POLITICAL LEADERSHIP AND THE PROCESS OF POLICY-MAKING: THE CASE OF UNEMPLOYMENT INSURANCE IN THE 1970'S

by

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Political Leadership: The Case of Unemployment Insurance in the 1970's

Abstract

The findings of this thesis are somewhat at variance with the literature on Canadian public policy. The literature tends to accord primary importance in the federal policy-making process to forces such as political parties, bureaucratic groups, pressure groups, and the provinces. This study demonstrates that the political leadership of an individual cabinet minister and, subsequently, the political leadership of the government as a whole were of primary importance in the development of unemployment insurance policy in the 1970's. The policy interests of political leadership took precedence over those of other forces in the policy-making process. Moreover, the input of other forces with the exception of political parties, was negligible. Political leadership required the support of sympathizers within the major political parties to exercise leadership functions of surveillance and legitimation.

Bryce Mackasey, who introduced a new program in 1971, carried out these leadership functions so effectively that he became an agent of policy reform. Mackasey exercised surveillance over the policy-making activities of his public servants and legitimized the scheme to opponents within the major political parties, other bureaucratic groups, and the provinces. However, during the amending process, the government as a whole was not required to exercise surveillance but it successfully legitimized its policy interests to the same forces.

Résumé

Dans une certaine mesure, les conclusions de cette thèse ne concordent pas avec la documentation établie au sujet de la politique d'état canadienne. Au niveau de l'élaboration de cette politique fédérale, cette documentation a tendance à considérer comme capitale l'influence des partis politiques ainsi que celle de la fonction publique, des groupes de pression et des provinces. La présente étude démontre au contraire que la direction politique d'un ministre de cabinet et par conséquent, celle du gouvernement dans son ensemble ont joué un rôle majeur dans l'établissement d'une politique de l'assurance-chômage dans les années '70. Au cours de sa phase d'élaboration, les intérêts de principe des dirigeants devancèrent ceux des autres forces en cause. D'ailleurs, l'apport de ces influences autres que celle des partis politiques était négligeable. Afin d'exercer les fonctions de surveillance et de légitimation, il a toutefois fallu que les dirigeants se cherchent l'appui de sympathisants au sein des principeaux partis politiques.

M. Bryce Mackasey, qui présenta un nouveau plan en 1971, le réalisa de manière si efficace qu'il devint l'un des agents de la réforme politique. M. Mackasey a exercé la surveillance des activités d'élaboration auprès de ses fonctionnaires et il en a légitimé la structure auprès des forces d'opposition, notamment les principaux partis politiques, les autres corps de la bureaucratie, les groupes de pression et les provinces. Toutefois, le gouvernement n'était pas tenu d'exercer une surveillance au cours de la phase d'amendement, mais c'est avec succès qu'il a légitimé ses intérêts auprès de ces mêmes groupes.

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Preface/Acknowledgements

The main conclusion drawn from this thesis was unexpected. Political leadership was not even included among the forces that were to be evaluated in terms of their impact on the development of unemployment insurance policy in the 1970's, when the thesis was still a proposal. Nevertheless, the main conclusion presented here is that the political leadership of an individual cabinet minister, Bryce Mackasey, and, subsequently, the political leadership of the government as a whole were the most significant forces in shaping unemployment insurance policy in the 1970's. The conclusion largely justifies the thesis as a contribution to original knowledge in the political science discipline. There has been a dearth of systematic studies on political leadership. Professor Paul Fox underscored this point in his 1980 *Presidential Address* to the Canadian Political Science Association in which he stressed the need for studies of political leadership. Furthermore, there has been an obvious need for such studies within the Canadian political context. However, the research that formed the basis of this thesis was, from the outset, intended to make other contributions to knowledge.

When I was taking graduate courses in the Department of Political Science at McGill University, several instructors urged students to make contributions to political science knowledge by evaluating existing generalizations in the field.

Their advice, which is often repeated in the methodological literature, was based on the assumption that a solid body of political knowledge could only be formed by practicing "normal science." Most of the chapters in this thesis have been designed on the basis of that sound advice. Secondly, Canadian studies of policy-making have customarily focused on the role of a single force such as political parties, pressure groups, bureaucratic groups, or the provinces, in the federal decision-making process. This thesis attempts to contribute to a growing trend which seeks to relate and compare the impact of various forces on policy-making processes. Finally, the study of unemployment insurance policy in the 1970's in itself constitutes a contribution to original knowledge. The unemployment insurance program has consumed a sizeable portion of government expenditure in the decade. In addition, the program has been a source of considerable political controversy since the reformed Act was introduced in 1971. Although analyses of certain aspects of the new program have become growth industries for economists, this is the first thorough examination of the policy from a political scientist's perspective.

Interviews with politicians, public servants, and representatives of pressure groups divulged the unexpected to me. During the course of these interviews, my attention was drawn to the significance of political leadership in the unemployment insurance policy-making process as well as to a plethora of

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Finally, I wish to thank Dean Karl Kuepper and the Divisional Chairpersons of Bishop's University for providing me with a generous typing grant. Heather Thorne typed the thesis with her usual efficiency.

I shall add the usual caveat found at the end of most acknowledgements: the sole responsibility for the interpretations and statements of fact found in this thesis rest with the author.

A Chronology of Major Unemployment Insurance Legislation Since 1971

1971 - Bill C-229/*The Unemployment Insurance Act, 1971*

Main features:

- Repealed and replaced the *Unemployment Insurance Act, 1955*.
- Extended coverage to 96% of the labour force.
- Increased benefit rates and provided that benefit duration be determined by the number of weeks of insurable employment and regional and national employment levels.
- Reduced the qualification period and the waiting period.
- Provided sickness, maternity, and retirement benefits.
- Provided for the automatic indexing of benefits and provided that benefits be taxable.
- Calculated contributions and benefits on the basis of a percentage of insurable earnings.
- Provided that employer/employee contributions cover the costs of regular unemployment when the unemployment rate was less than 4% and the costs of special new benefits.
- Provided that the government pay the costs of all extended benefits and the excess private sector cost when the unemployment rate exceeded 4%.

Effective January 2, 1972

1973 - Bill C-124/*An Act to Amend the Unemployment Insurance Act, 1971*

Main feature:

- Provided that the sum authorized for the purposes of the Unemployment Insurance Act in the fiscal year ending March 31, 1973, be deemed an advance and not an appropriation and repayment be charged to the Unemployment Insurance Account in the Consolidated Revenue Fund.

Effective February 8, 1973

1973 - Bill C-225/*An Act to Amend the Unemployment Insurance Act, 1971*

Main feature:

- Provided for the disqualification of employees who had left their jobs "without just cause."

Withdrawn October 1973

1975 - Bill C-69/*An Act to Amend the Unemployment Insurance Act 1971*

Main features:
- Withdrew coverage from those aged 65 to 70 years of age.
- Reduced the special benefit rate for claimants eligible for extended benefits with dependants.
- Extended the qualification period and maximum benefit period to claimants on training courses, in prison, or on Workmen's Compensation, or incapacitated for work due to illness, injury or quarantine.
- Reduced the government's contribution for the costs of initial benefits due to an unemployment rate in excess of 4% and substituted a formula by which government contributions would be calculated according to an eight year moving average of unemployment.

Effective January 1, 1976

1977 - Bill C-27/*Employment and Immigration Reorganization Act*

Main features:
- Established the Department of Employment and Immigration, the Canada Employment and Immigration Commission, and the Canada Employment and Immigration Advisory Council.
- Increased the qualification period.
- Restructured and lowered benefit duration.
- Authorized developmental uses of unemployment insurance funds for job training, job creation projects, and work sharing arrangements.

Effective August 15, 1977

1978 - Bill C-14/*An Act to Amend the Unemployment Insurance Act, 1971*

Main features:
- Introduced more stringent eligibility rules, especially for repeaters, and implemented a 10 to 14 week variable entrance requirement.
- Reduced the rate of benefits.
- Required high income recipients to repay a proportion of benefits received.
- Provided a new financing formula with the private sector assuming a greater share of the costs.

Effective January 1, 1979

1980 - Bill C-3/*An Act to Amend the Unemployment Insurance Act, 1971*

Main features:

- Extended the 10 to 14 week variable entrance requirement until June 1982.
- Provided that the costs of administering the program would be derived from private sector contributions.
- Revised minimum insurability requirements.

Effective July 1, 1980

Chapter 1

Political Leadership and the Process of Policy-Making

To The Honourable Bryce Mackasey

Not so long ago, as a result of a Cabinet Decision,
A nobleman, a Graduate of the Montreal Irish section,
Was named responsible for the complete revision,
Of the Unemployment Insurance Act and of its Commission.

With vigour, enthusiasm, and Irish charm, we all say,
He took on the task of preparing without delay,
The revision of the Act which he tabled humbly,
As a White Paper, which truly reflected his humanity.

He worked very hard to make the Act a reality,
And it is now Canada's own individual policy,
Dealing with the unemployment situation effectively,
"The best in the world," he will often say.

Of course there are some concerns, and he agrees;
But, as he has so often explained, he foresees,
That the basic philosophy of the Act and its policies
Will continue to meet the needs of the best of societies.

It is with sorrow and regret that we accept,
Your decision to leave the Cabinet.
We all enjoyed working with you from the outset
And a long and happy life for you and yours we all bet.

From the Commission and its staff.
November 29, 1972

Written in script and suitably framed, the poem is prominently displayed in Bryce Mackasey's office which is located in the Center Block of the Parliament Buildings. The poem was composed by members and staff of the Unemployment Insurance Commission as a tribute to Bryce Mackasey when he vacated the Manpower and Immigration portfolio following the 1972 election. Whatever its other literary merits or demerits, the poem is pithy; it singles out an individual cabinet minister, Bryce Mackasey, as the main driving force behind the reform of unemployment insurance policy in 1971. If a sequel were written,

it is highly likely that the government as a whole would be held responsible for the development of unemployment insurance policy during the remainder of the decade. The proposition that political leadership, Bryce Mackasey and, subsequently, the government as a whole, was primarily responsible for the development of unemployment insurance policy during the 1970's, is the subject of this thesis. However, the purpose of this chapter is threefold: to explore the concept of political leadership; to analyze the relationship of political leadership to other input factors in the policy-making process and; to describe the methodology used in the research.

Political Leadership

Studies of political leadership usually begin with a lament that while the phenomenon is widely recognized as an important factor in the policy-making process, it has not received the scholarly attention that it deserves. It may well be that leadership is a far too obvious propellant of policy-making activity or that political scientists are far too ready to dismiss the obvious. Paige posits a plausible and related explanation for the dearth of substantive leadership studies in western democracies with a succinct proposition: "The more authoritarian-coercive the polity, the greater the propensity to exaggerate (leadership); the more representational-consensual the society, the more the underestimation."[1] From Paige's perspective there is an unwillingness to concede that political

leadership is a significant factor in democratic political processes, given the pejorative connotations, such as omnipotence and omnicompetence, generally associated with that term.[2] Indeed, the subtle negative implications of the term "leadership" appear to stem from Weber's early designation of exceptional individual capabilities as "charisma," a mystical quality, that is, a "gift of grace" that binds the led to the leader.[3] Thus, leadership studies have largely, but certainly not always, been reserved for the mythical great man.[4] James MacGregor Burns alludes to the prevalent preoccupation with politics as "power" as the source of the neglect of leadership studies. Thus, he remarks that "viewing politics *as* power has blinded us to the crucial role of power *in* politics and hence to the pivotal role of leadership."[5] Leadership involves power but it is much more than that, which takes us to yet another explanation that accounts for the relative lack of leadership studies: the difficulty of defining the concept.

In 1945 Charles E. Merriam wrote that "the precise nature of political leadership is one of the most difficult problems in the domain of politics, or indeed, in social action, yet it is one of the most real phenomena in political and social behavior."[6] More recently, James MacGregor Burns reiterated the difficulties encountered in attempting to achieve definitional clarity by remarking that "leadership is one of the most observed and least understood phenomena on earth."[7] And Robert C. Tucker

adds that "perhaps the great difficulty of conceptualizing leadership helps to explain why many political scientists still prefer the seemingly more manageable project of analyzing politics -- and leadership itself -- in power terms."[8] Other students of leadership have devoted considerable effort to classifying various types of leadership because typologizing is commonly thought to be a preliminary stage to arriving at a general definition of that term.[9] Despite their efforts, they have been unsuccessful in compiling an acceptable and general set of characteristics which sets leaders, of whatever type, apart from non-leaders. Therefore, a conclusion which is common to most leadership studies is that leadership qualities may only be determined subjectively within the context of particular situations; in other words, each leadership phenomenon is *sui generis* or to use the popular lexicon, "situational." Nigro aptly sums up the state of the art on leadership by citing the comments made by Cartwright and Zander over two decades ago. Their emphasis on the "situational" nature of leadership still holds today:

> On the whole, investigators in this field are coming to the conclusion that, while certain minimal abilities are required of all leaders, these are also widely distributed among non-leaders as well. Furthermore, the traits of the leader which are necessary and effective in any one group or situation may be quite different from those of another leader in a different setting. This conclusion, if adequately substantiated, would imply that the selection of leaders must consider a man's suitability for the type of functions he is to

> perform in a given situation and it would raise questions about the desirability of formal arrangements which maintain the responsibilities of leadership in the same person regardless of the changing task of the group and the changing requirements upon leaders.[10]

The message is abundantly clear: the most effective way of operationalizing leadership, which is generally understood to be "a process of human interaction in which some individuals exert or attempt to exert, a determining influence upon others," is to abstract leadership qualities from particular case study situations.[11] Seligman points to four areas for profitable leadership research: recruitment studies, studies of reputational dimensions, studies of the techniques of leadership, and specific case studies of leadership functions in "typologically expressed political situations."[12] After due consideration of each, Seligmann concludes that "the approach which we find most useful is the one that centers always on the power and policy context of political leadership behavior."[13] Seligman, thus, recommends studies which delineate leadership qualities in the policy-making process and which assess the impact of these qualities on policy outcomes. Moreover, Seligman calls for studies that trace leadership qualities in a variety of policy case studies of a similar type so that the construction of sets of general leadership characteristics for particular leadership subtypes may be facilitated. Recruitment studies highlight socio-economic determinants of leadership. Reputational studies are useful in identifying leadership *per se* in small communities.

However, case studies of the techniques and functions of leadership are fruitful areas for discovering how leadership may be operationalized.

There is little agreement on the direction that leadership studies should take. In his *Presidential Address* to the Canadian Political Science Association in 1980, Paul Fox contends in a somewhat optimistic overstatement that studies of leadership have now passed the stage of attempting to discern the distinguishing personality traits of leaders.[14] They have now entered a stage of interactional or transactional analysis, that is, a stage which examines the relationship between political leaders and other groups. Fox, like his American predecessors, suggests that leadership is situational because "no two leaders are identical and historical occurences can hardly be replicated accurately."[15] However, unlike Seligman and unlike others who call for a wide variety of approaches to the study of leadership, Fox appeals for a definite focus, "hegetology."[16] Hegetology focuses on the psychological motivations underlying leadership activity. Although Fox and Seligmann both urge that leadership studies be firmly rooted in the policy-making process, each essentially emphasizes a line of inquiry which is an opposite side of the same coin. Perhaps the analytic distinction drawn by Frohlich and Oppenheimer best clarifies the dilemma.[17] They point out that the analysis of individual choice involves two related tasks: first, specifying

how individuals choose and, secondly, identifying some of the implications for political processes and actions.[18] The first task roughly corresponds to Fox's hegetology. The second task, which involves an analysis of a leader's interaction with his environment and policy groups as well as an assessment of the impact of this interaction on public policy as a whole, corresponds to the research direction that Seligman advances. The tasks are not mutually exclusive. However, each task manifests a different theoretical thrust. The first emphasizes *why* leaders make the choices that they do by examining psychological variables; less stress is placed on *how* leaders go about achieving their objectives. The second task, which concentrates on the external dynamics of leadership, reverses the emphasis. It is this second task which will be pursued in this thesis.

There are two reasons for choosing this direction, one theoretical, and the other practical. First, an assessment of the *how* of leadership logically precedes an evaluation of the *why* of leadership. A full understanding of the psychological motivations governing leadership activity presupposes a description and analysis of leadership activity. Secondly, the starting point for this thesis was to assess and weigh the input factors which shaped unemployment insurance policy in the 1970's. Initially, attention was focused on factors that are traditionally considered to be the main input variables in the policy-making

process.[19] However, a thorough investigation of the evidence led to the conclusion that political leadership was the most important factor in the development of the policy throughout the decade. Bryce Mackasey's leadership was primarily responsible for the initiation and implementation of the new scheme. His leadership was superseded by the collective leadership of government during the amending process. The intention was not to analyze the internal dynamics of leadership but rather to investigate the roles and relationships of a host of input factors in the policy-making process from which, with little foresight, political leadership emerged as the most important.

The Relationship of Political Leadership to Circumstances and Political Institutions

A distinction has been drawn between individual and group political leadership, that is, between Mackasey's leadership and governmental leadership. The conceptualization of governmental leadership used here is similar to Cairns' notion of "institutionalized government."[20] Cairns' notion refers to "a sphere of political and bureaucratic existence differentiated from other spheres of collective life."[21] According to Cairns, governments place "high priority" on their own long-term interests and seek to realize their interests in competition with other input factors in the policy-making process. Thus, individual and group leadership may be distinguished largely

on a numerical basis, for both attempt "to exert a determining influence on others."[22] Moreover, in the case of the development of unemployment insurance policy in the 1970's, Mackasey and the government presented a common image in exercising similar leadership functions.

Paige enumerates an extensive list of images of leadership derived from the experiences of political leaders; the images range from "leadership as implementation of creative imagination" to "leadership as creative brutality."[23] The image that best suits the leadership phenomena to be analyzed is "leadership as decision and persuasion."[24] In lieu of providing an abstract definition, Paige cites two leadership personalities to provide a sense of what is meant by this dimension of leadership. The first one cited is Dwight D. Eisenhower who remarked that "leadership is the ability to decide what is to be done and then to get others to do it." The second is Harry S. Truman who asserted that "a leader is a man who has the ability to get other people to do what they don't want to do and like it."[25] The terms "legitimation" and "surveillance" will be used here to summarize the conceptual thrust of these statements. Legitimation involves generating widespread support for a policy objective and neutralizing the demands of groups opposed. Surveillance, which is related to legitimation, involves taking advantage of circumstances conducive to the realization of a policy objective; it also involves an ability

to criticize, scrutinize, and refine policy objectives. Subsequent chapters illustrate the nature of Mackasey's and the government's legitimation and surveillance activities in the context of a framework provided by Lewis J. Edinger.[26]

Edinger suggests a variety of frameworks that are useful in guiding studies of leadership in the context of selected concepts. The cognitive map that he recommends as a framework for analyzing leadership within the context of policy-making, will be employed here.[27]

Concept	Definition	Operational Criteria	Illustrative Data
Policy-making	The process of choosing among alternative goals, decision-makers and courses of action.	a) The ingredients which enter into the process.	a) Extent of available information, perceived goals and capabilities, emotions, time pressure.
		b) The interaction process between relevant agents.	b) Rules and interpersonal relations in legislative, judicial, and administrative bodies.
		c) The relationship between policy inputs and outputs.	c) Comparing demands articulated by voters, interest associations, foreign governments with behavioral response of policy-makers.

The "ingredients" which enter into the policy-making process and which interact with leadership, that is, factors which impinge upon or enhance leaders' abilities to realize policy goals, are sardonically and broadly identified by Robert Craig

Brown:

> Our political institutions, our history and contemporary circumstances, create restraints upon and offer opportunities for initiative and innovation by our political leaders. But institutions, history, and circumstance are their chamber pots of fortune. How did they with their unique personalities respond when the chamber pots tipped? This is the most important question in our inquiry. Did they smile or curse the gods?[28]

Political institutions and circumstances are generally considered to be the forces that mould public policy. Simeon has remarked that policy studies which focus on political institutions as a source of policy-making activity, tend to neglect the effects of socio-economic circumstances and *vice versa*.[29] He might have added that both approaches rarely take individual leadership into account. Autobiographies and biographies of Canadian political figures do combine leadership, political institutions, and socio-economic circumstances and usually connect them to policy outcomes at the most general level.[30] However, they also tend to be "idiographic" in orientation, which means that they have bequeathed richly detailed but atheoretical legacies to students of leadership.[31] Moreover, such studies have largely been confined to those at the apex of power, prime ministers or very senior ministers, who have left far-ranging and broad impacts on a multiplicity of overlapping policies.[32] Political leaders of a more modest stature have not received the scholarly attention that they deserve in light of their particular policy achievements. It

seems that the recognition given to prime ministerial powers, the norm of cabinet solidarity, and rigid party discipline, has obviated the need for studies of middle-ranking ministers.

"Political leadership" is not a term which is generally used to characterize the policy-making activities of government as a whole. However, several recent studies imply that it should be. Political scientists have begun to restore the tradition of viewing government as an independent variable in the policy-making process.[33] Moreover, political scientists have also begun to renovate the institutional approach. Government is not only examined in isolation; it is also examined in relation to other ingredients, especially other political institutions, in the policy making process.[34] Canadian political scientists have been in the forefront of this renewal but their efforts have largely been devoted to analyzing the role of the bureaucratic component of government as independent policy-maker;[35] the political component and its relationship to other political institutions, requires more attention than it has been given. Thus, the relationship of governmental leadership as well as individual political leadership to the cornucopia of ingredients in the policy-making process, requires fuller exploration.

Circumstances: The social, economic, and political circumstances which shape public activity have attracted a great deal of attention from political scientists. Bird has extensively reviewed the relevant literature and he concludes that "the

problem is not that there are *no* explanations of the growth of government in Canada since the war; it is rather that there are too many explanations, each one of which probably contains both some truth and some misleading elements (in an undetermined mixture) and all of which combined seem, in the end, to explain more than appears actually to have happened."[36] However, some of the prominent theories related to the expansion of public activity, and especially to the growth of social security policy activity, require examination here.

Public demand, perhaps the most nebulous of circumstances, has been cited as a major determinant of public policy activity, or, to use the quantifiable counterpart, public spending.[37] Proponents of the theory also provide a convenient, if overly simplistic, response to Edinger's third operational criterion, "the relationship between policy inputs (public demand) and outputs:"[38] since every group places demands on the public purse, every group benefits. Thus, according to Peters and Rose, "in the contemporary welfare state, citizens cannot be divided into Us and Them, that is, those who draw benefits and those who pay taxes. That is its political strength; the welfare state provides something for everybody."[39] That some may derive more than others from the welfare state is not seen as an issue. Adherents to the theory go on to suggest that as governments have continued to respond to new and increasing demands, an intricate web of dependency relationships have

evolved between the keepers of the public purse and private groups.[40] Public demand threatens to overload governments due to the costs and complexity of this plethora of dependency relationships.

The demand *cum* "overload" thesis does not explain how public demands are transmitted and converted into public policies, a limitation that it shares with theories of the political culture *genre* which purport to explain social welfare policy-making activity in Canada. Bryden singles out an all-pervasive "market ethos" as a constraint on social welfare policy-making activity while Manzer points to "human needs" as a stimulus.[41] Public opinion polls are also used to gauge demands and attitudes pertaining to social security policy. Leman's comparative analysis of social security policy in Canada and the United States draws similarities between broad ideological currents in both countries and uses public opinion polls to demonstrate common attitudes towards social policy issues.[42] Nevertheless, Leman is reluctant to link these similarities to common patterns of aggregate social security expenditures. He concludes that the influence of political culture is diffused through political institutions. Political institutions offer policy packages which differ in their scope, structure, and generosity, in addressing similar social problems. Leman asserts that "issues must be filtered through institutions."[43] Indeed, political culture does matter insofar

as political institutions and individuals recognize the cultural and attitudinal restraints that may be imposed on their activities.

A variety of other major themes developed within the neo-Marxist framework have employed broad social and economic circumstances to explain social security policy-making activity. Gough contends that the ever-changing constellation of class forces has affected social security spending during the last several decades.[44] The capitalist state has recognized the increased strength of labour by passing social security legislation while simultaneously attempting to maintain the long-term interests of capital. Its inability to balance these contradictory and conflicting interests has culminated in a new phenomenon, slumpflation. In a similar vein, Fox-Piven argues that pressure from labour or, at least, from the unemployed, has moved the state to enter into new social security spending commitments.[45] During recessionary periods, new programs emerge by vitue of the intention of the state to "regulate the poor," that is, to mitigate discontent and to legitimize capitalism. The applicability of these interpretations in the Canadian context is questionable. In the 1960's and 1970's, social security programs were reformed in Canada without any obvious pressure from labour. Unemployment insurance policy is a case in point: in lieu of any government activity in this area during the 1960's, unions had begun to adopt a posture of

self-defence by negotiating Supplemental Unemployment Benefits (SUBs) through the collective bargaining process. Furthermore, labour discontent was not apparent in the 1960's, but when it did surface in the recessionary 1970's governments actually began to curtail social disbursements.

Finally, from the neo-Marxist perspective, O'Connor points to the *modus operandi* of capitalism as a determinant by analyzing policy outcomes. His analysis leads him to the conclusion that policies, including social security policies, are designed to facilitate capitalist accumulation and to legitimize that accumulation.[46] Banting, however, raises a major shortcoming of this and similar radical theses: they are incomplete because they fail to distinguish between the causes and consequences of social policy.[47] Social security policies may well end up as sops to workers and as legitimizations of capitalism "but this does not automatically explain why such policies were introduced in the first place or expanded thereafter."[48] Once again the conclusion must be drawn that circumstances are important but that a close examination of political processes is required in order to determine how political institutions and leaders perceive them and translate them into policies.

Cameron has made an earnest and highly successful attempt to link circumstances to political institutions, if not to political leadership.[49] Cameron breaks with the tradition of socio-economic determinants theorists by not restricting his

analysis to a consideration of just the demographic and economic variables that correlate to the expansion of the public sector; he also evaluates the role of institutional factors. In his comparative survey of 18 nations, including Canada, from the 1960's to the mid-1970's, Cameron evaluates the relationship of five quantifiable factors to the expansion of the public economy. These factors, which are most frequently held accountable for public sector growth in the policy science literature, include economic growth, the tendency to rely on indirect taxes rather than direct taxes, competitive as opposed to non-competitive political systems, unitary as opposed to federal political systems, and economic dependency. The fifth factor, economic dependency, is designated as the variable that accounts most for increased public sector growth. The explanation runs as follows: "open" or economically dependent nations tend to be characterized by a high degree of industrial organization and concentration which facilitates the formation of large collective organizations. In other words, large firms and big unions each tend to organize into sizeable national confederations; this, in turn, widens the scope for collective bargaining. By virtue of their own bargaining strength and by virtue of their electoral alliances with political parties, labour confederations are able to extract social policy concessions. Cameron, therefore, claims that "whether they act as representatives of organized labour or as allies of

government...the existance of strong labour confederations tend to produce the same effect -- an unusually large income in publicly funded income supplements. And this, in turn, requires a considerable expansion in the scope of the public economy."[50]

Comparative generalizations tend to overlook the nuances of individual political systems, Cameron's conclusion notwithstanding. The Canadian labour movement remains highly fragmented along regional lines.[51] Labour confederations have not been inclined to forge long-standing alliances with parties in power, except at the provincial level. Both of these factors have reduced labour's bargaining scope at least at the federal level. In addition, in the last two decades, the Canadian Labour Congress has been rather timid about mounting any sustained pressure for qualitative social change. Nevertheless, in Chapter 4 it will be demonstrated that political parties have, at times, been sensitive to the needs of labour in order to garner support. But this suggests that government has been a key independent variable which has interacted with other political institutions in order to make policies. However, the strength of Cameron's thesis lies in tying social and economic circumstances to political institutions. Circumstances are major ingredients in the policy-making process, but as Edinger's organizational format suggests, circumstances are important in terms of the ways in which political

institutions perceive them and then interact with each other to arrive at policy outcomes. It is simply not enough to suggest that political institutions are inexorably moved by circumstances and that government inevitably responds to the conduits of circumstances, political institutions.

All of the above theories fail to acknowledge the roles of individual political leadership and governmental leadership in the policy-making process. At best, government is regarded as a responsive mechanism which absorbs changing social, economic, and ideological circumstances into new policy alternatives. Even if that were the case -- and it is the contention of this thesis that it is not -- then it would be worthwhile to determine how policy-makers see the objectives of their policies as responding to circumstances. Thus, the purpose of Chapter 2 is to ascertain how Mackasey and the government, in turn, perceived the objectives of unemployment insurance policy in relation to new social, economic and ideological circumstances. Chapter 2, therefore, provides part of the illustrative data, the "extent of available information, perceived goals and capabilities," that Edinger deems as necessary to understanding the role of leadership in the policy-making process.[52] The remaining chapters, which focus on leadership and political institutions, provide the other illustrative data.

Political Institutions: In the Canadian policy science literature political parties, public servants, interest groups,

and the provinces are identified as the political institutions that customarily participate in federal policy-making activities. Individual political leadership and governmental leadership are also identified as agents of policy change in this case study. Therefore, Chapter 3 to Chapter 7 will assess "the interaction process between relevant agents" and evaluate "the relationship of policy inputs to policy outputs."[53] In other words, these chapters will examine the role of political leadership in the policy-making process as well as the relationship of federal political leadership to political parties, public servants, pressure groups, and the provinces.

The role of political leadership in the development of unemployment insurance policy in the 1970's is the subject of Chapter 3. The leadership roles of politicians are examined in terms of their relationships with appointed officials for two reasons. First, the functions of political leadership can best be understood against a backdrop which assesses the policy-making activities of senior officials. Secondly, senior officals are often viewed as a constraint on the policy-making activities of politicians.[54] Senior officials are accorded considerable policy-making prominence in the policy science literature due to their expertise and due to their social class backgrounds. One view designates a pressure group-bureaucratic axis as a crucial source of policy-making activity; the bureaucracy is generally conceded to be the dominant partner in the

relationship because of its location at the center of the policy-making process and because of its ostensible monopoly on technical knowledge.[55] From Galbraith's perspective, technostructures exercise a certain policy-making autonomy by virtue of their technical expertise, which is viewed as qualitatively superior to the general interests that may circulate in any organization.[56] Some radical theorists view the "professional-managerial" class, which includes public servants, as a buffer and arbiter of the conflicting interests of labour and capital because of its middle position in the social class hierarchy.[57] Other theorists of a similar ilk regard public servants at senior levels as allies of capital, given similar socio-economic background characteristics.[58] All of the above may ascribe far more policy-making importance to public servants than they are due. Public officials are, after all, ultimately responsible to their ministers and, in turn, to the government as a whole. Strong political leadership may well be able to circumscribe the policy-making authority of public servants.

The nature of the policy-making relationship between appointed officials and elected leadership remains a subject of longstanding debate.[59] Chapter 3 reviews that debate and suggests that in the development of unemployment insurance policy, senior officials and political leaders formed a relationship of mutual dependence. Public officials provided the necessary technical expertise while Mackasey, and

subsequently the government as a whole, performed legitimation and surveillance functions. In short, it will be shown that political leadership assumed the responsibilities of generating widespread support for their policy activities and of scrutinizing the activities of public servants -- tasks senior officials could not and did not undertake. However, political leadership cannot necessarily legitimize policies alone. It will be demonstrated that political parties have been useful devices in generating public support for the policy activities of political leadership.

Thus, Chapter 4 investigates the role of political parties and their institutional anchor, Parliament, in the policy-making process. An era supposedly characterized by an "end to ideology" coupled with the postwar demise of parliamentary institutions has resulted in a widespread belief that political parties have little bearing on the policy-making process. Mallory points out, with a touch of disdain, that political scientists have reinforced this perception:

> In their desire to penetrate the reality of politics in a scientific way, they (political scientists) have preferred things that can be measured to things that respond only to intuitive judgement. Hence their infatuation with polls, which seek to understand what the public thinks and why it behaves politically the way it does. If the public's views can be found out by polling, then what is the use of a body of "representative" people whose business is to interpret them? Even the study of Parliament itself suffers from the same fashionable activity. One studies things that can be measured like votes, or seeks to quantify member's attitudes because it is by no means easy to measure the efficacy of what they do. It must

> now be common knowledge that the role of members of Parliament in the generation of "inputs" is minimal -- for policy is pre-digested in the bureaucracy and the cabinet -- and its contribution to "outputs" is purely formal. The House simply legitimates what somebody else has already given to it as a finished product. The House thus seems to be a sort of vermiform appendix on the political process.[60]

While Mallory proceeds to outline reforms that would make the House a far more efficacious policy-making instrument, he is also quick to admit that the popular wisdom which perceives its input role as minimal is overly harsh. Indeed, it is exceedingly difficult to precisely measure political party inputs as Mallory would have it, because intraparty and political party competition are largely based on broad, general, and conflicting principles rather than on narrow, specific, and diverse claims. Winn and McMenemy see few differences among the specific policies of the major parties while Laxer grudgingly admits that the parties have historically adopted different postures on fundamental national issues.[61] However, Heidenheimer, Heclo and Adams suggest that differences on fundamental principles filter down into different predispositions on basic policy issues.[62] Moreover, they conclude from their comparative study of the development of social policies in Europe and in America that the conflict generated by the general but conflicting values of political parties has been a crucial factor in the policy-making process. Their conclusion provides considerable insight:

> If we were to analyze in detail the roles played

> by parties and other political instruments such as interest groups and bureaucracies in the development of policy reforms, we could classify the party contributions on an ascending scale such as this: Sometimes the counterbidding of parties in elections contributes to a "higher level of public partisanship," but has little identifiable effect on the creation or adjustment of policies. At other times parties contribute by organizing predispositions and moods, facilitating the adoption of reform plans worked out by others. Party competition can also lead to unplanned searches for policy alternatives, which may turn out to be productive if linked to bureaucratic supports. In some reform struggles, finally, parties may go beyond facilitation to actual creation of policy choices.[63]

In Chapter 4 it will be argued that political parties can create a climate of public opinion favourable to new policy initiatives and that they absorb public moods into general party platforms. Innovative and industrious political leadership can create moods supportive of policy reforms within a political party or capitalize on reform minded currents. If a major function of leadership is to legitimize policies, as has been argued here, then political parties are exceptionally useful devices to assist in that legitimation, or as Heidenheimer would have it, to facilitate the adoption of a policy. In the case of unemployment insurance policy, the prevalence of a mood of reform within the Liberal Party was intensified by Mackasey and, in turn, aided the minister in initiating his reforms. Yet predispositions towards retrenchment in both major parties greatly facilitated the government's determination to reduce the excesses at a later stage. In short, it will be demonstrated that political leadership combined with or supported by political

party inputs in the loosest sense, were the main factors which shaped unemployment insurance policy in the 1970's. It will also be demonstrated that other forces which have traditionally been held to be important in the Canadian policy-making process, had, at best, a marginal input. Intrabureaucratic and interbureaucratic groups were among the forces that enjoyed little input at least initially.

Thus, Chapter 5 continues the analysis of the role of public servants in the policy-making process in a broader context by examining intrabureaucratic and interbureaucratic input. There are but a few studies to provide theoretical guidance in this enterprise. There has been a spate of studies on the structures through which Canadian public policies are processed but remarkably few of them analyze the substantive modifications that policies undergo as they pass through the maze of bureaucratic structures in a given department.[64] Thus, an outline of the structures of the Unemployment Insurance Commission and their diverse interests is provided along with an explanation of how their interests were subordinated to those expressed by Mackasey and, subsequently, by the government.

An additional aspect of bureaucratic input, interbureaucratic input, is analyzed. The emergence of superministries in the mid-1970's publicly confirmed what interdepartmental committees of senior officials had long since recognized, that departments

often have parallel or overlapping interests.[65] Finance, Justice, the Treasury Board, and External Affairs are among the politically most influential in the hierarchy of portfolios.[66] Doern points out that while Finance derives much of its influence from its budgetary clout, all of these departments have "high policy influence because of the formal authority they possess and because they afford their occupants the highest number of strategic opportunities to intervene in almost any policy issue if the occupant wishes."[67] Elsewhere, Tucker endorses Doern's assertion by noting that such agencies "form a collective infrastructure of political leadership whose duty it is to assist the constituted leaders in performing their functions of defining situations, devising policy responses and implementing these responses..."[68] Unlike Doern, Tucker fails to intimate that these agencies may also thwart the policy initiatives of individual political leaders by acting as agents of overall governmental imperatives. In the case of unemployment insurance policy, Mackasey was able to neutralize the parallel but conflicting interests of less prestigious departments and to avoid conflict with the more influential. However, his policy objectives were not able to withstand the onslaught of Finance acting on behalf of a governmental imperative to implement restraint.

Chapter 6 moves from an analysis of bureaucratic interests to an analysis of private interests. It has been claimed that pressure groups are omnipresent in the Canadian political

system.[69] However, this case study demonstrates that omnipresence does not necessarily involve much influence, especially when pressure groups are confronted with a strong political leadership. Mackasey disregarded the objections of organized business to the new scheme while the government overrode the interests of labour. Although Mackasey enjoyed the general support of labour and the government in turn enjoyed the general support of business, neither compensated their supporters by adjusting their policies to satisfy additional albeit minor group demands. It will be argued that Mackasey and the government exercised a policy-making autonomy by ignoring their detractors and by failing to reward their supporters. Private pressure groups had little input in the policy-making process, a conclusion that is rarely confirmed in the policy science literature.[70]

Finally, Chapter 7 analyzes the relationship of federal political leadership with the provinces in the development of unemployment insurance policy in the 1970's. The provinces might be expected to have had a limited impact on unemployment insurance policy, given the 1940 constitutional amendment which placed it under federal jurisdiction. However, the policy did overlap with provincial social spending priorities. Increased expenditures on unemployment insurance were expected to reduce provincial welfare expenses. At the same time, provincial contributions were expected to rise, for the

provinces, as employers, were to pay premiums for their heretofore uncovered parapublic and public sector employees. Therefore, the provinces became entwined in a federal policy-making process.

Van Loon and Whittington point out that Canadian intergovernmental relations have been characterized by omnilateral, multilateral, and bilateral negotiations.[71] They speculate that the recent trend has been towards bilateral interaction. Bilateralism may involve a "divide and conquer" tactic, the federal government bargaining and compromising with each of the ten provinces on an individual basis.[72] On the other hand, it may involve preliminary bilateral negotiation and compromise among the ten provinces, followed by bilateral interaction between the united provinces and the federal government. While Van Loon and Whittington do not allude to unilateral interaction -- the federal government merely informing the provinces of its intended policy-making activities -- they do admit that federalism "is today, and always has been, in a state of flux."[73] Their remark aptly describes the diverse findings stemming from policy case studies on federal-provincial interaction.

On the basis of several policy case studies, Simeon concludes that federal-provincial interaction was characterized by bilateralism in the double sense during the 1960's; co-operative federalism involved a reciprocal exchange of

interests in the policy-making process.[74] However, Smiley's announcement that co-operative federalism began to die in the 1970's has been supported by the contention that the federal government's lavish use of conditional grants has resulted in a bilateralism of the "divide and conquer" variety.[75] Claude Morin, a former deputy-minister and Minister of Intergovernmental Affairs for Quebec, views the federal government's fiscal leverage as a source of its unilateral approach to decision-making. He points to a wide range of examples to support his view.[76] Careless' study of federal-provincial interaction in regional economic development policy-making corroborates Morin's thesis.[77] Yet, Savoie contradicts Careless in a more recent study of the same policy.[78] Savoie contends that the bureaucratization of the policy process has resulted in a more diffuse system of interaction; he also infers that leadership is partly responsible for their divergent conclusions. Savoie does not develop the thesis but his remarks are certainly worth considering at some length for he suggest that the presence of strong political leadership involves unilateral interaction whereas its absence culminates in bilateralism:

> ...because decision making was highly centralized in Ottawa, a handful of federal personalities like Marchand and Kent had been able to exercise considerable influence on the provinces' priority determining process. In some cases writes Careless, "these powerful personalities...constituted an almost impenetrable opposition." The establishment of DREE and other reforms instituted by the then newly elected Trudeau Government during the late 1960's also gave the

> federal Cabinet greater political control over federal-provincial relations, and this in turn meant that agreements were often arrived at through political-level bargaining.[79]

It will be argued that the unemployment insurance policy-making process was characterized by unilateralism largely because the "powerful personality" responsible for the passage of the new Act "constituted an almost impenetrable opposition" to modifications proposed by the provinces. However, while Mackasey's political leadership may account for unilateralism when the new policy was introduced, it does not explain its continuation throughout the amendment process. Governmental leadership, that is, the determination of the government as a whole to pursue its own interests with respect to unemployment insurance policy, obviated provincial input. While this conflicts with Savoie's assessment of current regional economic development, it supports Banting's thesis. In his study of Canadian social security policy, Banting concludes that Ottawa is unlikely to relinquish its predominance in the field because it would lose its fiscal power, one of its main sources of legitimacy.[80] The interests pursued by governmental leadership in this case study were aimed at maintaining its fiscal solvency with respect to unemployment insurance.

Thus, the ingredients in the policy-making process have been identified. A preliminary assessment of the relationship of political leadership to other input factors in the unemployment insurance policy-making process has been provided.

The third and final component of Edinger's organization format, "the relationship between policy inputs and outputs" requires some attention.[81] This third component relates to the major purpose of the thesis, which is to weigh the influence of various forces in the development of unemployment insurance policy in the 1970's. This, of course, can best be completed, according to Edinger, by comparing the demands articulated by forces involved in the policy-making process to the final policy outcomes.

The task is not as straightforward as it might appear to be at first glance. For instance, it is argued that political party input is etched into policy in the form of moods or predispositions, not in the form of specific platforms. The relationship of such nebulous inputs to outputs may only be assessed on the basis of well-informed intuition, as Mallory would presumably suggest. However, there is another way: the influence of political leadership, bureaucratic groups, pressure groups, and the provinces as well as political parties may be determined by juxtaposing their initial articulated positions to final policy outcomes. The methodology involves a systematic comparison of policy goals and objectives as well as a great deal of well-informed intuition. Such a methodology requires further elaboration.

A Note on the Methodology

Empirically testable generalizations with predictive power are considered to be an integral component of the scientific

method. Comparative political inquiry is well-suited to the construction of such generalizations because it is cross-national and cross-cultural in scope.[82] Comparative politics is, therefore, viewed as one direct route to a science of politics.

Case studies are frequently criticized as having little to do with scientific endeavor because they do not allow for generalizations. However, such a verdict is somewhat shortsighted. Case studies may be used to test existing generalizations; the conclusions drawn from one case study may be evaluated and compared with the findings derived from other case studies. Moreover, as Anderson aptly notes, case studies have a variety of other uses; they may be employed "to provide detailed analyses of particular events, to analyze deviant cases that run counter to our generalizations and to help provide an intuitive feel for the subtleties and nuances of the policy process and the practice of politics."[83] Indeed, the rich detail provided by case studies helps to ensure that major factors such as political leadership are not relegated to residual categories;[84] case studies suggest new theories.

Although this is a case study of the development of unemployment insurance policy in the 1970's, it is not a case study that has been conducted in "idiographic" isolation.[85] Generalizations generated elsewhere are evaluated; the theoretical conclusions are compared with those of other

studies. Moreover, although it is customary to analyze the role of a single input factor in a policy case study, this study is comparative in the sense that it weighs and compares the roles of a variety of input factors. Finally, the case of unemployment insurance is unlike other case studies. Unemployment insurance expenditures comprise over 10% of federal government spending on a national accounts basis. While this does not mean that one can learn about one-tenth of public policy-making activity by studying this case, it does mean that one can learn a great deal about the policy process.

