORIES

This common trajectory has been largely explained in two ways. The first explanation emphasizes the ideological changes that occurred within these governments, with the shift from more classical, post-war understandings of political economy, to the adoption of neo-Keynesian or even neoliberal approaches. The second explanation places more weight on the immense fiscal challenges faced by these governments, caught with budgetary deficits in a recessionary period. In its more radical cast, this argument underlines the extent of resources that the financial community and from the mass media

invested in making the reduction of budgetary deficits the only measure of fitness to govern, severely limiting the scope of social democratic agency (Carroll and Ratner 2005). Both of these explanations have a good degree of merit, and this paper does not seek to put them into doubt. However, they are also "easy" answers that raise further questions about context.

For instance, on the deficit question, it is not necessarily so straightforward to argue that "the deficit made me do it." Certainly, the reflections of NDP Finance Ministers such as Floyd Laughren in Ontario, and especially Janice MacKinnon in Saskatchewan, indicate the extent to which these governments were caught in very tight fiscal situations, and endured direct pressures from the international investment community to subscribe to doctrines of "sound finance" and reduce expenditures. However, while these governments worked in tight financial situations, they did pursue a number of other priorities that required the maintenance or expansion of existing budgets. Whether we think of the Ontario NDP's and the PQ's initiatives in creating sectoral training and industrial policy vehicles or the BC NDP's investments in restructuring the forest sector and creating a Ministry of Women's Equality (to raise a few possible examples), there is little evidence that the budgetary constraint was a fatality for all initiatives. In short, there was an internal politics to budgetary restraint, favouring certain programmes over others.

In addition, if the point was to save money in these programmes, how does one explain the following two features of these government's actions. The first feature is the decision to wind down mechanisms of user participation and neglect promises of increasing procedural fairness. These are relatively inexpensive mechanisms in terms of the total budget. What their removal does achieve is to send a signal about the displacement of commitment to a "welfare rights" perspective, and to reduce the capacity of recipients to contest the increased surveillance and work orientation of subsequent reforms. The second and more important, feature is the decision to activate social assistance recipients through a variety of employability programmes. These programmes add additional administrative and implementation expenses on top of the cost of existing social assistance benefits. They therefore end up increasing costs rather than decreasing them, particularly in the high unemployment labour markets facing these governments, where the best one could hope for was some slight increases in labour market skills as these programmes reshuffled the line of the unemployed. The emphasis on employability therefore does not mesh with a straightforward emphasis on cost control.

The seeming conflict between the costs of employability programmes and the avowed end of cost control suggests the presence of an ideological explanation that bridges the contradiction, and brings us to the second explanation of ideological shifts. All the parties in question tried to rejig their strategies in light of increased global economic competition, moving some distance from post-war social democracy's conceptions of full employment and decommodification. As a result, even as the parties were making welfarist commitments to the social assistance community, they were also increasingly seeking to restructure of social policy in order to link it to increase labour market flexibility, and hence the competitiveness of firms (McBride 2005; also Sheldrick 1998, 37). Employability programmes might therefore serve the greater welfare by increasing the dynamic efficiency of the economy by developing the human capital of participants. In a period where certain post-war social rights seemed too require a too

great tax burden for the competitive health of the economy, programmes that provided people with skills and pathways into the world of paid work could be portrayed as a progressive alternative to simple benefit cuts.

But how do we in turn explain these ideological shifts? It is easy to fall back on claims about the lack of socialist devotion of the NDP (or PQ) leadership, or to gesture at the post-government careers of Bob Rae, Glen Clark and Lucien Bouchard as signs of their devotion to the values of corporate capital. But while these claims are useful shorthand for the pages of *Briarpatch* or *Canadian Dimension*, they foreclose important questions about the contexts in which these shifts took place, as well as raise the question of why anyone expected socialist devotion from these politicians in the first place. In short, more reflection is required as to the political processes and contextual factors that allowed social democratic governments to move their parties in directions other than those laid out in party platforms. An obvious and compelling answer to this question, which allows the two arguments to work together, would be to consider the transformations of social democratic thinking and strategy within the constraints of the economic structures and balances of social forces present in the early 1990s. The similarity between the provincial trajectories could indeed be extended to the experience of social democratic governments across the advanced industrialized countries, where welfare-to-work programming became a standard reform theme, albeit with important variations between countries in terms of the specific relationships created between individuals, the market, the state and the family (Dufour *et al*. 2003). Indeed, as Albo and Fast (2003), Zuege (1999), Coates (2000) and others have argued, social democratic attempts to punch out spaces of equality within the confines of the current global economy seem able at best to preserve certain gains of the post-war welfare state as part of a larger and more general accommodation with neoliberalism. However, if we are to understand the warp and woof of Canada's "variety of neoliberalism", this largely deductive explanation again needs to be supplemented with an understanding of the specific forces and contexts that shaped and enabled this accommodation by the provincial social democratic governments.