More often than not, sophisticated methodological techniques cannot be applied to policy case studies, if one is determined to learn a great deal about the policy process. The student of policy science must work with whatever information is available. In this case study, public documents, the private documents of public officials, and newspapers, have provided a major source of data. However, interviews conducted with public servants, pressure group leaders, and politicians directed this student to much of the relevant documentation and provided background information as well as insight that could not have possibly been gleaned from printed materials.[86]

Thirty interviews have been conducted since 1977. About half that number refused to be interviewed. The majority of this latter group tended to be MPs. Despite their close attachment to the policy-making process, most claimed that

their memories of events were too dim or that someone else was better qualified to appraise the policy or that they were not sufficiently well-acquainted with the dynamics of the policy. Not all of the interviews proved to be useful. Several of the respondents were reluctant to discuss matters related to a highly controversial and sensitive policy area. After checking and double checking responses with other sources, few respondents were found to be providing misinformation.

It was soon discovered that the most animated and candid interviews were those that were unstructured, that is, casual and spontaneous. Unstructured interviews allowed respondents to partly determine the contents of the interview. In other words, informants were provided with every opportunity to disclose events and issues that they considered to be pertinent to the development of unemployment insurance policy in the 1970's.[87] This flexible but systematic methodology yielded information that could not have been uncovered if a rigid interview schedule had been employed.

Conclusion

A common theme emerged from the information derived from the interviews: Bryce Mackasey's political leadership was mainly responsible for the reform of the unemployment insurance program in 1971. A second theme emerged from the interviews conducted with respondents affiliated with program changes in the post-Mackasey period: the government as a whole mainly

pursued its own imperatives or interests during the amending process. Therefore, the focal point of this thesis came to be the concept of political leadership which was then defined in terms of its legitimation and surveillance functions.

It has been suggested, however, that political leadership does not pursue its policy objectives *in vacuo*. Other forces impinge on the policy-making process. In the Canadian case, these forces or "ingredients" have been identified as political parties, bureaucratic groups, pressure groups, and the provinces. Thus, the major task addressed in the following chapters is to determine how political leadership interacted with these forces in the development of unemployment insurance policy. Before plunging into this task, Anderson's advice, to "*first* of all understand what policy makers think they are doing in their own terms," will be followed.[88] The advice is well-taken, for as Nordlinger notes, "perceptions are what matter in shaping consequent behavior."[89] We, therefore, now turn to an analysis of Mackasey's and of the government's perceptions of the objectives of unemployment insurance policy in the 1970's.

Footnotes

1. Glenn D. Paige, The Scientific Study of Political Leadership (New York: The Free Press, 1977), p. 2.

2. Ibid, p. 3.

3. See V. Seymour Wilson, Canadian Public Policy and Administration (Toronto: McGraw-Hill Ryerson, 1981), p. 24, for a good discussion of the Weberian concept of charisma.

4. See, for instance, the collection of essays in Dankwart D. Rustow (editor), Philosophers and Kings: Studies in Leadership (New York: Braziller, 1970) which focus mainly on heads of government and intellectual leadership.

5. James MacGregor Burns, Leadership (New York: Harper and Row, 1978), p. 11.

6. Cited in Robert C. Tucker, Politics as Leadership (London: University of Missouri Press, 1981), p. 10.

7. James MacGregor Burns, op. cit., p. 2.

8. Robert C. Tucker, op. cit., p. 11.

9. See Ralph M. Stogdill, Handbook of Leadership: A Survey of Theory and Research (New York: The Free Press, 1974), pp. 35-172.

10. Felix A. Nigro, "Leadership" in Kenneth Kernaghan, (editor), Public Administration in Canada (4th edition) (Toronto, Methuen, 1982), p. 120.

11. Robert C. Tucker, op. cit., p. 11.

12. Lester G. Seligman, "The Study of Political Leadership," American Political Science Review, vol. 44, December 1950, pp. 904-915.

13. Ibid, p. 915.

14. Paul Fox, "Psychology, Politics and Hegetology," Canadian Journal of Political Science, vol. 13, no. 4, December 1980, p. 684.

15. Ibid, p. 688.

16. Ibid, p. 686.

17. Norman Frohlich and Joe A. Oppenheimer, Modern Political Economy (Englewood Cliffs, New Jersey: Prentice-Hall, 1978).

18. Ibid, p. 4.

19. At the outset of the study, it was assumed that an analysis of the relationship of pressure groups to the development of the policy, would be the most fruitful course to follow.

20. Alan C. Cairns, "The Governments of Societies of Canadian Federalism," Canadian Journal of Political Science, vol. 10, no. 4, December 1977, p. 707.

21. Ibid.

22. Robert C. Tucker, op. cit., p. 11. Tucker's working definition of political leadership is used here. See p. 4.

23. Glen Paige, op. cit., p. 60.

24. Ibid, p. 60.

25. Ibid, p. 65.

26. Lewis J. Edinger (editor), Political Leadership in Industrialized Societies (New York: John Wiley and Sons, 1967).

27. Ibid, p. 6.

28. Robert Craig Brown, "Fishwives, Plutocrats, Sirens and other Curious Creatures: Some Questions About Political Leadership in Canada," R. Kenneth Carty and W. Peter Ward, (editors), Entering The Eighties: Canada in Crisis (Toronto: Oxford University Press, 1980), p. 159.

29. Richard Simeon, "Studying Public Policy," Canadian Journal of Political Science, vol. 9, no. 4, December 1976, p. 553.

30. There are a host of such studies especially on Canadian prime ministerial leadership.

31. Adam Przeworski and Henry Teune, The Logic of Comparative Social Inquiry (New York: John Wiley and Sons, 1970), pp. 5-8, discuss the distinction between the "idiographic" and "nomothetic" approaches to analyzing social phenomena. The former is a descriptive approach whereas the latter seeks to form theoretical generalizations with few, if any, references to specific objects, places, and times.

32. The one notable theoretical study on Canadian political leadership largely concentrates on the office of the prime

minister. See Thomas A. Hockin (editor), Apex of Power (2nd edition) (Toronto: Prentice-Hall, 1977).

33. Thus, according to Alan C. Cairns, op. cit., p. 706, the Canadian federal and provincial governments are "aggressive actors" which play a "steering role" in the policy-making process. In his seminal study of government as an independent variable, Eric A. Nordlinger, On the Autonomy of the Democratic State (Cambridge, Massachusetts: Harvard University, 1981), develops Cairns' thesis. Nordlinger begins his study (p. 1) with the remark that "the democratic state is not only frequently autonomous insofar as it regularly acts on its preferences, but also markedly autonomous in doing so even when its preferences diverge from the demands of the most powerful groups in civil society." Moreover, Nordlinger reviews and assesses the pluralist and neo-Marxist literature in order to demonstrate how these conceptual frameworks allow for state autonomy. Joel D. Aberbach, Robert D. Putnam, Bert A. Rochman et al, Bureaucrats and Politicians in Western Democracies (Cambridge, Massachusetts: Harvard University Press, 1981) examine the relationship of bureaucrats and politicians in five nations. Their study, which examines the attitudes of both groups towards the policy-making process, suggests an independent role for government. Their study also provides an excellent overview of the literature of the same ilk.

34. See for example, T. Alexander Smith, The Comparative Policy Process (Santa Barbara, California: ABC-CLIO Inc., 1975); Ezra Suleiman, Politics, Power and Bureaucracy in France (Princeton, New Jersey: Princeton University Press, 1974); and Ezra Suleiman, Elites in French Society: The Politics of Survival (Princeton, New Jersey: Princeton University Press, 1978). There are numerous other studies which concentrate just on the bureaucratic rather than on the bureaucratic and political components of government as the independent variable. It is significant, however, that Mattei Dogan, "The Political Power of Western Mandarins" in Mattei Dogan (editor), The Mandarins of Western Europe: The Political Role of Top Civil Servants (New York: Halsted Press, 1975), p. 20 ascribes an important policy-making role to civil servants but concedes that "the directing staffs of political parties were...the principal actors and enactors" of social reforms after the war.

35. The numerous works edited by G. Bruce Doern tend to focus on the bureaucratic component of government as the independent variable in the policy-making process. Policy studies conducted from the public choice perspective, tend to analyze both the bureaucratic and political components. See, for example; David A. Good, The Politics of Anticipation:

Making Canadian Federal Tax Policy (Ottawa: School of Public Administration, Carleton University, 1980); and Alan Maslove and Gene Swimmer, Wage Controls in Canada, 1975-78: A Study of Public Decision-Making (Montreal: Institute for Research on Public Policy, 1980).

36. Richard M. Bird, Financing Canadian Government: A Quantitative Overview (Toronto: Canadian Tax Foundation, 1979), p. 82.

37. Richard Rose and Guy Peters, Can Government Go Bankrupt? (New York: Basic Books Inc., 1978).

38. Lewis J. Edinger, op. cit., p. 6.

39. Ibid, p. 65.

40. Anthony King, "Overload: Problems of Governing in the 1970's," Political Studies, vol. 23, June-September, 1975, pp. 162-174.

41. Kenneth Bryden, Old Age Pensions and Policy-Making in Canada (Montreal: McGill-Queen's Press, 1974); and R. Manzer, Canada: A Socio-Political Report (Toronto: McGraw-Hill Ryerson, 1974).

42. Christopher Leman, The Collapse of Welfare Reform: Political Institutions, Policy and the Poor in Canada and the United States (Cambridge, Massachusetts: The MIT Press, 1980).

43. Ibid, p. 22.

44. Ian Gough, "State Expenditure in Advanced Capitalism," New Left Review, no. 92, 1975, pp. 53-92; and Ian Gough, The Political Economy of the Welfare State (London: The Macmillan Press, 1979).

45. Francis Fox-Piven and Richard A. Cloward, Regulating the Poor: The Functions of Public Welfare (New York: Pantheon Books, 1971).

46. James O'Connor, The Fiscal Crisis of the State (New York: St. Martin's Press, 1973).

47. Keith G. Banting, Poverty, Politics and Policy: Britain in the 1960's (London: The Macmillan Press, 1979).

48. Ibid, p. 3.

49. David R. Cameron, "The Expansion of the Public Economy: A Comparative Analysis," American Political Science Review, vol. 72, 1978, pp. 1243-1275.

50. Ibid, p. 1258.

51. The labour movement is also fragmented along an international-national dimension, along lines of skill, and ideology. See Robert Laxer, Canada's Unions (Toronto: James Lorimer and Co., 1976); and Joseph Smucker, Industrialization in Canada (Toronto: Prentice-Hall, 1980), pp. 169-176.

52. Lewis Edinger, op. cit., p. 6.

53. Ibid.

54. Joel. D. Aberbach, Robert D. Putnam, Bert A. Rockman, et al, op. cit., pp. 9-23, review and discuss two types of theories which posit this relationship. Chapter 3 of this thesis reviews the Canadian literature on this topic.

55. See Theodore Lowi, The End of Liberalism (New York: W.W. Norton and Co., 1969); Grant McConnell, Private Power and American Democracy (New York: Alfred A. Knopf, 1966); and A. Paul Pross, (editor), Pressure Group Behaviour in Canadian Politics (2nd edition) (Toronto: McGraw-Hill Ryerson, 1981), p. 2. Pross aptly summarizes the argument by suggesting "that the focal point for pressure group activity in this country (Canada) is the civil service, which in turn tends to dominate the ensuing relationship."

56. John Kenneth Galbraith, The New Industrial State (New York: Mentor, 1971), pp. 74-84.

57. Pat Walker (editor), Between Labor and Capital (Montreal: Black Rose Books, 1978).

58. Wallace Clement, The Canadian Corporate Elite: An Analysis of Economic Power (Toronto: McClelland and Stewart, 1975), Chapter 10; and Dennis Olsen, The State Elite (Toronto: McClelland and Stewart, 1980).

59. See Kenneth Kernaghan, "Power, Parliament and Public Servants: Ministerial Responsibility Re-examined" in Kenneth Kernaghan, op. cit., pp. 247-255, for an excellent overview of the literature pertaining to the debate.

60. J.R. Mallory, "Parliament in the Eighties," in Kenneth Carty and Peter Ward, op. cit., p. 121.

61. C. Winn and J. McMenemy, Political Parties in Canada (Toronto: McGraw-Hill Ryerson, 1976), pp. 192-256; and James Laxer, Canada's Economic Strategy (Toronto: McClelland and Stewart, 1981), pp. 9-13.

62. A. Heidenheimer, H. Heclo, and C. Teich Adams, Comparative Public Policy: The Politics of Social Choice in Europe and America (New York: St. Martin's Press, 1975).

63. Ibid, p. 272.

64. See, for example, R.W. Phidd and G.B. Doern, The Politics and Management of Canadian Economic Policy (Toronto: Macmillan, 1978); and R. French, How Ottawa Decides: Planning and Industrial Policy-Making, 1968-1980 (Toronto: Lorimer, 1980).

65. See Richard J. Van Loon, "Kaleidoscope in Grey: The Policy Process in Ottawa," in Michael S. Whittington and Glen Williams (editors), Canadian Politics in the 1980's (Toronto: Methuen, 1981), pp. 292-312, for an up-to-date discussion on superministries.

66. Rianne Mahon, "Canadian Public Policy: The Unequal Structure of Representation," in Leo Panitch (editor), The Canadian State: Political Economy and Political Power (Toronto: University of Toronto Press, 1977), pp. 165-198, discusses the hierarchy of portfolios, while focusing her analysis on Finance.

67. G.B. Doern, "The Cabinet and Central Agencies," in G.B. Doern and P. Aucoin (editors), Public Policy in Canada (Toronto: Macmillan, 1979), p. 49.

68. R.C. Tucker, op. cit., p. 35.

69. R.J. Van Loon, op. cit., p. 406.

70. See the articles in A. Paul Pross, op. cit. See also Malcolm G. Taylor, "The Role of the Medical Profession in the Formulation and Execution of Public Policy," Canadian Journal of Economics and Political Science, vol. 26, no. 1, February 1960, pp. 108-127; and W.T. Stanbury, Business Interests and the Reform of Canadian Competition Policy 1971-75 (Toronto: Methuen, 1977). Stanbury (pp. 11-26) offers a very good review of the literature on this point.

71. Richard J. Van Loon and Michael S. Whittington, The Canadian Political System: Environment, Structure and Process (3rd edition) (Toronto: McGraw-Hill Ryerson, 1981), p. 538.

72. Ibid, p. 546.

73. Ibid, p. 549.

74. Richard Simeon, Federal-Provincial Diplomacy: The Making of Recent Policy in Canada (Toronto: University of Toronto Press, 1972).

75. D.V. Smiley, Canada in Question: Federalism in the Eighties (3rd edition) (Toronto: McGraw-Hill Ryerson, 1980), p. 91; and see Marsha A. Chandler and William M. Chandler, Public Policy and Provincial Politics (Toronto: McGraw-Hill Ryerson, 1979), pp. 149-177.

76. Claude Morin, Quebec versus Ottawa: The Struggle for Self-Government 1960-72 (Toronto: University of Toronto Press, 1976).

77. Anthony Careless, Initiative and Response: The Adaptation of Canadian Federalism to Regional Economic Development (Montreal: McGill-Queen's Press, 1977).

78. Donald J. Savoie, Federal-Provincial Collaboration: The Canada-New Brunswick General Development Agreement (Montreal: McGill-Queen's Press, 1981).

79. Ibid, p. 122.

80. Keith G. Banting, The Welfare State and Canadian Federalism (Montreal: McGill-Queen's Press, 1982).

81. Lewis J. Edinger, op. cit., p. 6.

82. Lawrence C. Mayer, Comparative Political Inquiry (Homewood, Illinois: Irwin-Dorsey Ltd., 1972), p. 3.

83. James E. Anderson, Public Policy-Making (New York: Praeger Publishers, 1976), p. 164-165.

84. Richard I. Hofferbert, The Study of Public Policy (New York: The Bobbs-Merrill Co., 1974), p. 225, contends that considerations such as "elite role patterns, leadership, and ideology will be treated as merely residual categories in much comparative inquiry" due to the broadness of their scope.

85. Adam Przeworski and Henry Teune, op. cit., pp. 5-8.

86. In order to respect confidentiality when desired by respondents, the labels "PS", "MP", and "PG" are used. PS

refers to public servant. MP refers to cabinet minister or elected member of Parliament while PG refers to pressure group representative.

87. Informants were also given the opportunity to divulge names of others who might be knowledgeable about the development of the policy. Informants willingly provided names. Letters which explained the purpose of the project and which contained requests for interviews, were sent to prospective respondents. In all cases, letters were shortly followed by telephone calls to request interviews.

88. Charles W. Anderson, "The Logic of Public Problems: Evaluation in Comparative Policy Research," in Douglas E. Ashford (editor), Comparing Public Policies: New Concepts and Methods, vol. 4 (Beverly Hills: Sage Publications, 1978), p. 20, as cited in Eric A. Nordlinger, op. cit., p. 34.

89. Eric A. Nordlinger, op. cit., p. 18.

Chapter 2

Unemployment Insurance in the 70's from the Perspectives of Political Leadership

Planning reached its full flower in Canada by the late 1960's. Until then, governments had typically set objectives -- for the level of output, the rate of inflation, the level of unemployment and so on -- and had adjusted overall fiscal and monetary policy to realize desired goals. The planning of individual programs was usually subordinated to the exigency of moulding public expenditure in a global sense in order to fulfill general social and economic objectives. However, during the latter years of the Pearson government, the importance of rationalizing and of co-ordinating individual programs with the comprehensive social and economic aims of government, came to the fore. French makes this point abundantly clear by his definition of planning and by his appended summary of the precepts of planning in the context of the late 1960's and 1970's:[1]

> Planning is the attempt to place government policies and programs within a suprasectoral or national context to permit political decision-making about their relationships and relative priority.
>
> ...Planning attempts to relate and compare policies and programs developed within various particular sectors as an *ensemble*. Planning implies political choice of overriding criteria which the competing claims of different sectors to the limited resources of government will be rationalized. It implies the identification by ministers of dominant concerns to which policies and programs conceived within the parochial context of a given sector must be bent.[2]

Thus, French suggests that planning of the late 1960's began with the individual program. The conventional view of planning held that the objectives of individual programs be

identified and clarified, that these objectives be related to those of programs in other policy sectors and that, ultimately, individual programs be related to overall national goals.[3]

Although the unemployment insurance program had consumed a considerable portion of government expenditures for nearly two decades, it had not been developed according to any of these procedures. The program absorbed about $ .5 billion of an approximate $5 billion in total government expenditures by the mid-1960's but its costs *per se* did not necessarily warrant an assessment from the planning perspective. Its costs had not kept pace with the accelerated growth trend of public expenditures during the decade. Although premiums and benefit rates had increased gradually since the program's inception in 1940, the outflow of funds had been curtailed due to a nine year moratorium on benefit increases; benefit rates remained unchanged from 1959 until 1968. Nevertheless, the unemployment insurance fund had been plagued by chronic deficits from 1958. The deficits decreased concomitantly with unemployment in the 1960's. By 1965, a surplus was reported. Annual surpluses grew until 1971.[4]

A review of unemployment insurance from the planning perspective, was justified because program funds were disbursed perfunctorily, that is, without a sense of purpose. However, from the planning perspective, there were a variety of broad objectives to which its sizeable account could be directed.

The newly installed Trudeau government had announced its intentions to forge a "Just Society." Unemployment and low income levels were held to be obstacles to the fulfillment of this rather comprehensive aim.[5] Yet, the extent to which unemployment insurance helped to overcome these obstacles was unclear because the plan did not have any sharply defined objectives. As a result, the extent to which the program complemented other costly policy areas, ostensibly intended to overcome these obstacles, was also unclear.

The main aim to unemployment insurance had been to provide insurance against loss of income due to unemployment.[6] It did not seem to fulfill that objective well, at least according to carefully researched reports which questioned its actuarial soundness.[7] In subsequent pages it will be demonstrated that unemployment insurance did not manifest objectives that would have linked it to other labour oriented policies. For instance, a linkage to manpower policy could have benefited both policy sectors but such a connection did not exist. Unemployment insurance strayed into other expensive policy areas such as welfare; such a spillover imposed a drain on the program.[8] In sum, unemployment insurance in the 1960's did not provide any obvious support for aggregate economic and social objectives; it did not have any apparent sense of direction and it did not mesh with other costly policy areas in a purposeful manner. It was not suited to the needs of the forthcoming decade, a decade

in which the federal government was expected to continue to rationalize policies or to plan.

Thus, the objectives of unemployment insurance for the 1970's were rationalized and formed into a highly innovative "social efficiency" scheme.[9] The purpose of this chapter is to delineate the objectives of unemployment insurance for the 1970's from the perspectives of political leadership, that is, from the perspectives of Bryce Mackasey and, subsequently, the government as a whole. However, the planning framework was applied to the unemployment insurance program before political leadership assumed full responsibility for the plan.

During March 1968, Parliament approved increases to unemployment insurance premium and benefit rates. Parliament simultaneously instructed the Unemployment Insurance Commission (UIC) to undertake a full-scale review of the program as early as possible. Very shortly thereafter, a two day conference, attended by the executive of the UIC and experts in the field, was called in Ottawa. The conference concluded that the objectives of the program required further study and clarification; four recommendations were tabled:

a) that the UI Program needs a study in depth as it is doubtful whether it serves in 1968 the needs of the Canadian population;
b) that no study should be undertaken under the existing narrow objectives;
c) that tentative objectives need to be developed including constraints to guide a study; and
d) that the quickest and best way for bringing the program up-to-date would be to assemble a project team of multi-disciplinary specialists.[10]

The last recommendation was put into operation by the formation of a multi-disciplinary task force. The task force report, known as the "Green Book,"[11] was prepared according to a planning technique commonly identified as management by objectives and, perhaps, best described by Baker as follows:

> One central facet of management by objectives as a philosophy and style of management..,is a belief in democratic, participative, and cooperative management. A second is a commitment to purposive, planned, "rational" management, in which different managerial levels combine their best efforts, both in setting goals and working purposefully towards them.[12]

Both elements were part of the process by which a new unemployment insurance scheme was devised. The "democratic" element consisted of arranging open discussion sessions, with an assortment of experts from within and from outside of the Commission, to critically examine the existing scheme. The "rational" dimension was injected into these discussions by encouraging the participants to focus their attention on general but purposeful questions such as "what are the objectives?," and "what are we supposed to do?"[13]

The Green Book outlined the objectives that were agreed to in detail. An abridged version eventually became the white paper, *Unemployment Insurance in the 70's*.[14] A House of Commons Standing Committee on Labour, Manpower, and Immigration studied the white paper and heard testimony concerning its proposals from interested groups during the fall of 1970. The *Unemployment Insurance Act of 1971*, Bill C-229, was then

drafted with minor changes. The bill passed all three readings in the spring of 1971 and was finally given Royal Assent on June 23, 1971.

The objectives that were set in the Green Book for the new program were not substantially modified during the legislative process. However, within a year of the plan's implementation, it became apparent that not all of the original objectives had worked as intended. Simeon recognizes that inconsistencies between policy intentions and policy outcomes are common to policy-making processes.[15] Simeon points out that policy objectives may culminate in first-order consequences "which are intended or immediately perceived" or they may become second-order consequences, "either benign or malign, which are not foreseen."[16] Malignant second-order consequences emerged from Mackasey's new scheme of unemployment insurance. As a result, the government as a whole was required to make adjustments to the design of the plan. Thus, a discussion of the objectives of unemployment insurance in the 1970's, must consider Mackasey's initial objectives for the plan as well as the government's alterations to these objectives in light of their perceived weaknesses.

The objectives of the plan can be easily understood by employing R.M. Bird's quadripartite typology of aims that are usually pursued in the context of unemployment insurance programs.[17] According to Bird, unemployment insurance can be

used to stabilize income and employment; it can be used as a component of manpower and labour market policy; it can be used to act as insurance against loss of income; and it can serve as income maintenance and welfare. Mackasey intended the social efficiency scheme of unemployment insurance to be a contribution to manpower and labour market policy. In addition, he expected the program to be closely identified with insurance principles and he anticipated that a new conceptualization of welfare would pervade the scheme. Initially, stabilization objectives appear to have been assumed.

Stabilization Objectives

Unemployment insurance systems are usually expected to display a natural tendency to act in an anti-cyclical fashion. Claimant benefits automatically replace, in part, incomes lost due to downward cycles in the economy. This income support sustains demand for goods and services which, in turn, sustains production and employment.

The sheer magnitude of unemployment insurance disbursements in the 1970's suggests that stabilization objectives had been built into the plan, regardless of whether or not they were consciously pursued. For instance, in 1976, the $3.3 billion spent on unemployment insurance amounted to almost 2% of the GNP and to over 11% of federal expenditures on a national accounts basis.[18] Aggregate spending figures merely hint that unemployment insurance is a vehicle for stabilization; the

figures do not provide complete grounds for assessing the plan's potential for stabilization. However, the Economic Council of Canada pointed out that in 1972, the stimulative effects of the new 1971 benefit structure in sustaining consumption and creating jobs were almost, but not quite, erased by the effects of rising unemployment, induced by higher benefits.[19] Nevertheless, the study notes that "the more generous benefits unquestionably improved the well-being, and supplemented the purchasing power, of millions of Canadians."[20] Whatever the stabilization effects, the 1971 Act pumped millions of additional dollars that might not have been spent otherwise, into an economy in a downward cycle.

There is little evidence to suggest that stabilization objectives, effective or otherwise, were seen as active ingredients in the plan when the new Unemployment Insurance Act was introduced in 1971. This is well worth mentioning because when the Act came under attack, Mackasey attempted to defend it by promoting two arguments pertaining to its supposed stabilization properties.

His first argument suggested that unemployment insurance was an effective stabilizer that bottomed out recessions and, consequently, favoured business interests as a whole. An Economic Council of Canada study has argued to the contrary claiming that in 1972-73, the same degree of economic expansion would have resulted from more traditional applications of fiscal

policy such as a reduction in personal income taxes.[21] The study concluded from its simulation of a cut in personal income taxes that "the profiles of employment and unemployment, of consumer demand and investment spending, and of prices would have changed very little from those that were actually realized."[22]

The weakness in the Council's argument is that unemployment insurance benefits as opposed to benefits from a general personal income tax reduction, are more likely to be spent by recipients simply because those without income must spend. Thus, domestic consumption and investment are more likely to receive a greater and more immediate stimulus from spending generated by unemployment insurance benefits than from spending induced by tax decreases. Such a line of reasoning was adopted by Mackasey who suggested that unlike a general tax cut, unemployment insurance was said to place income into the pockets of those compelled to spend it, the unemployed or those without income. Benefits would likely be spent domestically and largely on necessities such as food, housing, clothing, not on imported luxuries or on foreign travel. This spending would keep Canadian business in business.[23]

Mackasey's second argument suggested that benefits would stabilize or maintain harmony among social classes during periods of recession. Benefits would soften the discontent of the unemployed or, at least, induce workers to remain favourably

disposed towards the economic and political system. Mackasey alone used this argument widely to protect the new Act:

> The Vice-President of Ford Motor Company said just two weeks ago in Canada there is no violence, no blood flowing in the streets. This is because we now have the type of public policies that make the figures of unemployment at least not the figures of poverty or suffering. We are trying to look after the less fortunate.[24]

Both arguments infer that the new scheme of unemployment insurance was designed to be advantageous to business interests, although business, in general, may not have been aware of this. Money placed into the hands of the unemployed would prop sagging business opportunities in an economic slowdown because claimants would have no choice but to spend. Benefits would also keep the disgruntled unemployed, if not in support of capitalism, at least not in opposition to the system. At the same time, the unemployed would benefit.

Mackasey freely circulated these arguments after the plan had been implemented, not before, in order to persuade forces of opposition that the plan should be kept intact. Mackasey saw business and groups, acting on behalf of business interests, as the main opponents.[25] However, arguments used to defend the 1971 Act should not obscure the initial and actual intent of the plan. Three other objectives of unemployment insurance were twisted into a social efficiency scheme.

Manpower and Labour Market Policy Objectives

Unemployment insurance can be used to assist in developing

an effective manpower and labour market policy in three ways: by expediting the return of claimants to the work force; by facilitating labour mobility and, finally, by helping to preserve work skills. All three were provided for in Mackasey's white paper.

Unemployment insurance in the 1970's was expected to hasten the return of claimants to the work force by using UIC offices as pipelines to Canada Manpower Center (CMC) counselling, retraining and placement services. Mackasey's white paper asserted that the intended close liaison between the UIC and other "government agencies," providing services "designed to assist the worker to be reabsorbed quickly into the labour force," would make the new Act "radically different" from the one that had been in operation.[26] The liason was expected to save claimants from "sinking into the quicksands of unemployment."[27] A job counselling service was to be provided by a UIC administered Claimant Assistant Program. However, in an interview, Mackasey insisted that an integration of UIC services with the more extensive employment services of the CMC was the main way in which unemployment insurance was expected to contribute to the development of an effective manpower policy:

> I saw unemployment insurance as only one step towards industrial economic planning, if you like. It was never meant to be the "end of the road"...
>
> Those who were in and out of the labour force had a problem. My purpose was to take these people who came to the UIC -- particularly youngsters but

> not necessarily only youngsters -- and upgrade their education through Manpower. In other words, (I intended to) give them an abbreviated course, equivalent to high school, like we did after the war, find out their skills through aptitude tests, and then equip them with the skills and technology that would be needed three or four years later. That was my general point.[28]

The integration was not easy to establish. A main reason cited in interviews with officials was that rivalries between UIC and Manpower were so intense that a policy requiring an intimate and co-operative relationship between the so-called "two solitudes" was virtually impossible to realize. It seems that UIC personnel largely consisted of lower status, clerical-type public servants who naturally associated with a lower income clientele. Manpower personnel, however, tended, on the whole, to be better educated, higher paid, and intent on serving management level manpower needs. One senior level public servant succinctly summarized a widely accepted assessment of the problem by pointing out that Manpower looked down on the UIC and wanted very little to do with the UIC's clientele.[29] Another senior official tersely explained the views of several of his senior colleagues on the nature of the conflict as follows:

> There was always a feeling by the employment (CMC) people that many of these people (claimants) preferred unemployment insurance to working and that it was really difficult to find the one who was really interested in working from the group which was on unemployment insurance...In a sense, some people used to say that the employment service used to consider the claimant population as second class

> citizens. Well, I don't think that the really conscientious employment officers went that far but, nevertheless, there were some who felt that they were a group that you couldn't do all that much with.[30]

Whatever the reasons for the conflict, respondents claim that it hindered the prompt integration of claimants back into the labour force. This placed an additional strain on an already overburdened UIC fund and did little to promote the efficient use of manpower resources.[31]

Mackasey also indicated that the new plan was meant to assist the skilled worker, "the traditional worker who was temporarily unemployed," and to "co-ordinate the skills of the work force."[32] Benefit and entitlement features were designed to improve the labour market. The 1971 Act proposed to increase benefits and to lower the qualification period in order to stimulate labour mobility and to foster the retention of work skills. Claimants in economically depressed regions would possess the financial means to search for job opportunities in areas where jobs might be plentiful or, at least, available. Other claimants would enjoy immediate and generous benefits while they shopped around for a suitable job or while they waited out a temporary lay-off. In other words, some claimants would not be forced by financial necessity, to take just any job and would, therefore, not be forced to permanently change work skills that might be in short supply at a later date.

However, both inside and outside of government the new benefit structure was soon widely perceived to have a negative effect on the labour market. Benefits were thought to be too high and benefit qualifications too short. Although recent studies have only reached tentative conclusions about the effect of the benefit structure on labour mobility, it was persuasively argued that claimants in regions of high unemployment could afford to languish on ample benefits instead of actively seeking employment elsewhere.[33] Most published econometric studies reinforced a public outcry that work skills were being preserved in excess.[34] In other words, an estimated 1% of the labour force was supposedly better off collecting unemployment insurance than working.

In sum, attempts to mould unemployment insurance into a useful contribution to manpower and labour market policy met with two malignant second-order consequences. First, the proposed linkage between the UIC and CMC remained tenuous; adequate manpower services for claimants might have relieved the unemployment insurance fund of a considerable financial burden. Secondly, the benefit structure was widely viewed as too liberal and, therefore, not only a hindrance to labour mobility but also an inducement to voluntary unemployment. In this respect, the scheme took on the appearance of excessive welfare, although Mackasey's white paper had promoted insurance objectives, to which we now turn.

Insurance Objectives

Boadway and Kitchen point out that unemployment insurance has deviated from "pure" insurance principles, that is, from private insurance principles, in the sense that a person's contributions are not actuarially equal to expected insurance benefits.[35] Indeed, unlike private insurance plans, unemployment insurance has always had a rather unstable actuarial foundation. Mackasey clearly recognized this and, therefore, insisted that he "wanted to make unemployment insurance distinctly a program of insurance against unemployment."[36] Mackasey explained that this meant that he wanted to improve its actuarial basis.[37] Mackasey considered several means to accomplish this end. These included experience-rating, universal coverage, and a device to ensure that the risks associated with unemployment insurance claims were not manipulated.

The principle of experience-rating is common to private insurance schemes. Private insurers discriminate between low risk and high risk persons and groups by varying contribution rates. Unemployment insurance premiums have been and continue to be levied at a similar rate for employees of all sectors, although some sectors experience more unemployment than others. The white paper proposed to gradually introduce experience-rating. Experience-rating would have adjusted premiums according to an industry's pattern of lay-offs by 1976; employers with high lay-off records would have been required to pay higher

premiums for their employees. However, experience-rating was never implemented. Mackasey was not greatly in favour of the proposal partly because it was expected to place an administrative burden on the UIC. However, his successors assumed responsibility for abandoning the proposal.[38] They were also concerned about the administrative implications which were described by one senior UIC official as follows:

> One big difference between Canadian and American unemployment insurance is that in the U.S. the employer makes all of the payments...In Canada, the employer pays a little more than half the premiums so the amount that can be experience-rated is very much reduced. You can't experience-rate the employee, at least realistically.
>
> Administratively, you can't experience-rate all 650,000 employers in Canada that have one, two, three or four employees. It's unrealistic to establish a system to do so. Therefore, you further reduce the pot and you are down to maybe 30 or 40 thousand employers that you could actually experience-rate.
>
> The next problem is that some industries are environmentally affected such as construction, fishing, hunting, lumbering, some of the principal industries in Canada. You have to provide some kind of protection for them so that they won't be experience-rated right out of business.[39]

The principle of extending coverage to low risk as well as to high risk clients is also common to private insurance plans. In other words, private insurers do not ordinarily seek to provide coverage just to high risk clients in a group plan. The old program of unemployment insurance was designed to do just that; low income workers, that is, employees who traditionally ran the greatest risk of unemployment constituted

the clientele.[40] Mackasey introduced universal coverage and by his own account, he fought his greatest battle with his opponents over this issue.[41] Mackasey was exceedingly determined to extend coverage from 80% to 96% of the work force. After all, the generous benefit provisions of the new plan were contingent upon securing revenues from higher income earners who were less likely to suffer unemployment and less likely to draw benefits.

Finally, private insurance plans usually do not provide for benefit payments when risks are intentionally manipulated. Until 1971, unemployment insurance was not governed by a similar principle. Governments could use and did use their fiscal and monetary levers to purposely inflate or deflate the economy and, thereby, to decrease or increase the number of unemployed and unemployment insurance claimants. Thus, in order to reduce the impact of fiscal and monetary policy on unemployment insurance, the new scheme was to be self-financing as long as the level of unemployment in Canada was not more than 4% of the labour force. In other words, disbursements from the fund would be sustained by employer and employee premiums, providing the level of unemployment did not exceed the 4% level. Beyond that level the government would finance benefit payments. This provision recognized that if unemployment were to exceed 4%, then the government was responsible and obligated to use means at its disposal to reduce unemployment and, simultaneously, to alleviate the financial

stress on the fund. In effect, unemployment insurance was being brought into closer alignment with the *modus operandi* of private insurance plans. The new scheme was not expected to be financially responsible for unfavourably manipulated risks.

Ironically, this provision turned out to be a major weakness of the new scheme. The government did not foresee the high costs involved by its acceptance of financial responsbility for fund disbursements beyond the 4% level combined with its acceptance of higher benefit payments. Costs spiralled as a consequence of two major factors: first, just as the plan was implemented, Canada became engulfed in a new phenomenon, known as slumpflation, which sent unemployment rates beyond the 6% mark. Secondly, the government accepted financial responsibility beyond the 4% threshold on the basis of cost projections which used 1966 data as a starting point. In 1966, unemployment had been at its lowest level in a decade. Moreover, unemployment averaged about 4% over the latter half of the decade. Thus, forecasts of costs for the 1970's which relied on that data base, were grossly misleading.

Rapidly rising costs in the 1970's, a second-order and, indeed, an unexpected and malignant consequence, came about not only because of a generous benefit structure which was intended to fulfill certain labour market policy objectives. They also came about because of a partial attempt to adjust unemployment insurance to "pure" insurance principles. Yet public opinion

alleged that increased costs were due to the injection of welfare principles into the scheme.

Welfare Objectives

It may well be "simplistic" as Osberg would have it, to view unemployment insurance as either insurance or welfare, "given the size of the program and the complexity of its regulations" which means that "it has, and was intended to have, manifold impacts on the economy."[42] However, the most widespread and intensive public debate on the objectives of unemployment insurance for the 1970's centered on that issue.

Mackasey used the label "more humanitarian" to describe the new social efficiency scheme of unemployment insurance, although welfare objectives were not to be sought within the context of the plan. Mackasey has made this point abundantly clear:

> ...I didn't consider this as welfare. I wanted to remove welfare. I didn't anticipate for a moment that there wouldn't be a need for welfare or that there were not people that should be looked after by other programs. I wanted to make unemployment insurance distinctly a program of insurance against unemployment for people who were legitimately in the work force.[43]

Mackasey further emphasized this position in a letter to Jean Cournoyer, at that time the Minister of Labour and Manpower for the Government of Quebec, but he conceded that the plan had been conceived in a wider context of a total social security policy:

> It is simply a regime of insurance which we believe

> rational and which is for the protection of workers. It is not a regime of social assistance. It goes without saying that the co-ordination of unemployment insurance with the programs of social assistance should exist in the future, provincially or federally imposed. This co-ordination is something I believe in.[44]

However, as the label "more humanitarian" implies and as Mackasey inferred in his remarks to Cournoyer, the plan was to have a social purpose. The plan did not just involve the welding of certain manpower and labour market policy objectives with more efficient insurance objectives. A new social direction or a new conceptualization of social welfare was to pervade the scheme.

Wilensky and Lebeaux have distinguished two dominant notions of social welfare, "residual" and "institutional."[45] The traditional and rather popular, "residual" formulation is based on the premise that there are two natural channels through which an individual's needs are met, the family and the market economy. When these structures break down so that they cannot provide income -- emergency situations -- then public sources are compelled to provide income in order to prevent destitution. This type of social welfare often carries the stigma of "dole" or "charity" because of its "residual, temporary, substitute characteristic."[46]

The "institutional" formulation is concisely summarized by Wilensky and Lebeaux as follows:

> ...(it is) designed to aid individuals and groups to

> attain satisfying social standards of life and health. It aims at personal social relationships which permit individuals the fullest development of their capacities and the promotion of their well-being in harmony with the needs of the community.[47]

Unlike the residual view, this view of social welfare implies no stigma, no emergency and no abnormalcy. In this view, social welfare assists individuals and groups to achieve self-fulfillment.

Institutional welfare was embraced by the 1971 Act. Easier accessibility to benefits or a shorter qualification period combined with higher benefits were made available to temporarily unemployed members of the work force in order to prevent them from sinking into poverty and, in some instances, to permit them to search for more satisfying jobs. The 1971 Act provided benefits where sickness or pregnancy were causes of unemployment; illness and childbearing were, therefore, expected to be somewhat curtailed as potential sources of poverty.

The new plan did, however, spill over into the residual realm because it was expected to make the so-called final line of defence against poverty, social assistance, less necessary. Mackasey estimated that the provinces would save approximately $30 billion in 1971 on expenditures from the Canada Assistance Plan (CAP),[48] "the final fallback source of income and support for individuals and families in need."[49]

CAP funds are dispensed through a variety of programs. Some but not all of these programs are designed to sustain income

lost due to the interruption of earnings. Therefore, a direct relationship between a total increase in unemployment insurance expenditures and a total reduction in total CAP expenditures does not exist. However, a rise in the former is likely to yield a significant decrease in the latter and $30 million seems like a sound estimate, given that in 1978 the Economic Council of Canada indicated that "since the unemployment insurance revisions of 1971, the number of persons assisted annually under CAP has dropped between 100 and 230 thousand."[50] Moreover, despite rising and longer term unemployment, a phenomenon that CAP expenditures have been designed to redress in part, the average proportion of CAP beneficiaries fell from 7.5% of the total population in 1971 to 6% in 1974, a reduction of almost 275 thousand beneficiaries.[51] Significantly, the number of unemployment insurance claimants soared simultaneously by an additional 224 thousand.

The reformed unemployment insurance program was intended to overlap with residual welfare such as CAP in order to save the unemployed from being forced into the realm of social assistance or residual welfare. Mackasey's white paper quoted the Economic Council of Canada to emphasize its preventative or institutional welfare thrust:

> Other things being equal, it is far better to help people to help themselves -- to put them in a position to upgrade their earnings permanently through such measures as training and manpower mobility programs, and to exploit unused earning potential...but

> self-help takes time and meanwhile, income support in the form of government payments is needed.[52]

Despite the overlap with CAP, the new program was never intended to become a major component of residual welfare in Canada and the evidence bears this out. However, there were widespread allegations that the new plan had thrust unemployment insurance into this realm. The point that such has not been the case is well worth developing at some length if for no other reason than to demonstrate that Mackasey's intentions to limit the residual welfare aspects of the plan were realized.

The reviews of the plan undertaken by the UIC in 1977 and 1981 claim that it has been highly redistributive throughout the 1970's.[53] The *Comprehensive Review* of 1977 concluded that "if it is assumed that the government share of unemployment insurance costs is financed through personal taxes, a high degree of income redistribution results."[54] According to the review, low income earners, defined as individuals earning less than $6,000, were the net beneficiaries of the plan in 1973.[55] They received 77% of total benefit expenditures but accounted for only 16% of total revenue. However, individuals earning more than $6,000 were drawing a mere 16% of benefit expenditures, but were contributing 84% of revenues. The review went on to point out that redistribution is not quite as great but still significant for families. In 1973, families earning less than $10,000 per annum received 58% of the benefits and paid out 26% of the revenues.[56] The corresponding figures for families

earning more than $10,000 were 42% and 74%, respectively. This equalled a net transfer of $646 million to low income families, that is, families with annual incomes of $10,000 or less.

Cloutier's analysis of the equity impact of the 1971 plan, which uses family unit income quintiles, does not deviate from the conclusions drawn above.[57] Cloutier's analysis, unlike the analysis conducted by the UIC, compares the redistributive effects of the pre-1971 plan with those of the post-1971 plan. Cloutier's comparative study indicates that unemployment insurance has always been redistributive because lower income earners have always been net recipients while higher income earners have been net contributors. However, although benefit rates rose considerably in absolute terms for all family income groups, the revised scheme "provided virtually no fiscal benefits for the poorest families, although they did redistribute benefits from upper income families toward lower-middle income families."[58]

In short, if the redistributive impact of the 1971 plan is evaluated on a noncomparative basis, its welfare objectives are distorted. If it is examined in relation to the pre-1971 plan, then it is apparent that Mackasey's objective of restricting residual welfare was actually fulfilled. By comparison to the old plan, the new plan has not been more redistributive. In fact, the table on the following page demonstrates that it has been slightly less redistributive.[59]

Table I

Benefits from, and Contributions to Unemployment Insurance, by Family After-Tax Quintile, Canada, 1971 and 1975

Quintile	1971		1975	
	Total before tax Benefits	Contributions	Total before tax Benefits	Contributions
	(per cent)			
First	9.8	1.6	8.1	2.1
Second	24.5	11.3	22.0	11.4
Third	27.8	20.3	25.0	20.8
Fourth	22.0	26.9	22.6	27.0
Fifth	15.9	39.9	22.3	38.7
Total	100.0	100.0	100.0	100.0

Source: J.E. Cloutier, "The Distribution of Benefits and Costs of Social Security in Canada, 1971-1975", Economic Council of Canada Discussion Paper 108, February 1978.

There was hardly any change in the distribution of costs among family income units. The share of benefits received by the two lowest quintile family units was reduced slightly between 1971, before the effects of the new plan could be felt, and 1975. During this same period there was a considerable shift in benefits towards higher income families. Increased unemployment among members of higher income families partly accounted for this shift. However, the new plan also contained a built-in mechanism which militated against redistribution. Since benefits were based on two-thirds of insurable earnings, higher income earners were entitled to higher benefits than lower income earners.

A participant in the group that created the scheme appropriately summarized its social intent:

> If a person was a welfare case then he shouldn't have been with us. We were saying that we are stuck with human capital. If that human capital suffers an interruption of earnings, we're going to accept the fact that they should be provided with whatever they need to minimize the time they stay out of the work force. And, therefore, they need what?...money to sustain their consumption but also information and services. It was a package of these three things.[60]

The institutional welfare objectives of the plan furnished the scheme with a social purpose. However, the scheme was also intended to assist in the realization of a more efficient manpower and labour market policy. It was also expected to become more efficient, financially, through its closer identification with private insurance principles. Indeed, a

social efficiency scheme aptly describes the direction of unemployment insurance for the 1970's. However the "efficiency" aspect of the scheme was only to be attained by certain adjustments to its second-order consequences. The greater accessibility to benefits and more generous benefits were widely perceived as residual welfare. Although the redistributive element had not been expanded by these provisions, they apparently induced unemployment as outlined above. Benefits were easier to obtain and benefits were sufficiently high to deter low income earners from working. Residual welfare of the worst sort from the Canadian perspective, that is, welfare that destroyed the work ethic and welfare that was provided to persons that did not necessarily need it, was held to be a major feature of the 1971 Act.[61]

"Fine Tuning"

It soon became apparent that the establishment of a social efficiency scheme of unemployment insurance had entailed enormous costs largely because three major second-order consequences had distorted the plan's main objectives. First, and of paramount importance, were the provisions for easier accessibility to benefits, a shorter qualification period, and higher benefit payments. The insurance-induced unemployment generated by these provisions conflicted with Mackasey's original manpower and labour market policy objectives which sought to preserve work skills and promote labour mobility;

they had also given the 1971 Act a residual welfare hue. This consequence was a constant source of irritaion for the government throughout the remainder of the 1970's. The government's preoccupation in this regard was expressed by one of Mackasey's successors:

> In revising this legislation, it was our intention to find a way through the labyrinth of conflicting opinions and devise a system that would reduce some of the work disincentives of the program. We also wanted to encourage workers to establish more stable work patterns and develop longer attachments to the labour force.[62]

Secondly Mackasey's attempt to return unemployment insurance, in part, to pure insurance principles by making the government financially responsible for claimants when unemployment went beyond the 4% threshold, had collided with ever increasing unemployment in the 1970's. Thirdly, the failure to integrate UIC and CMC was seen as inhibiting the realization of the manpower and labour market policy objective of expediting the return of the unemployed to the labour force.

An administrative breakdown related to the establishment of new computer facilities for the UIC added to these three major difficulties and aroused much public criticism of the plan.[63] The cumulative effect of these problems was a vast outpouring of public funds. During the first year that the new plan was in operation, for instance, total program costs more than doubled to $1.9 billion; the government's share of these costs more than quadrupled to $92 million.[64]

An intensive public debate over the costs of the new plan emerged late in 1971 and continued throughout the 1972 election campaign. As a result, the minority Liberal government became thoroughly convinced that it had to reduce the costs of the plan. Mackasey's successors viewed themselves as executors of the government's overall imperative, to cut costs. In other words, unlike Mackasey, they did not see themselves as engaged in independent policy-making roles.[65] Robert Andras, Mackasey's replacement in the Manpower and Immigration portfolio, claimed that he was appointed to supervise the "fine tuning" of the new scheme in the sense that he was expected to reduce costs.[66] His successor, Bud Cullen, saw his role as one among many cabinet ministers charged with carrying out the government's imperative of fiscal restraint. He indicated that this imperative was characterized by a certain urgency towards the end of his tenure in office:

> When Trudeau came back from the Bonn Summit, we (the cabinet) had to save money. Where do you save money? Obviously you save it where you are paying out a lot of "dough".[67]

Andras tackled the fine tuning task by overseeing the preparation of two bills. Bill C-69 became law in 1975. Bill C-27 was passed in 1977, after Andras had left the Manpower and Immigration portfolio. His successor, Bud Cullen, assumed full responsibility for the final major amendment of the 1970's, Bill C-14.

Two of the ten different amendments proposed in Bill C-69 were most significant; they were designed to trim the costs that had resulted from the generous benefit structure of the new plan. The benefit structure had been designed to further certain manpower and labour market objectives and to advance the institutional welfare objective. The benefit structure had, contrary to Mackasey's expectations, interfered with the realization of these objectives and it was widely perceived as responsible for the excessive costs of the plan. Thus, by Bill C-69, the qualification period was extended and benefits were lowered as a cost saving measure and as a matter of principle, according to Andras:

> ...We intend to make certain that Canadians who are working hard to maintain self-sufficiency, to maintain the momentum of the country's economy, and who are contributing to the unemployment insurance program, do not have to carry the added burden of supporting able-bodied people who do not want to work.[68]

Another major amendment of Bill C-69 came to grips with the problem of exorbitant costs that the government had encountered as a consequence of Mackasey's attempt to inject private sector insurance principles into the plan. The government had accepted financial responsibility for benefit payments when unemployment rose above 4% of the labour force but unemployment in the 1970's had been and was expected to remain well above that level. Therefore, a new formula for calculating government financial responsibility was to be adjusted automatically on the basis of unemployment rates over the

previous eight years. This meant, for instance, that the threshold for 1976 was increased to 5.6%. In other words, the government cut its costs by shifting the financial burden of increased unemployment to the employer and employee share of the account.

The second bill, Bill C-27, also cut costs directly by tightening the benefit structure; the bill extended the qualification period even further. However, Bill C-27 was designed to cut costs indirectly as well as to create an institutional framework which was designed to reduce the number of long-term claimants. It has been pointed out that because the UIC did not serve as a pipeline to Manpower, claimants were not necessarily re-entering the work force quickly. This may have placed a strain on the fund. Bill C-27, therefore, integrated the two agencies into a new Employment and Immigration Commission.[69] The intention was to produce "a new organization providing a one-stop service to clients, and achieving a more integrated approach to the planning and administration of employment, unemployment and immigration programs," that is, to fulfill an original social efficiency objective of linking unemployment insurance to labour market policies:[70]

> The new supporting Department of Employment and Immigration would be responsible for strategic policy development, program evaluation, labour market research, and information services. It would promote the closest possible connection between labour market policies and programs, and the government's overall economic and social strategies.[71]

Structural integration may not be a guarantee of policy co-ordination.[72] However, since unemployment insurance funds have been used for job training courses, job creation, and work sharing projects, it appears that unemployment insurance has become an integral part of manpower and labour market policy. The unemployed, especially the low skilled unemployed, are being returned to the labour force *via* opportunities to acquire skills and jobs through the use of unemployment insurance funds. Furthermore, the savings generated by Bill C-27, an estimated $110 million, and by the subsequent amendment Bill C-14, a projected $935 million, were supplemented by additional government funds and channelled into a variety of job training and creation programs such as Canada Works, the Summer Job Corps, Summer Student Employment Activity, the Job Experience and Training Program, and so on.[73] In short, the purpose of cutting unemployment insurance expenditures was not just to save money but to link unemployment insurance with a new "employment strategy." According to Cullen,

> ...the purpose of the amendments is not to save money; it is to let us and the unemployed utilize some of the funds now required for income maintenance to help provide jobs, incomes, and training. We are convinced that the income that goes with the dignity of work is preferable to the income that arrives in the form of a UI cheque.[74]

The recent task force report on unemployment insurance concludes that the use of UI funds for developmental purposes, that is, for training, job creation and work sharing, has had

both positive and negative consequences.[75] However, the report recommends that UI funds be used for such purposes in the future in order to strengthen labour market policy.[76] Thus, it appears that unemployment insurance will not only continue to play an income maintenance or institutional welfare role; it will also continue to play a major role as part of the government's employment strategy.

Finally, Bill C-14 maintained the cost cutting momentum of the two previous bills. Once again, the benefit structure was the main object of the government's scalpel; once again, the qualification period was extended, benefits were reduced, and the duration of claims was shortened. Cullen recognized that these changes would have a considerable impact on residual welfare schemes which are largely administered by the provinces; as unemployment insurance disbursements were reduced, residual costs were expected to rise as much as $51 million between 1979-80.[77] However, Cullen claimed that the greater financial burden placed on provincial welfare schemes, would be offset by unemployment insurance and government funds used to support the new employment strategy.[78] In other words, Cullen acknowledged the trade-off in program objectives which had begun in the mid-1970's: one of the original manpower and labour market objectives, expediting the return of the unemployed to the labour force, was being strengthened at the expense of the institutional welfare objective. A social security strategy

of preventing unemployment was being replaced gradually by an employment strategy which sought to reduce rather than to prevent unemployment. Moreover, this new emphasis had resulted in savings, especially for the government.[79]

In sum, the government's main objective in the amending process was to curtail costs. In so doing, the government weakened two of Mackasey's objectives and strengthened another. The government enfeebled Mackasey's attempt to align the plan with private sector insurance principles by implementing a new threshold of financial responsibility. It weakened the institutional welfare objective by reducing the generosity of the benefit structure three times. However, the government may well have strengthened the objective of rapidly re-integrating claimants with the labour force by merging the UIC and the CMC and by using program funds for developmental purposes. In short, the government has attempted to transform the "social efficiency" scheme of unemployment insurance into a "labour efficiency" scheme.

Summary

A new social efficiency scheme of unemployment insurance was devised to redress problems associated with creating a Just Society for the 1970's. The new program, developed within a planning framework, was designed to advance several objectives. Bryce Mackasey, the minister responsible for introducing and implementing the program, perceived these

objectives as follows: the plan was expected to become aligned with "pure" insurance principles; it was intended to support an effective manpower and labour market policy; finally, the plan was supposed to promote a new concept of welfare, institutional welfare.

However, the pursuit of these objectives resulted in a major second order and malignant consequence, excessive costs. Thus, the government's main objective in amending the plan was to curtail costs. Robert Andras and Bud Cullen, Mackasey's successors, became the ministerial executors of the government's objective. In pursuing this objective, Andras and Cullen emphasized the program's relationship to manpower and labour market policy while neglecting its other original objectives. The government now perceives unemployment insurance to be an integral component of its employment strategy.

However, a description of Mackasey's and, subsequently, the government's general perceptions of the objectives of unemployment insurance in the 1970's, is useful only if it can be demonstrated that political leadership was a major force in the development of the plan. This is the task which is undertaken in the next chapter.

Footnotes

1. Richard French, How Ottawa Decides: Planning and Industrial Policy-Making, 1968-1980 (Toronto: James Lorimer and Co., 1980), p. 1. French points out that his definition of planning "avoids the 'scholasticism' of the academic literature on the subject, in favour of immediate utility for historical analysis." In other words, his definition is derived from the planning practices of the federal government between 1968 and 1980.

2. Ibid, p. 1. It should be noted that French concludes that planning has by no means met with a great deal of success at the federal level of government.

3. The "conventional view of planning" was largely oriented towards planning-programming-budgeting and management by objectives. Both systems are lucidly described and analyzed by David Siegel, "The Evolution of the Expenditure Budget" in Kenneth Kernaghan (editor), Public Administration in Canada (4th edition) (Toronto: Methuen, 1982), pp. 165-168.

4. Canadian Tax Foundation, The National Finances, 1981-82, p. 136.

5. See: The Rt. Hon. Pierre Elliott Trudeau, The Constitution and the People of Canada (Ottawa: Queen's Printer, 1969), pp. 10-11. In this document it is argued that the federal government must retain sufficient powers to fulfill broad social and economic objectives. The document cited maintaining high levels of unemployment, redistributing income, and maintaining "reasonable levels of livelihood" as among the major objectives.

6. In 1940, R.B. Hanson, the Leader of the Opposition, designated the bill (creating an unemployment insurance scheme) as in "no sense a form of relief." He understood that its principles were to be aligned with the insurance objective and this impression seemed to be shared by members of the House in general. See Canada, House of Commons Debates, July 19, 1940, p. 1766.

7. See: Canada, Report of the Committee of Inquiry into the Unemployment Insurance Act (Ottawa: Queen's Printer, 1962); and L.A. Kelly, Unemployment Insurance in Canada: Economic, Social and Financial Aspects (Unpublished Ph.D. Dissertation: Queen's University, 1967).

8. For instance, seasonal workers had come to depend on unemployment insurance to supplement their incomes.

9. A major participant (Interview PS-1, December 1977) in the creation of the 1971 Act coined the label, "social efficiency" to describe a unique unemployment insurance program that combined objectives from three policy areas. Three objectives related to manpower and labour market policy, social welfare policy, and insurance principles were twisted into a more efficient and socially useful package of unemployment insurance.

10. Canada, Report of the Study for Updating the Unemployment Insurance Program, 1969, vol. 1.

11. Ibid, p. 1.

12. Walter Baker, "Management by Objectives" in Kenneth Kernaghan (editor), Public Administration in Canada (3rd edition) (Toronto: Methuen, 1977), p. 167.

13. Interview PS-1, December 1977.

14. Hon. Bryce Mackasey, Unemployment Insurance in the 70's (Ottawa: Queen's Printer, 1970).

15. Richard Simeon, "Studying Public Policy," Canadian Journal of Political Science, vol. ix, no. 4, December 1976, p. 557.

16. Ibid, p. 557.

17. R.M. Bird, Charging for Public Services: A New Look at an Old Idea (Toronto: Canadian Tax Foundation, 1976), p. 188.

18. Statistics Canada, Social Security: National Programs, 1978 (Ottawa: Supply and Services Canada, 1978), p. 188.

19. Economic Council of Canada, People and Jobs: A Study of the Canadian Labour Market (Ottawa: Information Canada, 1976), p. 19. The report estimates that the additional expenditures generated by the 1971 Act contributed in 1972, to the employment of about 80 thousand additional persons. However, the report also indicates that this was accompanied by induced additional unemployment of around 0.7 percentage point, or 60 to 70 thousand persons in that same year.

20. Ibid, p. 19.

21. Economic Council of Canada, Economic Impact of Selected Government Programs Directed Toward the Labour Market (Ottawa: Supply and Services, 1976).

22. Ibid, p. 85.

23. Interview with Hon. Bryce Mackasey, January 1978.

24. Hon. Bryce Mackasey, "Speech" in F. Bairstow and S. Bochner (editors), International Conference in Trends in Industrial Relations, McGill University (Montreal: Industrial Relations Centre, 1977), p. 584.

25. A Finkle and C. Cuneo have written persuasively that the initial *raison d'être* of unemployment insurance was to control the potentially volatile unemployed. See: A. Finkle, "Origins of the Welfare State in Canada" in Leo Panitch (editor), The Canadian State: Political Economy and Political Power (Toronto: University of Toronto Press, 1977), pp. 344-370; and C. Cuneo, "State Mediation of Class Contradictions in Canadian Unemployment Insurance," Studies in Political Economy, no.3, Spring 1980, pp. 37-65.

26. Hon. Bryce Mackasey, op. cit., p. 6.

27. Ibid, p. 6.

28. Interview with Hon. Bryce Mackasey, January 1978.

29. Interview PS-2, July 1978.

30. Interview PS-9, November 1980.

31. The Economic Council, People and Jobs, op. cit., p. 16, notes that in 1976 Canada Manpower Centres had about six times as many job applicants as listed job vacancies. A disproportionate number of these applicants fitted into jobs with low wage and low skill requirements; many were UIC claimants and welfare claimants. The burden that this sizeable group of poorly qualified unemployed placed on both agencies makes the conflict understandable.

32. Interview with Hon. Bryce Mackasey, January 1978.

33. For a discussion of the relationship of the unemployment insurance benefit structure to labour mobility, see Employment and Immigration Canada, Report of the Task Force on Unemployment Insurance in the 1980's (Ottawa: Minister of Supply and Services, 1981), pp. 39-41. The task force report suggests that the benefit structure may have a negative impact on labour mobility. Workers in regions of high unemployment qualify more easily for benefits and receive benefits of longer duration than those in other regions. In addition, a recent study of the relationship of the benefit structure to labour mobility in Newfoundland arrives at mixed findings. See: Economic Council of Canada, Newfoundland: From Dependency to Self-Reliance (Ottawa: Minister of Supply and Services, 1980), pp. 53-58.

34. The number of such studies has grown in recent years. A partial list and review of these studies is presented in Employment and Immigration Canada, op. cit., p. 37, and in R.W. Boadway and H.M. Kitchen, Canadian Tax Policy (Toronto: Canadian Tax Foundation, 1980), pp. 244-248. A collection of studies on insurance-induced unemployment in comparative perspective is presented in H.G. Grubel and M.A. Walker (editors), Unemployment Insurance: Global Evidence of its Effects on Unemployment (Vancouver: The Fraser Institute, 1978).

35. R.W. Boadway and H.M. Kitchen, op. cit., p. 230.

36. Interview with Hon. Bryce Mackasey, January 1978.

37. Ibid.

38. Experience-rating was to be introduced gradually over the years 1974 and 1975 with the full effect not being felt until the calendar year 1976. Mackasey left the Manpower and Immigration portfolio in 1972, long before experience-rating was to be implemented.

39. Interview PS-7, September 1980.

40. Under the pre-1971 legislation, employees whose annual earnings were $7,800 or less per annum or whose wages, regardless of the ceiling, were calculated on an hourly basis, were included in the plan.

41. Interviews with Hon. Bryce Mackasey, January 1978 and March 1982.

42. Lars Osberg, "Unemployment Insurance in Canada: A Review of Recent Amendments," Canadian Public Policy, vol 2, no. 2, Spring 1979, p. 224.

43. Interview with Hon. Bryce Mackasey, January 1978.

44. Letter from Hon. Bryce Mackasey to Hon. Jean Cournoyer, Minister of Labour and Manpower, Government of Quebec, December 18, 1970.

45. H.L. Wilensky and C.W. Lebeaux, Industrial Society and Social Welfare (New York: The Free Press, 1965), p. 138.

46. Ibid, p. 139.

47. Ibid, p. 139.

48. The estimate was made by the Hon. Bryce Mackasey in Minutes, August 13, 1971, of a meeting with Jean Cournoyer, Minister of Labour and Manpower, Government of Quebec, Jacques Laurion, Assistant, and Marcel Deschamps, Executive Assistant, and others.

49. Economic Council of Canada, A Time for Reason (15th Annual Review) (Ottawa: Supply and Services, 1978), p. 112.

50. Ibid, p. 113.

51. Statistics Canada, op. cit., p. 576.

52. Hon. Bryce Mackasey, op. cit., p. 6.

53. Unemployment Insurance Commission, Comprehensive Review of the Unemployment Insurance Program in Canada (Ottawa: UIC, 1977) and Employment and Immigration Canada, op. cit.
The data from the 1977 review are used in order to assess the redistributive impact of the plan before the three major amendments of the 1970's were implemented. The 1981 task force review pointed out that the smaller federal share of the program's costs could be expected to reduce the programs redistributive capacity from what it had been in the early 1970's. However, the review calculated the redistributive impact of the 1978 plan based on a federal government share of costs set at 20% as it was in 1980. The review demonstrates on pp. 29-30 that the program is still highly redistributive. In 1978, 80% of benefits were paid to people with incomes below $12,000 while this group paid 24% of costs. Families with incomes below $16,000 received 45% of benefits and contributed 15% of total program revenues.

54. Unemployment Insurance Commission, op. cit., p. H-14.

55. Ibid, p. H-14.

56. Ibid, p. H-16.

57. J.E. Cloutier, "The Distribution of Benefits and Costs of Social Security in Canada, 1971-1975" Economic Council of Canada, Discussion Paper No. 108, February 1978.

58. Ibid, p. 16.

59. Just as the UIC's (op. cit.) analysis of the redistributive effects of unemployment insurance in the 1970's and Cloutier's (op. cit.) analysis arrive at divergent yet equally valid conclusions, so do two other studies. C. Kapsalis, "Equity

Aspects of the Unemployment Insurance Program in Canada," Economic Council of Canada Discussions Paper No. 116, June 1978, demonstrates that there is no major inequity in unemployment insurance. Cost ratios based on 1973 and 1975 data, reveal that low income families have been and are likely to continue to be the net beneficiaries of unemployment insurance. W. Irwin Gillespie, In Search of Robin Hood: The Effect of Federal Budgetary Policies in the 1970's on the Distribution of Income in Canada (Montreal: C.D. Howe Research Institute, 1978) shows that among other social policies of the 1970's, unemployment insurance has not added any fiscal redistribution. In other words, the new program is highly redistributive in absolute terms but not in relative terms.

60. Interview PS-1, December 1977.

61. Kenneth Bryden, Old Age Pensions and Policy-Making in Canada (Montreal: McGill-Queen's Press, 1974), pp. 20-21 identifies the Canadian perspective on economic and social issues as a "market ethos." This perspective holds that "those who stumbled and fell in the competitive struggle" are "objects of stern scrutiny." Welfare assistance of any sort has, therefore, been held to be deleterious to their moral fibre and to the moral fibre of Canadian society at large.

It should be added that welfare assistance such as unemployment insurance has been held to be the worst kind of welfare because it is perceived as a hand-out to those who do not need it. This is at least borne out by public opinion polls, conducted in the 1970's, which are discussed in the next chapter.

62. Hon. Bud Cullen, Minister of Employment and Immigration Canada, Remarks to the Montreal Board of Trade, March 5, 1979.

63. The UIC was not equipped to handle the vast administrative changes accompanying the 1971 Act. Breakdowns, as might be expected, did occur. These problems were intensified because the computers were not "double banked" and a back up system was, therefore, lacking. Moreover, the benefit control system was not adequate to police the vastly expanded program.

64. Figures are computed from Unemployment Insurance Commission, op. cit., p. A-21.

65. Interview with Hon. Robert Andras, February 1978 and Interview with Hon. Bud Cullen, November 1980.

66. Interview with Hon. Robert Andras, February 1978.

67. Interview with Hon. Bud Cullen, November 1980. His

remarks were made in reference to the *raison d'être* of Bill C-14.

68. Canada, House of Commons Debates, October 27, 1975, p. 8567.

69. As its new title implies, immigration policy was also added to the Commission's new responsibilities.

70. UIC, Highlights and Information Papers on the Employment and Immigration Reorganization Act December 9, 1976, p. 5.

71. Ibid, p. 5.

72. A useful discussion of these structural and policy changes is presented by Richard W. Phidd and G. Bruce Doern, The Politics and Management of Canadian Economic Policy (Toronto: Macmillan, 1978), pp. 403-408.

73. Hon. Bud Cullen, Notes for a Speech by the Minister of Manpower and Immigration in the Throne Speech Debate (Employment Strategy), October 21, 1976.

74. Ibid, p. 5.

75. Employment and Immigration Commission, op. cit., pp. 81-83, points out that while funds used for developmental purposes help claimants to use their time productively, training, work sharing, and job creation have resulted in higher costs.

76. Ibid, p. 84.

77. Hon. Bud Cullen, Notes for a Statement by the Minister of Employment and Immigration on the Second Reading of Bill C-14, November 9, 1978, p. 8.

78. Ibid, p. 8.

79. The use of unemployment insurance funds for developmental purposes was a cost saving device for the government. Previously, it had used monies from the Consolidated Revenue Fund to support such activities. The overall financial benefits that the government derived from the amending process are described in Chapter 6.

Chapter 3

Political Leadership: Surveillance and Legitimation*

In recent years policy analysts have begun to devote considerable attention to the relationship between ministers and public servants in the public management process. One rather general view of the process that seems to have gained popular currency maintains that public servants make a greater contribution to public decision-making than ministers do.[1] Modern policy-making and administration, because of their increased scope, complexity, and rationality, are thought to require the expert input of public servants, especially at the senior level. There are some misgivings about ministerial reliance on public servants but this dependent relationship is widely regarded as an unavoidable feature of the public decision-making process. In sum, this view suggests that political leadership in the policy-making process is tempered, if not propelled, by public servants. However, this view is not entirely supported by the following analysis of ministerial-public servant interaction in the development of unemployment insurance policy in the 1970's. This case study suggests that mutual dependence more accurately describes the relationship. Furthermore, it demonstrates that ministers can perform two functions, surveillance and legitimation, which can enable them to exercise political leadership in the decision-making process.

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Ministerial-Public Servant Interaction in the Policy-Making and Administrative Processes

The view that ministers are dependent on their public servants is partly valid if a distinction is made between the administrative components and the policy-making components of public decision-making. The former have been described as those activities "associated with the administration of departmental operations."[2] The latter have been loosely defined as those activities "involved in the central direction and co-ordination of government activities as a whole."[3] Ministerial dependence on senior public servants tends to typify the administrative process. Ministers are not and cannot be held entirely responsible for the routine administrative decisions and activities of thousands of employees in a department. In policy science literature it seems universally accepted that ministers are left with little choice but to rely on anywhere from a handful to perhaps a hundred public servants in larger departments to supervise the daily application of complex legislation by a vast and growing number of subordinates.[4]

Ministerial-public servant lines of responsibility in the policy-making process are far more obscure than they are in the administrative process. Generalist politicians may not be able to contend with the myriad of technical decisions that are now required in order to effectively devise policies for the public domain. Highly trained and specialized public servants may

well possess the technical competence that their ostensible overseers, ministers, lack. As Denton contends, public servants' accessibility to technical information may be one of the main factors which has undermined ministerial accountability.[5]

There is widespread agreement among students of policy science that public servants, given their expertise, have become more prominent in the policy-making process. However, there is substantial disagreement over the extent to which public servant policy-making responsibilities have increased and ministerial responsibilities declined. On the one hand, it is argued that public servants have become "permanent politicians," that is, both servants and masters of the policy-making process.[6] Ministers have become greatly dependent on their public servants to provide information and advice on policies that they may not have opportunities to become familiar with. Thus, the former Leader of the Opposition, Robert Stanfield, comments:

> ...they (ministers) just do not have the time to be constituency representatives, active politicians, overseers of their departments, and intelligent policy-makers on the scale being undertaken. For me it is a case of *res ipsa loquitur*.[7]

The hazards of politics, elections, and frequent cabinet shuffles are also cited as among the major factors that inhibit ministers from becoming better informed.[8] Inadequate information may, in turn, maintain ministerial dependence on public servants for advice pertaining to complex policy issues. On the other

hand, it is argued that legal, structural, and attitudinal factors limit ministerial dependence on the policy-making abilities of their public servants.[9] Sections of statutes such as the *Financial Administration Act*, the *Public Service Employment Act*, and the *Interpretation Act* clearly delineate the responsibilities of deputy ministers and vest final responsibility for both administration and policy-making in the minister, at least in theory.[10] Parliamentary committees and especially cabinet committees are perceived as checks on the policy-making authority of public servants. Thus, on the basis of his study of provincial cabinets, Bryden concludes that "recommendations are no longer accepted almost routinely by Ministers who lack the expertise to question them effectively. Instead, these recommendations are subjected to analysis and evaluation by committees of Ministers who together have a broader perspective than an individual Minister who can call on independent staff support in assessing departmental arguments."[11] Richard Splane, a former senior official with the Department of Health and Welfare, has suggested that white papers have served as useful devices for ministers to acquire outside expert opinions that counterbalance advice offered by public servants.[12] Task forces, Royal Commissions, and other types of extra-bureaucratic investigative and advisory bodies have been used for similar purposes.

Although a recent survey of the attitudes of senior

officials shows that they are determined only to serve their ministers, ministers have nevertheless demonstrated a recognition of the need and a willingness to tap alternative sources of expert information.[13] Flora MacDonald, a former Minister of External Affairs, indicates that she found it desirable to institutionalize extra-bureaucratic information gathering within her portfolio for "without some such protective mechanism the Minister is indeed at the mercy of bureaucratic domination, not because of some devious manipulative plot but because that is the way the system has been allowed to develop."[14] Throughout the Trudeau era ministers have taken initiatives to offset potential bureaucratic domination. A former veteran minister and public servant, Mitchell Sharp, has commented that one of the most significant aspects of the Trudeau approach to policy-making is that ministers have been required to become knowledgeable in their policy areas, "even expert, to an extent that was not required of them in the past."[15] Sharp concludes that this requirement may have lessened ministerial dependence on public servants.

But whatever the constraints on a minister's becoming better informed and whatever the source of a minister's information, bureaucratic or extra-bureaucratic, it is the minister who must sanction or shelve a policy. Mitchell Sharp tersely summarizes the obvious in his assertion that "what matters is not the advice that ministers receive, it is the decisions they

make."[16] In the final analysis, a minister must answer to his cabinet colleagues, to Parliament, and to the electorate for policy initiatives taken by his department.

Nevertheless, whatever policy option is chosen, a minister must depend on his senior public servants to create the specific content or details of a policy and to devise the means of its implementation. A minister must become acquainted with at least the general contours of a policy if he is to answer for it or legitimize it publicly. Doerr points out, however, that the degree of ministerial dependence on public servants is likely to be determined by the minister's leadership qualities:

> It is important to a deputy to have a strong minister, an individual who is not easily led by his advisors but one who takes an interest in the affairs of his department. Leadership in the first instance comes from the minister and the role of the deputy is facilitated greatly if his minister exerts a strong influence on the direction of activities in the department and, even more importantly, represents his department's interests effectively in cabinet. The political strength of a minister in cabinet, from a deputy's point of view, is often a key factor in determining how well the department may be able to execute policies and programs.[17]

A minister's leadership role in the policy-making process is determined by his ability to survey the policy activities of his senior public servants and to legitimize policy initiatives. Surveillance and legitimation, two key functions of political leadership, are interrelated.[18] Surveillance may be more than just a constraint or an ability to criticize, scrutinize, and

refine; it may also involve an ability to infuse one's values and social objectives into a policy. The legitimation function may be defined as an ability to market a policy or to ensure that it receives cabinet acceptance and, concomitantly, wide public acceptance.

The effective performance of surveillance and legitimation functions may well make ministers major agents of policy change. Although ministers must legitimize policy initiatives to various structures, including political parties, pressure groups, and bureaucracies, they have the ability to initiate or, for that matter, to neglect policy changes. Heclo's analyses of the emergence of major social policies in Britain and Sweden indicate that individual participants in the policy process with access to ideas, information and positions of power, have been crucial in initiating policy changes.[19] The scope for ministers to become agents of reform is wide for as Heclo concludes "the importance of policy middlemen has sprung not from any unique powers of abstract thought, but from sensitivity to the changes going on around them and access to powerful institutions."[20] Despite their ostensible limited technical competence, cabinet ministers are in the center of powerful institutions and can utilize their individual powers of legitimation in order to act as agents of policy change and social reform.

The concept of individual cabinet ministers as policy

middlemen or as agents of policy change is not applicable to all phases of the development of a policy. Thus, on the basis of his wide experience in the policy-making process, Splane comments:

> The extent to which policy is developed at the official level is directly affected by the degree of ministerial direction and the determination of a government to assert the role and responsibility of ministers individually and the Cabinet collectively in the formulation of a policy. Because of the multiplicity of demands on his time and energy, however, a Minister tends, after a beginning period in a portfolio and after achieving certain policy goals, to be less active in policy development and more disposed to look to officials to propose and develop new initiatives.[21]

During an innovative or policy-making phase within a department the activities and functions of cabinet ministers as well as all input forces are pronounced, especially on those rare occasions when a policy embodying massive changes is introduced. As a policy enters the routinizing phase, that is, as a policy increasingly becomes a part of the administrative component of public decision-making, the individual minister's input is likely to become less evident. During the routinizing phase, the government as a whole is likely to assume collective responsibility for legitimation and surveillance. Moreover, these tasks are likely to be less challenging than they are in the policy-making phase. The development of unemployment insurance policy during the 1970's presents an opportunity to compare and contrast political leadership roles during two such phases, the innovative or policy-making phase and the routinizing

or administrative phase.

Bryce Mackasey was the first cabinet minister appointed to revise unemployment insurance in the 1970's. During the policy-making phase, Mackasey, as Minister of Labour, was responsible for initiating the innovative scheme and for steering its passage into law. Once the government as a whole reached the consensus that the scheme required modification, Robert Andras and, subsequently, Bud Cullen, were appointed in order to carry out the task. Political leadership was central to the development of unemployment insurance in the 1970's. However, leadership input was less obvious in the routinizing phase than it was when Mackasey was responsible for the innovative phase.

The Ministerial Policy-Making Role: Surveillance and Legitimation

Although interview data indicate that Mackasey was the only minister who made a significant contribution to the initiation of the social efficiency scheme of unemployment insurance, it appears that research pertaining to the revamping of the scheme was initiated in 1968, some months before Mackasey became Minister of Labour.[22] A team of researchers, recruited from the public service and mainly from the ranks of academia, had begun to consider new directions for unemployment insurance policy at the instigation of the Privy Council Office while John Nicholson was still the responsible minister. However, cabinet imposed constraints on the research team's

creativity. First, a general approval of their proposals had to be obtained. Secondly, a receptive cabinet minister, Mackasey, had to give his approving nod and demonstrate his determination to see the revamped policy passed into law.

Cabinet approval was not merely perfunctory. The new government formed after the 1968 election sent out a call for ideas and the original research team submitted position papers. The cabinet responded to these submissions with the vague and noncommittal remark that they seemed "interesting."[23] A task force was then established. Its recommendations did not significantly deviate from the research team's position papers.[24] Meetings of senior public servants of all concerned departments ensued and, finally after about two years, the policy was ready for public presentation.[25]

However, cabinet approval of the plan can only be understood against the circumstances of the time. The Trudeau government had been swept into office in 1968 with the expectation that it would promote a Just Society; yet the 1968 Speech from the Throne did not have anything to offer in the way of social policy. The first budget was a good housekeeping budget which, according to one cabinet minister at that time, was necessary because Pearson had kept a "very untidy house."[26] The Pearson government had approved of expensive social policies such as old age pensions and health care without apparently giving sufficient consideration to

costs. Thus, in the first year of the new administration, there were few distinguished policy initiatives and no social policy initiatives.

The 1969 Speech from the Throne likewise dashed hopes as it did not contain provisions for new directions in social policy. Several ministers expressed their dissatisfaction to Prime Minister Trudeau. It was felt that if new redistributive measures were not introduced in this second year of the Liberal mandate, then their introduction in the remaining years of the government's tenure in office would smack of "politics" (in the popular negative sense of that term) rather than of a legitimate concern for the creation of a Just Society.[27] In the meantime, the Deputy Minister of Health and Welfare, Joseph Willard, was proposing a guaranteed annual income policy to the Cabinet Social Policy Committee. Among the seven Cabinet ministers sitting on the committee were Bryce Mackasey, Minister of Labour, John Munro, Minister of Health and Welfare, and Jean Marchand, Minister of Regional Economic Development -- the ministers commonly identified as the left-wing contingent of cabinet.

Willard's proposal began to flounder for several reasons. First and, perhaps, foremost, the Prime Minister had never demonstrated much enthusiasm for the scheme.[28] Secondly, a guaranteed annual income was perceived as likely to be far too costly by comparison to the possible alternative, a negative

income tax, and also by comparison to the proposed scheme of unemployment insurance. The guaranteed annual income proposal offered three different packages with three different cost estimates. As a result, discussions were largely restricted to a comparative evaluation of the three different programs. There was little questioning about the fundamental need for a guaranteed annual income and about the availability of similar but less expensive substitutes. This led to the disenchantment of at least one committee member and of representatives from other key departments. Representations from the central agencies which control public spending, Finance and the Treasury Board, favoured a negative income tax. Moreover, the new unemployment insurance proposal was not expected to result in increased costs for the government. In other words, the government's proportional share of the costs was expected to remain stable and its overall financial commitment to the plan was expected to rise only marginally as long as unemployment did not increase dramatically.[29] Thirdly, a guaranteed annual income would have required the direct involvement of the provinces. Other social policy proposals, including the unemployment insurance scheme, were expected to be less objectionable to the provinces which jealously guarded their legislative prerogatives in the field of social security. Finally, all the committee members, including the sponsoring minister, appeared to be largely indifferent to the guaranteed annual income proposal.[30] The

only social legislation that remained available as a means for the government to show its determination to move toward the Just Society, was unemployment insurance.

Mackasey had become attracted to the idea of reforming unemployment insurance due to his "convictions, nothing else!"[31] He stepped into this social policy vacuum and became determined to have the new plan approved by the Cabinet Social Policy Committee and, ultimately, by cabinet. Two former cabinet ministers have speculated that the Minister of Health and Welfare stepped aside with his proposal because of Mackasey's immense popularity both within cabinet and with the electorate.[32] Munro apparently expected to be compensated with full support for his department's social policy proposals after the new unemployment insurance scheme had been passed. The Minister of Regional Economic Development, yet another popular figure in the Trudeau cabinet, became greatly supportive of Mackasey's efforts to seek cabinet approval. Marchand, a former president of the Confederation of National Trade Unions was, quite naturally, well-disposed towards a policy which appeared to favour labour. However, Marchand did not fully sanction the scheme; he was opposed to the provision for experience-rating. He considered experience-rating to be incompatible with the best interests of labour. According to a then senior official of the Treasury Board, Mackasey was receptive to Marchand's arguments:

> ...(Mackasey) was extraordinarily anxious to get the approval of that Committee. Marchand for some reason picked on the term "experience-rating"...As an old labour man, those words were like a "red flag to a bull" because the American labour movement has been fighting against merit-rating for decades. In the U.S. experience-rating applies only to employers so in order to reduce their contributions it is argued that they are as niggardly as possible on the benefits side... If they have a bad experience they have to pay more. Therefore, to escape paying more they want to keep benefits as low as possible. You can imagine why labour doesn't like that.
>
> Marchand, I think, had read that somewhere before...He argued very vociferously against it. I tried to say, "but, but" but he was not really willing to listen. So he was not really persuaded. Mackasey accepted the rejection, accepted Marchand's rejection. Experience-rating "went out the window..."[33]

The Social Policy Committee and cabinet deferred making a decision on experience-rating. Experience-rating was, therefore, proposed in the white paper and began to stimulate considerable public debate.[34] At this point, however, it is important to note that Mackasey's openness to the objections to experience-rating brought Marchand's substantial support which was crucial in view of Munro's tacit support, the opposition of one other member of the committee, and the general indifference of the three remaining members.

The Department of Finance was mainly responsible for critically evaluating policy proposals such as the new scheme of unemployment insurance. However, representatives from Finance did not effect any changes to the proposal while it was still under consideration at the cabinet level for three major

reasons. First, Finance was undergoing major reorganizational changes at the most senior levels. The deputy minister, Mr. Bryce, was being replaced by Mr. Reisman. Secondly, the preoccupation with reorganization was coupled with a preoccupation with other policy changes, especially the white paper, *Proposal for Tax Reform*.[35] A senior official summarized the nature of Finance's lack of attention towards unemployment insurance as follows:

> ...the senior management of the Department of Finance and the Treasury Board were preoccupied...These people had to deal with a million and one things. It wasn't perceived to be as important as you now perceive it to be. It was perceived to be important by Cousineau, Mackasey, and so on but the Department of Finance was fighting a lot of other battles at the same time. They made an error, I suppose, in not spending enough time on this particular thing. That doesn't mean that they were idle but that they didn't perceive how important it was at the time.[36]

Finally, the Department of Finance as well as ministers and officials from other departments did not see fit to alter the scheme during the deliberations of the Social Policy Committee and of the cabinet as a whole because the government was not expected to incur any major additional costs. In any event, potential costs were not seen as a significant problem, a view supported by several sources and clearly explained as follows:[37]

> At that time money seemed to be readily available. The "right wing" ministers were pushing for their own things and the "left wing" ministers for theirs. With the competition between "right wing" and "left wing," we got involved in this pot of revenues that was

> growing faster than expected. So it was a very bizarre world, very unlike it is at the moment.[38]

Because of the principle of cabinet secrecy, it is difficult to accurately reconstruct the actual events pertaining to the cabinet's processing of unemployment insurance. However, the general impressions of a former minister in that government substantiate the notion that most ministers adopted a "live and let live" attitude towards their colleagues' policy proposals. Most ministers let each other have whatever they wanted with the expectation that they would be reciprocated with support for their programs at a later date.[39] Austerity was not anticipated. In addition, usually only about six ministers were concerned about any policy decision at any one time. Also, the Prime Minister could make his preferences known by his informal allotment of speaking time during cabinet deliberations. Thus, potential opposition could be neutralized and other ministers would generally acquiesce, especially if the policy did not affect their departmental priorities or did not concern them.[40] The implication was that Prime Minister Trudeau was favourably disposed towards the new unemployment insurance plan.

However, cabinet's approval was contingent on Mackasey's acceptance of and enthusiasm for the idea of a new scheme of unemployment insurance. Mackasey presented his scheme to cabinet under propitious conditions; there was a felt need for a policy to fill the social policy vacuum and there was no

expectation that costs would spiral as they did. Interview data suggest that Mackasey acted as a policy middleman, that is, by his effective performance of surveillance and legitimation, he was the dominant figure in the policy-making process. Mackasey certainly remained dependent on his senior level public servants to work out the details of a scheme that meshed with his philosophical predispositions. But he did not merely act as a mouthpiece for public servants who, with their virtual monopoly on technical information, may have been inclined to realize their policy goals through the minister.

Mackasey was undoubtedly receptive to his public servants' ideas for a remodeling of the scheme. One member of the research team concisely summarized a general impression of Mackasey's openness towards their efforts:

> ...They (the immediate supervisors) were putting it to us very simply: "if you are able to provide us with a reasonably interesting and imaginative way of doing the job better, clarifying our objectives, defining a better social technology, then we have the complete confidence of the minister. Therefore, we shall be able to convey that to him."
>
> I was given to put it this way, a chance to be two steps away from the ear of the "prince." These people were saying, "you persuade me and I'll persuade him."[41]

Mackasey's apparent responsiveness does not necessarily suggest that he gave his senior officials a *carte blanche* policy-making authority. His surveillance of the policy-making process was conducted by his infusing the process with his open and supportive style and by his insisting that the policy be

consistent with his general social-philosophical inclinations.

Mackasey injected or, at least, sustained an innovative atmosphere within which public servants were motivated to create a social efficiency scheme. He was able to provide an account of his ability to infuse a kind of frank and innovative atmosphere into the work environment: when he arrived in the Labour portfolio he presented about fifty public servants who were participating in a seminar, with a directive from the Prime Minister. The directive asked the group to outline its objectives. He pointed out that when he returned in three days, he would like to hear what was wrong with the department. Much to Mackasey's dismay, only one individual responded but he claims that he had that individual promoted because of his forthrightness and, presumably, to encourage that attitude among other public servants.[42]

Public servants had access to the minister because he had declared himself unequivocally in favour of their efforts to innovate. This, of course, did not mean that Mackasey would have approved of just any new scheme. It had to be compatible with his general social views. While quick to indicate that he is not a socialist, Mackasey is equally quick to admit to his sympathy for labour.[43] In other words, the project caught the minister's imagination because it promised to do something for labour.