WHAT WAS FEDERALISM'S CONTRIBUTION?

This paper will attempt to enrich this "top-down" understanding with a "bottom-up" one that interrogates the potential role of federalism in this transition. The role of federalism in helping consolidate Canadian neoliberalism has been raised with some regularity, but without a great deal of imagination. The popular story is one of decentralization, where postwar norms of social citizenship are surrendered by the federal government (e.g. McBride and Shields 1997). A decentralized Canada would be a more unequal Canada, where citizenship rights would vary between provinces, and with neoliberal provincial governments could roll back social gains without federal interference. This view was echoed on the right, with accounts such as Courchene's (1995) about the rise of regional economies, and the need for greater social policy diversity in order to tailor policy to maximizing the efficiency of different regional specializations.

In the field of social assistance, great emphasis is placed on the decision announced in the 1995 federal budget to roll the Canada Assistance Plan into the Canada Health and Social Transfer. This reform removed of all national standards with the

exception of work requirements, including those making assistance reliant on need and on prohibiting work requirements.   It could thereby be seen as opening the door to punitive workfare programmes in provinces like Ontario (Bashevkin 2002, 87, 89; Collins 1998, 5, 57; more generally Vosko 2003, 170). Susan Phillips (1995) argued that even barring nefarious provincial intentions, the lumping of social assistance into a block grant with health care and post-secondary education would lead provinces to scale back the former, since the constituency for welfare is much less politically powerful than the broad middle-class support for health and education. James Rice (1995, 185, 187) provided a slightly different argument, arguing that the CHST, and the defeat of Axworthy's Social Security Review that this entailed, dimmed hopes for a redesign and reform of welfare that might involve a unified strategy for helping get people off welfare and into work.

Yet these arguments are somewhat incomplete, since the CAP did not prevent significant experimentation with punitive social assistance reforms in British Columbia, Saskatchewan and Québec through the 1980s. Indeed, since CAP did not define an adequate level of benefits, provinces could compel participation in employability measures simply by setting benefits for non-participants at a sufficiently low level. In addition, the broad principles of CAP did not provide strong protections against heavy-handed administrative practices, or the strict enforcement of the rules of denying benefits to those refusing job offers. In addition, as the provincial examples above demonstrate, the Ontario, B.C. and Saskatchewan *social democratic* provincial governments were all well on their way in reforming their social assistance systems in advance of the CHST in 1995. These were hardly regimes of the far right, waiting for the barrier of national standards to fall.

The readings of neoliberalism and federalism perhaps suffer from a tendency to place too much emphasis on assessing the impact of federalism on the basis of degrees of centralization and decentralization. Since the extension of social rights requires universality, the Canadian left has long looked to the federal government as the best vehicle for implementing and protecting such rights through national standards. This reflex can lead to an easy embrace of the federal government, and an implicit suspicion of provincial governments, since they have often opposed such standards on the basis of competing conceptions of the parameters and contents of citizenship. The result is a tendency to make assessments of degrees of centralization, and to project results based on a barometer where centralized is equated with progressive. While there was a certain logic to this when the post-war compromise led to a partial democratization of social citizenship, the linkage of centralization with generalizing citizenship rights logically also suggests that central activity could play a crucial role in reconfiguring those citizenship rights along different lines when the political economy and balance of class forces takes on a new form.