Mackasey acquired a remarkable familiarity with a complex

scheme and developed an ability to evaluate it critically. The same respondent who depicted his own position as "two steps away from the ear of the 'prince'" provided an insightful summary of this aspect of Mackasey's surveillance role:

> The man is 'hard nosed.' He was questioning and we had the echo effect of this questioning coming through to (my supervisors). They were the major thrust in trying to sell the thing but he was a constraint. He was saying "give me a reason." But having been convinced by those people that it was a good scheme, then he was a very loyal person...[44]

Mackasey's loyalty to the ideas presented by his new team of officials filtered into the structure of the UIC. Senior officials, identified as the Old Guard who had been administering the old plan, were simply bypassed in the policy-making process and placed in positions from which they never regained their former authority.[45] Their advice, often critical of the new scheme, was neutralized, if not eliminated. The former Director-General of the UIC illustrated the curtailment of this group's input as follows:

> I had my five regional directors in. We were discussing various policy questions. One of my regional directors came in with another paper presenting again why he thought the Commission had made a mistake on this. We were discussing it among the five regional directors, myself, and my own head office staff. Within an hour, I got a call from (the Commission Chairman) saying to stop the discussion and that he wanted me to fire the regional director right there and then because the matter was finished and there was no point in discussing it anymore. (He said) "Anybody who brings in that idea again hasn't got the good of the Commission at heart and, therefore, he should be removed from office."[46]

While senior officials in opposition to Mackasey's scheme

were isolated, a senior official of the UIC throughout the decade of the 1970's, has written that those who supported the minister were handsomely rewarded:

> The Chairman of the UIC was promoted to Deputy Minister of Manpower and Immigration in 1972. The new Chairman of the UIC was promoted from his position in Treasury Board. Interestingly, before going to Treasury Board, he had been instrumental in developing the program concepts which were later the basis of the White Paper. Although these occurrences may simply be coincidence it is not too difficult to postulate that the Minister's rising star in 1970 and 1971 was perceived by some who deferred to and supported his wishes in anticipation of bureaucratic rewards in the future.[47]

Thus, the idea for a new scheme of unemployment insurance was developed by senior public servants. Once Mackasey became attracted to that idea, a relationship of mutual dependence was established between Mackasey and his officials. Official expertise was required to draw up the program but Mackasey exercised a considerable surveillance over bureaucratic policy-making activities. Moreover, senior officials were dependent on the minister to legitimize the policy to cabinet and to the public at large. Mackasey performed this leadership function with his usual success.

Mackasey's success at marketing this highly controversial scheme seems to have been related in part to his personality. A former cabinet colleague provided an impression of Mackasey's sales-oriented personality that was shared by other MPs:

> ...Here's a guy with a tremendous ego, Irish, theatrical, egocentric and with a *deep-seated human*

> *concern* -- don't detract that. He had tremendous ambitions, still harbors them...He had a special sort of "leprechaun-get-away-with-things-that-others-couldn't-get-away-with" relationship with the Prime Minister because Mackasey was a great "stump" speaker. He'd go out and mesmerize a crowd.[48]

However, it is not just the uniqueness of Mackasey's particular personality that culminated in the passing of the scheme. Other ministers have shared a similar determination to act as agents of legitimation for other policies but have not always had similar success. The above respondent also noted that Mackasey was a member of a class of cabinet ministers who could sell new programs:

> Question: How did such programs come into being?
> Answer: ...(through) powerful, articulate, and politically visible ministers. It is one of the weaknesses in the whole system. It's because you've got ministers who know how to get things through and it doesn't necessarily relate to the quality of the program. It's politics. If you know how to lobby with your colleagues, (your probability of success is great).[49]

Mackasey did know how to lobby effectively with his colleagues, especially once the controversy flared over the escalating costs of the new plan. Mackasey had to intensify his sales efforts in order to convince critics that the scheme should be retained in its original form, without major modifications. Mackasey's strategy was to try to persuade cabinet colleagues and members of caucus that if the plan was saved in its original form, it would continue to serve as an effective automatic stabilizer.[50] It has already been pointed

out that stabilization was not a main objective of the social efficiency scheme and it had not been etched as such into the plan.[51] Mackasey, nevertheless, used the plan's stabilization properties to justify the spiralling costs generated by the pursuit of other costly objectives that were built into the plan. His reasons seem to have been to undercut what he perceived to be the main source of opposition to the plan from within the government, the Department of Finance, and to undercut individual MPs whom Mackasey believed to be acting on behalf of business interests. Mackasey's main argument was that if unemployment insurance disbursements were growing due to increased unemployment then the Department of Finance was at fault. Finance was equipped with the necessary fiscal tools to generate employment and so business interests should direct their anger over the increased costs at that department.[52]

Mackasey also continuously button-holed members of caucus from regions of high unemployment such as the Atlantic provinces and encouraged them to exert pressure on the Prime Minister to retain the plan in its original form. Mackasey was well-aware that the remaining vestiges of residual welfare, that is, welfare as a substitute income rather than as a measure to prevent poverty, were to be erased from the plan.[53] Nevertheless, a sizable group of seasonal employees continued to receive residual welfare *via* unemployment insurance.[54] It would be unfair to characterize the arguments that Mackasey

used to promote the scheme as deceptive. The plan did, indeed, contain stabilization and residual welfare features, although they were not central aims. Mackasey simply popularized any aspect of the plan that could be used to mitigate opposition or to garner support.

Mackasey was so intent on gathering support that he did not restrict his lobbying to the Liberal caucus. His attempts to advance support for the plan with members of the opposition became so frequent and intense that one opposition MP remarked that members of his caucus would jest with the minister by pointing out that they had vacant seats, if he needed their support so desperately.[55] Other techniques were available for Mackasey to legitimize the scheme to a wider audience. He had the same opportunity that other cabinet ministers generally have, which was to legitimize the policy by stating his case to the electorate as a whole. He applied himself to this task with his usual zeal by appealing to the voters' sense of social justice. The scheme was touted as being "more humanitarian" during the 1972 election. However, the reduced support for the Liberals was generally interpreted as the electorate's adverse reaction towards unemployment insurance policy. Mackasey was, therefore, eased from office.

Nevertheless, Mackasey continued his crusade for the new scheme of unemployment insurance as a backbencher and, then, later as a cabinet minister representing other portfolios. He

campaigned to maintain the plan in its 1971 form in three ways: first, when lobbying with cabinet colleagues did not appear to be entirely successful, he attempted to upstage ministers that he considered to be intent on destroying the 1971 plan. As soon as Parliament was recalled after the 1972 election, Mackasey monopolized debating time in order to defend all aspects of the scheme in the House of Commons, much to the sardonic delight of the Conservative opposition.[56] He continued to eclipse Robert Andras, the minister then responsible for the UIC, on almost a permanent basis in protecting the government's reputation respecting unemployment insurance. Mackasey also upstaged certain ministers in public forums.[57] As late as 1976, he gave a public speech that came close to a breach of cabinet solidarity when he leveled intemperate statements about proposed changes to the plan contained in the then Finance Minister Macdonald's budget.[58]

Mackasey also continued to stimulate public interest in his case for the retention of the scheme, if not on the hustings, then through the media. He continued to oppose critics of the plan with letters to the editors of Canadian newspapers, long after he had left the Manpower and Immigration portfolio.[59]

Few cabinet ministers seemed to have approached the function of legitimizing a policy with the same vigour and devotion that Mackasey did with the 1971 unemployment insurance program.

Mackasey's exuberance, which may have been heightened by the controversy about the policy, perhaps exaggerates the manner in which this function is normally fulfilled. However, these conditions served to make the minister's legitimizing role visible and helped to delineate its nature. Lobbying with colleagues in cabinet, in caucus, and in the House of Commons in general as well as selling a policy to the public by electioneering and through public forums and the media, may well be duties that are essential to having a policy initiated and maintained. These are, of course, tasks that cabinet ministers customarily carry out albeit with advisory assistance from their public servants. The legitimation function combined with the surveillance function provides ministers with a certain autonomous policy-making role. These functions give ministers such as Mackasey considerable latitude to become policy middlemen or major leaders of policy change and reform.

The leadership functions of cabinet ministers, surveillance and legitimation, are highly visible in the policy-making process. New policies are likely to support some interests and trample on others. Under conditions of conflict and controversy a minister's ability to scrutinize or defend his policy initiatives and to publicly sell his policies becomes evident. These ministerial functions become less necessary and hence increasingly less noticeable once a policy begins to enter its routine or administrative phase. Such was the case once Andras

and then Cullen assumed the Manpower and Immigration portfolio, now called Employment and Immigration, and became responsible for the routinization of unemployment insurance.

The Ministerial Administrative Role: A Lessening of Surveillance and Legitimation

After the 1972 election and throughout the remainder of the decade, the government as a whole became acutely aware of the need to practice expenditure restraint, especially with regard to unemployment insurance policy. There was wide consensus on this imperative throughout government. Therefore, Andras and Cullen as executors of the government's imperative, were not required to exercise surveillance and legitimation as vigourously as had Mackasey. Andras' perspective on the policies of the 1970's as well as his self-described role as a "clean-up" man convey the difference in the type of surveillance that he was to impose on his senior public servants:

> We are now in a period of having to digest some incredibly big, expensive, societal changing programs that were introduced, some in the Diefenbaker period, but most in the fifteen year Liberal period starting with "Mike." I wouldn't unravel these programs but I would "fine tune" them and adjust them in light of the experience. In some cases, we went too far and in others we didn't go far enough. Nobody is wise enough to put in massive changes like that without immediately starting to evaluate.[60]

Under Andras' supervision Manpower and Immigration plunged into the task of reviewing the scheme and pruning some of the exorbitant costs. Senior public servants began to dismantle

costly aspects of the scheme by preparing Bills C-69 and C-27. In short, Andras assumed two roles -- policy-maker and administrator.

How did Andras' surveillance function spark this "fine tuning" approach to unemployment insurance? There were no obvious constraints imposed on senior officials, with one exception. The deputy minister of the department, Jacques DesRoches, was transferred to Supply and Services because of an ostensible administrative indiscretion that he had committed.[62] However, the interview data provide only scant evidence to suggest that the combination of Andras and DesRoches was not working out. There were, on the whole, few changes in personnel and, in fact, public servants who had been intimately linked with the creation of the 1971 scheme were recalled to assist in adjusting the plan.

Andras' appointment appears to have signalled the department and the UIC to terminate their innovative course of creating and sustaining a new policy and to return to a more mundane and ordinary direction of reducing and administering unemployment insurance expenditures. After the initial "baptism in fire," to quote Andras, the department and the UIC, in particular, was transformed into a normal and routine administrative unit, scrutinizing and managing expenditures.[63] In consequence, Andras' surveillance role may not have been less demanding but certainly less obvious. Andras had only to

urge his public servants to do what they were ostensibly best suited to do, to administer and not to initiate massive changes. It seems that they had little difficulty in readapting to routine from innovative tasks.

Andras was not called upon to exhibit skills as an agent of legitimation with respect to Bills C-69 and C-27. Cabinet colleagues and members of caucus had already been chastened by the 1972 election results which, in Liberal circles, were largely attributed to the enormous costs of unemployment insurance. Lobbying with opposition MPs as Mackasey had done, was hardly necessary; Conservatives continued to howl for even greater cutbacks. The New Democratic Party may have initially obstructed alterations to the plan but their reduced numbers combined with a Liberal majority after the 1974 election, weakened the political significance of their opposition.

Andras was also not obliged to legitimize the "fine tuning" under his sponsorship, to the electorate. According to Gallup Poll results published in 1975, 81% of a national sample indicated that they would approve of cutbacks in government spending.[64] Most respondents (35%) designated welfare programs as the policy area where savings should be made but unemployment insurance ran as a close second choice (27%). A survey conducted by the UIC in 1975 endorsed these results; 71% of the respondents supported a tightening up of the plan.[65] Yet another Gallup Poll, taken in February 1976, measured public

readiness to accept the modifications in unemployment insurance that Andras' ministry had been carrying out.[66] It seems that 68% of the respondents in a national sample felt that the government had not been strict enough in checking on applicants.

Bud Cullen was partly responsible for Bill C-27; he steered the bill through the House. However, Cullen was fully responsible for Bill C-14 from its inception until its final passage into law.[67] His surveillance of Bill C-14 was minimal. Cullen had been a supporter and highly vocal spokesman for the white paper that introduced the 1971 plan while he was a member of the Standing Committee on Labour, Manpower and Immigration. By 1978 when he had become Minister of Employment and Immigration, he had adopted a complete *volte face* regarding the generosity of the scheme. Cullen justified his antipodal posture because in his words "the plan was losing its credibility."[68] Cullen surmised that the generosity of the plan had created a significant disincentive to work and, therefore, he had few qualms about tightening up the purse strings. Cullen explained that he was a self-made man who had had few difficulties in finding work because he had not been as selective as workers could be today, given the generosity of unemployment insurance benefits. He was not particularly concerned about how his officials might effect cutbacks as long as cutbacks were implemented. This was made abundantly clear by his response to a question which asked whether he had been overly dependent on his public

servants:

> The fact of the matter is that most public servants at the senior level, particularly the ones I've run into, are pretty solid, dedicated guys who have a real feeling for the program that they are administering. I think that you can work "hand-in-glove" with them...I think that a minister can do that (be guided by his public servants), if he is weak but I think a minister has a role to play, a political role...[69]

Cullen perceived his surveillance role as limited to endorsing spending restraint in the context of unemployment insurance. From his point of view, his major function was a political function, to legitimize whatever measures were offered by senior officials of the Commission.

Cullen, like Andras, was not required to embark on a vigorous legitimation campaign. First, he had the same solid backing as Andras had had from the Prime Minister and from key ministers such as Donald Macdonald (Finance).[70] Secondly, the residents and business interests of the rather affluent constituency (Sarnia) that Cullen represents, lobbied and encouraged him to continue to trim or to further routinize the plan. Thirdly, Cullen felt intuitively that "the Canadian people supported these changes." His intuition was confirmed by public opinion polls.[71] Although the pollsters did not provide supporting figures, they concluded that "the vast majority believe that *bona fide* recipients should have the financial assistance that their unemployed condition warrants but feel that control mechanisms to discourage misuse should be

strengthened,"[72] Bill C-14 was directed towards firming such control mechanisms.

However, regional opposition to Bill C-14 in cabinet had to be placated. Monique Bégin, the Minister of Health and Welfare, from Quebec, a region of high unemployment, and ministers from the Atlantic provinces, Don Jamieson, Romeo Leblanc, and Allen MacEachen were especially concerned that a higher qualification period and shorter benefit periods would adversely affect their constituents. However, Cullen pointed out that opposition was somewhat muted given the financial power of his department:

> ...we were debating in the cabinet but outside they were very careful because GOD knows the next time they've got a piece of legislation...When you are Minister of Employment and Immigration, you've got money that's available for Canada Works; Fisheries may need some money for their wharves; somebody else may need money for something else. So when I'm talking about opposition in cabinet, I'm talking about moods. They wouldn't go out and say this was a crazy thing Cullen was doing. These arguments just went around the cabinet table and around caucus.[73]

Nevertheless, to deflect any potential legitimation problems, Cullen's senior officials arrived at an acceptable solution. For regions of high unemployment, the qualification period would be 10 weeks rather than the 14 week across-the-board provision contained in the legislation. Extended qualification periods for areas of high unemployment would be retained.

However, Cullen not only had to contend with regional opposition from within cabinet; Cullen and his predecessors,

Andras and Mackasey, were required to legitimize program changes to the provinces as well as to other bureaucratic groups from within government, to pressure groups and to Parliament. Indeed, legitimation not only involved drawing support from these groups; it also involved neutralizing their opposition. Cullen and Andras as executors of government restraint and Mackasey as an agent of social change, performed this leadership function well. But that is the subject of the following chapters.

Within the executive level of government, Andras' and Cullen's role in the public decision-making process was certainly not pronounced by comparison with Mackasey's. Mackasey stood out as a persistent constraint on public servants as policy-makers and as an aggressive and almost obsessive purveyor of the new scheme. Andras and Cullen were barely noticeable as agents of surveillance and legitimation. Their low profile in the decision-making process is attributable to the nature of the major task that their ministries faced. Andras and Cullen like so many other cabinet ministers, were charged with a responsibility to administer, not to innovate. In the relatively routine chore of running a smooth administrative machine, marked by incremental policy adjustments, a cabinet minister's functions of surveillance and legitimation are not imperative to decision-making and are, therefore, barely visible. However, it may be premature, if not invalid, to suggest that the

dominant role in the decision-making process has passed to senior public servants because ministerial functions are far more discreet in the administrative process. As Mackasey demonstrated, under policy-making circumstances, a cabinet minister can and will exercise leadership in the policy-making process by an effective performance of surveillance and legitimation. Mackasey demonstrated that a minister has a considerable opportunity to become an agent of policy change and in the case of unemployment insurance, an agent of social reform.

Conclusion

During the 1970's three cabinet ministers guided unemployment insurance policy through two distinct phases, an innovative or policy-making phase and a routinizing or administrative phase. The technical expertise of public servants was required in order to create the plan in the first phase and to correct its perceived faults in the second phase. Despite his dependence on this expertise, Mackasey orchestrated the policy-making process by effectively exercising surveillance and legitimation functions. Stanley Knowles, a veteran MP and longtime observer of the public decision-making process, has perceptively summarized the nature of Mackasey's relationship with his public servants.

> At times it happens when ministers become prisoners of their civil servants...I think it varies from minister to minister. I think in some cases the deputy is the brain and the minister isn't but I think Mackasey knew what he wanted in general outlines.[74]

Knowles might have added that Mackasey also knew how to effectively legitimize his new policy proposal to cabinet. However, Knowles' comment that ministers can be "prisoners of their public servants" need not be applied to Andras and Cullen. Andras and Cullen were executors of a governmental imperative to practice restraint. There was a general agreement throughout the executive level of government on the need for expenditure restraint. Therefore, they were not required to exercise the leadership functions of surveillance and legitimation as vigourously as had Mackasey.

Andras once characterized his former responsibilities as President of the Board of Economic Development Ministers as follows:

> The stuff I'm doing is not, and probably should not be high drama. If anything is needed with so much instability in the world, it is a steady hand... predictability.[75]

Andras' remarks were an accurate description of the other ministerial duties that he had assumed in other portfolios, including Manpower and Immigration. It is also a fair assessment of the day-to-day, routine public business that most other cabinet ministers, including Cullen as Minister of Employment and Immigration, execute throughout the tenures of their portfolios. Andras' remarks appear to refer to the administrative aspect of management wherein ministers and public servants accept the fundamental objectives and direction of a policy. Under such conditions ministers are not compelled to exert

surveillance and legitimation with the same intensity as they would if they were staking their political reputations and careers on a new policy initiative.

Since new policies that generate massive changes are not introduced frequently, ministerial policy-making roles are not highlighted frequently. Perhaps, because ministers tend to devote the larger part of their tenures to the administrative process, there is a tendency to overlook ministers as agents of policy change. However, the case of unemployment insurance in the 1970's clearly demonstrates that a minister can be a major agent of policy reform by effectively performing surveillance and legitimation functions. Furthermore, the case study also suggests that the prominence of public servants in the administrative process combined with ministerial dominance in the policy-making process, may result in a relationship of mutual dependence in the public decison-making process.

However, the government as a whole had an obvious leadership role to play with other actors in the policy-making process such as the provinces, pressure groups, and political parties. The government had to legitimize its routinization of unemployment insurance policy within the context of expenditure restraint. This leadership function was especially difficult to exercise effectively with political parties since a faction of the governing Liberal party was opposed. Significantly, Mackasey had been in a similar position when he introduced the

revised plan. Thus, a first and major step in securing their respective policy objectives, was to cull the support and neutralize the opposition of political parties. Otherwise, under the rules of the domocratic process, Mackasey's and the government's leadership positions would have been threatened.

Footnotes

1. "Public decision-making" refers to the process by which policies are chosen at the executive level of government.

2. Canada, Report of the Royal Commision on Government Organization, Volume 1 (Ottawa: Queen's Printer, 1962), p. 48.

3. Ibid, p. 48.

4. Kenneth Kernaghan, "Power, Parliament and Public Servants in Canada: Ministerial Responsibility Re-examined" in H.D. Clarke, C. Campbell et al, Parliament, Policy and Representation (Toronto: Methuen, 1980), p. 126. Kernaghan arrives at this conclusion on the basis of his review of the literature.

5. T.M. Denton, "Ministerial Responsibility: A Contemporary Perspective" in R. Schultz, O.M. Kruhlak, et al, The Canadian Political Process (3rd edition) (Toronto: Holt, Rinehart and Winston, 1979), p. 348.

6. Kenneth Kernaghan uses this term to describe the "fiction" that public servants dominate both the policy-making and administrative processes in K. Kernaghan, "Politics, Policy and Public Servants" in K. Kernaghan (editor), Public Administration in Canada (3rd edition) (Toronto: Methuen, 1977), p. 248.

7. Robert L. Stanfield, "The Present State of the Legislative Process in Canada: Myth and Realities" in W.A.W. Neilson and J.C. MacPherson, The Legislative Process in Canada: The Need for Reform (Toronto: Institute for Research on Public Policy, 1978), p. 43.

8. D.M. Cameron, "Power and Responsibility in the Public Service: A Summary of Discussions," Canadian Public Administration (Fall 1978), vol. 21, no. 3, pp. 358-72. These factors are discussed in a summary of a seminar proceedings on this question.

9. These factors are discussed in T.M. Denton, op. cit., pp. 349-358 and in A.D. Doerr, The Machinery of Government in Canada (Toronto: Methuen, 1981), pp. 78-83.

10. See A.D. Doerr, op. cit., pp. 78-79.

11. Kenneth Bryden, "Cabinets" in D.J. Bellamy, J.H. Pammett et al, The Provincial Political Systems (Toronto: Methuen, 1976), p. 322. Comments made by Mitchell Sharp, "A Reply From a Former Minister and Mandarin," Policy Options, vol. 2, no. 2,

May-June, 1981, pp. 43-44, suggests that Bryden's remark may well be applied to federal decision-making.

12. Richard Splane, "Social Policy-Making in the Government of Canada: Reflections of a Reformist Bureaucrat" in S.A. Yelaja, Canadian Social Policy (Waterloo: Wilfrid Laurier Press, 1978), p. 215.

13. Canada, Report of the Royal Commission on Financial Management and Accountability (Ottawa: Supply and Services Canada, 1979), pp. 191-204.

14. Flora MacDonald, "The Minister and the Mandarins," Policy Options, vol. 1, no. 3, September-October, p. 29. See Mitchell Sharp, op. cit. for a critical evaluation of this analysis.

15. Mitchell Sharp, "The Cabinet and the Public Service: Reflections of Mitchell Sharp, J. Chrétien et al" in T.A. Hockins (editor), Apex and Power (2nd edition) (Toronto: Prentice-Hall, 1977), p. 183.

16. Mitchell Sharp, "Decision-Making in the Federal Cabinet" in T.A. Hockins (editor), in ibid, p. 67.

17. A.D. Doerr, op. cit., p. 82.

18. R.B. Byers, "Perceptions of Parliamentary Surveillance of the Executive: The Case of Canadian Defense Policy," Canadian Journal of Political Science, June 1972, vol. 5, no. 2, pp. 235-236. Byers summarizes five functions of MPs, including surveillance and legitimation. Although these functions are used to describe a different relationship in this paper, the concepts have been borrowed from Byers.

19. Hugh Heclo, Modern Social Policies in Britain and Sweden (New Haven: Yale University Press, 1975), pp. 304-322. Much of Heclo's analysis focuses upon senior public servants as agents of social policy change. However, his analysis does not preclude the possibility of other strategically placed policy-makers such as cabinet ministers, performing a similar role.

20. Ibid, p. 308.

21. Richard Splane, op. cit., p. 214.

22. John Nicholson was Minister of Labour from December 1965 until April 1968. He was replaced by J.-L. Pepin from April 1968 until July 1968 on an interim basis. Nicholson left the portfolio to become Lieutenant-Governor of British Columbia.

Bryce Mackasey was appointed to the Labour portfolio in July 1968.

23. Interview MP-1, February 1978.

24. The task force's recommendations are contained in UIC, Report of the Study for Updating the Unemployment Insurance Programme, 5 volumes, (Ottawa: UIC, 1969).

25. The policy was presented in a white paper. See Hon. Bryce Mackasey, Unemployment Insurance in the '70's (Ottawa: Queen's Printer, 1970).

26. Interview MP-5, April 1981.

27. Ibid.

28. Ibid.

29. The government's share of contributions was to remain the same under the new plan, providing unemployment did not rise beyond 4% of the labour force. Furthermore, the government's overall costs were not expected to change significantly. The UIC estimated that in 1972, for example, the government would not incur any extra costs under the new system, if the unemployment rate did not exceed 4.2%. (See: UIC, Facts and Figures on Unemployment Insurance in the 70's in Canada, House of Commons, Standing Committee on Labour, Manpower and Immigration, September 16, 1970, Appendix "M", p. 151.) The average unemployment rate of the previous five years (1965-1969) had been 4.2%. It was, therefore, reasonable to expect that the government's financial commitment would fluctuate on a yearly basis but that it would not increase significantly, if at all, over the next five years.

30. Interview MP-5, April 1981.

31. Interview with Hon. Bryce Mackasey, January 1978.

32. Interview MP-1, February 1978 and Interview MP-5, April 1981.

33. Interview PS-6, December 1979.

34. The testimony presented to the House of Commons Standing Committee on Labour, Manpower and Immigration during its consideration of the white paper, demonstrates that organized business and organized labour were largely opposed to the principle of experience-rating. Experience-rating was never

implemented. The provisions for experience-rating were repealed from the 1971 Act in 1976.

35. Hon. E.J. Benson, Proposal for Tax Reform (Ottawa: Queen's Printer, 1969).

36. Interview PS-6, December 1979.

37. The conclusion is drawn on the basis of six different interviews with senior public servants intimately associated with the development of unemployment insurance policy in the early 1970's.

38. Interview PS-6, December 1979.

39. Interview MP-5, April 1981.

40. Ibid.

41. Interview PS-1, December 1977.

42. Interview with Hon. Bryce Mackasey, January 1978.

43. Ibid.

44. Interview PS-1, December 1977.

45. Interview PS-11, December 1980.

46. Interview PS-9, November 1980.

47. L.E. St. Laurent, Unemployment Insurance Act Amendments: Viewed From the Perspective of Public Choice Theory (Unpublished paper, March, 1980), pp. 9-10.

48. Interview MP-1, February 1978.

49. Ibid.

50. Interview with Hon. Bryce Mackasey, January 1978.

51. See pp. 50-53 for a discussion on this point.

52. Interview PS-11, November 1980.

53. See pp. 62-70 for a discussion on this point.

54. Seasonal workers, many of whom are located in the Atlantic provinces, have come to depend on unemployment insurance

benefits as an income supplement. Seasonal benefits may be considered as residual welfare because they are necessary due to a breakdown in the market economy. The economy, in this instance, cannot sustain long-term, permanent, and regular employment for these workers.

55. Interview MP-3, December 1977.

56. See the remarks of Conservative MP, Erik Neilsen in Canada, House of Commons Debates, February 6, 1973, p. 6.

57. Mackasey upstaged Andras in public forums such as the International Conference in Trends in Industrial Relations held at McGill University in 1976. Although, Mackasey was no longer responsible for unemployment insurance, he was quick to come to its defense. Perhaps, it would have been more appropriate for Andras to speak on behalf of the plan, since he was the Minister of Manpower and Immigration at that time.

58. Arthur Blakely, "Mackasey's UIC Views May Breach Cabinet Solidarity," Montreal Gazette, June 5, 1976, p. 6.

59. See, for instance, Bryce Mackasey, "No Proof that UIC Abused." Financial Post, March 16, 1974.

60. Interview with Hon. Robert Andras, February 1978.

61. Two major features common to both bills were stiffer accessibility requirements and less generous benefits. See pp. 72-75.

62. The Globe and Mail, March 13, 1973, p. 1, had a front page story that claimed that DesRoches had sent a "secret memorandum" to Manpower, ordering that agency to give UIC claimants priority in job placement. Although Andras defended DesRoches, he was transferred to Supply and Services shortly thereafter.

63. Interview with Hon. Robert Andras, February 1977.

64. The Canadian Institute of Public Opinion, The Gallup Report, September 10, 1975.

65. UIC, Comprehensive Review of the Unemployment Insurance Program in Canada, (Ottawa: UIC, 1977), p. 1-4.

66. Canadian Institute of Public Opinion, The Gallup Report, February 14, 1976.

67. Bill C-14 was similar to the two previous amendments

insofar as accessibility requirements were tightened further and benefits were further reduced.

68. Interview with Hon. Bud Cullen, October 1980. The remainder of the paragraph is based on information acquired during this interview.

69. Ibid.

70. Ibid.

71. UIC, op. cit., p. 1-4. A poll conducted by the Contemporary Research Centre on September 2, 1978 revealed that 76% of a sample felt that new and stiffer requirements were a step in the right direction while 88% felt that stricter controls were necessary to ensure that benefits did not go to people who did not want to work. See Canadian News Facts, November 22, 1978, p. 2045.

72. UIC, op. cit. p. 1-4.

73. Interview with Hon. Bud Cullen, October 1980.

74. Interview with Stanley Knowles, MP, December 1977.

75. Bill Fox, "He's 'Steady Eddie,'" Montreal Star, March 10, 1979, p. 74.

Chapter 4

Political Leadership:

Moods, Strategies, and Political Party Input

Policy choice is the *raison d'être* of a competitive political party system. Political parties provide policy choice by acting as "broker mediators" for private interests and by acting autonomously, as forerunners of change.[1] As "broker mediators," political parties aggregate a broad range of diverse and rival interests, highlight the similarities, downplay the differences, and articulate or forge the common elements into policy platforms. However, individual political parties cannot be all things to all interests. While each party may attempt to encompass a great many interests in its policy platforms, it is clearly impossible to reconcile a wide spectrum of conflicting cultural, social, and economic claims; each party must subordinate some interests to others. Thus, as individual political parties collate different combinations of interests in their policy platforms, the political party system as a whole offers policy alternatives to the electorate. As forerunners of change, political parties define and set the parameters of policy-making activity. Political parties identify new interests, recognize long-standing interests, interpret similar interests in different ways, and present different solutions to similar problems. Political parties in this role of agent of political socialization and education, endeavor to inform and influence public opinion by presenting policy options.

The thesis of this chapter is that political leadership

developed unemployment insurance policy in the 1970's, in part, by drawing on the different ideas or proposals generated by interparty competition; no single party held a monopoly on the ideas that were used. However, few political scientists are willing to concede that Canadian party policies differ significantly. Cairns is the exception.[2] While admitting that his argument rests on deductive logic, Cairns concludes that "the sectional bias in party representation engendered by the electoral system has had an important effect on the policies of specific parties and on policy differences between parties."[3] However, the majority of scholars investigating political party behaviour tend to gravitate towards R. MacGregor Dawson's assessment that "the most successful parties tend to be parties of the centre, swinging gently to right or left, differing about the means, but not the ends, of bilingualism, with a slight urge towards centralization or back towards provincial rights, the pendulum never getting far beyond the point of stable equilibrium."[4] McLeod, for instance, reasons that the prevalence of sectional voting encourages national parties to absorb and moderate domestic conflict and presents them with the "principal task" of discovering "some means of bringing the various regions and interests closer together."[5] Indeed, from a less nationalistic and more practical perspective, the national political parties would be well-advised to mute differences in order not to alienate any voting segment; after all

federal elections have been won and lost by rather slim margins in Canada during the last two decades.

The major Canadian political parties seem to have responded in a similar fashion to social security policy in particular. John Meisel, commenting on the 1960's, has stated that "there is very little difference between the Conservatives and the Liberals with regard to their attitudes towards the welfare state and towards the role of free enterprise in the Canadian economy."[6] Meisel's view has been endorsed by Englemann and Schwartz who make the following remarks about social welfare policy outputs:

> (The major parties have provided) essentially minimum welfare outputs, such as family allowances, a pension policy which only recently went beyond the embryonic stage, and a basic system of health care. Here the policy responses of the major parties have been similar. In the early sixties, both stood for a moderate extension of welfare, the Progressive Conservatives taking the first initiative in health, the Liberals in pensions; and both have stood for further economic development.[7]

In addressing the 1970's, McCready and Winn conclude that beliefs, intentions or symbols notwithstanding, "the redistributive behaviour of all the parties does not differ significantly."[8] Brodie and Jenson adopt a similar perspective. They argue that the major parties have successfully retarded the growth of class oriented issues by focusing upon the bicultural cleavage as a source of interparty competition.[9]

Often, specific policy differences are not visible during

elections. Also, differences may not be apparent when policy outputs are juxtaposed and compared. But this does not mean that policy differences are slight among major Canadian political parties. Adams, Heclo, and Heidenheimer conclude from their comparative analysis of the development of social security in Europe and America that policy differences may surface among political parties in the form of moods and general predispositions; the moods affect policy development.[10] Mallory likewise suggests that the policy positions of Canadian political parties can be distinguished in terms of moods rather than in terms of specific policy proposals:

> It can be argued that one important element of success is the capacity of the party -- and above all its leader -- to project an image which fits the mood of the country at the time. The political character of a country is bound to change, and there is a strong likelihood that the electorate will yearn for the kind of leadership which matches its mood.[11]

McLeod presents a threefold critique of Mallory's comments: first, Mallory fails to explain how or why political "moods" change. Secondly, it is not clear how "moods" may be created or identified. Thirdly, it is not clear "whether a leader creates the mood or whether the mood calls forth the leader."[12] The first criticism takes Mallory to task for not doing what he apparently has no intention of doing and, fortunately for the practicing political scientist, for what he probably cannot do. Mallory's obvious intention is to draw attention to his impression that changing social and political party inclinations do

have a general impact on public policy. Why moods and ideas change over the long-term is a subject of debate which is as old as civilization itself. If Mallory were able to produce a magic formula to resolve the debate, there would be little need for a science of politics. However, McLeod's demand for less ambiguity is sensible. Further research such as policy case studies on unemployment insurance in the 1970's, provide some clarification.

A response to McLeod's third point sheds some light on the second. Political leadership is crucial in creating public moods favourable to totally new policy initiatives, especially in the field of social security. And yet a public mood may prompt governmental leadership as a whole to modify an already existing policy. It may be a somewhat hasty generalization to accept on the basis of a case study but a public mood is less likely to be a determinant in the initiation of a new policy than it is with respect to changing an established policy. The voting public is less likely to be concerned about a policy with which it has little or no familiarity than about a policy with which it is well-acquainted. This does not mean that in the latter instance policy becomes the independent variable and politics, the dependent variable as V. Seymour Wilson would have it.[13] In both instances latent public moods are activated and articulated through political parties.

Public moods are grasped through well-informed intuition.

Bryden speaks of a "market ethos," "the cultural expression of the market economy" whose "unifying principle was what Macpherson called 'possessive individualism.'"[14] Lipset and others allude to a predisposition towards state interventionism in Canada.[15] The tension between these two fundamental and contradictory perspectives on social and economic life, has proliferated into the Canadian political party system. While the Progressive Conservative Party is widely regarded as the expression of the market ethos, the New Democratic Party is viewed as the main voice of state interventionism; the Liberal Party has become a balanced embodiment of both predispositions.

During the last two decades the problem of economic growth or its negative side, unemployment, was approached with strategies or solutions which were the outgrowths of the two predispositions. A social security strategy became the offshoot of the predisposition towards state interventionism. An "economic" policy strategy, designed to increase incentives for private investment and, simultaneously, to increase employment, became an articulation of the market ethos. These policy strategies have become concrete or well-defined only when political parties have addressed particular issues such as unemployment insurance. This will be demonstrated in the following pages.

The New Democratic Party (NDP) has always been quick to assume responsibility as propellant for leftward thrusts of the governing party.[16] The Progressive Conservative Party (PC) has

not been quite as vocal in accepting responsibility for policy shifts towards the market ethos.[17] However, the evidence suggests that both political parties could safely stake a claim in having etched their particular policy predispositions on the development of unemployment insurance policy during the 1970's. Political party participation in the development of that policy may be characterized as a subtle dialectical process. A political leader, Bryce Mackasey, gathered support for a social security strategy in the form of a new unemployment insurance plan from a segment of his party and from a part of the electorate disposed towards state interventionism. Support was also forthcoming from the longstanding interventionist-oriented NDP. Mackasey's social security strategy was immediately challenged by the PC's economic strategy. The economic strategy which sought to redress unemployment by disentangling market forces from state interventionism, soon won a sympathetic response from a faction of the Liberal Party; this sector had become increasingly sensitive to the rising dominance of the market ethos within the Canadian electorate. The end result was that by 1978, an employment strategy of unemployment insurance was developed. The new strategy synthesized elements of both the social security and economic strategies. Thus, it also merged principles of state interventionism and a market ethos into a particular policy package. In skeletal and diagrammatic form the process may be depicted as follows:

MOOD:	STATE INTERVENTIONISM	VS	MARKET ETHOS	}	ELEMENTS OF BOTH COMBINED
	↓		↓		↓
PARTY:	LIBERAL SEGMENT/ NDP	VS	LIBERAL SEGMENT/ PC's	}	LIBERAL/PC/ (NDP)
	↓		↓		↓
STRATEGY:	SOCIAL SECURITY	VS	ECONOMIC	}	EMPLOYMENT

Fundamentally different moods or predispositions provide a basis for different policy approaches among the major Canadian political parties. Why and how these moods change remains something of a mystery but, conveniently, speculation on the subject is not required here for it is not central to the main argument. The main argument is that these moods, once filtered through political parties, have had an impact on unemployment insurance policy. Furthermore, political leadership, whether a cabinet minister or the government as a whole, has had to recognize these moods and attempt either to manipulate or to satisfy them in order to realize certain policy objectives. Mackasey chose to manipulate and then disregard those inclined towards a market ethos which was partly why his policy did not survive in its original form and most certainly why his leadership waned.

Unemployment: A Social Security Strategy Versus an Economic Strategy

Unemployment was relatively low in the late 1960's by comparison to the late 1970's and early 1980's but it was still a major concern of the Liberal Party.[18] There was a general feeling especially among veteran Liberal MPs that unemployment

had been a major cause of Diefenbaker's electoral defeat; unemployment had reached unprecedented postwar highs during the period that the PCs held office from 1957 until 1963. However, the Liberal Party was divided on how to deal with the "nagging uncertainty" of unemployment as one respondent put it.[19] One side, which was led by MacEachen and the cabinet ministers responsible for the social portfolios such as Labour, and Health and Welfare, favoured a social security strategy. Another side which gravitated towards the ministers of the economic portfolios, sought a correct economic or industrial strategy to prevent unemployment.

The early policy statements and intentions of the Liberal Party under Trudeau favoured the promotion of greater equality among Canadians as a major objective and hinted that social security and economic strategies would both be used to achieve the objective. The objective was outlined in *The Constitution and the People of Canada* as follows:

> ...to promote national economic, social and cultural development, and the general welfare and equality of opportunity for all Canadians in whatever region they may live, including the opportunity for gainful work, for an adequate standard of living, for security, for education, and for rest and leisure.[20]

In a subsequent working paper, the governing party placed unemployment insurance squarely within a set of instruments -- "fiscal, monetary, debt management, trade and balance of payments policies, and indeed selective measures" -- that could be

molded into a comprehensive strategy "to bring under control the forces that cause unemployment."[21] It seemed clear that this strategy would be oriented towards interventionism. At the same time, the governing party appeared to be about to embark on an interventionist social security strategy to alleviate the main source of poverty, unemployment, when it struck the *Special Senate Committee on Poverty* and mandated the *Royal Commission on the Status of Women.*[22] The widely circulated recommendations of the Economic Council's *Fifth Annual Report* in 1968 also endorsed a social security strategy.[23]

Bryce Mackasey was well-qualified to ride the crest of the wave heading towards a social security strategy. He wielded considerable prestige within the Liberal Party and with Prime Minister Trudeau. He had served as chairman of the liberal caucus; he had been a backer of Claude Wagner, the Quebec Minister of Justice and aspirant for the leadership of the Quebec Liberals; in 1965, he had refused to use his influence to block Trudeau's ascendency in the federal Liberal Party; he had eventually supported Trudeau at the Liberal Leadership Convention in 1968 and continued to claim that loyalty to Trudeau was "the name of the game."[24] In addition, by 1969 the Minister of Labour was receiving extensive press coverage, sprinkled with accolades about his effectiveness in settling labour-management disputes.[25] Labour's media spokesman, Ed Finn, extolled his virtues as arbitrator while the management-oriented *Financial*

Post labeled him as "a minister who personally gets to the root of trouble."[26] In an article for *Weekend Magazine*, political scientist, Roberta McKeown, aptly summarized the media's appreciation of this concilliator by singing his praises:

> Undoubtedly if a contest were held in the Liberal caucus for the most popular cabinet minister, Mackasey would win in a walk. He is ever-available, dependably affable, always obliging. He is the archetype of the successful Irish politician who combines charm, ability, considerable energy, and a genuine liking for people.[27]

Mackasey's office had intervened to settle contentious disputes between management and CNR and CPR workers, CBC announcers, Air Canada machinists, Lakehead grainhandlers, and Montreal longshoremen. The Minister of Labour had settled all but eight of 119 potential federal strikes that had been faced since he took office in 1968. Mackasey's reputation as mediator had become so well established that even former Conservative Leader, John Diefenbaker, paid him a rare tribute in the House of Commons; Diefenbaker suggested that the bitter dispute between the Post Office and its workers be handed over to the labour minister, who "seems to have some diplomacy in these matters."[28] Spokesmen for business, traditionally attached to a market ethos perspective, as well as spokesmen for labour, disposed towards an interventionist philosophy, paid guarded homage to Mackasey's ability to arbitrate their respective interests. Charles Eyre, a prominent executive employed by Air Canada, offered the following appraisal:

> He's certainly flamboyant and unorthodox, even wild at times, but he's very effective though. From our experience, I'd have to say that he's had quite a positive influence on labour problems as a whole... (but) the two parties (management and labour) don't need a crutch *all* the time. Some of them are already working together through the contract and it's an individual thing, best done by the two parties.[29]

William Dodge, Secretary General of the Canadian Labour Congress, also offered a cautious but balanced assessment:

> I think his technique of intervening in disputes, particularly at an early stage makes a lot of sense. If I took exception to anything it would be the atmosphere of public relations in which he does everything. I'm a little tired of the miracle man image that he is evidently trying to promote.[30]

Mackasey went to great lengths to publicize his modest origins and his consequent empathy with workers but he also stressed that he felt comfortable with a market ethos, given that he was a self-made man:

> Work is something you don't like doing, and I can sympathize with every Joe Lunchpail who's handcuffed to a job that bores the hell out of him. I found it far more stimulating to be a free enterpriser.[31]

Thus, by his actions and by his words Mackasey was quickly gaining the confidence of labour and business. This, combined with his popularity in caucus and his loyalty to Prime Minister Trudeau, enabled him to project an image which balanced state interventionism and a market ethos. These characteristics also enabled him to straddle the two factions of the Liberal Party, one disposed towards a social security strategy, and the other towards an industrial or economic strategy.

Despite the spate of publications endorsing a revitalized social security strategy and despite the growing confidence of business and labour in Mackasey's moderation, there was no guarantee that public opinion would be receptive to the new scheme of unemployment insurance. A survey of 6,900 respondents conducted by The Survey Research Centre of York University in conjunction with Canadian News Facts in 1968, analyzed the changes thought to be desirable in the existing program. The following table outlines the results:[32]

Table II

Proportional Responses in Changes to Unemployment Insurance Index, By Item

Reduce the possibilities of people to cheat	65%
Extend to cover everybody working in Canada	54%
Increase the amount paid out	44%
Extend the period of paying benefits to the entire time someone is out of work	30%
Reduce the employee's contribution	28%
Total reasons	221%*

(*Most respondents mentioned either two or three changes.)

The most widely held concern was about abuse which is, in part, an outgrowth of a market ethos that regards with suspicion those who do not earn income on their own. Less than half of the respondents welcomed changes that would have required greater public disbursements or state interventionism. The survey also indicated that respondents were poorly informed about the provisions of the scheme.[33] Thus, the survey results suggested that Mackasey might be provided with little public

support for his new plan. The onus of legitimizing the new scheme fell to its initiator. Mackasey was required to better inform the public about unemployment insurance. He was also required to convince the public of the need for a radical reform of the existing scheme. By garnering increased public support for a social security strategy, Mackasey could neutralize the diffident faction of the Liberal Party and keep the opposition parties off balance. Mackasey turned to the media as a means of disseminating positive information on unemployment insurance.