It is also worth noting as an aside that these readings also tend to invest the CAP with meanings it never held, since its "standards" were very broad and allowed for a variety of different philosophical approaches to social assistance (Boychuk 1998, 98-104). The actual experience in social assistance in this period is a decline in benefit rates starting in 1992, with most of the post-1995 drop involving not adjusting benefits to inflation, and no dramatic pattern of convergence or divergence from the pre-existing provincial diversity (see Boychuk 2003, 280-283 for a fuller discussion). In retrospect,

the CAP could perhaps be best seen as creating a discursive space to make claims on the state to respect a particular vision of social rights, far more than a tool for enforcing those rights (Little 1999, 62-63).   In addition, putting so much stress on the CAP, and seeing its end as "a clear fiscal and jurisdictional retreat by the federal government" (Bashevkin 2002, 83), may hide other important federal initiatives to shape social assistance, initiatives that may have been more important to governments that sought to reform social assistance policy in the direction of labour market participation rather than protect vestiges of 1960s welfarism.

Indeed, these very possibilities imply the necessity of moving beyond assessments of degree of centralization to consider the forms and content of federal-provincial interaction, and more particularly the manner in which a changed political economy is mediated and translated through the institutions of the state, including the institutions of intergovernmental relations. In the case of social assistance, this paper will argue that the context of provincial decision-making was influenced far less by the withdrawal of federal conditions than by two federal strategies. The first of these was federal expenditure control, which provided a particular set of incentives to provinces to reduce social assistance expenditures. The second of these was the development of a series of pilot projects and new initiatives whereby money was made available for provinces experimenting with welfare-to-work programming. It is of some interest that these two strategies map onto the primary explanations of the common trajectory, namely budgetary pressures from Finance and the changing ideological perspectives of the governments. In this way, one could argue that neoliberal federalism provided additional incentives that helped ensure that these governments would not follow through on their initial promises for social assistance.

Tightening the Budgetary Vice

As was noted above, the tight budgetary situations of the social democratic governments certainly contributed to quickly squeezing out the greater social rights perspective and turning towards an employability focus. As all of the governments took pains to point out in their budget speeches, the tight budgetary situation was compounded by federal "deficit shifting", and particularly reductions to federal transfers. While this is not academically controversial, it is worth emphasizing how the aspects of this deficit shifting that concerned social assistance hit the social democratic governments right at the beginning of their terms in office, and changed the budgetary calculus in terms of the share of additional social assistance costs.

For Ontario and British Columbia, the most important move was the unilateral imposition of a cap on Canada Assistance Plan (CAP) payments to non-equalization receiving provinces by the federal government, whereby such provinces would be fully responsible for fully paying for all increases in social assistance costs above five percent. In other words, the federal government would only cost-share the first five percent annual increase. Considered in terms of a "steady-state" social assistance system, this decision had clear ramifications on the cost of any benefit improvements, or of investments in the system to increase procedural fairness. However, neither Ontario nor British Columbia were in a steady state in the early 1990s, as labour market changes, coupled with in-migration in the latter case, drove up the social assistance caseload. In this instance, simply maintaining the existing system became increasingly costly, as the cyclical

pressures of a recessionary economy were compounded by having to pay the full marginal cost of caseload increases once the 5% threshold was crossed. It is not hard to see how this calculus might work within these governments to isolate those in favour of keeping their electoral commitments in social assistance, while empowering those seeking to find savings in the social assistance file through greater verification activities, or through programmes that promise to move people off the caseload and into employment.

It is generally argued that the cap on CAP was put in place largely to protect the federal treasury from rapidly increasing social assistance resulting from the Ontario Liberal government's 1989 reforms to social assistance. The popular press often plays up the contribution of the NDP government's purportedly extravagant benefit increases, but even a largely unsympathetic critic like Courchene points out that the main driver of social assistance costs in Ontario was a ballooning caseload resulting from the early 1990s recession. Had Ontario kept its existing social assistance system and not started implementing some of the SARC's recommendations, it likely would have qualified for at least $300M more per year in CAP funds than it did under the cap on CAP, and likely significantly more (Courchene with Telmer 1998, 146-147).

Without wanting to get ahead of the argument, it is worth noting that the cap on CAP did not solely work against a programme of increased benefits, but also to narrow the range of the possible in employability programmes. While the SARC's recommendations on benefits certainly required higher spending, the generous vision of "opportunity planning," where training and employment programmes involved meaningful investments in skills and were surrounded with increased rights to housing, transportation, child care and other supports, was also necessarily expensive. The cap on CAP not only served to close the door to higher benefits, but also to employability programmes that would privilege skills and personal development over immediate labour force attachment.