A survey undertaken for the Royal Commission on Newspapers endorsed the conclusion of earlier studies that about 90% of all adults read at least one newspaper a week.[34] It also pointed out that higher income groups and the better educated are the most likely to read newspapers frequently. Significantly, the York University survey on attitudes pertaining to unemployment insurance, identified respondents with these same characteristics as most likely to be concerned about abuse which is to say that they were the most likely to have a negative image of the program.[35] Moreover, MPs of all parties appeared to be highly sensitive to newspaper editorial comment. About one-third of the MPs who took part in the debate on second reading of Bill C-229, referred to editorials in their remarks. Surprisingly, these opinions tended to be treated as facts and as the basis for further argumentation. Mackasey

would have been well-advised to use newspapers to the best of his ability in order to win the support of uncommitted public and party constituencies, which is exactly what he did.[36]

In a draft letter to the editor of the *Financial Times* in which he chastized an editorial writer's view of the white paper, Mackasey claimed that the article was "not the only unfavourable editorial that has been written on the subject although I can argue that a survey shows that fully 2/3 of the editorial comment in the country has been favourable."[37] While it is clearly not possible to verify Mackasey's claim, it is clear that there was considerable editorial opposition to the white paper from newspapers representing every region of Canada. Editorials, severely critical of the scheme, were printed in newspapers from coast-to-coast.[38] Indeed, some of the most widely circulated newspapers in Canada stood in opposition to the scheme essentially on two grounds: that it was welfare-oriented and that it represented an additional tax burden. The *Vancouver Sun* captured the essence of the dual criticism in the final paragraph of its editorial:

> If it's welfare, let's call it just that, and have everybody contribute. Rather than unemployment "insurance" this scheme seems more like an employment tax, and not an equitable one at all.[39]

As it turned out, these two themes came to haunt Mackasey for they were central to the PC's opposition to the plan. However, in the interim Mackasey responded to the editorial criticisms. He wrote lengthy and often detailed letters to each

editor pointing out instances of misinformation and trying to cull support for his point of view.[40] It is difficult to gauge the direct impact of Mackasey's written altercations with the press on public opinion. However, subsequent public opinion may serve as a rather rough measure. Despite the claims of political pundits to the contrary, public opinion reflected a qualified partiality towards the new program within two years of its introduction. Even after the 1972 election, an opinion poll, described below, stood in stark contrast to the hesitancy displayed towards progressive change in the York University poll.[41]

Mackasey also made an earnest attempt to placate potential opposition from within his own party and especially from leading members. A variety of examples may be cited: John Turner the then Minister of Justice and a stalwart of the faction disinclined towards state interventionism, wrote a letter to the Minister of Labour in late May of 1970, in which he outlined six substantive criticisms of the draft white paper proposal.[42] Within a week, Mackasey was able to report back that Turner's objections had been fully redressed in the re-wording of the draft. Mackasey's letter ended with a rather gratuitous statement which was linked to an expectation that reciprocal co-operation should be forthcoming from Turner's department:

> Thank you very much for your very valuable assistance and support in this review. I know that we will be able to count on the full co-operation

> of your department in drafting legislation to reflect the proposals of the White Paper.[43]

Two other ministers' offices wrote letters to Mackasey on behalf of private insurers. The letters from the offices of J.A. Richardson, Minister of Supply and Services, and Judd Buchanan, Minister of Indian Affairs and Northern Development, expressed detailed concern that the program proposed in the white paper might come into conflict with private sickness and pregnancy plans.[44] Once again Mackasey wrote replies to assuage these fears.[45] Moreover, private consultants were hired to look into the issue. Fortunately, the results of the report were compatible with Mackasey's earlier conclusions.[46]

Mackasey, however, used an equally direct but more subtle tactic to legitimize the social security strategy to not only members of his own party but to the opposition parties: he attempted to speak for both camps. Just as Mackasey had gone to great efforts to depict himself as interventionist as well as "free enterpriser," he went to great lengths to maintain one foot in the camp of adherents to the social security strategy and the other in the camp of those disposed towards an economic strategy. During the debate on second reading of Bill C-229, Mackasey tended to waver, endorsing the arguments of one side and then the other. Conservative MP, Eldon Woolliams, captured the essence of Mackasey's style with the following comment:

> ...I always like to hear my good friend, the Minister of Labour (Mr. Mackasey) take part in a

> debate because he has the ability of being very personable and being loved by all sides. He is one of those fellows who, when he sees the debate going one way and needs a little support, analyses the philosophy of an honourable member or a party and then makes a great appeal and is very complimentary...[47]

Woolliams may have been referring to the four major parties by the term "all sides" but in terms of issues there were two major sides, the social security strategists and the economic strategists. As early as 1963 the NDP had endorsed a social security strategy for unemployment insurance; a part of the federal NDP's resolution at that time is worth quoting at length:

> We propose...that coverage be extended, based on the principle that all working men and women are entitled to the protection of the Act...both by adding a new wage class at the top of the schedule and by raising benefit levels in each present wage class. The Unemployment Insurance Fund should be restored to solvency by payment out of the general revenues of the costs of special protections such as seasonal and extended benefits...[48]

A social security strategy involved three elements: institutional welfare, borderline residual welfare, and increased governmental financial intervention. The NDP was getting what it had long wanted from the unemployment insurance program and more. As has been pointed out in Chapter 2, the institutional welfare objective was fulfilled not only by increasing benefits but by shortening the qualification period. Although residual welfare was certainly not an objective of the new plan, universal coverage, that is, the inclusion of higher income earners

in the plan, gave it that appearance and provided for a redistributive potential as did sickness and maternity benefits. On first as well as on second reading of Bill C-229, NDP MP, Grace MacInnis could barely find the words to express her joy over the provisions for sickness and maternity benefits.[49] Finally, the NDP applauded the provision that government would assume the costs of benefits beyond a 4% threshold of unemployment. Max Saltsman, citing a *Toronto Star* editorial, described the 4% threshold as "a one man subversion of his own government" and praised it as an incentive for the government to contain unemployment.[50] As might have been expected, the NDP critic for the program, Stanley Knowles, raised the threshold issue as his party's major, if not only, object of contention.[51] Quite simply, the NDP wanted even greater state financial intervention. Knowles argued for a 2% threshold but claimed that his party would find a 3% compromise trigger acceptable. Mackasey not only considered lowering the 4% threshold to 3%, but actually seemed cavalier about the cost implications. A tell-tale memorandum to Mackasey also reveals that his advisors felt that he could probably elude opposition from Finance by doing so, despite the then current 6.8% level of unemployment:

> I do not know whether it is advisable to say "what's 76 million?" However, in the light of the total cost of the plan to the Government of about 400 million at 6.8%, I doubt whether Mr. Reisman and company would become agitated to the extent of changing their policy to avoid a change of only 76 million, particularly in view of the fact that the total cost

> of the program, to all sectors, at this level is slightly over eleven-hundred million (a billion-100 million).[52]

Mackasey was undoubtedly determined to obtain absolute support rather than qualified support from any group of social security strategists. However, in the end Mackasey was convinced by his advisors that any tampering with the 4% threshold would constitute a serious detriment to the actuarial soundness of the scheme.[53] Mackasey had to be satisfied that the slightly qualified support of the NDP would stir the diffident faction of the Liberal Party to his cause for as Max Saltsman was quick to realize, the highly interventionist policy had the potential of outflanking a good part of the NDP's electoral appeal.[54] However, in order to garner the total support of the market ethos faction of the Liberal Party, Mackasey was required to undercut Conservative opposition. This proved to be a formidable task because the PC's alternative to redressing unemployment, an economic strategy, was the antithesis of the social security strategy.

The PC's economic strategy essentially contained two components: tax reductions and the removal of obstacles that prevent labour from responding to the demands of the market, that is, the removal of disincentives to work. The Conservative counterproposal clearly relied on business, unobstructed by direct or indirect taxes, and labour, unimpeded by social security "disincentives," to generate expansion in the economy and to create jobs and reduce

unemployment. The logic of the first element of the PC economic strategy was explained by their critic for unemployment insurance policy, Lincoln Alexander:

> ...a higher priority must be placed on the expansion of the economy in order to provide a higher level of employment throughout Canada...We have made suggestions in this regard. We must get the economy moving. We have talked about a 3% surtax and the 11% sales tax on building materials. We have talked at length about the white paper on tax reform. We are pleased to note that as a result of the dogged efforts of the Leader of the Opposition (Mr. Stanfield), the Minister of Finance (Mr. Benson) now has second thoughts about many areas of that white paper on tax reform.[55]

The second spokesman put forward by the PCs, Jorden Dauphin, made it abundantly clear that the tax expenditure element of the economic strategy was not at all similar to the views held on tax reduction by the NDP at an earlier date.[56] Whereas the NDP demanded general tax cuts to stimulate economic growth, the PCs held that selected industries should receive tax breaks in order to revitalize the economy.[57] Furthermore, the PCs remained opposed to additional tax burdens such as unemployment insurance, which they viewed as an indirect tax. Unlike the NDP, the PCs did not mention government expenditure as a complementary means of promoting economic expansion.

Alexander also elucidated the nature of the second element in the PC economic strategy:

> The philosophy of my party is that the government should not move until it is actually and really required. In other words, the individual should be able to help himself...It is not that Canadian people

> are lazy...(but) when you hold out these enticements, these inducements, these carrots, there is bound to be abuse.[58]

The "inducements" condemned by the PC's were the lower qualification period and increased benefits, the pillars of the institutional welfare objective, as well as sickness and pregnancy benefits. All three items were disparaged as "welfare," that is, residual welfare. Significantly, Alexander sponsored a motion which would have extended the qualification period from 8 to 12 weeks; while the motion failed in 1971, it became a part of the program a few years later.[59]

Despite the rejection of the new plan by the PCs and the Social Credit Party, Mackasey did secure the acquiescence of the economic strategists within the Liberal Party.[60] Several of the noncommitted Liberal MPs who spoke early in the debate, followed Mackasey's lead in stressing that the new plan was an attempt to fulfill the same objective of the PCs but by different means.[61] The Claimant Assistance Program, outlined in the white paper, was touted as the instrument that would assault the roots of unemployment. Indeed, one of the six Liberals to speak for Bill C-229 singled out this aspect of the plan as the feature which he favoured most because it "would give guidance, direction and help to the unemployed and assist them to move quickly to become productive workers in our society."[62]

It has been suggested above that Mackasey's personal

prestige within the Liberal Party helped to secure passage of his legislation. It has been claimed by one source that his prestige also secured the co-operation of the PC caucus.[63] Mackasey had secured a reputation in the PC caucus that he took care of MPs of whatever political colouration. When the PCs launched a filibuster against Bill C-229, Mackasey approached Alexander and appealed for his assistance. Alexander subsequently threatened to cross the floor if the filibuster was not lifted; the filibuster was lifted. While the episode has been cited by only one source, it has not been disconfirmed by others. In any event, Mackasey seemed to confirm it indirectly by rising in the House to thank members of all parties for agreeing to curtail their speeches so that the bill could be passed through second reading in two days.[64] On third reading, MPs from all of the major parties voted for the bill. However, Mackasey's ability to legitimize the policy and, thus, to secure the co-operation of all parties did not last for long. The two strategies were raised and juxtaposed once again but this time as an election issue in 1972.

The Turning Point: The 1972 Election

Mackasey's rising star began to plummet almost as soon as the new Unemployment Insurance Act came into being. His package of amendments to the *Canada Labour Standards Code* which raised the federal minimum wage to the highest in Canada, enraged the business community and disconcerted economic strategists in the

House.[65] The administrative breakdown of the UIC, which began in the fall of 1971, was followed by widespread protests over the deterioration in service. Protests even erupted in Mackasey's home riding of Verdun.[66] In addition, as unemployment continued to escalate, unemployment insurance disbursements eventually exceeded the revenues accumulated in the UI Account. Shortly after the election was called newspapers began to print horror stories on unemployment insurance abuse, overpayments, and massive deficits.[67]

Mackasey had to defend the Act during the election pretty much by himself. At best, Trudeau rallied to his defense in September 1972 by announcing that the plan was "the best anywhere."[68] Towards the end of October, Trudeau flatly denied that a new Liberal government would make changes to the Act.[69] Initially, Mackasey confronted the issue casually by claiming that the $544 million overrun in payments was "a drop in the bucket" compared with the $16 billion that the government had collected in taxes during the recent fiscal year.[70] However, as the opposition persisted in its attack, Mackasey compiled a "little red book" of facts and figures which endorsed the current abuse detection system, and launched a counter-attack on his fiercest critics, Opposition Leader, Robert Stanfield, and former Liberal cabinet minister, Paul Hellyer.[71]

However, Mackasey and the Liberal Party failed to present a clear and coherent defense of the plan. Mackasey mainly

emphasized the institutional welfare principle of the plan as if the electorate would spontaneously grasp the logic of his point. He also lashed out polemically at his detractors.[72] After the election, Mackasey conceded that the electorate had not understood the Liberal message when he singled out one of the lessons that had been learned from the election as "we (the Liberal Party) can't presume that people understand what we are trying to do."[73]

The NDP, however, succeeded where the Liberals failed in defending the social security strategy. David Lewis took the offensive against the PC's economic strategy with a platform entitled "corporate welfare bums."[74] Whereas the PCs continued to promote the two elements of their strategy, the NDP argued that tax concessions and incentives given to selected industries, had not been effective in creating jobs. Furthermore, while the PCs held that unemployment insurance was welfare and a disincentive to work, the NDP countered that grants, subsidies, and tax concessions for corporations constituted the real welfare problem and an obstacle to economic expansion.[75] However, both parties did have some common ground in their opposition to the Liberals: first, both agreed that the Liberals were incapable of administering policies that could lead to economic expansion. The PCs pointed to the administrative breakdown of the UIC as a prime example while the NDP cited the maladministration of incentives to industry. Secondly, both

agreed that the problem of unemployment had not been adequately redressed by the Liberals. The latter common point was the likely source of PC and NDP electoral gains.

Unemployment insurance ranked relatively low as an issue of concern among 1,262 respondents interviewed in a national survey conducted by political scientist, Peter Regenstreif, prior to the election.[76] Unemployment, however, was mentioned as the most important issue by 48% of the respondents. Inflation and the cost of living was ranked second (8%) followed by taxes (6%), "more help for the elderly" (4%), "too much welfare" (3%), farm problems (3%) and then unemployment insurance (2%) along with a host of "minor" issues. Regenstreif remarked that "the Liberals do especially well on issues ranked as relatively unimportant by people" and that "the opposition does better on issues of high importantce."[77] A Gallup Poll taken after the election confirmed the results of Regenstreif's survey that unemployment insurance *per se* was not the major issue affecting the outcome of the election.[78] The boost in jobless benefits was approved by 53% of the sample, 33% disapproved, and 14% remained undecided.

Unemployment rather than unemployment insurance may have been the most important issue of the 1972 campaign but the latter soon became the most contentious issue according to subsequent opinion polls and according to the three major parties. The first major debate of the first session of the

new Parliament which was on unemployment insurance, set the tone for the remainder of the session; references to unemployment insurance in the index to *Hansard* occupied three times as many pages as references to unemployment. Moreover, leading members of the Liberal Party such as John Turner (Finance) and Jack Davis (Fisheries and Forestry) spoke for Liberals in general by identifying the unemployment insurance issue as the source of electoral losses.[79]

Mackasey entered the new Parliament by verbally assaulting the taxation and anti-welfare components of the PC's economic strategy.[80] But Mackasey's offensive was too little, too late. The NDP forestalled the implementation of changes to the Act, intended by the shortlived minority government, but PC criticisms became more intense. It soon became apparent that the Liberals would have to develop an unemployment insurance policy which would somehow take the edge off of the criticisms of both left and right. Unemployment insurance policy was, therefore, redesigned to become a part of an employment strategy.

Towards an Employment Strategy

Clarke, Jenson, LeDuc, and Pammett suggest three conditions under which issues might be of importance in elections.[81] First, voters must recognize an issue as being important. Secondly, parties must provide different policies on the issue, that is, they must provide the voter with partisan choice. Thirdly, opinion must be skewed in the direction of a

particular choice to affect the outcome of an election. Under these conditions, they cite inflation and wage and price controls as the two issues designated as "most important" by respondents surveyed in the 1974 Election Study. A host of other issues were mentioned by respondents but unemployment insurance was not one of them. In addition, respondents did not allude to unemployment insurance as a cause of inflation. How then can Parliament's continuing preoccupation with unemployment insurance be accounted for?

Issues may not always be as clear and as visible as Clarke and his colleagues would have it. Political parties articulate and, frequently, define electoral issues; more often than not, the parties collapse a whole variety of particular issues under one policy rubric. An election may be fought on general issues with a plethora of specific issues compressed into a broad theme. Throughout the life of the 29th Parliament, the Opposition badgered the governing party on its inability to manage the economy effectively. Inflation was perceived to be a major outcome of the Liberal's alleged maladministration. The concept of maladministration was applied to all kinds of specific policies, including unemployment insurance. Thus, remarks made by Conservative MP, Erik Neilsen, early in the life of the 29th Parliament, were revealing. Neilsen asserted that his party did not begrudge the payment of unemployment insurance benefits but did object to the government's lack of

direction in creating programs to deal with unemployment.[82] In short, criticism of unemployment insurance policy was placed in the context of a wider attack on the government's general economic policy or lack of it.

The PCs had put themselves in the unfortunate position of having to affirm a specific alternative to "economic mismanagement." In other words, the PCs could not continue to lambaste the governing party for its failure to come up with programs designed to tackle inflation without announcing that it had succeeded in defining a means to alleviate Canada's economic woes. Their alternative, wage and price controls, gave the impression that the PC's were deviating from their noninterventionist economic strategy and offended an electorate which had increasingly come to be dominated by a market ethos. Wage and price controls did, in fact, constitute a temporary aberration from a market ethos-oriented economic strategy but the proposed policy was, nonetheless, still quite consistent with the strategy in the long-term. Wage and price controls were designed to fight fire with fire. In the short-term, interventionism would be used to curtail increases in the cost structure of wages which were perceived to be the result of Liberal interventionism; the PCs would then revert to an economic strategy in the post-controls period. All of this was not lost on the Liberals as is well-known. Once the Liberals were elected with a firm majority and with three to four years ahead

of them to retreat from wage and price controls, the governing party could easily afford to flirt briefly with the PC proposal. But the message that the electorate had given to PC candidates in the 1974 election was clear: policies more compatible with a market ethos were desired. Thus, the governing party subsequently adjusted its social security strategy, especially respecting unemployment insurance, accordingly.

Another factor compelled the Liberals to redesign their social security strategy of unemployment insurance: it had not worked. This major effort to reduce unemployment had not been successful because unemployment remained at high levels. Unemployment and unemployment insurance were latent partisan issues that could erupt into major electoral issues in the future. The government as a whole had to take measures to contain these issues in order to ensure its survival. In sum, although pollsters did not identify unemployment insurance as a major issue in the 1974 campaign, a party determined to remain in power had to treat it as such.[83]

The evidence demonstrates that the government began to view unemployment insurance as a part of a comprehensive economic plan at the beginning of the 30th Parliament. The 1974 Speech From the Throne pointed to the "increase of goods and services," longhand for economic expansion, as the government's main priority and identified "amendments to the UI Act" as among the measures to be pursued in order to fulfill

that goal.[84] The subsequent eight months were spent on devising amendments so that in his budget speech of June 1975, Finance Minister, John Turner, could identify unemployment insurance as "the fifth major element in the government program for expenditure restraint."[85] Turner added that while the main aim of his budget was to break inflation, measures to create jobs would be included. When the Minister of Manpower and Immigration tabled the first amendment, Bill C-69, several months later, he outlined the government's determination to mesh unemployment insurance with a broader economic strategy:

> Since the labour market is constantly subject to change and adjustment as the needs of the economy and the composition of the working population alter, the act will be subject to adjustment in order to respond smoothly and effectively to those changes.[86]

In addition, the minister, Robert Andras announced that some of the borderline residual welfare features of the Act, long criticized by the PCs, would be shifted to the social welfare sphere. Increases in family allowances and increases in old age pensions combined with the indexation of income tax were expected to balance the elimination of preferred benefits for claimants with dependants and coverage for those between the ages of 65 and 70 years.[87] In other words, the government was, at least, paying lip service to the PC's earlier proposal to blend unemployment insurance with an overall economic strategy. Furthermore, the governing party had begun to take concrete action to remove the marginal residual aspects of the

plan by tightening accessibility requirements.

However the main feature of Bill C-69, the raising of the 4% threshold, militated against the other element of the PC economic strategy which was to reduce taxes. The PCs viewed the measure as an indirect tax on the private sector, that is, as a payroll tax designed to fill the financial gap left by the reduction in government contributions.[88] Moreover, the PCs sided with the NDP in denouncing the measure as a disincentive for government to alleviate unemployment. Lincoln Alexander alleged that the government was "ensuring that little or nothing of the additional cost of unemployment insurance which accrues from its inability to deal with unemployment will fall on the federal treasury in years ahead."[89] Indeed, that was precisely the objective of the government; expenditure restraint had become the main imperative of the government, not only in relation to unemployment insurance policy, but in relation to a wide range of government programs.[90] By exercising restraint, the government was however, meeting PC demands for an economic strategy half way. The attempt to reduce expenditures would either stabilize or reduce tax requirements in the future. Unemployment insurance thus became a casualty of the government's leadership albeit not entirely successful leadership, to impose and legitimize austerity measures.

Bill C-69 was a stopgap for more thorough amendments to the Act. Amendments had to be spread out over a period of

several years because of opposition to changes from within the ranks of both the Liberal and PC parties as well as, of course, from the NDP.[91] While dissident Liberals did not become vocal in their opposition until 1976, Tory mavericks appeared as early as 1973. At that time, three PCs from the Atlantic provinces voted with the other three parties for Bill C-124 which removed ceilings on the advancement of public funds to the UI Account.[92] Members of the PC Atlantic caucus continued to protest modifications to the plan because the Atlantic region has always been a major beneficiary of unemployment insurance disbursements. Thus, when Parliament was convened after the 1974 election, Stanfield was careful not to condemn the plan *in toto* as he had previously. Instead, Stanfield called for a full and independent inquiry into the *modus operandi* of the plan.[93] The PC critic on unemployment insurance explained that the proposed inquiry would be requested to determine whether the plan was insurance or welfare-oriented.[94] Whatever the outcome, the party would seek to have the program strengthened administratively. In other words, the party that had traditionally been the haven for economic strategists had begun to soften its opposition to the social security strategy just as the Liberals had begun to move in the direction of an economic strategy.

The two following amendments effectively established an employment strategy, a synthesis of the social security and

economic strategies. Bills C-27 and C-14 weakened the welfare objectives of the plan but strengthened the manpower and labour market objectives. Qualification periods were increased and benefits decreased in order to reduce disincentives to work, to further mitigate the residual welfare aspects of the plan, and to generate savings. Moreover, the savings to be accrued by the UI Account were to be used for developmental purposes, that is, for job retraining, job creation, and work sharing. This feature, combined with the merger of the UIC with Manpower, was clearly designed to rapidly re-integrate the unemployed with the labour force. However, the institutional welfare objective was not destroyed; the benefit structure remained generous.

The employment strategy of unemployment insurance accomplished much of what the economic strategists had been pressing for but by different means. For instance, PC economic strategists had long been advocating tax expenditures as a means of stimulating economic expansion and job creation. Under the employment strategy, expenditure without additional costs to taxpayers, rather than tax expenditure, was to be directed towards the same goal. Furthermore, the employment strategy blended in well with the government's and the PC's overall imperative of restraint because it did not involve the augmenting of funds through increased taxation; funds already in the system were to be used for developmental purposes.

The PC leadership had begun to realize that expenditure without additional taxation might prove to be an effective substitute for tax expenditure in creating economic expansion and jobs. As an added bonus the funds were to be derived from savings accrued from cutbacks to what the PCs considered to be the residual welfare features of the plan, low qualification periods and generous benefits. Several days prior to the tabling of Bill C-14, the Leader of the Opposition, Joe Clark, made a speech in Halifax which endorsed the use of unemployment insurance funds for developmental purposes:

> First, we will use funds from the present $4 billion unemployment insurance budget to help private employers create new jobs which give on-site training to Canadians who are now unemployed. Such a program will be of particular benefit to young Canadians who lack practical work experience but it will not be limited to them. Care will be taken in restructuring the program to ensure that support is limited to jobs which are, in fact, new and permanent. Incentives would be highest during the initial hiring period. That program will offer employers a major incentive to create new jobs. It would give the unemployed a working wage income plus the chance to develop work skills.[95]

The PC leadership, if not the party as a whole, also appreciated the employment strategy because it would not increase the UI Account deficit. When the strategy was first introduced in 1977, the Liberals had given assurances that the revamped program would "avoid massive inflationary stimulating deficits."[96] However, for the NDP, some Liberals and some Conservatives that was the major defect of the employment strategy.

The NDP had unequivocally rejected all modifications to the social security strategy in terms of what Mr. Rodriguez called the "rape victim syndrome;", that is, "blaming the victim for the predicament in which she finds herself."[97] The predicament was unemployment and "hidden unemployment" which the government had failed to alleviate.[98] The NDP desired more government intervention to cure the problem of unemployment.

Objections from the ranks of the Liberal and Conservative parties were raised not so much as a matter of principle but as a matter of electoral pragmatism. MPs from constituencies of high unemployment refused to brook any tinkering with the Act which might place undue strain on their unemployed electors. When Bill C-27 was introduced in 1977, there were rumblings of discontent from the Liberal Atlantic caucus and outright opposition from Tory MPs representing Atlantic constituencies. However, within a year the dissatisfaction had burgeoned into divisions within each party's caucus due to the introduction of Bill C-14.

Bill C-27 contained an amendment to extend the qualification period from 8 to 12 weeks, an alteration that the PCs had demanded since the inception of the new program. Several Conservative MPs congratulated the government on adopting a Tory measure but Newfoundland MP and social policy critic, James McGrath led the Atlantic caucus in denouncing the measure. His reason was curt and to the point: "the transfer payments

in these social programs are vitally and crucially important to the economy of the four Atlantic provinces."[99] McGrath was also able to muster the support of Conservative MPs from other regions such as Paul Dick (Lanark-Renfrew-Carleton) whose constituency held the dubious distinction of possessing the highest unemployment in Ontario. However, PC luminaries, Lincoln Alexander and John Crosbie, managed to ward off a caucus split for the time being by announcing a middle position to be taken by the party regarding the qualification period: the 8 to 12 week extension was approved but adjustments to take care of regional unemployment differences were recommended. Despite the PC suggestion, an NDP filibuster, and the disenchantment of Atlantic Liberals such as Mr. Rompkey, the government could not be deterred from applying its imperative of restraint to unemployment insurance.

Bill C-14 marked the limits to which both parties could go in integrating elements of an economic strategy into the plan. Once again PC reaction was swift but divided. While McGrath called Bill C-14 "a kick in the gut" to the jobless, his PC finance critic, Sinclair Stevens, commented, "thank God, they (the Liberals) realize their unemployment insurance program is overly lax."[100] However, as pressure continued to mount from the Atlantic caucus, which included the outspoken Elmer McKay, the PCs were forced to arrive at a compromise formula. Once again the PCs implored a government bent on

raising the qualification period from 12 to 14 weeks, to make adjustments in light of regional unemployment differences. The PCs also requested that the amendment to reduce benefits to 60% of insured earnings be modified. The PCs proposed a family income based scheme in which those with dependents would receive 66 2/3% and those without, 50%.[101]

The Liberals may have been prepared to proceed with the bill untouched, if they had not been faced with the spectre of a revolt in caucus. MPs from Quebec, Jacques Lavoie, Charles Lapointe, and René Matté spoke against the bill in Parliament as did Nova Scotian MP, Coline Campbell. The Atlantic caucus chairman, Maurice Dionne, along with outspoken colleagues, William Rompkey, Herb Breau, and David Rooney expressed doubts publicly that the bill would make it through Parliament and stated that they were leaning towards the Conservative proposal for a family based income scheme.[102] Ontario Liberals, David Collenette, Peter Stollery, and Mark MacGuigan, likewise went on record as favouring the Conservative scheme.[103] Moreover, as has been pointed out in the last chapter, there was a split in cabinet over the bill. Finally, newspaper editorialists from coast-to-coast had begun to criticize what they viewed as the piece-by-piece amending approach to unemployment insurance. The government was thus forced to adjust the qualification period to account for regions of high unemployment and to

commission a study to examine the PC proposal for a family income based scheme. The Liberals fell into line and voted for Bill C-14. The NDP launched a filibuster which was neutralized by the imposition of time allocation and then joined the PCs in voting against the bill.

After close to eight years of sustained opposition to the plan and after three successive reports by the auditor general criticizing its financial administration, the Conservatives were required to review the scheme once they succeeded to office in 1979.[104] However, their review was narrow in scope, not all-encompassing as might have been expected.[105] The report that Cullen had initiated to review the family income based scheme, came out shortly after the Conservatives took office.[106] The report claimed that such a scheme would discriminate against women and young people; it would also be difficult to administer. The report, therefore, recommended that the scheme not be implemented. The Conservative Minister of Employment and Immigration did not discount the findings. However, he did commission another intragovernmental review to report on the subject within a month. Progressive Conservative MP, Paul McCrossan was assigned to draw up the report. The government was, however, quick to re-assure electors, especially in the Atlantic provinces, that they should not anticipate drastic revisions to the Act. McCrossan and the Minister of Regional Economic Expansion, Elmer McKay, claimed that everything would be done to minimize

the effects of any changes in the Atlantic regions.[107]

The minister, Ron Atkey, released the McCrossan report in November, 1979.[108] The report was noncommittal in the sense that it provided alternative courses to follow on each issue, especially with respect to the qualification period. It did, however, endorse the family based income scheme. At the same time, the report recommended coverage for most of the remaining members of the work force excluded by the 1971 Act and endorsed a relaxation of restrictions on maternity benefits, items which the PCs had opposed earlier in the 1970's. The minister did not take a definite stand on the report but, nevertheless, promised legislation following consultations with the provinces and private groups. Although the legislation never appeared due to the fall of the government in December 1979, the contents of the report are worth evaluating. The recommendations were not directed towards an economic strategy nor towards a social security strategy. The report swayed gently to the former with its recommendations for a new benefit structure and a modified qualification period; it swayed gently to the latter with its recommendations pertaining to coverage and maternity benefits; the use of unemployment insurance funds for developmental purposes was not even considered an issue. In short, the report demonstrates that the amending process had integrated the two strategies and their respective underlying moods -- self-help or the market ethos and public assistance of the

interventionist predisposition -- into an employment strategy of unemployment insurance for the 1980's.

Conclusion

Much has been written on the need for Parliamentary reform.[109] There is little doubt even from the major political parties, that steps must be taken to reorganize and transform Parliament into a more effective policy-making institution.[110] However, this worthwhile preoccupation with Parliamentary reform combined with well-received theories declaring the "decline of ideology" has led to the insidious suggestion that political parties do not count, although they can be made to count.[111] But the suggestion does not hold with respect to the development of unemployment insurance policy in the 1970's; political parties were important factors in the policy-making process.

Political leadership must maintain party support and public support for its policy initiatives. Therefore, political leadership must legitimize its policy initiatives to both. Legitimation, however, does not only involve selling a policy to MPs and to currents of public opinion that are receptive; it also involves either neutralizing or undercutting opposition.

Mackasey had been able to neutralize the opposition of the economic strategists to his social security strategy of unemployment insurance whereas during the amending process, the government had no choice but to undercut their opposition.

Mackasey introduced the new scheme on a rising tide of interventionist opinion and with the full support of the interventionist-oriented social security strategists from his own party and from the NDP. His immense personal prestige within the Liberal Party coupled with his reputation for moderation rallied the diffident faction of his party to his cause. Moreover, his apparent ability to legitimize the scheme with the public through the media, tempered the opposition of PC economic strategists. Finally, Mackasey's social security strategy of unemployment insurance was new. As a result, his critics could only resort to hypothetical arguments to point to the shortcomings of his scheme.

Once Mackasey was relieved of his responsibilities for the program, the government had to respond to the demands of PC as well as Liberal economic strategists. The government sensed that a mood, best characterized as a market ethos, had begun to dominate the electorate. In addition, the economic strategists, especially those in the Opposition, were threatening to the Liberal leadership because they spoke for this mood and because they now had solid evidence to back up their claims that the program was riddled with weaknesses. Thus, the government had to undercut the appeal of the PC economic strategists by satisfying many of their demands. However, the government also had to maintain the support of the social security strategists within its own ranks and offset the appeal of the NDP. The government had to

legitimize the program by following a course that David Good has referred to as "the politics of anticipation."[112] The government had to anticipate what the actors in the policy-making process would or would not bear. The government correctly anticipated that both sides would bear a program of unemployment insurance which would contain elements of a social security strategy and elements of an economic strategy.

Thus, the case study of the development of unemployment insurance policy demonstrates that Canadian political parties adopt fundamentally different postures on major policy issues; their postures correspond to different moods of the electorate. It also demonstrates that political leadership may neutralize opposition input during an innovative phase of policy-making because the policy is new and its effects unknown. However, in the long-term, the major political parties do have a subtle and gradual impact on the policy-making process. The same cannot be said of other forces in the policy-making process which will be analyzed next.

Footnotes

1. Richard Van Loon and Michael S. Whittington, The Canadian Political Process: Environment, Structure and Process (3rd edition) (Toronto: McGraw-Hill Ryerson, 1981), p. 307, define "broker mediation" in terms of aggregation and political integration. They suggest that brokerage politics "minimize differences, restrain fissiparous tendencies and thus, over time, help knit together the diverse interests of a polity (Canada) weak in integration." While the general thrust of their thesis is accepted here, it is further argued that party platforms continue to manifest broad differences.

2. Alan C. Cairns, "The Electoral System and the Party System in Canada, 1921-1965" in Paul Fox (editor), Politics Canada (5th edition) (Toronto: McGraw-Hill Ryerson, 1982), pp.293-310.

3. Ibid, p. 303.

4. R. MacGregor Dawson, The Government of Canada (5th edition, revised by Norman Ward) (Toronto: University of Toronto Press, 1970), p. 431.

5. John T. McLeod, "Explanations of Our Party System" in Paul Fox, op. cit., p. 311.

6. Cited in Douglas McCready and Conrad Winn, "Redistributive Policy" in C. Winn and J. McMenemy, Political Parties in Canada (Toronto: McGraw-Hill Ryerson, 1976), p. 206.

7. F.C. Engelmann and M.A. Schwartz, Canadian Political Parties: Origin, Character, Impact (Toronto: Prentice-Hall, 1975), p. 211.

8. C. Winn and J. McMenemy, op. cit., p. 206.

9. M. Janine Brodie and Jane Jenson, Crisis, Challenge, and Change: Party and Class in Canada (Toronto: Methuen, 1980).

10. A Heidenheimer, H. Heclo and T. Teich Adams, Comparative Public Policy: The Politics of Social Choice in Europe and America (New York: St. Martin's Press, 1975).

11. J.R. Mallory, The Structure of Canadian Government (Toronto: Macmillan, 1971), p. 198.

12. John T. Macleod, op. cit., p. 310.

13. V. Seymour Wilson, "Some Perspectives on Public Policy

Analysis" in John H. Redekop (editor), Approaches to Canadian Politics (Toronto: Prentice-Hall, 1978), p. 259.

14. Kenneth Bryden, Old Age Pensions and Policy-Making in Canada (McGill-Queen's Press, 1974), p. 19.

15. S.M. Lipset, Revolution and Counterrevolution (New York: Anchor Books, 1970), pp. 52-53. For a thorough and perceptive discussion of broad ideological currents in Canada, see also David Bell and Lorne Tepperman, The Roots of Disunity: A Look at Canadian Political Culture (Toronto: McClelland and Stewart, 1979), pp. 1-71.

16. For a discussion of the policy impact of socialist parties in Canada see W.M. Chandler, "Canadian Socialism and Policy Impact: Contagion from the Left?", Canadian Journal of Science, vol. 10, no. 4, December 1977, pp. 755-780.

17. At least on two occasions, Lincoln Alexander claimed that the PCs were responsible for pushing the government to make amendments to the UI Act. See Canada, House of Commons Debates, October 27, 1975, p. 8570, for his comments in this regard pertaining to Bill C-69. Also see Canada, House of Commons Debates, December 9, 1976, p. 2594, for his remarks on Bill C-27.

18. Interview PS-16, June 1982.

19. Ibid.

20. The Rt. Hon. Pierre Elliott Trudeau, The Constitution and the People of Canada (Ottawa: Queen's Printer, 1969), p. 10.

21. The Rt. Hon. Pierre Elliott Trudeau, Income Security and Social Services (Ottawa: Queen's Printer, 1969), p. 80.

22. Canada, Report of the Special Senate Committee on Poverty (Ottawa: Information Canada, 1971) and Canada, Report of the Royal Commission on the Status of Women (Ottawa: Information Canada, 1970).

23. Economic Council of Canada, Fifth Annual Review (Ottawa: Queen's Printer, 1967). For a discussion of the impact of these and other government sponsored publications on social security policy in the late 1960's and early 1970's, see Dennis Guest, The Emergence of Social Security in Canada, (Vancouver: The University of British Columbia Press, 1980), pp. 166-168.

24. Frank Rasky, "Trudeau's Man Mackasey Gets 'Em Back to Work", Weekend Supplement, Ottawa Citizen, June 28, 1969.

25. See, for example, La Presse, April 24, 1969; Montreal Star, July 25, 1969; Brandon Sun, May 28, 1969; Chatham Daily News, April 24, 1969; Ottawa Journal, April 24, 1969; Ottawa Citizen, March 25, 1969; Globe and Mail, May 28, 1969; Toronto Star, April 9, 1969 and Douglas Fisher (syndicated columnist), "The Mackasey Method", Toronto Telegram, July 22, 1969.

26. Toronto Star, November 6, 1969 and Financial Post, October 25, 1969.

27. Roberta McKeown, "Canada's One Man Conciliation Board", Weekend Magazine, Ottawa Journal, August 30, 1969.

28. Toronto Star, March 21, 1969.

29. Roberta McKeown, op. cit.

30. Ibid.

31. Frank Rasky, op. cit.

32. Michael C. Lanphier, Bernard M. Portis, Malcolm Golden, An Analysis of Attitudes Toward Unemployment Insurance (Toronto: York University monograph, July 1970), p. 8. The study was undertaken for the UIC.

33. Op. cit., p. 44.

34. Canada, Report of the Royal Commission on Newspapers (Ottawa: Minister of Supply and Services, 1981), p. 33. The statistic coincides with the figure provided by Clement who cites 1972 Statistics Canada data. See Wallace Clement, The Canadian Corporate Elite (Toronto: McClelland and Stewart, 1975), p. 288.

35. Michael Lanphier et al, op. cit. p. 9.

36. Mr. Mackasey's Executive Assistant at that time noted that he and the minister would "agonize" over responses to be sent to editorialists no matter how small the circulation of the newspaper. Interview with P. Connolly, June 1982.

37. Letter from Hon. Bryce Mackasey to Editor, Financial Times, June 25, 1970. The letter was never posted but it was kept on file.

38. See "Mr. Mackasey's White Paper," Victoria Daily Colonist, June 19, 1970; "Unemployment What?", Vancouver Sun, June 18, 1970; "...Or Is It a Cabinet Compromise?", Vancouver Province,

June 19, 1970; editorial (no title), Calgary Herald, June 19, 1970; "Higher Benefits," Edmonton Journal, June 18, 1970; "Another Grab," Regina Leader Post, June 19, 1970; editorial (no title), Winnipeg Free Press, June 18, 1970; "Higher Taxes Via Backdoor," Toronto Telegram, June 18, 1970; "Let's Call It Welfare," Globe and Mail, February 10, 1971; John Meyer, "Payroll Tax, No Way to Impose Stability" and "Unemployment Benefits," Montreal Gazette, June 19, 1970 and, "An Extra Tax," Fredericton Daily Gleaner, June 19, 1970.

39. "Unemployment What?", Vancouver Sun, June 18, 1970.

40. Letter from Hon. Bryce Mackasey to Fred C. Baker, Managing Editor, Victoria Daily Colonist, July 6, 1970; Letter from Hon. Bryce Mackasey to Bruce Hutchinson, Editorial Director, Vancouver Sun, July 6, 1970; Letter from Hon. Bryce Mackasey to M.J. Moore, Managing Editor, Vancouver Province, June 29, 1970; Letter from Hon. Bryce Mackasey to R.L. Sanborn, Managing Editor, Calgary Herald, July 6, 1970; Letter from Hon. Bryce Mackasey to Donald F. Smith, Managing Editor, Edmonton Journal, July 6, 1970; Letter from Hon. Bryce Mackasey to T. Melville, Editor-in-Chief, Regina Leader Post, July 6, 1970; Letter from Hon. Bryce Mackasey to Albert Booth, Managing Editor, Winnipeg Free Press, June 25, 1970; Letter from Hon. Bryce Mackasey to J.D. Creighton, Managing Editor, Toronto Telegram, July 6, 1970; Letter from Hon. Bryce Mackasey to Editor, Globe and Mail, February 19, 1971; Letter from Hon. Bryce Mackasey to John Meyer, Managing Editor, Montreal Gazette, July 6, 1970; Letter from Hon. Bryce Mackasey to H.P. Wood, Editor, Fredericton Daily Gleaner, June 25, 1970 and; Letter from Hon. Bryce Mackasey to Editor, Financial Post, December 19, 1970.

41. Gallup Poll, Montreal Star, December 19, 1972.

42. Letter from Hon. John Turner to Hon. Bryce Mackasey, May 25, 1970.

43. Letter from Hon. Bryce Mackasey to Hon. John Turner, June 4, 1970.

44. Letter from Thomas A. Bernes, Executive Assistant to Minister of Supply and Services (Hon. J.A. Richardson) with enclosure of letter from D. Miller, Dale and Co. (date missing) to Peter Connolly, Executive Assistant to Minister of Labour (Hon. Bryce Mackasey), September 14, 1970; Letter from Sherill M. Breeze, Secretary to Minister of Indian Affairs and Northern Development (Hon. Judd Buchanen) with enclosure of letter from R.G. Mepham, Associate Actuary, London Life, November 17, 1970, to Peter Connolly, Executive Assistant to Minister of Labour (Hon. Bryce Mackasey), November 27, 1970.

45. Letters were subsequently sent from the Minister of Labour's office to Richardson's and Buchanen's offices on October 1, 1970 and December 1, 1970.

46. William M. Mercer Ltd., Report to the UIC Regarding Proposals in the White Paper on Unemployment Insurance in the 70's to the Extent That These Would Affect Private Sickness and Maternity Wage Loss Replacement Programs (Ottawa: William M. Mercer Ltd., January 20, 1971).

47. Canada, House of Commons Debates, June 10, 1971, p. 6595.

48. Resolution, NDP Federal Convention, 1963.

49. Canada, House of Commons Debates, November 3, 1971, p. 840.

50. Ibid, April 20, 1971, p. 5120.

51. Ibid, April 19, 1971, p. 5059.

52. Memorandum to the Minister of Labour Re Possible Lowering of the 4% Trigger from Peter Connolly, Executive Assistant, June 14, 1971.

53. Ibid.

54. Roberta McKeown, op. cit.

55. Canada, House of Commons Debates, April 19, 1971, p. 5045.

56. Ibid, April 20, 1971, p. 5085.

57. Resolution, NDP Federal Convention, 1965. The resolution stated, in part, that "a New Democratic government will increase consumer purchasing power by greatly reducing the tax burden on the lower and middle income groups." It also added that "a New Democratic government will increase purchasing power by extending the range and benefits of our social security system."

58. Canada, House of Commons Debates, April 21, 1971, p. 6583.

59. The PC proposal was later incorporated into the Act under Bill C-14, in 1978.

60. See the remarks of Social Credit MP, Roland Godin in Canada, House of Commons Debates, April 20, 1971, p. 5100. The party dismissed the entire concept of a social efficiency scheme of unemployment insurance. The Social Credit Party

initially offered the monetary policies of its late ideologue, Major Douglas, as the solution to unemployment. During the 1972 election, the party continued to challenge the policy by proposing a guaranteed annual income as an alternative. See "How the Parties Stand on Unemployment Insurance," Montreal Star, October 23, 1972.

61. See the remarks of Liberal MPs McNulty and Cafix in Canada, House of Commons Debates, April 20, 1971, pp. 5099-5105.

62. Ibid, p. 5104. The statement was made by Mr. Cafix, MP.

63. Interview PS-16, June 8, 1982.

64. Canada, House of Commons Debates, April 20, 1971, p. 5144.

65. A raise in the federal minimum wage to $1.65 an hour was included in the package. Mackasey claims that the "real battle" was fought over the Canada Labour Standards Code revision, not over unemployment insurance. Interview with Hon. Bryce Mackasey, March 1982.

66. Montreal Gazette, December 28, 1971 and January 2, 1972. Claimants in Mackasey's Verdun constituency were late in receiving their benefit payments. A special investigation was launched and followed by the removal of the head of the Galt Avenue UIC office for a four month leave of absence.

67. A variety of stories detailing excessive abuses of unemployment insurance appeared in the following newspapers: Toronto Star, September 18, 26, 27, 30, 1972; Toronto Sun, September 28, 1972; Edmonton Journal, September 26, 1972; Montreal Star, September 26, 1972; Globe and Mail, September 21, 1972; Winnipeg Free Press, October 17, 1972; Ottawa Journal, September 16, 1972. The Kingston Whig Standard, October 6, 1972 and Globe and Mail, September 27, 1972, identified unemployment rather than unemployment insurance, as the major election issue.

68. Windsor Star, September 14, 1972. Prime Minister Trudeau made the remarks during a campaign speech delivered in London, Ontario.

69. Ottawa Citizen, October 21, 1972. Prime Minister Trudeau announced that the Liberal Party had "no intention of changing the UI Act" while responding to questions from students at St. Francis Xavier University in Halifax, Nova Scotia.

70. Mr. Mackasey refused to retract the comment at a press conference held on October 5, 1972 despite hostility from the press. See Ottawa Journal, October 5, 1972.

71. Montreal Star, October 2, 1972.

72. Ottawa Journal, October 16, 1972 and Montreal Star, October 30, 1972. For instance, Mr. Mackasey called Mr. Stanfield a "hypocrite." He claimed that Stanfield and Mr. Hellyer were tapping a "reactionary backlash" to win the election at the expense of the poor. Finally, he told the press that his critics could "go to Hell!"

73. Ottawa Citizen, November 6, 1972. The story, entitled "Elector Didn't Get Message" was disseminated nationally by Canadian Press. Mackasey's interpretation of Liberal losses is compatible with Meisel's who adds that the electorate was also not prepared to listen:

> Liberal ministers were no doubt convinced that they had done enough to explain, justify, and make acceptable the government's various programs; that debates and replies to questions in Parliament, speeches throughout the country, and other information supplied by the ministries should have been enough, had the country only been prepared to listen. An analysis of the election results leaves little doubt, however, that not only vast sections of the public, but even many civil servants, were not convinced that the government's activities deserved their support...

See John Meisel, Working Papers on Canadian Politics (2nd edition) (Montreal: McGill-Queen's Press, 1975, p. 226 and pp. 222-248) for a general discussion of the outcome of the 1972 election.

74. See David Lewis, Louder Voices: The Corporate Welfare Bums (Toronto: James Lewis and Samuel, 1972) for a detailed description of the NDP platform.

75. Montreal Star, October 23, 1972. The Montreal Star asked each of the four political parties to outline their general positions on unemployment insurance.

76. The poll was conducted by Canadian News Facts Co. Ltd. for the Toronto Star, October 25, 1972.

77. Ibid.

78. Gallup Poll, Montreal Star, December 19, 1972. Seventy per cent of those who approved, qualified their response with the phrase "for those who really need them."

79. Toronto Star, January 5, 1974.

80. Canada, House of Commons Debates, January 6, 1973, p. 113. Mackasey directed his comments towards the component of the PC economic strategy which sought a reduction in personal income taxes. Mackasey pointed out that he saw "very little difference between putting that $2 billion in the hands of unemployed people who have a propensity to spend the money in the region where they are unemployed and cutting personal income tax, thus putting that $2 billion in the hands of everybody, the rich and the poor."

81. Harold D. Clarke, Jane Jenson, Laurence LeDuc and Jon H. Pammett, Political Choice in Canada (Toronto: McGraw-Hill Ryerson, 1979), pp. 243-245.

82. Canada, House of Commons Debates, January 25, 1973, p. 1008.

83. Conservative MP, Howard Johnston, captured the essence of the PC view of unemployment insurance with his remark that the policy was a "front issue" in both the 1972 and 1974 elections, although attention was diverted from it by the wage and price controls issue. See Canada, House of Commons Debates, October 27, 1975, p. 8850.

84. Canada, "Speech From the Throne," House of Commons Debates, September 5, 1974, p. 5.

85. Canada, House of Commons Debates, June 23, 1975, p. 7029.

86. Op. cit., October 27, 1975, p. 7027. Mr. Andras' comments suggest that his and his party's posture *vis-à-vis* unemployment insurance had been greatly modified in a year and a half. Initially, Andras had defended the administrative aspects of the plan, although he recognized its deficiencies particularly with respect to insurance induced unemployment. As late as January 11, 1974, a letter with a 15 page document attached was circulated to Liberal MPs. The document, divided into 4 categories -- service, staff, costs, the Belleville Computers -- outlined 15 allegations made by the press and other sources, about the program and refuted each charge.

87. Canada, House of Commons Debates, October 27, 1975, p. 8568. It should be noted that the PCs and the NDP sponsored a motion to remove the clause pertaining to coverage of employees over

the age of 65 years. The amendment was defeated.

88. Canada, op. cit., p. 8571.

89. Ibid, p. 8576.

90. The 1978 Speech From the Throne claimed that "expenditure restraint has been a central theme of federal policy and practice since October, 1975." It added that the objectives of restraint were twofold: first, "to encourage a more vigorous expansion of the private sector by reducing government's share of the nation's wealth" and, secondly, "to create a leaner and more efficient government, by making every tax dollar work." See Canada, House of Commons Debates, October 11, 1978, p. 3.

91. NDP, Resolution, Federal Convention, 1975. The resolution on unemployment insurance denounced Bill C-69 and formed the basis for the NDPs rejection of the two remaining amendments of the 1970's:

> The New Democratic Party condemns the changes proposed by the federal Liberal government in the financing of unemployment insurance.
>
> The government proposes to abandon the fixed bench mark of 4% unemployment, at which additional costs of unemployment insurance benefits are paid out of general revenues, and to substitute a moving 8 year average which would have been 5.3% in 1975 and will be even higher in succeeding years.
>
> In proposing this change, the federal government is abdicating its responsibility and removing an important incentive for pursuing full employment policies. It is also imposing a greatly increased financial burden on working people and on employers, who will be required to pay hundreds of millions of dollars, annually, in increased premiums.
>
> The New Democratic Party repudiates this measure as a dishonest and disguised tax increase, of a very regressive kind, on every working Canadian.

92. Montreal Star, February 7, 1973. The three Conservative MPs were from the Atlantic region. They were John Lundrigan (Gander-Twillingate), Walter Carter (St. John's West), and Robert Muir (Cape Breton-the Sydneys).

93. Canada, House of Commons Debates, September 30, 1974, p. 38.

94. Ibid, p. 8575.

95. Canada, House of Commons Debates, November 9, 1978, p. 991. Conservative MP, Bill Clarke quoted a speech made by Joe Clark in Halifax on September 1, 1978.

96. Ibid, January 13, 1977, p. 2650.

97. Ibid, November 9, 1978, p. 1016.

98. The NDP developed the concept of "hidden unemployment." The category includes "students in school, retired persons, housewives, those who have dropped out of the labour force voluntarily, and those who are unable to work because of illness, family responsibilities and other reasons." The NDP estimated that "hidden unemployment was 4% in 1976 and in 1977 and 5.1% in 1978. See NDP, Jobs and Hidden Unemployment: An NDP Discussion Paper (Ottawa: NDP, 1978).

99. Canada, House of Commons Debates, November 9, 1978, p. 1002. McCrath made the comment about Bill C-14 but it reflects the substance of his remarks on Bill C-27.

100. Toronto Star, September 2, 1978.

101. Canada, House of Commons Debates, December 19, 1978, p. 1050.

102. Globe and Mail, October 2, 1978.

103. Ibid.

104. J.J. Macdonell, Report of the Auditor General to the House of Commons for the Fiscal Year Ended March 31, 1977 (Ottawa: Minister of Supply and Services, 1977), p. 68, set the tone for the two subsequent reports tabled in 1978 and in 1979. The report stated that "the overall system, when viewed as a financial system, does not contain control procedures sufficient for ensuring that claims for initial and continuing benefits are adequately validated before and after the issue of the warrant." Each report went on to document hundreds of millions of dollars in overpayments.

105. The review was to focus on an examination of the family based income scheme. In the end, it made recommendations on other provisions as well.

106. Ottawa Journal, September 15, 1979.

107. Halifax Chronicle-Herald, September 17, 1979.

108. Ottawa Journal, November 9, 1979.

109. See, for instance, Robert J. Jackson and Michael M. Atkinson, The Canadian Legislative System (2nd edition) (Toronto: Macmillan, 1980); W.A.W. Neilson and J.C. MacPherson (editors), The Legislative Process in Canada: The Need for Reform (Toronto: Institute for Research on Public Policy, 1978); John B. Stewart, The Canadian House of Commons: Procedure and Reform (Montreal: McGill-Queen's University Press, 1977).

110. The Liberal government initiated the *Government Reorganization Act* in 1968, and has implemented additional reforms in 1983. The Conservative government also promised reform in 1979. See PC Party, "Preserving Democratic Institutions" in New Directions for Canada (Ottawa: PC Party, 1980).

111. For a useful discussion of the theory, see Joseph LaPalombara, "Decline of Ideology: A Dissent and an Interpretation." American Political Science Review, vol. 60, no. 1, March 1966, pp. 5-16.

112. David A. Good, The Politics of Anticipation: Making Canadian Federal Tax Policy (Ottawa: Carleton University, 1980), p. 183. In the case of unemployment insurance policy, there was more negotiation between the "actors," identified above, than Good found in his study.

Chapter 5

Political Leadership and Public Pressure Groups

In a comparative analysis of European political systems, Duverger draws a distinction between "private" and "public" pressure groups.[1] According to Duverger, public pressure groups, that is public agencies and governmental bodies, behave much like private pressure groups because "they are usually engaged in bitter rivalries for influence in determining governmental policies."[2] Pross implies that public pressure groups also operate in the Canadian political system.[3] Pross refers to their interests as "withinputs" or "demands which do not enter the political system from the external world, but are generated within the system."[4] Moreover, Pross claims that withinputs may emerge due to a variety of circumstances, including rivalries:

> (Withinputs) may be the products of agency perceptions of shortcomings in existing policy; they may be the logical consequences of existing structures and policies; or they may grow out of the innumerable rivalries that exist in complex organizations. Whatever their origins, withinputs are the contributions governments make on policy deliberations.[5]

All three circumstances led to the formation of public pressure groups in the case of the development of unemployment insurance policy in the 1970's. Thus, the purpose of this chapter is to examine the relationship of public pressure groups to political leadership and to assess their impact on the policy.

Recently, Allison's "bureaucratic politics" model has been presented as a useful heuristic device for analyzing public

pressure group interaction in the Canadian policy-making process.[6] Nossal succinctly describes the model as follows:

> Governments are not unitary actors but comprise sets of players holding policy-making positions. Diverse sets of players within government have diverse interests they wish pursued and translated into policy, and thus have different, and often divergent policy preferences on the same issue. Motives can be ascribed not to government, but to individual players, whose interests will be shaped by their own conceptions of the public good or the national interest, by their organizational affiliation and by their career ambitions. Players interact with each other along regularized circuits in the policy process...attempting to ensure that their proposal receives authoritative approval. The process of interaction among these sets of players determines outcomes.[7]

Nossal concedes that bureaucratic politics is not just restricted to bureaucrats. The focal points of public pressure groups may be ministers and the cabinet as a whole. Nossal explains that securing a minister's approval or a cabinet's agreement for a policy action may seal the outcome of the interaction process within the bureaucracy.[8] However, Schultz is quick to point out that the bureaucratic politics model "assumes that while hierarchical controls do exist, they do not ensure that the preferences of the central agencies, or indeed that superiors within an organization will automatically prevail."[9] Significantly, Schultz does not preclude the possibility that their preferences will prevail.

Schultz identifies another assumption of the model which is "that bargaining is necessary because all the participants possess some resources, however unequal."[10] He then lists the

resources by citing Allison:

> Actual control over resources necessary to carry out action; expertise and control over information that enables one to define the problem, identify options and estimate feasibilities; control over information that enables chiefs to determine whether and in what form decisions are being implemented;... and access to and persuasiveness with players who have bargaining advantages from the above.[11]

According to Schultz, the possession and skillful use of these resources determines the effectiveness of a group's impact on the policy-making process. However, in the case of the development of unemployment insurance policy in the 1970's, political leadership regulated the possession and use of these resources. Strong and determined political leadership with clear and definite policy objectives, factors that were not apparent in Nossal's and Schultz's policy case studies, denied these resources to some public pressure groups but provided them to others. It will be demonstrated that Mackasey, in alliance with a group of officials which created the plan, withheld information from a bureaucratic group critical of the scheme. Furthermore, Mackasey and his group refused to countenance the group's objections. Subsequently, the government as a whole invested the Department of Finance with the responsibility of executing its imperative of restraint; public pressure groups which were perceived as threats to the realization of this imperative were not denied information but simply bypassed in the policy-making process.

Public pressure group interaction may well be useful to

political leaders. If political leaders are not committed to a definite policy position and if they are considering alternative courses of action, then they would be wise to evaluate divergent views. But public pressure group interaction may also be detrimental to the policy goals of political leaders if the leaders have adopted a definite policy position. Aucoin's remarks are illuminating in this regard:

> First, public policies must exhibit or appear to exhibit some degree of coherence if a government's initiatives are to obtain and maintain the degree of public support that is necessary for its survival. There is thus an obvious political incentive for a government to promote some measure of policy co-ordination as one of its major objectives. Second, our constitutional system requires that a government be, and be seen to be, accountable for its conduct of public policy. The demands of public accountability thus provide a second incentive for members of a government -- the Cabinet collectively and ministers -- to present themselves as an executive able to coordinate the formulation and administration of a public policy.[12]

The following analysis suggests that political leadership was required to contain public pressure group interaction in order to legitimize its policy goals to the public at large. Fissiparous tendencies in the bureaucracy would have raised questions about the authenticity of policy objectives which were already regarded with suspicion by extra-governmental groups.

The case study of the development of unemployment insurance policy in the 1970's raises doubts about the validity of the notion that bureaucratic actors are the independent variable

and political leadership, the dependent variable, in the policy-making process. Nevertheless, the bureaucratic politics model is a convenient framework for analyzing public pressure group activity. Furthermore, it is a useful framework for highlighting the legitimation function performed by political leaders within the governmental system.

The Neutralization of Intradepartmental Demands

The structure of the UIC encouraged the growth of divergent withinputs as did the advent of the reformed program. The UIC was transformed into the Employment and Immigration Commission in 1978 but the internal organization remains basically the same. The UIC proper stood at the apex of the administrative structure of the unemployment insurance program in 1970. The UIC was divided into five branches, three of which performed technical support and co-ordinating functions; the remaining two branches were responsible for overall planning and program assessment. Service was provided to claimants through a hierarchy of regional, district, and local offices. A UIC Advisory Committee was attached to the UIC; the Committee was succeeded by an Advisory Council in 1978.

The UIC proper as the top administrative unit, and the Advisory Council were situated in positions within the organization from which they might have affected the development of unemployment insurance policy in the 1970's. However, prior to discussing their respective roles in the policy-making

process, two informal groups which might have affected the course of the new scheme, deserve attention. The first group, commonly identified as the "Old Guard," consisted of a number of senior administrative officials who had worked within the old regime of unemployment insurance since its inception. Their committment to the old plan made them reluctant to endorse the white paper proposals *in toto*. A second group, largely composed of middle ranking officials, especially from the Revenue Branch, were concerned about the administrative reorganization to be introduced at the same time that the new scheme was to take effect. They were anxious about their employment prospects within the UIC because the responsibility for collecting unemployment insurance premiums was to be transferred to the Department of National Revenue.

Informal Groups: The Old Guard's lack of input into the new policy can only be understood in terms of its relationship to the Steering Committee which was installed to prepare the white paper and to devise the means of its implementation.[13] The Steering Committee reported directly to the newly appointed Chief Commissioner DesRoches who, according to the interviews, was a "main reason" for the scheme.[14] A then middle ranking official who later rose to prominence within the UIC, summarized his colleagues' perception that DesRoches "saw himself as a very loyal deputy minister."[15] Mackasey demanded such loyalty. If DesRoches "had voiced any criticism of the plan,

he would not have been Chief Commissioner for long." Thus, Mackasey, in conjunction with the Chief Commissioner and the Steering Committee, excluded the Old Guard from the policy-making process.

The Old Guard, which had been managing a well-oiled and smoothly running unemployment insurance plan, was simply bypassed in the policy-making process for three major reasons: first, they were perceived as technicians, not innovators, and, therefore, of limited utility in an innovative policy-making process. One respondent aptly summarized this perception:

> ...there was a feeling that these people were technicians and not policy people. It may well be that the technicians had grown into positions of authority. They resented the policy-makers who had come in over their heads and they felt that they should have moved up. But there definitely was a move that you didn't have to have 10, 20, or 30 years in the department to become a top level person in the policy area. I'll even go further: not only did you not need this experience but it was a detriment. It was thought that you couldn't think in a broad enough scope.[16]

Secondly, they were perceived to be uncompromising in their determination to pursue their narrow or technically-oriented approach to unemployment insurance. One participant in the Steering Committee succinctly summarized his colleagues' view that "for thirty years they (the Old Guard) thought that there was only one way to approach every problem, their way."[17] They were "completely and utterly inflexible" in their approach. Thirdly, it was thought that they did not have the necessary skills to administer the new plan. Whereas the old plan had

been administered manually, the new plan was to be managed by a computerized system.

Members of the Old Guard were not opposed to policy changes *per se*; they were in favour of incremental changes rather than of the comprehensive changes proposed. The former Director-General of Insurance pointed out that the group questioned features such as universal coverage, lower eligibility requirements, and higher benefit rates, that is, features that fundamentally altered the design of the program.[18] However, the Director-General of Insurance was quick to indicate that the group questioned these features only within the confines of the UIC and that initially, the Chief Commissioner considered its criticisms:

> We tried to co-operate in the sense of making the new idea work. We tried to find ways (when it became apparent as to the direction it was going to take) to really make the thing work. We really didn't express out and out opposition other than in the meetings. We raised questions when things were being discussed among the senior officials and then with the Chief Commissioner, DesRoches. We didn't go out of the official area in expressing any uncertainty.
>
> Question: How did the Chief Commissioner respond?
>
> Answer: I think that he felt that it was a reasonable approach for my group to take to question and question and question. I think to state the case clearly as it was, eventually they came to feel that we had expressed enough reservations. They had heard enough and, therefore, the main objective was to get the decision taken. We should get on with the job.[19]

Once that decision was taken, members of the Old Guard were not provided with information on the new plan and they were relegated to positions within the UIC from which they

never regained their former authority. When the administrative breakdown of the plan occurred and when as a consequence, the popular backlash against the plan erupted in 1972, the regional directors were dismissed. It was thought that they had proven to be incapable of administering the new technology of management. In sum, the Chief Commissioner acting on behalf of Mackasey not only blocked any significant input from the Old Guard; he also neutralized the potential impact of possible recriminations. However, the measures used to offset any potential opposition on the part of employees threatened by the reorganization of the UIC, were far more palatable.

The employees mainly affected by reorganization were located in the Revenue Branch of the UIC. The Department of National Revenue was to absorb their duties because larger sums were to be paid to claimants under the new plan and because benefits were to be taxed. The Revenue Branch had about 800 employees, approximately 500 in the audit division and 300 on the contribution side of the branch. Two-thirds of the audit employees were transferred to the Department of National Revenue while the balance were retrained and placed in the new Claimant Assistant Program. Those on the contribution and coverage side were provided with jobs in the regional payment centers. Nobody was laid off and so potential dissatisfaction was muted. However, the shuffling of employees in such great numbers eventually had an indirect impact on the plan.

Inadequate training contributed, in part, to the administrative breakdown of the plan. There were other factors as well.

There was a firm determination to maintain a quickly paced momentum in the policy-making process. There were four major reasons for maintaining this momentum: first, according to one member of the Steering Committee, there was the intrinsic value of momentum itself:

> If you've got momentum, you've got to maintain it. The history of government is full of things that collapsed because they were long drawn out. A team stays together for only two or three years because members have other things to distract them. So there was the problem of continuity.[20]

Secondly, there was a felt need throughout the UIC that the plan required immediate reform. Despite the recommendations of a Royal Commission of Inquiry into Unemployment Insurance in 1962 and despite the recommendations of an interdepartmental committee set up in 1966, the plan had remained virtually untouched in a decade. In short, it was felt that changes were long overdue. Thirdly, political events continued to obstruct the passage of the legislation. The 1970 dock strike in Vancouver and the FLQ crisis in October of the same year distracted the legal staff working on the proposed bill, Bill C-229.[21] Mr. J. Ryan who was responsible for drafting the legislation, was seconded from the UIC to prepare legislation pertaining to the *War Measures Act*. These crises delayed the preparation of the legislation by several months. Criticism of the plan was, therefore, equated with obstruction to progress

because criticism might have slowed the rapid momentum that had been built. Finally, of foremost importance was Mackasey's refusal to brook changes proposed from within the UIC or, for that matter, proposed by other departments. In a recent interview Mackasey stated "there was no way that I could justify going through all that agony of changing basic principles."[22] From his perspective, any change would have opened a "Pandora's box" of changes which he would have had to have taken back to cabinet. Had Mackasey taken the legislative alternatives back to cabinet, there was a risk that the general proposal might flounder as did Munro's social security proposal.[23]

In order to maintain this momentum, Mackasey and DesRoches set an unrealistic July 1st, 1971, deadline for the implementation of the new scheme and for the concomitant administrative reorganization. Problems were detected in the newly established computer system as early as January 1971.[24] Mackasey discussed the problems with DesRoches and, according to one informant, "they could see the whole thing going down the drain."[25] As a result, it was decided to make changes to the computer team and to meet the July 1st deadline by using the manual system for claimants under the old regime of benefits, by using the computer system to process claimants under the new scheme, and by using a special manual system for unusual claims. Thus by July there were three different pay out systems operating simultaneously. Only about 40% of claims could be processed by

computers while the remainder had to be administered manually. At the same time, the Director-General of Operations, Mr. Stevens, decided to centralize and computerize claimant files. When failures began to appear in the new computer system, there was administrative chaos at the district level. According to one respondent the file was a "crutch."[26] UIC officers had to have access to claimant files in order to process applications for benefits. Later, while testifying before the House of Commons Standing Committee on Labour, Manpower and Immigration, Mackasey identified computer problems which could not have been possibly resolved until January 1972, as a major cause of the administrative breakdown.[27] However, he also alluded to other causes such as the opening of new UIC offices, staffing procedures, and an over-zealous advertising campaign.

Fifty-five new offices were opened across Canada and new itinerant services were offered in 85 locations. However, personnel problems rather than administrative expansion, were the major cause of the administrative disarray. In his testimony, Mackasey pointed out that 4,000 permanent employees had to be retrained and acquainted with the new Act but he neglected to assess the depth of the problem.[28] According to the *Public Service Staff Relations Act*, PM-1 occupational categories are given priority in filling PM-2 vacancies. The new claimant assistant officers' category was placed at the PM-2 level. Therefore, about 200 insurance officers at the PM-1 level moved

into these newly available positions. They were replaced by new recruits and by redundant revenue officers. It takes anywhere from 6 months to a year to train a new insurance officer and so in the fall of 1971, service was being provided by a relatively inexperienced staff. Moreover, the insurance officer's responsibility had increased; claimant applications now required two levels of approval rather than three as had formerly been the case.

Supervisory personnel had also been changed by the Director-General of Operations. All of the district managers were either transferred or replaced. Furthermore, the complexity of the program compounded personnel problems; the newly introduced "five phase" benefit structure was exceedingly difficult to administer, especially without full computer service.[29] A former participant in the development of the new plan, who currently holds the position of Executive Director of Benefits, effectively places the complexity problem in perspective; he admits that the plan has been made far too difficult to manage even after a decade of ironing out technical problems:

> We've ended up with a monster from an administrative point of view. It's too complex. You can't explain the program. If you walk in here today and ask me what your entitlements are, I can't tell you and I'm in charge. Now if you go to the local office, there is only a clerk to help you out...I don't know why he should know.[30]

Finally, Mackasey suggested another reason for the breakdown which was that "an overzealous advertising campaign and

certainly a very successful one, generated hundreds of thousands of phone calls to UIC offices that caused us a certain amount of, let me say, headaches as well as backaches."[31] Mackasey might have added that the headaches and backaches were exacerbated as the number of claimants as a percentage of the labour force climbed by slightly over 3% between 1971 and 1972.

The convergence of far too many reorganizational changes at once combined with the inherent complexity of the plan and rising unemployment culminated in the administrative breakdown of the UIC. There is absolutely no evidence to suggest that the Old Guard or any other group of disgruntled employees adversely affected the operations of the new scheme.[32] However, the exclusion of the Old Guard from positions of authority may have impeded attempts to rectify the problems. At least, that is what the remarks of one official who was immersed in the near administrative collapse, suggest:

> The rush and scramble created the problem and despite my technical advice, there was a lack of expertise. I couldn't go to (my former supervisors) to discuss these things. I had to recruit people from the field to do it in a hurry. We needed more technical input.[33]

The administrative breakdown was largely but not entirely resolved after the 1972 election. However, it is revealing to note that Mackasey remained adamant that the plan not be modified; the then newly appointed chairman indicated that Mackasey perceived any suggestions for change as an "affront to his integrity."[34] Mackasey's unwillingness to consider changes

despite the breakdown, illustrates his resolve to remain impervious to counter proposals from the outset. Modifications were only implemented once his responsibility for the UIC was taken away.

The Commissioners: The UIC proper and the Advisory Committee also did not make significant contributions to the development of the policy in Mackasey's time as well as afterwards. Chief Commissioner DesRoches had considerable input in the early developmental stages of the new plan insofar as he followed Mackasey's guidelines. His two colleagues, the commissioner representing management and the commissioner representing labour, were not quite as fortunate. All three were appointed by the Governor-General-in-Council in accordance with the Act. In practice, they were appointed by the minister responsible for the UIC, traditionally after consultations with the Canadian Manufacturers' Association and the Canadian Labour Congress, in the case of the commissioners for management and labour respectively. The system of appointments gave the minister considerable leeway in nominating compatible representatives. Furthermore, the minister directly appointed the chairman. According to the Law Reform Commission, the Chairman was first among equals for "as far as the chairman (was) concerned the logic of the institution (appeared) to confer upon him the role of mediator between the positions of labour and management and at the same time the role of representative of the federal

government and through it the people of Canada as a whole."[35]

The interviews clearly indicate that at the time of the initiation of the white paper, the commissioners for management and labour were extensions of the lethargy that had engulfed the UIC as a whole for almost three decades.[36] Their appointments were largely based on patronage considerations. They were not expected to perform as active policy-makers by their respective constituencies mainly because the UIC had not engaged in any such activity. Even the current commissioners perceive their predecessors' roles in this light.[37] In short, they were simply not participants in the policy-making process that resulted in the reform of unemployment insurance.

The roles of the commissioners have been greatly altered since the reform with the appointment of new commissioners. Both commissioners presently consider their primary tasks as threefold: to serve as "watchdogs" on the UI Account, to make program guidelines, and to make operating procedures and regulations.[38] Commissioner McBride (Management) identifies the first task as the most important:

> One of the most important areas has always been the administration of what is called the UI Account; it is a financial account. In that financial account are basically employer and employee premiums. Hence, there is a need to have someone from the private sector -- I'm not a civil servant -- appointed with the full backing of their constituents, to be watchdogs and to be spokesmen on everything having to do with how those monies are disposed. Because at the end of the year, we have premium determination (that is, we determine) what kind of premiums we will need for

> 1980 to bring the account back into a balance position or back into a nonsurplus position. This is a fundamental consideration that had the blessing, not only of the employer community, but of labour as well... This is critical to the understanding of why there is a Commission.[39]

The government through the chairman has played the major role in the determination of premiums and benefits because it had been paying for a large chunk of these disbursements throughout the 1970's. However, amendments to the Act have resulted in a more prominent role for the commissioners for management and labour because premiums now account for 80% of program costs, including administration; presently, the government only pays for the costs of regionally extended benefits. However, the determination of premiums is largely a technical consideration which has not had any effect on the fundamental principles of unemployment insurance in the 1970's. This may, of course, change as management and labour assume most of the financial obligations. A senior Employment and Immigration official suggests that the change has already begun:

> ...If the commissioners make enough noise or if they insist on being consulted or being a part of the process -- as they have -- then, of course, they are going to be involved. For example, more recent changes in the law have gone through the Commission before being submitted to the minister, cabinet and Parliament.
>
> ...There is an awful lot of interplay in the process. And it would be fair to say that the process is not clear. The commissioners are wondering about their role at times. They have a very important role; they keep constantly in touch, more so in recent years than before that, with their constituents...[40]

Both commissioners see their roles in the policy-making process as indirect and are reluctant to slip into the passive roles of their predecessors.[41] This indirect policy-making role is pursued by advising senior officials and the minister, mainly by keeping their respective constituencies informed, by interpreting the Act *via* supplemental regulations and by resolving administrative problems for members of their communities.

Advice is proffered to senior officials in the following way: when a legislative steering committee of officials is about to recommend an amendment both commissioners are consulted. Since both commissioners have now established contacts with employer and employee groups beyond their immediate sponsoring constituencies, they can speak with authority for their respective communities in general. If either commissioner is opposed to a recommendation and if the steering committee is not swayed by opposed opinions, they can advise their constituencies to take action on their own in order to pressure the government to act in their favour. While both commissioners provide advice and information, Commissioner McBride (Management) lays more emphasis on these activities than does Commissioner Chafe (Labour). Commissioner Chafe appears to pay more attention to the activities of interpreting the Act through supplemental regulations and of resolving constituents' problems. Several factors appear to have influenced their separate but not entirely distinct role perceptions:

Commissioner McBride has been responsible to a community which has been fundamentally opposed to the principles of the plan whereas Commissioner Chafe's sponsors have been fundamentally in favour of the new plan. McBride has been more sensitive than Chafe to the notion that his office must be used to contain the present contours of the plan whereas Chafe has been determined to extract the most administratively from what he considers to be a good plan in general terms. Secondly, the commissioner for labour has had to deal with more day-to-day complaints about the application of the plan than his colleague. Thirdly, McBride has been in office since 1971, almost three times as long as his colleague, and has, therefore, had a greater opportunity to expand his role indirectly into the policy-making realm.

McBride claims that he possesses a mailing list of some 1,700 key people from the Canadian employer community. It is a list that he has nurtured since his appointment; he updates the list every year. He sends out information to those on his mailing list as soon as an amendment is about to be made public. He then meets with representatives of the major associations in a manner which he describes as follows:

> I go right across the country and have my own private hearing with them to get a reading about what they think of these amendments and also to give me an opportunity to explain the full impact. All of the amendments that have gone through since '71 have been amendments that, generally speaking, our community has supported wholeheartedly. So I've no problem in trying

> to sell the bulk of these amendments. I've been more in the position of explaining them, making sure that I had their support, urging them to get their briefs in, telling them how to do it, and offering to review their briefs with them. That's a private thing that I do...Practically, they've all been supportive. They've always said they wanted to get more. Actually, in truth they are happy to get anything.[42]

Commissioner McBride's potential to inject input into the policy-making process has not been put to the test throughout the 1970's by his own admission. Although the amendments of the 1970's have mainly been directed against the interests of labour, Commissioner Chafe has been more preoccupied with acting as an ombudsman for individual unions than with altering the direction of amendments. A spokesperson for the CLC describes Chafe's responsibilities as follows:

> His work is different from McBride's. A lot of his work involves helping unions to get benefits and making them aware of regulations. For instance, there were premium reductions under the wage loss replacement plans but in some instances the savings were not passed on to employees; recently, he helped a couple of locals to get these monies back.[43]

Chafe's caseload of administrative problems is much larger than McBride's. Both have a similar workload, however, with respect to preparing regulations which are used to interpret sections of the Act. Both refer to that aspect of their jobs as the most time consuming. In short, their major input tends to be of a technical and administrative nature.

In sum, at the time of the preparation of the white paper, the commissioners for management and labour were far too

immersed in the lethargy of the old regime to provide any policy input. In addition, their sponsoring groups had little expectations from them in this regard. The commissioner for management has developed a potential for making input into the policy-making process but has not necessarily been required to use this potential. The commissioner for labour has yet to develop a similar potential due to his necessary involvement in extracting as much as possible from the plan for his constituents.

The Advisory Committee and The Advisory Council: When Mackasey was recently asked to evaluate the role of the UI Advisory Committee in the development of the white paper, he posed a sardonic question, "Who were they? Name one!"[44] Members of the Advisory Committee confirm Mackasey's broad hint that they did not have any input. A former representative for management clearly states that he had no such expectations:

> I wouldn't have known the specifics of the white paper. I wouldn't have known anything other than one was forthcoming. They didn't keep that particularly secretive. I don't recall any consultative process. There was some discussion with the UI Advisory Committee in the course of developing the white paper. But after all, the purpose of the document is to set out alternatives and invite commentaries from interested persons.[45]

It has been suggested that the Committee's lack of input into the policy was due to the nature of appointments. By sections 108 and 109 of the Act, the Committee was composed of between 6 and 8 members and an ostensibly "neutral" chairman,

appointed by the government after consultations with organizations representative of employers and workers.[46] Because there is an equal division of appointments between employers and workers, the Committee was said to be divided on most issues and, therefore, unable to present joint recommendations.[47] While there may be some validity to this claim, its lack of policy input may have been due to other factors. Its mandate hinders its access to key policy-makers and its lack of resources denies it adequate information.

The Committee and, subsequently, the Council have been expected to meet at regular intervals to review "the state of the UI Account, the premium rates, the adequacy of coverage and benefits" and "other matters relating to the provision of unemployment insurance."[48] The mandate overlaps with the commissioners' and yet the same research staff is not available. Moreover, members of the Committee and the Council have been part-time advisors, not full-time officers as are the commissioners. In addition, the mandate is mainly technical in orientation and the minister determines the "other matters" that should be investigated. The Law Reform Commission appears to summarize the history of the Advisory Committee's activities rather than its potential for influence with the remark that the Committee has not been "required to participate in the decision-making process" by virtue of its mandate.[49] Ministers are able to expand the role under the rubric of "other matters;"

however, ministers have not seen fit to do so in the 1970's.

The Advisory Committee performed its functions by issuing rather brief annual reports which summarized facts and figures on coverage and benefits. Virtually all of what was contained in these reports was public knowledge at the time of publication. The Advisory Committee also undertook to investigate administrative practices in the UIC at the request of the minister. Two major reports were tabled in the 1970's, one in 1973 and the other in 1976.

The first Advisory Committee report was the outcome of an investigation into allegations that overzealous UIC officers were unjustifiably disqualifying claimants. Throughout the fall of 1972 and the winter of 1973, there had been widespread public protests over this issue. The protests reached their peak in February of 1973, when a coalition of 64 anti-poverty groups, mostly from the area of greater Montreal, marched outside of UIC headquarters in Ottawa.[50] When the minister responsible for the UIC, Robert Andras, failed to keep a promise to meet with a 10 man delegation to discuss pending legislation, which from the delegation's point of view would have exacerbated the problem, about 100 protesters invaded and vandalized the UIC offices. However, other events pressured the minister to request an independent Advisory Committee investigation: UIC officers in Montreal were protesting working conditions and suggesting that they were unable to cope with the rising number

of claimants.[51] In addition, the former minister, Mackasey, took Andras to task publicly for sponsoring Bill C-125 which was expected to generate an increased number of disqualifications.[52]

Andras countered the pressures by pointing out that the disqualifications were based on detected abuses. He reported that in the first 9 weeks of 1973, about 40,000 claimants out of approximately 62,000 who had been investigated, had been disqualified for abuse; he estimated that this had cost the UI Account nearly $20 million.[53] As luck would have it, a Canadian Press story about abuse, the "UIC ski team," bolstered Andras' case by providing national coverage of an example of excessive abuse and the need for tighter abuse control.[54] In order to mitigate the climate of antagonism over abuse control and disqualifications, Andras had the Advisory Committee examine abuse control procedures.

The interim report of the Advisory Committee did not endorse the protesters' allegations that UIC officers were overzealous in disqualifying claimants.[55] Nevertheless, within a week of the interim report, Andras announced that the UIC would be "humanized."[56] There was to be a greater reliance on personalized service to claimants; the computerized system of detecting abuse had been criticized as being overly rigid.

Prior to the tabling of the final report, Andras remained firm in his determination to steer Bill C-125 through the House

of Commons.[57] The main purpose of the proposed legislation was to disqualify workers who had terminated their employment "without just cause." Employers and UIC officers would have been responsible for defining "just cause." Bill C-125 would have extended, not curtailed, the discretionary powers of UIC officers. However, Bill C-125 was dropped at the end of October 1973 while the final Advisory Committee report was presented in November 1973. It is unlikely that there was a relationship between the discarding of Bill C-125 and the results of the forthcoming report. The NDP, the main prop of the minority government, had steadfastly refused to support the bill. The government might have fallen, if Andras had continued to sponsor the bill. Furthermore, the most contentious recommendation of the final report, that the receipt of benefits not be tied to an active search for work, was rejected by Andras.[58] The Advisory Committee had suggested that benefits be made available to anyone "ready, willing and able to work." Andras claimed that Section 145(a) of the Act, which linked benefit payments to an active search for work, was "an essential instrument in the control mechanism."[59] Andras was aware that the Committee members had split down the middle on this recommendation and so he chose to agree with the members representing management. With respect to the other recommendations, Andras asserted that they were based on outdated information; steps had already been taken to rectify the administrative weaknesses

detected.[60] In short, Andras demonstrated that as the responsible minister, he was at liberty to ignore public pressure group advice.

A second study was undertaken in 1975. The Advisory Committee report on the UI appeal system was presented, however, once Andras had left the Manpower and Immigration portfolio.[61] The report issued two major recommendations: first, a full-time independent Board of Referees was proposed to replace the Federal Court judges that had heard appeals. Secondly, it was proposed that all parties involved in an administrative decision be granted the right to appeal. Both recommendations were adopted by the minister and, of course, by the UIC. It is important to note that these were recommendations of an administrative nature, not changes that would have affected the substance of unemployment insurance policy.

Despite the marginal success of the Advisory Committee in injecting technical input into the *modus operandi* of unemployment insurance, its successor the Advisory Council has not fared as well. By 1981 many vacancies existed on the 21 member council and throughout that year it did not have a chairman. Despite infrequent meetings, the Council has examined issues related to the status of fishermen and their spouses, part-time employment and "affirmative action." However, members complain about a lack of input and one member has succinctly attempted to explain the current minister's indifference to the

Council:

> The difficulty is that the department which is advising the minister has a lot more resources than an Advisory Council is given and maybe rightly so...I guess we are quite disappointed in the response of the government. Maybe they don't want it (unemployment insurance) to move out of their control.[62]

In summary, intradepartmental groups were circumvented in the development of unemployment insurance in the 1970's. Mackasey effectively neutralized the opposition of the Old Guard, however weak, and managed to placate concerned employee groups. The commissioners had not developed a policy-making role at the time of the introduction of the new plan but they managed to provide a technical input subsequently. Mackasey ignored the Advisory Committee just as Andras later refused to accept its controversial technical recommendation. However, the Committee did provide valuable technical assistance with regard to improving the appeal system when Cullen became minister. However, the future of the Advisory Council remains unclear. Unlike the intradepartmental groups, the Department of Finance eventually had an impact on the development of unemployment insurance policy.

Interdepartmental Relations: From Passivity to Input

While the Standing Committee on Labour, Manpower and Immigration held hearings on the white paper, it was revealed that members and witnesses were concerned about the expansion of UIC activities. It was suggested that UIC activities might

overlap with program activities of two departments, the Department of Health and Welfare and the Department of Manpower. Witnesses representing both organized business and labour claimed that a disjointed patchwork of social security might evolve due to an apparent lack of departmental co-ordination in the development of the white papers on unemployment insurance and social security.[63] The UIC's new Claimant Assistant Program was said to be a costly duplication of services already offered to the unemployed *via* the Department of Manpower's Canada Manpower Centers.[64] In addition, witnesses argued that a major goal of the new scheme, to rapidly re-integrate claimants with the work force, could not be achieved unless the UIC was merged with the CMC system.[65] Mackasey responded to these concerns by clearly stating that all of the related departments had been involved in the unemployment insurance policy-making process:

> ...I would stress the fact that this program has been developed with the complete co-operation of all other government agencies concerned and that they have expressed a total willingness to work with the officials of the Commission to see that the spirit of the White Paper is reflected in the operation of the new programs.[66]

As Mackasey's remarks were in reference to the Department of Health and Welfare and the Department of Manpower, they are identified as actors, however minor their parts, in the policy-making process. However, Mackasey also identified a formidable departmental rival in the policy-making process once unemployment insurance costs began to spiral, the Department of

Finance.[67] The roles of each of these departments in the development of unemployment insurance will be considered in turn.

The Department of Health and Welfare: When Mackasey was recently asked to explain "complete co-operation" with specific reference to the Department of Health and Welfare, he implied that that department's co-operation was spontaneous.[68] He also implied that Health and Welfare's difficulties in gaining approval for its social security proposals was due to the shortcomings in its presentation and had little to do with the acceptance of his white paper:

> ...I never lost sight of the fact that John Munro and I were on the same side of the political spectrum...Essentially, Munro and I were working for the same objectives.
>
> ...Our concept was clearest in the minds of bureaucrats and the powers that be. Health and Welfare's proposals tended to be a series of options. I think that one of their biggest problems was to really get a handle on costs and concepts. Objections would be raised and they would come back with a lot of work only to be met with other objections.[69]

The Department of Health and Welfare could hardly take issue with an unemployment insurance scheme which sought to promote preventative welfare and to supplement health plans with sickness and pregnancy benefits. Furthermore, senior officials within the department were inclined to support unemployment insurance reform. In 1967, Joseph Willard issued a three volume report which was never published or made public.[70] The report,

highly critical of Canadian social security policy, endorsed such reform but also recommended that unemployment insurance be merged with the other major social insurance plan, the Canada Pension Plan. Munro's white paper, *Income Security for Canadians*, also endorsed the new unemployment insurance scheme which, coupled with its proposals, was touted as "a substantial assault on the problem of poverty."[71]

Initially, the proposed unemployment insurance scheme was not viewed as a rival with Health and Welfare's proposals in a competition for scarce public resources. A senior official, representing Health and Welfare on an interdepartmental committee which reviewed the new scheme, made this abundantly clear:

> I can't say that we had a great deal of input. We would read what they would propose to do and react to it. It was an area that was not our responsibility. So it is something that you think about for a short time and put aside because it is not your responsibility.[72]

Furthermore, unemployment insurance was not perceived to be an imposition on Health and Welfare's plans because, in keeping with the general spirit of government at the time, financing was not considered to be a problem. The same senior official succinctly summarized this attitude as follows:

> In April 1970, I remember attending a cabinet meeting where they talked about priorities. We put forward a number of proposals and they wanted Munro to "prioritize." If you could only do one of them which one would you do? We talked about the money that might be available. It seemed that money was no object. There didn't seem to be the kinds of limitations that later appeared. So I don't know what

Munro was thinking about in 1969 when he told us to go ahead and not worry about the money.[73]

In addition, the final proposal, like its unemployment insurance counterpart, claimed that its "selective" social security programs were not expected to involve a substantial increase in taxation.[74] The white paper underlined Health and Welfare's intention to alleviate poverty by redistributing money, about $470 million, already in the system. Thus, eventually the final legislation was defeated, not because of anticipated costs related to unemployment insurance, but because it received a lukewarm reception due to its perceived intrinsic shortcomings by the House of Commons as a whole and because of a House rule which enabled one MP to defeat it.[75]

However, by 1972 Health and Welfare officials began to realize that diffidence towards their plans was due to the rising costs of unemployment insurance.[76] Following the 1972 election, Marc Lalonde became minister and A.W. Johnson was seconded from Treasury Board to fill the post of deputy minister. Johnson etched his approach to social security into a revitalized Health and Welfare policy.[77] He stressed work as the first line of defense against poverty and he emphasized income supplements as necessary for low income earners.[78] Johnson, like Willard, promoted a selective rather than a universal approach to social security; selective refers to need. However, unemployment insurance was and remains universal in orientation in the sense that, at least until 1978, benefits

were paid regardless of need. Also by 1972, generous benefits were seen as militating against the first line of defense against poverty.[79] Unemployment insurance's universal approach and work disincentive effects were not entirely compatible with Johnson's selective and work oriented approach to social security.