Saskatchewan was not affected by the cap on CAP, but other federal off-loading initiatives likewise drove up the cost of the existing system, independent of any further benefit increases. The most important measure here was the federal government's withdrawal from providing assistance to off-reserve status Indians. This added 11,550 cases between 1990-91 and 1995-96, against a total caseload of 40,390 in 1995-96) (Saskatchewan Social Services 1997b, 9). Again, in a tight fiscal situation, any decision that adds a full third to the existing caseload effectively saps whatever momentum might exist within the government for benefit enhancement.

Of the four governments, the only one where the 1995 winding down of the CAP might have had a decisive impact was Québec. Already in 1994, the federal budget had committed to ensuring that CAP expenditures were no higher in 1996 than 1994, sending a firm message to the equalization receiving provinces that they were next in line for the cap on CAP. As with B.C. and Ontario, this move meant that any additional social assistance expenses would be assumed fully by the provincial government, again at the very time that pressures for "zero deficit" were coming to the fore in the province.

Agenda-Setting

If federal deficit shifting provides a plausible explanation for the loss of momentum for an agenda of expanded social rights, it nevertheless does not explain the

emphasis on employability programming, especially since such programming involves greater expense. Indeed, in a situation of high unemployment, it is hard to see such programming (especially if it does not lead to significant skills development) leading to any savings due to substitution and displacement effects.

If the federal government placed a number of pressures on provincial budgets that particularly affected spending on social assistance, it also provided a number of incentives to overhaul provincial social assistance systems. These incentives somewhat undermine the view that the 1995 federal budget was a turning point in terms of freeing the most reactionary provinces from the constraints of national standards. They also call into question Rice's view that the CHST, in bypassing Axworthy's failed social security review, involved the surrender of a federal role in revamping social assistance and of conceptualizing the linkage of welfare to work. On the contrary, the federal government had been working with the provinces for the better part of the decade on these files, and indeed even after the CHST it continued to influence provincial action in this field.

It is noteworthy that when British Columbia and Saskatchewan moved in the early 1980s to bring in proto-workfare reforms, the federal response was not an attempt to shore up the welfarist vision that had given rise to CAP. Instead, the federal government brought forward funding to encourage experimentation with welfare to work activities within the context of the Employability Enhancement Accords. Bashevkin (1998, 31) notes that these accords are often overlooked, but can be seen as similar to the AFDC waivers granted to American states to experiment with employability programmes. They worked with the grain of the Conservative government's *Canadian Jobs Strategy*, in the sense of displacing the emphasis from job creation to improving employability through skills development for targeted client groups (Prince and Rice 1989). They provided political cover to provincial governments already moving in the direction of punitive workfare reforms, but they served an agenda-setting and capacity-building role in other provinces that had not previously done much activation or had ceased drawing "employable/unemployable" distinctions.

The Employability Enhancement Accords were but the first in a series of programmes whereby the federal government set the agenda in social assistance programming and encouraged the provinces to develop specific capacities. In the early 1990s, it developed two significant pilot projects, namely the NB Works Demonstration Project, run in cooperation with New Brunswick, and the Self-Sufficiency Project, run in cooperation with New Brunswick and British Columbia. NB Works was the higher profile project, although its claim to be a "demonstration project" now looks like a deliberate deception given the somewhat slipshod research methods employed and the disinterest in making the results widely accessible. While vigorously criticized at the time, NB Works involved a degree of investment in the education, training and placement of social assistance recipients over an extended time frame that to my knowledge has not been matched on the same scale since in Canada. The idea was to allow recipients to develop sufficient skills to be able to earn family supporting wages on the labour market. The Self-sufficiency project, in turn, evaluated whether providing extensive wage supplements to single mothers who found full-time employment might reduce their use of social assistance and increase their rates of participation in paid work. In both cases, the federal government signaled that it considered the "welfare wall" (i.e. the discrepancy between welfare incomes, particularly in households with children, and going wage rates

at the lower end of the labour market) as the policy problem requiring attention, and it funded projects extending the repertoire of possible solutions.