Johnson and Lalonde's orange paper did not contain an outright condemnation of unemployment insurance *per se*.[80] However, the working paper did not fully support the unemployment insurance approach to social security because it stressed the need for income supplements to be given to selected groups and the need to remove work disincentives. The same themes appeared in the 1973 Speech from the Throne; social security amendments were to be introduced and work disincentives were to be removed.[81]

Johnson apparently lobbied for a reduction in the unemployment insurance benefit rate so that funds could be redirected to Health and Welfare's social security proposals.[82] However, the realization of Health and Welfare's two main programs, an upgrading and the taxation of family allowances plus a guaranteed income supplement for old age pensioners, was not necessarily perceived to be contingent on a reduction of unemployment insurance benefits. At least the former Minister of Manpower and Immigration who was extremely sensitive to the machinations of departmental groups' attempts to scale down unemployment insurance costs, did not perceive any such relationship.

Mackasey identified the Department of Finance as the culprit responsible for the Speech from the Throne's oblique criticism of unemployment insurance.[83] Much to the delight of the Opposition, Mackasey claimed that the references to unemployment insurance in the Speech from the Throne were attributable to "several economic forecasters" in the Department of Finance that the minister, John Turner, "might be better off without."[84] Furthermore, in retrospect, Mackasey confirms the view held by UIC officials that the Department of Health and Welfare was not in any way responsible for subsequent amendments to the unemployment insurance plan. He points out that both departments promoted a common objective of improving the social well-being of Canadians.[85] At times, the ministers encouraged each other in meeting this objective:

> When I returned as Postmaster General (in 1974), I helped Lalonde in cabinet. I took up his cudgels to help him along. He was extremely knowledgeable, hardworking, and determined to get it through. I never viewed the advancement of any other social policy as a detriment to unemployment insurance.[86]

Mackasey's response is important to note for it indicates that the Department of Health and Welfare's input into the development of unemployment insurance was complementary. Health and Welfare policies absorbed the cost burden of particular claimant groups into its programs. Andras, the minister who sponsored the first amendment to the Act, supported this theme by highlighting certain aspects of Bill C-69 which bolstered his contention that the bill did not "represent any

departure from the basic spirit and philosophy of the 1971 Legislation."[87] Two features of the bill, the elimination of coverage for employees between the ages of 65 and 70 and the elimination of benefit rates for claimants with dependents, were said to be linked to the recent "rationalization" of social security policy.[88] The upgrading of a Guaranteed Income Supplement combined with the indexation of the Canada Pension Plan and Old Age Security were intended to replace the withdrawal of benefits for 65 and 70 year old employees. The enrichment of family allowances was intended to eliminate the need for higher benefit rates for claimants with dependents.

Andras pointed out that his counterpart in Health and Welfare was "in full agreement" with the amendments contained in Bill C-69.[89] He might have said the same about all of his cabinet colleagues. The bill served to satisfy cabinet's determination to cut costs, not to enhance Health and Welfare at the expense of the UIC. The substitution of social security benefits for unemployment insurance benefits was not expected to involve a transferral of funds from the UIC to Health and Welfare; about $200 million in savings were to be generated by the transfer. Furthermore, the major provision of the bill, to establish a new unemployment threshold for government payments, was expected to generate an additional $440 million in government savings.[90] Health and Welfare's upgraded programs served as a convenient but partial justification for the

cutbacks. Health and Welfare's input into the development of unemployment insurance is marginal when placed in the context of a wider government input which was to reduce costs. Similarly, the absence of any input from Manpower can only be understood against a background of a wider governmental imperative to reduce costs by merging that department with the UIC.

The Department of Manpower: The Gill Report recommended that Manpower and the UIC be separated.[91] Four years later, in 1966, the recommendation was adopted. Manpower pursued one of its major objectives, providing the unemployed with work, through its placement, counselling, vocational retraining, and job creation programs. Thus, its objective overlapped with one of the primary goals of the white paper. However, in lieu of proposing that this goal be achieved by joint Manpower-UIC programs, the white paper proposed a Claimant Assistant Program.[92] The Claimant Assistant Program was designed to provide job counselling services, not the full range of services that Manpower could provide through its CMC system. Therefore, co-ordinated manpower services between Manpower and the UIC seemed to be a logical step in order to advance the goal of assisting the unemployed to return to the work force. Mackasey proposed such co-ordination while introducing his white paper.[93]

Manpower did not provide any positive input into the development of unemployment insurance policy in the 1970's. The department did not inject any negative input either. It assumed

a posture of indifference towards the white paper and towards subsequent amendments. Negative input in the sense of resisting the proposed merger of Manpower and the UIC would have been futile. Business and labour groups greatly favoured the merger from 1970 onwards as did advisory groups, Mackasey, and the government as a whole.

When Mackasey was transferred from the Labour portfolio to the Manpower portfolio in 1972, he brought his responsibility for the UIC with him. At that time, he stated that he fully intended to co-ordinate the UIC with the CMC system.[94] The subsequent Manpower ministers, Andras and Cullen, favoured total integration but the necessary legislation was delayed until 1978 largely for administrative reasons. First, in order to bring parallel and complementary services together, separate UIC and CMC offices had to be located together. Since the separate offices had long-term leases, it would have been too costly to merge local facilities in the short-term. Secondly, the separate staffs had to be brought together gradually and the resulting joint staff streamlined in order to avoid a duplication of job functions. Thirdly, both organizations required gradual modification in order to stimulate co-operative work habits, according to one respondent:

> Ideally, what would have happened is that the two, 12,000 people organizations should have all been fired and new people brought in with a new set of objectives and philosophies. You don't have to worry then about the old philosophy engrained in

> the person doing the job. But that's foolish. It doesn't work that way.[95]

Finally, the cost burden of former Manpower programs such as job creation programs, were to be shifted to the UI Account. A gradual shift was required in light of the simultaneous escalation of premium contributions for business and for labour.[96] Thus, Manpower and Health and Welfare were affected by the government's imperatives of streamlining the UIC's administrative apparatus and of reducing its overall financial committment to the plan. The government generated savings by transferring the responsibility for certain aspects of the program to Health and Welfare and by placing the financial burden of particular Manpower operations on the UI Account. The departments were unable to affect the development of unemployment policy because they were subject to larger governmental imperatives concerning the plan. The Department of Finance became a major forerunner of these imperatives.

The Department of Finance: The Department of Finance was generally unconcerned about the financial implications of the white paper for reasons already outlined.[97] Initially, Finance's input was technical. Departmental data pertaining to predicted unemployment and predicted increases in salaries and wages were used in the cost projections for the new plan. Departmental officials along with officials of the Department of National Revenue, an interdepartmental committee of officials, and outside consultants checked the validity of the UIC's

figures. Mackasey surmised that employer and employee contributions were predictable but "what is unpredictable is what it would cost the government."[98] The government's share was unpredictable because it was to make contributions only when unemployment exceeded the 4% threshold.

The Department of Finance's estimates of unemployment in the 1970's were inaccurate as were other data provided by the department. Mr. Lang, substituting for Andras while testifying before the Standing Committee on Labour, Manpower and Immigration, summarized the difficulties encountered with the data as follows:

> The level of benefits paid out turned out to be significantly higher than had been anticipated. The length of the benefit period turned out to be longer than had been anticipated. The factors combined to change the facts as they developed from the estimates, which had included certain projections of growth and change which were themselves not accurate.[99]

The Department of Finance's estimates were, thus, partly to blame for the unanticipated costs. The cost problem lay with all the data used because cost projections were largely based on past experiences or as one senior UIC official aptly put the case, "the trouble with a model is that it is only good in the past, not in the future."[100] Nevertheless, Mackasey placed much of the responsibility for the increased costs on the Department of Finance. As recently as 1980, Mackasey alleged that officials in Finance had been unwilling to admit that their 1970 data had been erroneous and that they had

subsequently supported amendments to the Act in the 1970's in order to redress the cost implications:

> ...a certain group in the civil service, concerned that they were unable to justify their 4% prediction and hard pressed to find the money needed to offset the government's committment, felt that a series of amendments was needed to shift the financial obligation for some of the provisions in the Unemployment Insurance Act from the government. They were not honest enough to admit they had miscalculated and had not anticipated, because of reasons beyond their control, a long period of five, six, seven or eight percent unemployment in the country.[101]

Mackasey also pointed out that Finance was responsible for the outpouring of government monies for unemployment insurance because of its fiscal and monetary policies which stimulated unemployment. After all, government contributions were triggered once unemployment rose beyond 4%. In the 1980 speech delivered in the House of Commons, Mackasey clearly summarized his argument:

> Just a month ago I spoke to a former employee of the Unemployment Insurance Commission. He reminded me of the party that took place when the bill was passed... In the jubilance of that evening I had remarked to my staff that I was not sure the act would be intact by 1980. I was not sure if the bureaucrats were prepared to stand by the predictions and I was not sure if the government was prepared to assume its obligations for fiscal and monetary policy. I was not sure if the government was that dedicated to controlling unemployment beyond 4% or if it was prepared to shoulder the cost of bringing unemployment down to that level by stimulating the economy.[102]

Whatever its initial technical input, Finance was not willing to stand by while rising unemployment expenditures continued to affect its budgetary framework. In the year following

the introduction of the new plan, the cost of unemployment insurance doubled while government contributions quadrupled. Early in 1973, it became apparent that the $800 million ceiling on advances from the Consolidated Revenue Fund to the UI Account would soon be surpassed. Andras was compelled to introduce Bill C-124 to amend the Act to remove the ceiling amid Opposition charges that "if there is no ceiling, the hands of the Minister of Finance are tied: he just has to pay."[103] Under these circumstances Finance became the conduit of the government's imperative, to reduce costs.

There is little doubt that the Department of Finance as the keeper of the government's purse, was determined to scale down the costs of the plan and, especially government contributions for benefits payout. Simon Reisman, the former deputy-minister of Finance, reflected his department's attitude towards the plan by identifying it as one among three major domestic factors which had contributed to the nation's economic woes by the mid-1970's:

> A second inflationary factor was the far reaching revision of the unemployment insurance system in 1971, which established the most generous and open-handed benefit provisions to be found anywhere in the world. These changes had a two-fold impact. They added substantially to federal government expenditures. And, perhaps even more importantly, they had the effect of drawing hundreds of thousands of marginal, secondary workers into a labour force that was already growing considerably more rapidly than that of any other industrial nation.[104]

Attempts were made to redress Riesman's perception of the

impact of unemployment insurance expenditures on government spending in each of the budgets from 1973-1976. The success of each of the four budgets was linked to cost cutting amendments to unemployment insurance which were proposed by Finance Minister John Turner and his successor Bud Drury, when they tabled their fiscal plans. In the summer of 1975, Andras presented Bill C-69 to the House of Commons. The main aim of Bill C-69 was to cut costs.

Bill C-69 was introduced against a backdrop of the government's imperative to initiate economic and financial restraint. Wage and price controls were established by the fall of 1975 and were followed shortly thereafter by the *Government Expenditures Restraint Act*;[105] expenditures on other programs were also curtailed.[106] Moreover, in a document outlining general policies to be undertaken in the post-controls period, the government announced that it would reduce its dependence on income transfer policies such as unemployment insurance, to alleviate the adverse effects of unemployment; the government declared its intentions to implement such policies "within the general framework of monetary and fiscal policies of government" and use unemployment insurance funds for "imaginative programs" such as job creation.[107] With respect to social policies in general, the government urged consideration of "mechanisms to encourage a broader recognition and acceptance of social responsibility by both corporations and labour organizations, as

well as an understanding of that responsibility by the general public."[108] In short, the government's imperative was to cut the overall costs of unemployment insurance and to significantly reduce its financial obligations resulting from unemployment by shifting the costs of employment related plans to the UI Account and, ultimately, to the private sector.

Subsequent amendments, Bill C-27 and Bill C-14, were also designed to achieve these goals. Bill C-27 authorized the use of funds from the UI Account for job creation projects, work sharing arrangements, and income maintenance for claimants on approved training courses. Revenues from the Consolidated Revenue Fund had heretofore been provided to Manpower for such purposes. In addition, Bill C-27 set the stage for the further deployment of UI funds for employment development projects by integrating Manpower with the UIC. Bill C-14 went further than any previous amendment in reducing overall costs by reducing benefit rates from 66 2/3% of insurable earnings to 60%. Furthermore, a financial formula was introduced to limit government involvement in the area of extended benefits and to provide for greater business and labour participation. It has been estimated that from the time that Bill C-14 took effect until the end of 1980, unemployment insurance expenditures were reduced by $655 million.[109] However, while government contributions were reduced by $675 million in the same period, employer and employee contributions increased by $20 million. The following

table demonstrates that following the introduction of the first amendment, Bill C-69, overall costs stabilized at an average annual increase of about 14%, slightly above the rate of inflation. At the same time, the Government's share of costs gradually decreased while the private sector's share increased concomitantly.

Table III

Government and Private Sector Shares of UI Expenditures, 1970-80

	Year	Total Program Costs $m	Gov't Share $m	%	Private Sector Share $m	%
	1970	730	164	22	566	78
	1971	949	184	19	765	81
	1972	1991	880	44	1111	56
	1973	2161	917	42	1244	58
	1974	2305	875	38	1430	62
	1975	3334	1707	51	1627	49
Bill C-69	1976	3529	1356	38	2173	62
Bill C-27	1977	4124	1788	43	2336	57
Bill C-14	1978	4762	2255	47	2507	53
	1979	4192	1295	31	2897	69
	1980p	4804	1041	22	3763	78

p = projected
(Source: Employment and Immigration Canada, Unemployment Insurance in the 1980's: A Report of the Task Force on Unemployment Insurance (Ottawa: Minister of Supply and Services, July 1981, p. 6).)

The 1980 Task Force on Unemployment Insurance predicted that by 1984 the government's share of costs should drop to

18.6%.[110] Significantly, the Task Force confirmed Mackasey's longstanding argument that amendments have been designed primarily to further the government's imperative of cutting costs. The Task Force commented that "recent financing changes reflect increasing pressure for government spending restraint."[111] Thus, the Department of Finance in its role as the central agency responsible for advancing overall governmental imperatives, has had considerable input into the development of unemployment insurance in the 1970's.

The Department of Finance used the axe on unemployment insurance just as it institutionalized the use of the scalpel on related programs by the mid-1970's. A senior official of Employment and Immigration took pains to point out that "Finance changed the rules of the game so that departments would be cost conscious."[112] Individual departments can no longer propose amendments unilaterally; procedures have been established whereby there is more discussion among departments than there was in 1970. Departmental proposals must be considered by the committees of deputy-ministers on social development and on economic development. They are then taken to the corresponding superministries for scrutiny. The Cabinet Committee on Priorities and Planning further examines the proposals which are then sent back to Treasury Board and Finance from whence they came. The same official concludes that the object of these procedures, however, has been identical to the

purpose of the axe:

> Up until now everything has been secondary to cost cutting. All of the amendments have been designed primarily to cut costs. It just so happens that the cost cutting measures have often had a positive impact on the labour market.[113]

Another highly placed colleague in Employment and Immigration supported this view:

> We tried to rationalize C-69, C-27, and C-14 on the grounds of making the program more equitable, with less disincentive and so on. But the bottom line has always been to save money. That's it! Why fool around? The real reason for many of the changes was partly, I suppose, to reduce disincentive but also to reduce government commitment to the plan in a global sense.[114]

Thus, the Department of Finance became the conduit of the government's imperative of restraint. Restraint severely affected the unemployment insurance program, for better or for worse. Hence, while Mackasey and a select team of public servants were the masters of the bureaucratic policy-making process in the early 1970's, they were replaced by the Department of Finance, acting on behalf of the government as a whole, from the mid-1970's onwards.

Conclusion

R.M. Bird has written that "no government employee is necessarily interested in government as such; his concern in principle and in the budgetary conflict, is for *his* program and his program only."[115] Mackasey and a group of public servants who were loyal to him, demonstrated such a concern for a new program of unemployment insurance. However, the Mackasey group

was not required to engage in extensive bargaining with other public pressure groups in order to realize its policy ambitions. It was not as if other groups were unconcerned about their programs; with the exception of the Old Guard, they just did not perceive the new plan as a threat to their programs. Moreover, the Mackasey group built such rapid momentum into the policy-making process that other groups were not given an opportunity to have second thoughts. The momentum was maintained for a good reason from Mackasey's and a close advisor's point of view: every change would have had to have been approved by cabinet; every change would have exposed the whole plan to re-evaluation. Thus, bureaucratic politics had to be avoided in order to legitimize the *whole* program to cabinet.

The Department of Finance became an effective conduit of the government's imperative to exercise restraint, especially with regard to the unemployment insurance program.[116] There is no evidence to suggest that groups within government raised objections to the curtailment of the government's share of unemployment insurance disbursements. In any event, it is unlikely that the government would have tolerated any interference, however minor. Even the marginal attempts of the UI Advisory Committee to inject technical withinput was met with stiff resistance. It appears that the government was determined to demonstrate to the electorate that it was unified in its resolve to exercise restraint.

In sum, Mackasey and, subsequently, the government as a whole were unwilling to consider withinputs. Neither Mackasey nor the government was groping for a policy to pursue. In such a case an open and active process of bureaucratic politics would have been useful. Both had definite policy goals. Mackasey wanted to secure the passage of the plan *in toto*; the government wanted to fulfill the unambiguous objective of restraint in the context of unemployment insurance policy. Both were successful in their endeavours. Thus, it seems reasonable to suggest that the fewer the number of alternatives available, the greater the power of political leadership.

T. Alexander Smith suggests the opposite on the basis of his comparative analysis of policy-making processes in Western states:

> Ultimately, the power of an elite depends upon its ability to utilize conflict areas. Thus, one may hypothesize that the greater the amount of alternatives available, the greater the amount of power the given group possesses.[117]

However, Smith's hypothesis holds with respect to the development of unemployment insurance policy in the 1970's for his remarks refer to governmental relations with private pressure groups. Thus, what holds with respect to the relationship of political leadership with public pressure groups does not necessarily hold with respect to the relationship of political leadership with private pressure groups. This is one of the themes that the next chapter is intended to demonstrate.

Footnotes

1. Maurice Duverger, Party Politics and Pressure Groups (New York: Thomas Y. Crowell Co., 1972), p. 103.

2. Ibid, p. 103.

3. A. Paul Pross, Pressure Group Behaviour in Canadian Politics (Toronto: McGraw-Hill Ryerson, 1975), p. 150.

4. Ibid, p. 150.

5. Ibid, p. 150.

6. Two recent studies of Canadian public policy have employed Allison's "bureaucratic politics" model: Kim Richard Nossal, "Bureaucratic Politics in Canadian Government" in Kenneth Kernaghan (editor), Public Administration in Canada (4th edition) (Toronto: Methuen, 1982), pp. 266-275 and Richard J. Schultz, Federalism, Bureaucracy and Public Policy: The Politics of Highway Transport Regulation (Montreal: McGill-Queen's University Press, 1980).

Their analyses of the bureaucratic politics model are largely based on the following works of Graham T. Allison as cited in Kim Richard Nossal, op. cit., p. 266: "Conceptual Models and the Cuban Missile Crisis," American Political Science Review, 58, 1969; Essence of Decision (Boston: Little, Brown, 1971); Allison and Morton H. Halperin, "Bureaucratic Politics: A Paradigm and Some Policy Implications" in Raymond Tanter and R.H. Ullman (editors), Theory and Policy in International Relations (Princeton: Princeton University Press, 1972).

7. Kim Richard Nossal, op. cit., p. 266.

8. Ibid, p. 267.

9. Richard Schultz, op. cit., p. 8.

10. Ibid, p. 8.

11. Ibid, p. 8.

12. Peter Aucoin, "Portfolio Structures and Policy Coordination" in G. Bruce Doern and Peter Aucoin (editors), Public Policy in Canada: Organization, Process, and Management (Toronto: Macmillan, 1979), p. 213.

13. In terms of personnel, the Steering Committee was a continuation of the UI Task Force.

14. Interview PS-11, December 1980 and other respondents.

15. Interview PS-11, December 1980.

16. Interview PS-11, December 1980.

17. Interview PS-12, June 1981.

18. Interview PS-9, November 1980.

19. Interview PS-9, November 1980.

20. Interview PS-12, June 1981.

21. Interview PS-12, June 1981.

22. Interview with Hon. Bryce Mackasey, March 1982.

23. See p. 97 for a discussion of Munro's proposal.

24. Interview PS-12, June 1981.

25. Interview PS-12, June 1981.

26. Interview PS-12, June 1981.

27. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, April 25, 1972, p. 7.

28. Ibid, p. 8.

29. Ibid, p. 9.

30. Interview PS-10, September 1980.

31. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, April 25, 1972, p. 9.

32. Each public servant respondent was asked if the Old Guard had attempted to sabotage the new scheme. Each respondent categorically denied that any evidence existed to support an affirmative answer.

33. Interview PS-11, December 1980.

34. Interview PS-2, July 1978.

35. Pierre Issalys and Gaylord Watkins, Unemployment Insurance Benefits: A Study of Administrative Procedure in the Unemployment Insurance Commission (Ottawa: Minister of Supply and Services, 1977), p. 22.

36. Several public servant respondents arrived at this conclusion.

37. Interview with the Commissioner for Management, July 1979 and Interview with the Commissioner for Labour, July 1979.

38. Ibid.

39. Interview with Commissioner McBride, July 1979.

40. Interview PS-10, September 1980.

41. Interview with Commissioner McBride, July 1979 and Interview with Commissioner Chafe, July 1979.

42. Interview with Commissioner McBride, July 1979.

43. Interview PG-3, August 1981.

44. Interview with Hon. Bryce Mackasey, March 1982.

45. Interview PG-1, June 1981.

46. The CMA and the CLC have traditionally provided the nominees.

47. Interview PS-12, July 1981.

48. P. Issalys and G. Watkins, op. cit., p. 23.

49. Ibid, p. 24.

50. The Montreal Gazette, February 19, 1973.

51. The Montreal Gazette, February 23, 1973.

52. The Montreal Gazette, March 15, 1973.

53. The Montreal Gazette, March 16, 1973.

54. The Montreal Gazette, March 17, 1973.

55. The Montreal Gazette, April 17, 1973.

56. The Montreal Gazette, April 26, 1973.

57. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, March 22, 1973.

58. The Globe and Mail, November, 1973.

59. Ibid.

60. Ibid.

61. UI Advisory Committee, Annual Report 1976 (Ottawa: Minister of Supply and Services, June 6, 1977) noted that the report was presented in May 1976.

62. Interview PG-4, August 1981.

63. All of the major employer and employee organizations claimed that a full assessment of the unemployment insurance package could not be conducted without foreknowledge of the forthcoming social security review. On the side of employer groups the CMA, the Canadian Chambers of Commerce, and the Retail Council of Canada were particularly outspoken on the issue. See CMA, A Submission to the House of Commons Standing Committee on Labour, Manpower and Immigration, September 1970; Executive Council of the Canadian Chamber of Commerce, Submission on "Unemployment Insurance in the 70's" to The Standing Committee, Labour, Manpower and Immigration of the House of Commons, September 1970; Retail Council of Canada, Submission to the Committee on Labour, Manpower and Immigration, House of Commons, Concerning the White Paper, September 1970. The CLC spoke to this issue on behalf of organized labour by pointing out that "the White Paper on Social Security will suggest new directions (and) this would very likely affect our views on unemployment insurance or on its relationship to other programmes." See CLC, Submission to the House of Commons Standing Committee on Labour, Manpower and Immigration, October 1970, p. 1.

64. Employer organizations, especially those of a regional stature, were apprehensive about this potential result. See, for instance, Quebec Employer's Council, Submission to the House of Commons Standing Committee on Labour, Manpower and Immigration, October 1970 and Regina Chamber of Commerce, Submission to the House of Commons Standing Committee on Labour, Manpower and Immigration, October 1970.

65. The Report of the Standing Committee notes that "the briefs presented to the Committee welcomed the declaration of a

determination to coordiante the new UIC plan with other programmes." See The Standing Committee on Labour, Manpower and Immigration, First Report to the House, December 1970, p. 38.

66. Hon. Bryce Mackasey, "Notes for a Statement to the House of Commons Committee on Labour, Manpower and Immigration" in House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, November 3, 1970, Appendix A-48, p. 46.

67. The Montreal Gazette, January 10, 1973.

68. Interview with Hon. Bryce Mackasey, March 1982.

69. Ibid.

70. The report which appeared in 1969, was never published. It's title is "Social Security in Canada: The Willard Report 2 Volumes."

71. Hon. John Munro, Income Security for Canadians (Ottawa: Minister of Supply and Services, 1970), p. 39.

72. Interview PS-13, June 1981.

73. Ibid.

74. Hon. John Munro, op. cit., p. 3, claimed that "by adopting a policy of reallocating existing resources to the people in the greatest need, the Government is able to propose major changes in income security which should improve the income levels of several million Canadians without involving a substantial increase in taxation."

75. A House of Commons rule stipulates that a Committee report cannot be received on the same day that the bill is given third reading without the unanimous consent of the House. On the last day of the session, the report was received and the party whips worked out the unanimous consent. As the bill was about to be given third reading, unanimous consent was called for but Paul Hellyer who was then sitting as an independent, objected. The bill was, therefore, not passed.

76. Interview PS-8, October 1980.

77. See A.W. Johnson, "Canada's Social Security Review 1973-75: The Central Issues," Canadian Public Policy, vol. 1, no. 4, 1975, pp. 456-472, for an analysis of his approach towards social security reform.

78. Interview PS-13, June 1981.

79. Ibid.

80. Hon. Marc Lalonde, Working Paper on Social Security in Canada (Ottawa: Minister of Supply and Services, 1973), indirectly criticized the unemployment insurance program by pointing out that disincentives to work should be removed from social security programs. In 1973, the new program was in the midst of a considerable controversy pertaining to its alleged disincentive properties.

81. Canada, House of Commons Debates, January, 1973, p. 5.

82. Interview PS-8, October 1980.

83. The Montreal Gazette, January, 1973.

84. Ibid.

85. Interview with Hon. Bryce Mackasey, March 1982.

86. Ibid.

87. Canada, House of Commons, Standing Committee on Labour, Manpower and Immigration: Proceedings, November 13, 1975, p. 16.

88. Ibid, p. 16.

89. Ibid, p. 22.

90. Ibid, p. 22.

91. Canada, Report of the Inquiry into the Unemployment Insurance Act (Ottawa: Minister of Supply and Services, 1961).

92. Hon. Bryce Mackasey, Unemployment Insurance in the 70's, (Ottawa: Queen's Printer, 1970), p. 26.

93. Hon. Bryce Mackasey, "Notes for a Statement...", op. cit.

94. The Globe and Mail, February 2, 1972.

95. Interview PS-10, September 1980.

96. The costs of Manpower programs would be shifted directly to employers and employees through their unemployment insurance premium contributions. The transferral of costs had to be conducted gradually in order not to place a concentrated strain

on payrolls.

97. See pp. 99-100.

98. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, May 25, 1971, p. 44.

99. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, January 31, 1973, p. 41.

100. Interview PS-12, June 1981.

101. Canada, House of Commons Debates, June 19, 1980, p. 2281.

102. Ibid, p. 2281.

103. House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, January 31, 1973, p. 37. The comment was made by Mr. Lambert (Edmonton-West).

104. Simon S. Reisman, "Controls: The Great Fallacy" in D. Auld, J. Carr et al, Which Way Ahead?: Canada After Wage and Price Controls (Vancouver: The Fraser Institute, 1977), pp. 13-14.

105. The acts listed in footnote 106 as well as the *Company of Young Canadians Act*, the *Industrial Research and Development Act*, and the *Western Grain Stabilization Act* were amended under the *Government Expenditures Restraint Act*. Information Canada activities were also reduced to enable the government to curb expenditures.

106. Gary Dingledine, A Chronology of Response: The Evolution of Unemployment Insurance from 1940 to 1980 (Ottawa: Minister of Supply and Services, 1981), p. 83, alludes to other restraint measures passed at that time: the indexing of family allowance payments was suspended for one year. Amendments were also made to the *Adult Occupational Training Act* in order to reduce costs.

107. Government of Canada, The Way Ahead: A Framework for Discussion (Ottawa: Minister of Supply and Services, 1976), p. 25.

108. Ibid, p. 28.

109. Employment and Immigration Canada, Report of the Task Force on Unemployment Insurance in the 1980's (Ottawa: Minister of Supply and Services, 1981). Figures are calculated from the table on p. 89.

110. Ibid, p. 88.

111. Ibid, p. 88.

112. Interview PS-14, July 1981.

113. Ibid.

114. Interview PS-10, September 1980.

115. Richard M. Bird, The Growth of Government Spending in Canada (Toronto: Canadian Tax Foundation, 1970), p. 135.

116. For a perceptive discussion of the role of the Department of Finance and other central agencies as executors of governmental imperatives, see G. Bruce Doern, "The Cabinet and Central Agencies" in G. Bruce Doern and Peter Aucoin (editors), op. cit.

117. T. Alexander Smith, The Comparative Policy Process (Santa Barbara, California: ABC-CLI) Inc., 1975), p. 171.

Chapter 6

Political Leadership and Private Pressure Groups

The 14th National Seminar of the Institute of Public Administration of Canada was devoted to an analysis of the role of private pressure groups in the policy-making process.[1] In his summary of the proceedings, A. Paul Pross indicates that "the starting point for discussion was the proliferation of groups" in Canada.[2] Pross adds that "no one quarrelled with this assertion; the evidence for it is too overwhelming." He notes that "both officials and parliamentarians offered ample impressionistic evidence to support it." During the proceedings and elsewhere,[3] it has been claimed that pressure groups form an essential link with government because in an era of "interest group liberalism"[4] or "neo-corporatism,"[5] they are expected to perform vital policy-making functions such as communication, legitimation, administration, and regulation.[6] Thus, the proliferation of pressure group activity coupled with the apparent importance of the pressure group-government axis of decision-making, warrants an analysis of pressure group input in the development of virtually any policy. However, when a policy is introduced by a white paper such an analysis is ineluctable. After all, white papers are intended to draw pressure groups into the ambit of the policy-making process. Doerr makes this abundantly clear by pointing out that the purpose of a white paper "is to stimulate broad public discussions among interested groups so that the government can receive direction from those people who will be most affected

by the policies."[7] Doerr further explains that "by opening up the process at this stage, the government hopes, in the long run, to improve its final legislation."

The white paper that introduced a new scheme of unemployment insurance in 1970, accomplished its ostensible purpose of generating vigorous pressure group activity in response to its proposals.[8] However, contrary to Doerr's expectation, Mackasey only made marginal revisions to his final legislation as a result of group pressures; subsequent amendments to the *Unemployment Insurance Act* of 1971, were also largely an outcome of the federal government's determination to pursue its own interests rather than to integrate the interests of pressure groups into the policy. Thus, the purpose of this chapter is to examine the relationship of political leadership to private pressure groups in the development of unemployment insurance policy in the 1970's and to assess the impact of private pressure groups on the policy.

Private Interests and the Interests of Political Leadership

While the apparent purpose of a white paper may be to invite pressure groups to participate in the policy-making process, in practice its purpose may well be to test *overall* pressure group opposition or support to a proposed legislative package. A white paper proposal that fails to win the general support of key pressure groups may be emasculated or dropped indefinitely. A government can then spare itself the

embarassment of being forced to retract legislation to which it is committed as it would be with final draft legislation, introduced to the House of Commons. However, a white paper that does garner substantial pressure group support may be transformed into a bill and passed *in toto* with few modifications.

Stanbury suggests that "exposure drafts" of legislation such as white papers, became major legislative devices of the Trudeau government.[9] Stanbury indicates that the *Competition Act* of 1971 was first introduced as an exposure draft, that is, in the form of a bill to which the government did not express a firm commitment. The government, therefore, made itself accessible to a general and sustained onslaught of business pressure groups. The resulting legislation was considerably diluted in relation to its original content. By way of citing the speech of a politically sensitive corporate executive, Stanbury hints that a variety of exposure drafts were employed by the Trudeau government to introduce massive and controversial policy changes, including changes related to competition policy:

> Trudeau has ...adopted a curious method of introducing a new policy. A minister (such as Basford, with his Competition Act, or Benson, with his tax policy, or Herb Gray, with his foreign ownership report, or Kierans, with Communications) is invited to initiate a program, is given no obvious support by Cabinet or Prime Minister and is sent out to "play in the street." If he comes back alive, we have a massive new government initiative; if he does not, Trudeau withdraws the initiative and the minister may not survive...[10]

Bryce Mackasey's white paper, *Unemployment Insurance in the 70's* might have been added to the list. It was different from the other exposure drafts cited above because it succeeded whereas the others failed. It was similar to the others insofar as it manifested two characteristics: it was initiated without prior consultation with pressure groups; it was presented as an "all or virtually nothing" proposition. Mackasey partially explained the similar characteristics of exposure drafts while acknowledging the counter-proposals presented by pressure groups to the House of Commons Standing Committee which was examining his white paper:

> ...I feel it is important to stress my conviction that now is the time for a complete change in the present structure of the unemployment insurance program...The fundamental changes contained in the White Paper proposal, however, cannot be considered in isolation, one from the other, but rather as a part of the entire structure of change wherein each part of the program molds to form a consistent, homogenous, and meaningful plan.[11]

Mackasey's remarks allude to a first explanation for these characteristics. By the late 1960's, a rational planning perspective was being applied with considerable exuberance to federal policy-making. Planned policy packages involve a variety of entwined objectives; the realization of any one policy objective is contingent on the fulfillment of the other policy objectives. Planned policy packages are symmetrical in the sense that a modification of any one objective simultaneously triggers alterations in the other policy objectives. A

single change, therefore, entails a total redesign in the general thrust of a policy. Shonfield lucidly and succinctly makes the point in another way: the "merit" of planning proposals "is their intellectual coherence and self-consistency."[12] Thus, according to Shonfield, "if any significant element in them is changed, the whole structure must be adapted to accommodate the alteration." Mackasey's new scheme of unemployment insurance serves as a useful illustration: the costs of achieving the objectives of an effective and preventative welfare scheme plus an effective manpower and labour market policy, were dependent on securing increased revenues. Universal coverage, an element pertaining to the plan's insurance objectives, was the means by which the increased revenues were to be obtained. Just as Mackasey refused to consider provincial demands for changes to the universal coverage component, he was unwilling to consider similar proposals requested by private pressure groups. Had changes been made to coverage provisions, the revenues necessary to fully implement the other two objectives would have been reduced. The general goal of pursuing a social efficiency scheme of unemployment insurance would have been scuttled as a consequence of such changes. In short, this white paper like other exposure drafts, required either complete acceptance or complete rejection.

A second explanation, governmental autonomy, also accounts for inadequate prior consultations with pressure groups. In the

case of unemployment insurance, the notion of governmental autonomy also explains the marginal input of pressure groups once amendments to the act were introduced. Pressure group theorists of the two main approaches, the neo-Marxist and pluralist approaches, have begun to develop the idea that governments can pursue their own interests. Their interests are not necessarily compatible with the private interests of dominant pressure groups such as organized business and organized labour.

Miliband was among the first spokesmen of the neo-Marxist school to concede that governments of advanced capitalist societies maintain a relative autonomy or insularity from the pressures of organized business and labour.[13] According to Miliband, governments may be expected to occasionally bypass the short-term interests of capital by passing legislation which favours labour. However, in the long-term and on the whole, governments can be expected to advance business interests. By analogy; Miliband explains why governmental autonomy is circumscribed by the interests of business or capital in the long-run:

> There is competition and defeats for powerful capitalist interests as well as victims. After all David did overcome Goliath. But the point of the story is that David was smaller than Goliath and that the odds were heavily against him.[14]

From the pluralist perspective, governmental autonomy is not quite as limited as it is from the perspectives of

neo-Marxists.[15] Governments, in their roles as arbiters among competing and overlapping interests provide, at least theoretically, the opportunity for every group to stamp its interests on public policy.

Nordlinger identifies a theoretical shortcoming common to both approaches with a terse injunction: "Look at least as much to the state as to civil society to understand what the democratic state does in the making of public policy and why it does so; the democratic state is frequently autonomous in translating its own preferences into authoritative actions, and markedly autonomous in doing so even when they diverge from those held by the politically weightiest groups in civil society."[16] Both approaches view governmental autonomy as limited to the selection of the private interests that are to be etched into a policy. Both approaches preclude the possibility that governments may choose to pursue their own distinct interests in addition to private interests or even above private interests. Schwartz elucidates the difficulties inherent in these assumptions.

> Government is simply not just a reflection of a variety of interest groups, either contending for greater access to resources as the pluralists might describe, or reflecting the dominance of particular interest groups as class analysts would allege. It may be this, it is true, but it is also much more. Just as in the case of political parties, government as an institutional area, once in existence continues in response to its own imperatives...Interest groups have an impact on them, but governmental activities are still independent

of interest groups in the most essential ways.[17]

Schwartz identifies the conduits of governmental imperatives as "structural mechanisms," MPs, departments, and cabinets. However, Hartle concludes from his wide ranging experiences in the federal government and from his analyses of the Canadian policy-making process that "individuals are all important."[18] Thus, it is suggested that individuals as well as groups, that is, structural mechanisms, may be conduits of governmental imperatives. An individual cabinet minister, Bryce Mackasey, was the conduit of a governmental imperative to reform the unemployment insurance program. While other ministers perished with their draft exposures of legislation, Mackasey was able to successfully deflect the attempts of some private pressure groups to alter the white paper for which he was responsible.[19]

Subsequently, the cabinet as a whole or, more specifically, the Department of Finance acting on behalf of the cabinet as a whole, became the channel of a governmental imperative to impose spending restraint. Expenditure restraint in general satisfied the demands of organized business. Nevertheless, when restraint has been practiced in the context of unemployment insurance policy, it has been the government, not organized business, which has accrued savings. The government has served its own financial interests first and foremost as was demonstrated in the previous chapter.[20] However, governmental

autonomy with respect to unemployment insurance policy became apparent long before the amending process had begun; it was highlighted when Mackasey introduced his white paper.

Private Pressure Groups and the Creation of the White Paper

The policy-making process is frequently described as informal and hidden in the literature on pressure group-governmental interaction.[21] As a result, it has been surmised that pressure group input cannot necessarily be assessed by juxtaposing group demands to policy outcomes.[22] However, legislative exposure drafts such as white papers provide an opportunity to weigh pressure group input in the development of a policy. Since pressure groups may be excluded from participating in the stages of preparing tentative legislation, the extent to which their counter proposals are incorporated into the final legislation may serve as a rough measure of input.[23] But first, a lack of involvement by pressure groups in the creation of the draft legislation must be demonstrated.

The written and oral testimony presented to the House of Commons Standing Committee which was investigating the specifics of the white paper, suggests that pressure groups representing both business and labour did not participate in the development of the draft legislation. Despite the traditional prominence of the CMA in the unemployment insurance program, one of its representatives conceded that it had no foreknowledge of the content of the draft legislation by pointing out that

the CMA fully expected the government to provide initiatives for social change.[24] From the CMA's perspective, the private sector should be given a chance to respond to the social objectives put forward by government but, nonetheless, government should be the forerunner of new social endeavors:

> It is probably fair to say that in our view the government's role should be to indicate what the priorities are, and if we are the locomotive then give us an opportunity to devise ways and means of meeting them. There may be some where we cannot rise to the occasion and it then may become necessary for government to take on that role and institute a program. But we think that in the first instance the challenge, if you will, should be thrown out to the wealth-producing part of our economy to see if we cannot do something.[25]

The largest employer organization, the Canadian Construction Association (CCA), which by its own accounting represented more than 12,000 employer groups and generated 20% of the GNP in 1970, also tacitly suggested that it was being provided with the opportunity to provide input for the first time:

> We welcome the action initiated by the Government to overhaul and to update the UI Act to bring it more into line with society's current needs. We commend the government for engaging in participation by revealing its intentions through the medium of a white paper, thereby permitting a public evaluation of the proposal before legislation is introduced in Parliament.[26]

However, the CCA also questioned the seriousness of the government's consideration of their testimony. The CCA indicated that it was "puzzled by the inordinate haste" in which the white paper proposals were to be evaluated.[27] The white paper had been released at the beginning of the summer of 1970 which gave

interested groups just slightly more than two months to study its complex proposals. The CCA also complained that it was exceedingly difficult to convene and maintain continuity on study committees during the summer vacation period. Thus, the CCA, like most of the 26 employers organizations that testified before the Standing Committee, asked that the white paper proposals be held in abeyance at least until the forthcoming white paper on social security was made public. Many employer groups maintained that without foreknowledge of the contents of yet another white paper, it was impossible to determine where social security priorities should be assigned. The implication was, quite simply, that employer groups were not being informed about major new directions in social security policy, including unemployment insurance, until the policies were presented as exposure drafts.

Major representatives of organized labour likewise pointed to the absence of prior consultations in the development of the white paper. For instance, the 100,000 member Canadian Railway Labour Association (CRLA) took it as a matter of course that government should exercise autonomy in issuing social legislation and especially legislation intended to ease the plight of the unemployed:

> There is a responsibility of government to look after its unemployed and not place the burden entirely on the employee and employer. The government as a collective body, has a responsibility through the people of the country to the unemployed and as such some

> contributions would indicate that there was in fact, this responsibility.[28]

A United Auto Workers' (UAW) spokesman also applauded the government's initiative in preparing a new unemployment insurance scheme while mentioning that his union and by implication the CLC as a whole, had not been directly involved in the policy-making process:[29]

> We have not been backward about commending the government for entering this field...I might say I think our union labour movement and especially the UAW has long recognized that it needs to be involved in the social welfare of our country, that we are a socially conscious union and that when we embark on a program to provide certain benefits through the collective bargaining process...we (view these benefits as a part of) the national social picture...
>
> ...because of the involvement and the pressures of our labour movement to introduce these certain social benefits, the government has picked it up. We say we thank you...[30]

The implication that the labour movement had been indirectly involved in the development of the program is rather tenuous for several reasons. First, the suggestion that the government had merely adopted the ideas of the labour movement on unemployment insurance reform does not explain why or the extent to which government may have been affected by the ideas. Secondly, there is no evidence that unions were publicly advocating unemployment insurance reform except by symbolic means; some of the larger unions, including the UAW, had successfully negotiated Supplemental Unemployment Insurance Benefits (SUBs) for their members. Finally, the CLC delegation underscored its

lack of participation in the policy-making process by devoting most of its oral testimony before the Standing Committee to seeking guarantees for continued CLC representation on the UIC and on the UI Advisory Committee. Kwavnick points to the CLC's preoccupation with representation on government advisory boards and commissions in a variety of policy case studies.[31] Kwavnick concludes that this preoccupation results from the CLC's desire to maintain an appearance of having a policy-making role, although its role is, in fact, limited. The same may be concluded from this case study for as one CLC official has remarked with reference to advisory boards, "they are *pro forma* and have been set up as exercises in public relations."[32] At best, representation on advisory boards confers the right to "'face-to face' contact and the right to demand information," not the right to participate in the policy-making process.[33]

In sum, the evidence suggests that the white paper was formulated without the participation of private pressure groups. Thus, their demands may be juxtaposed to the initial proposals in order to evaluate the degree to which their particular interests became engraved in the legislation.