This agenda setting and capacity building role was continued with the *Strategic Initiatives* programme announced in the 1994 budget. Although the programme's original budget of $800M (over 2 years) was cut back to $413 in 1995, it funded 24 projects reaching roughly 100,000 people. The programme encouraged pilot projects that tested new approaches to employment, training, apprenticeship, income support and services. It specifically emphasized initiatives dealing with obstacles to employment that were believed to create long-term dependence, and tried to create partnerships between orders of government as well as between the public, private and nonprofit sectors. These initiatives had immediate relevance for the active programming being promoted by the federal government as part of its reforms to unemployment insurance, but they also spoke to similar labour market programmes being developed by the provinces for their social assistance recipients (Yates 1995).

Two further federal actions served to further embed this direction in social assistance programming. The first was the negotiation and signing of the Labour Market Development Agreements with the provinces in the 1996-1998 period. While usually portrayed as a devolution of federal power, the negotiations served to develop good will and new partnerships between federal and provincial officials, and the agreements are fully within the employability mindset. They in fact point in the direction of further integrating the administration of the employability portions of Employment Insurance and social assistance. Within the realm of employability, the agreements' performance indicators (numbers served, number returned to work, savings to the EI account) favour serving large numbers of clients and placing them in the first available job over more involved interventions that might offer recipients skill development (Klassen 2001, 177, 193). The second action was the development of the National Child Benefit (NCB) programme. As Boychuk (2003, 286) has argued, the NCB continues to define the agenda of social assistance reform around labour force attachment and the related questions of work incentives and breaking down the "welfare wall." It likewise proposes solutions, in terms of income supplements, work incentives, employability, and a thin sprinkling of early childhood services.

With the exception of the Quebec case, these last two actions occurred after the change of direction in social assistance policy. Nevertheless, they do highlight that the federal government was not a passive bystander in the shift in social assistance policy, and that the end of CAP did not represent an abdication of federal influence in provincial social assistance policy, so much as a confirmation of its change of vision. More broadly, the various agenda-setting initiatives surveyed in this section, coupled with the federal governments more general influence on labour market policy through its unemployment insurance reforms, point to a federal role in prodding the provinces along the employability path. In a period where money for general social assistance was not forthcoming, due to the cap on CAP and later the CHST, some funds were always available for provinces willing to experiment with employability, creating incentives for participation. We can presume that these pilot projects contributed to shaping problem definitions in provincial administrations and to developing administrative capacities in welfare-to-work programming. This is not to make a strong claim about these initiatives being necessary or sufficient conditions, but simply to suggest how they contributed to

encouraging the provincial social democratic governments to change their policy stance in social assistance from a broader social rights perspective to an employability focus.

CONCLUSION

This paper has raised the question about how "neoliberal federalism" may have affected attempts by provincial social democratic governments to reform their social assistance systems in the early 1990s. The similarity in the social assistance trajectories of these governments suggests that structural factors are at work. While arguments about the role played by the doctrine of sound finance (and more broadly by the social actors propounding this doctrine as the sole metric of successful governance) and by the ideological transformations of these parties are largely persuasive, it is worth considering how these forces played out through existing governance institutions in order to work their effect.

This paper has suggested that most of the existing work on federalism and social assistance reform is too focused on the CAP, and is too quick to draw easy correlations between "degree of centralization" and progressive policy outcomes. Instead, it has probed how the federal government's actions in this period provided a series of incentives to the provinces, and suggested how these incentives were likely to influence the policy course taken by the provincial governments. More specifically, through its moves to offload social assistance expenses onto the provinces, the federal government made it more rather than less likely that provincial governments would focus on social assistance expenses in their restraint exercises, and certainly not embark on attempts to expand social rights. At the same time, the federal government provided incentives for provinces to define their social assistance systems around employability programmes and develop policy repertoires in this light. In short, the federal government put into place a series of contextual incentives that favoured the displacement of a social rights perspective with an employability one. While the argument about incentives makes what I consider very plausible inferences, a more convincing empirical analysis would require extensive interviewing with senior officials and former cabinet ministers in order to demonstrate that these structuring effects were truly in play and to assess the importance of these incentives relative to other factors.

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