The Responses of Private Pressure Groups to the White Paper

During the Standing Committee hearings on the white paper, Stanley Knowles adeptly summarized the dual and conflicting tenor of the briefs presented:

...there is a certain predictability about the briefs

> that come before us. Even before we see them we can be fairly sure that a brief from an employee's group will think the benefits are not good enough and the benefits are not wide enough, and so on, and the briefs from the employer side will take the other view.[34]

Business pressure groups were generally opposed to the proposals of the white paper while labour organizations were generally in favour. Nevertheless, the following table demonstrates that a sample of major business and labour organizations addressed specific proposals contained in the white paper.

At one time or another employer organizations expressed concern about all of the major features of the white paper. However, the issues that were discussed most frequently and at great length as well as with great intensity, were sickness and pregnancy benefits, eligibility requirements, benefits rates and duration, and experience-rating. Employer organizations argued that the first two items should be excluded from the new plan for two reasons: first, sickness and pregnancy benefits and lower eligibility requirements were seen as departures from insurance principles and as intrusions into the social welfare policy field. Claimants unable to work, the ill and pregnant women, and claimants with a short-term attachment to the labour force, were not to be provided for within the context of a contributory insurance scheme but within the context of social welfare plans, according to the employers' point of view. The CMA representative clarified his position in this regard by

Table IV

Subjects of Concern in the White Paper

a) Employer Organizations

Employer Organization \ Subject of Concern	Universality	Experience-rating	Sickness and Pregnancy Benefits	Eligibility Requirements	Benefit Rates and Duration	Financing	4% Threshold	Claimant Assistance Program	Tripartite Representation	Relationship to Social Welfare	Section 44
CMA		X	X			X					
Canadian Chambers of Commerce			X	X	X					X	
Canadian Const. Association		X	X	X	X				X		
Canadian School Trustees	X										
Can-Institute of Temporary Help		X	X		X	X					
Canadian Rail. Association		X	X								
Domtar		X	X	X	X	X				X	
National House Builders		X	X	X	X	X					
Mining Association of Canada			X	X	X	X		X		X	
Ontario Mining Association			X	X	X					X	
Retail Council of Canada		X	X	X	X						

b) Employee Organizations

Subject of Concern / Employee Organization	Universality	Experience-rating	Sickness and Pregnancy Benefits	Eligibility Requirements	Benefit Rates and Duration	Financing	4% Threshold	Claimant Assistance Program	Tripartite Representation	Relationship to Social Welfare	Section 44	
CLC		X					X	X	X		X	
UAW		X		X		X	X					
CNTU							X	X				
Public Service Alliance							X					
Can. Rail Labour Association	X						X					
United Electrical Radio & Machine Workers					X			X		X	X	
International Association of Firefighters	X											
Can. Nurses Assoc.								X		X		
CALPA	GENERAL ACCEPTANCE											

quoting and endorsing Trudeau's speech to the Liberal Leadership Convention of April 1968 in which Trudeau remarked that "in the field of social security we have had enough of this free stuff."[35] The representative added that "the problem of unemployment should not be treated under a social insurance program but rather under a social welfare program."[36] The Canadian Chambers of Commerce delegation concurred with this view by claiming that the white paper was another instance of social welfare policy being developed "fragment-by-fragment."[37] Employers organizations suggested that government's role should be confined to supplementary programs, designed to complement private plans negotiated through the labour-management process, or confined to labour standards legislation which would force employers to provide private plans.

Secondly, sickness and pregnancy benefits as well as eligibility and general benefit provisions were opposed on the basis of costs. The Chambers of Commerce claimed that social security programs had already "diverted tax-raised funds from areas of need to areas of non-need."[38] The Chambers of Commerce also demanded a price-tag which would include the costs of the new plan plus the costs of anticipated social security legislation. Other employer organizations such as the Employers' Council of British Columbia and the Quebec Employers' Council took the argument one step further by demanding that the new plan be withheld until forthcoming social security proposals

could be evaluated.[39] However, the CMA brief best summarized the financial objections of the employer community. The brief held that whatever the source of unemployment insurance revenues, direct *via* premium contributions or indirect, through general revenues, business would be required to shoulder the burden of increased labour costs.[40] The CMA also raised suspicions about the financial soundness of the scheme. A letter to the Chairman of the Standing Committee which was considering the proposals as legislation, contained a veiled statement to this effect:

> ...we are mindful that whatever is paid out must be collected in the form of contributions or general taxes, and we would be loath to see an unrealistically low schedule introduced as a means to making legislation palatable...[41]

Employers organizations also argued with considerable foresight that lower eligibility requirements combined with a generous benefit structure would culminate in what later came to be known as insurance-induced unemployment. Lincoln Alexander, the main Opposition critic on the Standing Committee, who, according to a CMA spokesman, had a "good working relationship" with that organization, clearly and succinctly voiced the argument to the Minister of Labour at the outset of the proceedings:[42]

> ...You (Mackasey) in the goodness of your heart, brought in legislation that indicated the minimum wage in the federal level is $1.65, which is something like $3,400 a year. On the other hand, all things being equal, and following Phases 1 to 5

> inclusive, it appears that a person can arrive at the sum of $5,100 a year. I am wondering whether we are in fact leaving people with the incentive to work in other words, to continually be a productive force in the economic development of this country when one is receiving $3,400 a year and the other is receiving $5,100 a year...[43]

Finally, employers organizations contested the new benefit structure on technical grounds. Again with foresight, it was argued that the 5 phase benefit structure was far too complex and that it should not be implemented until an efficient administrative apparatus could be devised.

Experience-rating was the third major object of dispute for the employer community. However, the community was divided on the issue. For instance, the Chambers of Commerce supported the measure as integral to an insurance scheme while the CMA opposed it. Organizations that were opposed, represented employers with high or variable lay-off records, especially organizations representing industries in the transport, extractive, and retail sectors. They contended that employment fluctuations were beyond their control due to seasonal variations in employment patterns or in the case of the construction industry, due to government monetary, fiscal, and housing policies.[44]

Unions were slightly divided on the issue of experience-rating but for the most part, they were opposed. The UAW put the case against experience-rating quite clearly: the UAW reasoned that experience-rating would provide employers with

greater opportunities to abuse employees.[45] First, experience-rating might encourage employers to designate laid-off employees as "quits" or "discharges" so that their enterprises might retain a satisfactory experience-rating and low premium contributions. Secondly, seasonal industries might be induced to work employees to excess rather than to hire others for a limited period. Thirdly, it was argued that experience-rating would "enshrine the right of management to continue with its present policies of laying off people through technical, operational or organizational changes;"[46] the availability of generous benefit provisions would present a moral justification. However, a single union voice in favour of experience-rating, claimed that it would encourage management to stabilize employment patterns.[47]

Three additional issues surfaced as major concerns for unions: the 4% threshold, the Claimant Assistance Program, and Section 44 of the Act. The major union federations, the CLC and the CNTU, were not opposed to the proposal that the government finance benefit costs when unemployment exceeded 4% of the labour force. However, they were concerned about the symbolic implications; 4% might come to be considered as a normal and acceptable level of unemployment. From the unions' point of view 3%, a level likely to be generated by technological change, was "normal," although not necessarily acceptable.

There were union fears that the Claimant Assistance

Program, essentially a counselling program for the unemployed, would degenerate into an abuse control program. The CLC brief best summarized this conviction:

> We have strong reservations about the interviews in any case because of our experience with the present administration of UI. Numerous cases have come to our attention where claimants have been interviewed ostensibly to determine their availability but in fact to find some pretext for disqualification. Interviews have thus been used to some extent as an operation to reduce the number of claimants rather than as a genuine effort to help those claimants to restore their employee status.[48]

Finally, Section 44 was identified as an issue of contention by the CLC and by the UAW during the Standing Committee hearings on the white paper. However, the issue really only emerged as a focal point of discussions when hearings were held on Bill C-229. A separate CLC brief was almost entirely devoted to a critique of Section 44 which prohibited the payment of unemployment insurance benefits to workers laid off because of a strike or lock-out in their own plant or elsewhere.[49] The CLC asserted that Section 44 had "become a real sore point with our people across the country." Recent experience had revealed that the provision had been "stretched to ludicrous limits by Insurance Officers in making decisions on workers who are not directly involved in a labour dispute which has resulted in a stoppage of work."[50] The CLC has continued to demand that Section 44 be applied with less zeal throughout the 1970's but the issue still has not been resolved to its satisfaction.

Organizations representing employers and employees in the

parapublic service sector were in a class of their own in the sense that they mounted a vigourous campaign against one feature of the new plan, universal coverage. The Canadian School Trustees Association claimed that some $6 million would be drained from educational budgets annually in premium contributions for teachers while the Canadian Hospital Association predicted that the cost structure of its payroll would rise by $17.5 million.[51] Employee groups were divided on the issue with the exception of teachers' unions. Teachers remained firm in their position that they would be contributing to a fund from which they stood to gain very little.[52] However, Mackasey's position was equally firm insofar as he was willing to continue consultations with teacher groups but unwilling to budge over the issue of universal coverage:

> I may sound a little sharp on school teachers but I have met twenty odd times with the school teachers; I am meeting them again tonight and they are not being discriminated against. They are being put in precisely the same position as any other employee in this country. We are not bringing in groups of people; we are covering employees. I do not know whether the groups are happy or unhappy.[53]

In retrospect, Mackasey claims that teachers' unions were the "toughest" lobbyists but that his "mind was made up" and he felt that "they were just being selfish."[54] Despite the vigour and persistence of the teachers' representatives, Mackasey claimed that he would be "guided by what's right, not by the strength of their lobby."[55] In a recent interview Mackasey was asked if this was an unusual attitude for a minister to adopt.

His response clearly indicated that it was an attitude that he took with respect to all concerned groups, including business and labour:

> There is a borderline with me. I am easy going but the moment someone crosses the line, I close the trap pretty quickly. I did that a couple of times as Minister of Corporate Affairs. I believe in the role of lobbyists. It is very useful because they raise alternative ideas and concepts that may not come up in cabinet or provide advice that may not come up in your own department. The most successful lobbyists understand what you've got to do. They know that you are going to do it...They were not going to get me to destroy it (the new plan). My back was up with a lot of them. But the teachers were the worst; there is no doubt about that.[56]

The evidence demonstrates that Mackasey's "borderline" divided technical *cum* administrative claims and claims for the alteration of fundamental principles of the plan. While he was willing to consider the former, he was unwilling to consider counterproposals that would have markedly altered the main contours of the new unemployment insurance scheme. At the termination of the Standing Committee hearings on the white paper, he reiterated remarks presented when the hearings opened, that a *total* reform of unemployment insurance was necessary.[57] Mackasey addressed the major criticisms of business and of labour with the same arguments that he used at the beginning of the proceedings. There was one important exception, experience-rating. However, even on this issue the proposal put forward in the white paper was reiterated. A three year period in which data could be collected in order to refine the experience-

rating formula was to elapse prior to implementation. Mackasey, however, did propose that a committee of senior officials and representatives from business and labour be struck to advise the UIC on an acceptable formula.[58] In addition, several technical and administrative issues, raised by representatives of labour during their testimony, were resolved. Mackasey's assurances that the Claimant Assistance Program would not devolve into an abuse control program was the most noteworthy. He pointed out that he had instructed his officials "to separate the benefit control and counselling function."[59] In short, Mackasey remained unmoved by the claims and counter claims of major pressure groups because his concern was to implement the proposals in a "comparatively short period of time" so that cabinet might not have an opportunity to reconsider the various but entwined parts of the legislative package.[60]

It is not surprising that the Standing Committee on Labour, Manpower and Immigration endorsed the white paper *in toto*, given Mackasey's attitude towards pressure groups. Despite having heard testimony from 33 organizations and having received 53 briefs and 18 letters, on an exceedingly controversial policy issue, only a couple of technical adjustments were recommended.[61] Eleven of the 18 members on the Committee plus the chairman were Liberals. Although the minister did not exert pressures on the Liberal members to pass the bill, a sense of party discipline among them was all-pervasive and spontaneous. Thus, a former

member of the Committee and current Liberal Whip, Charles Turner, made the following comments in relation to the revamped unemployment insurance legislation:

> ...The government and the minister puts a program on paper and you have to defend that program. You have to defend it whether it is right or wrong.
>
> Question: Does this mean that you failed to investigate the legislation prior to defending it?
>
> Turner: Well you investigate it, then you defend it.[62]

Bud Cullen, a member of the Standing Committee in 1970, made comments similar to those of Turner. Party discipline and party unity were evidently the norms displayed by Committee members in public:

> (Mackasey) was a leader and he wanted to get this through. Fortunately, I was sympathetic. But Liberals are very disciplined. They raise hell in caucus but when a minister is going to put his neck on the line and says "this is what I want," there is a pretty good rally around him.[63]

In a recent interview, the main opposition spokesman on the Committee, Lincoln Alexander, pointed out that Liberal party discipline in relation to unemployment insurance or in relation to any other policy issue was to be expected just as it might have been expected if the Conservatives had formed the government of the day:

> When not in government, oppositions are more "free-wheeling." They take stands that are more regionalized. As a government there is a firmer hand and there is more discipline. Obviously so because the Prime Minister can always say, "if you boys don't behave, you'll be demoted."[64]

The response of employee organizations was generally favourable to the new scheme with the exception of teacher unions. They pursued a tactic of demanding further reforms but there is no evidence to suggest that they were disturbed with their lack of input. Employer organizations were, on the other hand, unfavourably disposed towards the reforms and displeased with their apparent lack of input. One spokesman for the CMA claimed that the "Mackasey crowd" successfully "ramrodded" the white paper and Bill C-229 through the committee stage and that Committee members "rationalized their way back to preconceived positions."[65] While another CMA spokesman did not excuse the lack of business input, he demonstrated considerable analytic acumen in explaining why Mackasey was able to push the package, virtually untouched, through the committee stage:

> The committee stage is a lost cause which is why, subsequently when I became an MP, it was one of our (the Progressive Conservative's) earnest desires to make changes in Parliamentary rules and procedures so that committees would have a little more impact. The reason why under our own system you cannot expect very much in the way of changes is that it is too much an embarrassment to the government. By the time it gets to committee, it is pretty well writ and they have to do an awful lot of dancing around and apologizing -- "upon further reflection" and phrases such as that -- to make even the most modest of changes.[66]

Private Pressure Group Responses to the Amendments

Once amendments were introduced, the postures of organized business and organized labour *vis-à-vis* governmental initiatives were reversed. Business groups tended to favour the main thrust of the amendments whereas the opposite held for labour groups.

While the former occasionally alluded to a lack of input, unions became increasingly indignant about the lack of consultation with each succeeding amendment.

Once the principles of a reformed unemployment insurance policy for the 1970's were established by the implementation of the 1971 Act, it became increasingly difficult to gauge the input of employer groups into the subsequent modifications of the policy. It has already been demonstrated that the government through the Department of Finance, designed amendments so that the government's imperative of cutting costs could be pursued. Business organizations supported government measures to reduce costs despite the added financial burden on employers.

A survey of briefs submitted by non-governmental organizations with respect to the unemployment program between 1971 and 1979, indicates that the major issues of concern expressed by employer organizations in their briefs on the white paper remained very much the same throughout the 1970's.[67] The survey, conducted by the Policy and Legislation Branch of the Employment and Immigration Commission, identifies "three major overall areas of concern:" maintenance of the insurance principle, impact on work incentives, and cost of the unemployment insurance program.[68] All three areas of concern are a convenient shorthand which point to the opposition of employer groups to the eligibility requirements and benefit provisions of the program. The critical view of sickness and pregnancy benefits

presented by employer groups in their briefs on the white paper remained in subsequent briefs but their concern shifted from this item to proposals to use funds from the UI Account for developmental purposes, that is, work sharing, job creation, and job retraining.

The three amendments of the 1970's only redressed employers' grievances pertaining to eligibility requirements and benefit rates. Ironically, the amendments entailed greater costs for business. Nevertheless, employer organizations endorsed the measures for two reasons that were reiterated in briefs and in testimony at the Standing Committee stage of each of the amendments. First, it was argued that any reduction in entry requirements and in benefits would be acceptable as long as the concomitant shift in costs to the private sector was made visible to employers and employees *via* premium contributions. Secondly, any such reduction was viewed as augmenting the supply of labour and stabilizing labour costs. A representative of the CMA put the case quite clearly during the hearings on the first amendment, Bill C-69:

> ...We are confident that none of our members are anxious to see higher payroll costs for unemployment insurance, but I think we are prepared to take that rather than see hidden costs escalating and without any concern either on the part of the public at large or of Parliament.
>
> The other point I want to develop (is that)... when the price of leisure is made too high the program ceases to have a positive function.[69]

The second point was repeated in the CMA's oral testimony during the hearings on Bill C-27 and more fully developed in the covering letter of the CMA brief submitted on Bill C-14:

> The government's estimate as to the savings proposed in Bill C-14 is in the area of 20-25 per cent of the current benefit payout. Savings of this magnitude will have an important and positive effect on the cost competitiveness of Canadian products, with a consequent positive effect on job creation.[70]

The first point, that the costs of the plan should be made visible, was part of a larger CMA strategy to mold a public consensus of opposition to the unemployment insurance program. The cost implications of the program would be made transparent to workers by the sum of premiums deducted from their paychecks. However, the strategy was comprised of other and, perhaps, more potent tactics. First, one CMA spokesman pointed out that there was and is an effort "to maintain a watching brief through various associations and personal contacts as to what is going on in Ottawa."[71] The "watching brief" involves maintaining contacts with ministers, senior officials, and party caucus groups in order to keep them informed of business concerns and of the concerns of particular industries. However, another CMA spokesman was quick to note that CMA lobbying does not involve sinister activities. The respondent is worth quoting at length in this regard:

> You go to the minister, of course, but you are certainly not limited to him. You might have members of the Association talk with a member from their riding or constituency. You see the private MP is

> very attentive to someone from the constituency level for obvious reasons. And of course, you go to work on people in the department who are the designers of this thing and try to persuade them. It is quite unlike lobbying in Washington. Party discipline being what it is, it would serve no useful purpose to get an MP in your pocket; he could not deliver anyway. So you are trying to influence things by closely reasoned arguments that appeal to logic, fair play, or whatever.[72]

Secondly, contacts are maintained with other business organizations so that a concerted emphasis might be made on the major issues of concern and so that joint pressure may be made on decision-makers. For instance, a member of the Chambers of Commerce sits on the CMA Industrial Relations Committee which develops CMA positions on unemployment insurance. Thirdly, contacts with the media are cited as the most important means of swaying public opinion and of exerting pressure on decision-makers. Once again the above respondent's comments provide considerable insight:

> The CMA has a Director of Communications and it is his responsibility to know people in the media and to know what their interests are, nothing more odious than that. Interest groups are learning more about how to get the right kinds of people in their organizations who recognize news value.
>
> I can remember one editorial in the *Globe and Mail* which in the end really became helpful to us. They took up a point in a brief, checked it out (and wrote an editorial on the point).[73]

The traditional business organizations were greatly assisted by group and individual protests in drawing the attention of the media to its case for reduced eligibility requirements and lower benefits.[74] For instance, the Canadian Federation of

Independent Business (CFIB), the self-described voice of small and medium business, launched a highly successful campaign against the unemployment insurance program in 1974. The campaign encouraged 11,000 CFIB members to pay their unemployment insurance and Canada Pension Plan premiums to the National Taxation Center on 15 by 36 inch checks bearing a photograph of a beaver, the symbol of hardworking employers and employees, and with the inscription, "don't skin the beaver."[75] The CFIB claimed that the campaign "should work to the benefit of employers in tight labour markets."[76] Indeed, the CFIB was ultimately concerned about the costs of the program and especially about the costs of the program to employers as were all business organizations.

However, there is no substantial evidence to suggest that these pressure group tactics culminated in direct input; the costs of the program to business actually increased. Nevertheless, business expected to benefit indirectly by the government's pursuit of its own financial interests. Cost reduction by any means would reduce the generosity of the plan and, as a consequence, was expected to increase the supply of labour. Moreover, their tactics served to arouse public indignation which was expected to force government to maintain a watchful eye on program costs in the future. Thus, business was supportive of the government's determination to pursue its own imperatives in relation to unemployment insurance. A

representative of the Chambers of Commerce made this clear by the remarks that he made in relation to Bill C-27. He simply noted that his organization was striving for a tightening up of the plan but that the government was best able to determine the nature of the amendments in light of the "political realities."[77]

It became quite obvious that pressure groups were not consulted and, therefore, did not have any direct input into the policy-making process during the first two amendments to the Act. Only three groups, the CMA, the CLC, and the Canadian Council on Social Development (CCSD) were given a last minute opportunity to prepare and submit briefs to the Standing Committee which was holding hearings on Bill C-69. During its hearings on Bill C-27, a senior official of the Commission readily admitted that pressure groups had not been adequately consulted with regard to the program review which had inspired that amendment. The official indicated that "given the time constraints on the preparation of that review in terms of the available staff and other tasks, it would have been quite impossible to have embarked upon any systematic process of consultation..."[78] Similarly, the review that preceeded Bill C-14 was not made available prior to the tabling of the amendment.[79] Moreover, the joint opposition of both business and labour organizations to the one outstanding issue contained within the final amendment of the 1970's, the use of unemployment insurance funds for developmental purposes, was ignored.[80]

If there is some question pertaining to the effect of indirect business pressures on the amending process in the 1970's, there is no question about the input of labour organizations in general: there was none. The review of briefs conducted by the Employment and Immigration Commission highlights the three major concerns of worker organizations between 1971 and 1979. These concerns include "the need for the government to confront realistically the problem of high unemployment without victimizing the unemployed; the need for adequate and immediate access to benefits and; the protection of claimants' rights."[81] In other words, there was continuity between the major concerns expressed when the white paper was tabled, the 4% unemployment threshold issue and the Claimant Assistant Program and the Section 44 issues, and the concerns expressed throughout the 1970's. The concerns of labour have been oriented towards the internal dynamics of the scheme while business concerns have been oriented towards the principles of the plan. However, labour's mundane administrative criticisms have remained unresolved. As was noted previously, despite the concerted efforts of employee organizations to have Section 44 removed from the plan, the section has remained untouched; labour continues to argue that the *modus operandi* of the scheme is far too heavily oriented towards abuse control and that benefit payout would drop if unemployment were reduced. Thus, if the demands of employee organizations are juxtaposed to the contents of the

three amendments, it is apparent that there has not been any labour input.

Represenatives of labour and especially representatives of the CLC, have been acutely aware of their lack of input. CLC representatives have taken pains to protest the absence of consultative policy-making during the Standing Committee hearings on each of the three amendments.[82] The protests reached their peak during the hearings on the final amendment of the 1970's, Bill C-14. The CLC representatives were particularly incensed at the lack of consultation, especially since they were given less than a week to prepare a brief and less than one hour to testify. Mr. Julien Major, Executive Vice-President of the CLC, bluntly condemned the government for its unilateral policy initiative:

> We are quite displeased also with the fact that the sponsors of the bill (Bill C-14), the party in power, chose to ignore completely the direct parties of interest to the legislation by not consulting with them in any direct manner before introducing it. We fully expected that following the announcement of its intention to further amend the *Unemployment Insurance Act*, the government, either through its Minister in charge or its Commission on Employment and Immigration, would have at least extended us the courtesy, as one of those parties of direct interest, of discussing with us the implications and possible impact of the proposed amendments...
>
> We can only conclude from this that the government is not prepared, despite its stance on the need for meaningful consultation with the private sector, to allow any interference with its well-concocted plan to use the situation in respect to our unemployment insurance program as a tactic of diversion to keep the Canadian voting public off balance on the reality of

> the economic mess its inept policies have created in the country. *It would not be so bad if this tactic were not being blatantly used for the third time in a relatively short period.* (author's emphasis)[83]

Other worker organizations likewise denounced the government's autonomous policy-making role. A plethora of social action oriented groups, that is, anti-poverty groups, legal aid groups, and womens' groups, joined with worker organizations in their criticisms of the government's autonomous policy-making role. Their claims were, like those of other worker organizations, mainly related to the internal dynamics of the plan. Thus, most of the discussions that took place before the Standing Committee, especially during its considerations of Bill C-14, were related to demands for government initiated consultations with pressure groups. Liberal MP John Caccia, presently the Minister of Labour, addressed these grievances by pointing out that the fact that the Standing Committee was hearing the testimony of interested groups, was positive proof of the government's detefmination to consult:

> ...perhaps, it ought to be clarified here this evening, that consultation before the writing of a bill is something that does not take place as a rule. The consultation takes place here tonight, after the bill is published...This is the kind of consultation that takes place when groups of citizens are invited to come forward with their views, and in that sense we have done it with many other bills.[84]

However, the consultative process at the Standing Committee stage has been largely ritualistic in the sense that the demands of worker organizations have not been etched into any of the

amendments in the 1970's. A senior official of the Employment and Immigration Commission aptly summarized his colleagues' view that "unemployment insurance has always been a government initiative and any form of reasonable consultation is a facade."[85] Spokespersons for labour also admit that this view characterizes the consultative process in Standing Committee sessions. They also admit, however, that this is the only viable means at their disposal to exert direct and indirect pressure on the government:

> Testifying before a standing committee is different than talking to a minister. They are worth going to because there are other groups there that are likewise opposed. The CLC goes because it wants to get as much attention as possible -- there is a press conference before and after -- and it hopes to sway other groups. Also you're not alone; there are one or two NDP MPs on the committee who state virtually the same thing as the CLC. Our role is to strengthen them and say what they are saying.[86]

In a recent speech, Mackasey accused the labour movement, in general, and the CLC, in particular, of being timid in defending the 1971 Act throughout the 1970's. In reference to the CLC Mackasey asked rhetorically, "Why was their voice so silent in the 1970's about protecting unemployment insurance? Was it because they represent the 30 to 33 percent of the work force who have job security and therefore are not prepared to do something about their social conscience?"[87] However, the CLC identifies the trade union movement as the "lone defender" of the unemployment insurance system against erosion influenced by "conditioned public opinion and political machinations."[88]

Thus, public opinion and governmental autonomy are specified as the factors that overwhelmed the CLC in its attempts to defend the 1971 Act. In a strongly worded document, the CLC claimed that the government was partly responsible for shaping public opinion:

> ...certain political elements in the Canadian community together with other anti-social security types orchestrated, with the aid of the media, a critical attack on the unemployment insurance program in respect of the large number of dollars that were needed to pay benefits to a rapidly escalating number of unemployed. The effect of this particular stage show was to shift the focus of public attention from the people problem of widespread unemployment to an overblown concern for the "cost" of the government's share of the contributions to the fund.
>
> ...The government, for what in our view were base political reasons, chose to run before the winds of the storm of criticism so generated, instead of defending the obvious merits of its own recently enacted legislation. By so doing it turned its attention from its task of seeking solutions to the unemployment problem to measures which sought to restrict the rights of the unemployed to benefits in the guise of restraining the dollar outflow of the public purse.[89]

The CLC statement points to its inability to inject its interests into the amending process. Employer organizations were similarly unable to stamp their interests on the original white paper proposals. Labour organizations have been thwarted by governmental autonomy, that is, by the government's determination to pursue its own imperatives of cost cutting just as employer organizations were neutralized by government autonomy in the form of a minister's resolve to enact a new plan. However, this does not suggest that labour had a direct input into

the 1971 legislation or that business had a direct input into the amending legislation. Labour organizations passively accepted and sanctioned the reformed unemployment insurance plan in 1971. Business organizations accepted, sanctioned, and indirectly aided government to pursue its imperatives by orchestrating an effective public relations campaign designed to support amendments. Throughout the unemployment insurance policy-making process private interests were subordinated to governmental interests.

Conclusion

The leadership function of legitimation has two sides: first, it involves drawing support for a policy. Secondly, legitimation involves neutralizing opposition to a policy. Throughout the 1970's, Mackasey and, subsequently, the government as a whole, were particularly effective in performing the second aspect of the legitimation function with regard to private pressure groups in the development of unemployment insurance policy. Mackasey acted as a conduit of a governmental imperative to embark on a full scale reform of the *Unemployment Insurance Act*. Mackasey who was determined to see the new plan implemented *in toto*, simply overrode the objections of groups opposed. The government as a whole charged the Department of Finance with the responsibility of implementing its imperative of restraint in the context of unemployment insurance policy; it also ignored the protests of private

pressure groups.

However, it is essential to note that while Mackasey maintained the general support of employee organizations for his policy-making activities, the government had widespread support from employer organizations during the amending process. This suggests that government can only pursue its own policy interests, if it has the support of either of the two major sectors, labour or business. Nordlinger formulates the proposition in broader terms: "public officials have as their generalized goals the realization of both autonomy and societal support."[90]

Mackasey and, subsequently, the government as a whole promoted policies that ran parallel, in a generalized sense, to the interests of labour and, then, to the interests of business. Mackasey's support, labour, was not able to etch its particular demands into the new plan but the plan's reformist thrust appealed to employee groups. Similarly, the government's main segment of support, business, was not able to inject its particular demands into the amending process, but the general goal of restraint was acceptable to employer groups. In short, private pressure groups were important in the policy-making process but only in an indirect way; one community of groups or the other provided general support for leadership initiatives.

T. Alexander Smith hypothesizes that policy elites possess a greater amount of power when there are a greater number of policy alternatives available.[91] Indeed, Mackasey and,

subsequently, the government as a whole were able to realize their respective policy goals by playing both ends, labour and business, against each other. Moreover, there were alternative views held within both the labour and business communities on specific features contained in Mackasey's and in the government's policy packages. In other words, employee groups were divided on the desirability and on the undesirability of some features in each package as were employer groups. In many instances, each community failed to present united and concerted support or opposition to many specific features of the new plan and of the routinized plan. Thus, Mackasey and the government could well afford to trample on many demands which did not fit with their respective policy imperatives. Popular wisdom, which holds that political leadership can conquer divided communities, seems to apply in this case. If Mackasey or the government had been confronted with the specific demands of a few groups on a narrow policy issue, their ability to act autonomously and to neutralize opposition, may well have been circumscribed.

The comprehensive nature of the policy drew far too many private pressure groups with divergent views on particular issues, into the policy-making process. It was exceedingly difficult for them to have any direct input especially when faced with determined political leadership. The provinces were also drawn into the unemployment insurance imbroglio. The provinces likewise failed to have any direct input in their

battle with the strong leadership forces of the federal government. This is the subject to which we now turn.

Footnotes

1. The papers presented at the seminar are contained in a special edition of Canadian Public Administration, vol. 25, no. 2, 1982.

2. A. Paul Pross, "Governing Under Pressure: The Special Interest Groups -- Summary of Discussion," Canadian Public Administration, vol. 25, no. 2, 1982, p. 171.

3. James Gillies and Jean Pigott, "Participation in the Legislative Process," Canadian Public Administration, vol. 25, no. 2, 1982, pp. 254-255 and Robert Presthus, Elite Accomodation in Canadian Politics (Toronto: Macmillan, 1974), p. 143.

4. See Theodore J. Lowi, The End of Liberalism (New York: W.W. Norton and Co. Inc., 1969) for a discussion of interest group liberalism.

5. See Leo Panitch, "Corporatism in Canada?" in Richard Schultz et al, The Canadian Political Process (Toronto: Holt Rinehart and Winston Ltd., 1979), pp. 53-72, for a thorough discussion of neo-corporatism in the Canadian context.

6. A Paul Pross, "Pressure Groups: Talking Chameleons" in Michael S. Whittington and Glen Williams (editors), Canadian Politics in the 1980's (Toronto: Methuen, 1981), pp. 221-242, identifies these as the major functions of pressure groups.

7. A.D. Doerr, "The Role of White Papers" in G. Bruce Doern et al, The Structures of Policy-Making in Canada (Toronto: Macmillan, 1971), p. 185.

8. Hon. Bryce Mackasey, Unemployment Insurance in the 70's (Ottawa: Queen's Printer, 1970).

9. W.T. Stanbury, Business Interests and the Reform of Canadian Competition Policy 1971-1975 (Toronto: Methuen, 1977), p. 201.

10. Ibid, p. 201.

11. Hon. Bryce Mackasey, "Notes for a Statement to the House of Commons Committee on Labour, Manpower and Immigration" in House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, November 3, 1970, Appendix "A-48", p. 46.

12. Andrew Shonfield, Modern Capitalism: The Changing Balance of Public and Private Power (London: Oxford University Press, 1965), p. 235.

13. Ralph Miliband, The State in Capitalist Society (London: Quartet Books Ltd., 1973). See Khayyam Z. Paltiel, "The Changing Environment and Role of Special Interest Groups," Canadian Public Administration, vol. 25, no. 2, 1982, p. 200, for a succinct description of the neo-Marxist view of the relationship of the state with pressure groups.

14. Ralph Miliband, op. cit., p. 148.

15. See A.F. Bentley, The Process of Government (Cambridge: Harvard University Press, 1967), David Truman, The Governmental Process (New York: Knopf, 1951) and Robert A. Dahl, "A Critique of the Ruling Elite Model" in Robert A. Dahl et al, Readings in Modern Political Analysis (Englewoods Cliffs, New Jersey: Prentice-Hall Inc., 1968), pp. 268-276.

16. Eric A. Nordlinger, On the Autonomy of the Democratic State (Cambridge, Massachusetts: Harvard University Press, 1981), p. 202.

17. Mildred A. Schwartz, "The Group Basis of Politics" in John H. Redekop (editor), Approaches to Canadian Politics (Scarborough: Prentice-Hall Ltd., 1978), p. 341.

18. Douglas G. Hartle, The Expenditure Budget Process in the Government of Canada (Toronto: Canadian Tax Foundation, 1978), p. 6.

19. Robert Presthus, Elites in the Policy Process (London: Cambridge University Press, 1974) demonstrates that pressure groups tend to maintain contacts with public servants more often than with others involved in the decision-making process. That may be so. However, it has been demonstrated in Chapter 3 that Mackasey exercised an effective surveillance over his public servants.

20. See pp. 221-226.

21. Richard Van Loon and Michael S. Whittington, The Canadian Political System: Environment, Structure and Process, (3rd edition) (McGraw-Hill Ryerson: Toronto, 1981), pp. 406-443 and W.T. Stanbury, op. cit., pp. 11-22.

22. W.T. Stanbury, op. cit., pp. 35-43.

23. Of course, this only permits a reasonably accurate assessment of the relationship of demands to output, not of supports to output.

24. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, September 23, 1970, p. 6.

25. Ibid.

26. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, September 23, 1970, p. 6.

27. CCA, Submission to the House of Commons Standing Committee on Labour, Manpower and Immigration Regarding "Unemployment in the 1970's," September 1970, p. 8.

28. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, September 21, 1970, p. 65.

29. A UAW representative was included in the three person CLC delegation.

30. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, September 22, 1970, p. 47.

31. David Kwavnick, Organized Labour and Pressure Politics: The Canadian Labour Congress, 1956-1968 (Montreal: McGill-Queen's Press, 1972).

32. Interview PG-4, August 1981.

33. Interview PG-3, August 1981.

34. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, September 30, 1970, p. 21.

35. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, September 17, 1970, p. 8.

36. Ibid, p. 10.

37. Executive Council of the Canadian Chambers of Commerce, Submission on "Unemployment Insurance in the 70's" to the Standing Committee on Labour, Manpower and Immigration of the House of Commons, September 1970, p. 2.

38. Ibid, p. 6.

39. Employers' Council of British Columbia, Submission to the House of Commons Standing Committee on Labour, Manpower and Immigration, August 1970 and Quebec Employers' Council, Submission to the House of Commons Standing Committee on Labour, Manpower and Immigration, October 1970.

40. CMA, A Submission to the House of Commons Standing Committee on Labour, Manpower and Immigration, September 1970.

41. Letter from A.G.W. Sinclair, President of the CMA, to Mr. D. Weatherhead, Chairman, May 12, 1971.

42. Interview PG-1, June 16 1981.

43. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, September, 15, 1970, p. 16.

44. Canadian Construction Association, Submission to the House of Commons Standing Committee on Labour, Manpower and Immigration, September 1970.

45. UAW, Submission to the House of Commons Standing Committee on Labour, Manpower and Immigration, September 1970.

46. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, September 22, 1970, p. 45.

47. The United Electrical, Radio and Machine Workers of America did not appear to be opposed to experience-rating.

48. CLC, Submission to the House of Commons Standing Committee on Labour, Manpower and Immigration, October 1970, p. 13.

49. CLC, Submission to the Hon. Bryce Mackasey, the UIC, and the UI Advisory Committee on Certain Features of the UI Act (Bill C-229), January 31, 1972.

50. Ibid, pp. 2-3.

51. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, September 17, 1970, p. 45 and October 10, 1970, p. 80.

52. Teachers' organizations argued that their clients experienced low levels of unemployment.

53. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, April 27, 1971, p. 30.

54. Interview with Hon. Bryce Mackasey, March 1982.

55. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, April 27, 1971, p. 30.

56. Interview with Hon. Bryce Mackasey, March 1982.

57. Hon. Bryce Mackasey, Notes for a Statement... op. cit.

58. Ibid.

59. Ibid, p. 54.

60. Interview with Hon. Bryce Mackasey, March 1982.

61. The Standing Committee on Labour, Manpower and Immigration, First Report to the House, December 1970, p. 40.

62. Interview with Charles Turner, MP, December 1980.

63. Interview with Hon. "Bud" Cullen, October 1980.

64. Interview with Lincoln Alexander, MP, June 1981.

65. Interview PG-2, June 1981.

66. Interview PG-1, June 1981.

67. Employment and Immigration Commission, Policy and Legislation Development, Summary of Various Non-Governmental Organizations' Briefs With Respect to the Unemployment Insurance Program (1971-79) (Ottawa: Employment and Immigration Canada, October 1980).

68. Ibid, p. 3. The concern about experience-rating disappeared because the government abandoned the idea.

69. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, November 18, 1975, pp. 16-17.

70. Letter from Mr. R.A. Philips, Executive Director of the CMA to Mrs. U. Appolloni, Chairperson, November 20, 1978.

71. Interview PG-2, June 1981.

72. Interview PG-1, June 1981.

73. Ibid.

74. Respondents from the Commission indicated that Mackasey and then Andras received thousands of letters of protest.

75. The Financial Post, January 19, 1974.

76. CFIB, "Federation Mounts Tax Protest," Mandate newsletter, no date.

77. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, May 19, 1977, p. 29.

78. Ibid, April 28, 1977, p. 70.

79. Ibid, November 15, 1978, p. 34. The Minister made it clear that it would not be made available for some time to come.

80. Both employer and employee organizations were vociferously opposed to this proposal. Their opposition was overridden, however.

81. Employment and Immigration Commission, Policy and Legislation Development, op. cit., p. 3.

82. See Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, November 20, 1975, and April 28, 1977.

83. Ibid, November 17, 1978, p. 5.

84. Ibid, November 21, 1978, p. 101.

85. Interview PS-14, July 1981.

86. Interview PG-3, August 1981.

87. Canada, House of Commons Debates, June 19, 1980, p. 2281.

88. CLC, Submission to the Senate Committee on Health, Welfare and Science on Bill C-14, December 14, 1978, p. 7.

89. Ibid, pp. 3-4.

90. Eric A. Nordlinger, op. cit., p. 206.

91. T. Alexander Smith, The Comparative Policy Process (Santa Barbara, California: ABC-CLIO Inc., 1975), p. 171.

Chapter 7

Federal Political Leadership and Consultations with the Provinces

Federations typically partition policy-making responsibilities between central and subcentral levels of government. In his "classical" analysis of federal government, Wheare defines the federal principle as "the method of dividing powers so that the general and regional governments are each, within a sphere, co-ordinate and independent."[1] Riker further emphasizes the policy-making independence of both levels of government by asserting that in federations "there is some guarantee...of the autonomy of each government in its own sphere."[2] However, Mallory contends that "the 'classical' kind of federal system, in which two levels of government operated in serene isolation from one another, was no doubt possible when the role of government was very limited, but this is no longer the case."[3] Mallory explains that "governments find themselves making decisions all the time which can be effective only if taken in concert with other governments."

Unemployment insurance has been an exclusive policy-making sphere of the federal government by virtue of a 1940 constitutional amendment. However, the decision to reform the program in 1971, required provincial participation for two reasons: first, the new plan required their indirect financial support. Secondly, the revamped program overlapped with provincial social policy objectives. Thus, the purpose of this chapter is to analyze the effects of the interaction between federal political leadership and the provinces in the development of

unemployment insurance policy in the 1970's.

The Politicization of Intergovernmental Relations

There appears to be a consensus among Canadian political scientists that by the late 1960's "co-operative federalism" was gradually being displaced by "executive federalism."[4] According to Stevenson, the transition from co-operative to executive federalism involved a shift in policy-making responsibilities from the bureaucracy to the politicians:

> Co-operative federalism was characterized by the fragmentation of authority within each level of government, the absence of linkages between different issues and functional domains, the forging of specific intergovernmental links by different groups of specialized officials, and the lack of publicity or public awareness of what was happening. Executive federalism, on the other hand, is characterized by the concentration and centralization of authority of each participating government, the control and supervision of intergovernmental relations by politicians and officials with a wide range of functional interests, and the highly formalized and well publicized proceedings of federal-provincial conference diplomacy. While co-operative federalism tended to subordinate the power, status, and prestige of individual governments to programmatic objectives, executive federalism does exactly the opposite.[5]

Thus, Stevenson suggests that the politicization of the intergovernmental policy-making process was sustained by policy issues that affected the "power, status, and prestige," that is to say, the legitimacy of individual governments. Policies which touch on the legitimacy of individual governments have been perceived to be "too serious, too profound, and too sensitive to be safely entrusted to the diplomatic and managerial skills of subordinate officials."[6] Social security policies

certainly fit this description.

Social security policies provide governments with opportunities to enhance their long-term legitimacy because social spending enables governments to build durable patron-client relationships with the public at large. Although the provinces have had a clear constitutional advantage in this regard, Smiley points out that Canadians tend to look to the federal government for the provision of "minimum Canada-wide standards in respect to such public services as are from time to time defined to be vital to the welfare of all citizens."[7] The federal government had effectively asserted itself in the field of social security by the back door, that is, by shared-cost programs. However, by the late 1960's, the federal government apparently began to realize that its participation in social security policy-making would have to be made more visible, if it was to be accorded a central role in providing for Canada's social needs. Thus, the federal government announced its intentions to forge a Just Society and began to consider measures to expand the income security schemes under its jurisdiction. Indeed, Banting lucidly makes the point that the programmatic objectives of the federal government have been secondary to the objective of enhancing its legitimacy in relation to the provinces:

> ...income security has also become an instrument for sustaining and enhancing the *political* power of the federal government. Since virtually all community

> and social services are provincially delivered, income security is the only direct, beneficial link between Ottawa and the public, a link that ties the interests of millions of Canadians to the strength of the federal government rather than to their provincial government. Deprived of these client relationships, the federal presence in the everyday life of Canadians would fade even more, and the political legitimacy of the federal government would be further eroded... Income security is not just an instrument of social justice. It is also an instrument of statecraft, and states do not surrender such instruments willingly.[8]

A reformed scheme of unemployment insurance provided the federal government with handsome opportunities to make its presence felt in the lives of millions of Canadians. However, the program overlapped with provincial social security objectives. Thus, the provinces and, especially Quebec, were drawn into the policy-making process in order to protect and enhance their prestige, power, and status as well as their fiscal power.

Federal relations with the provinces in the development of unemployment insurance in the 1970's, have been highly politicized. All discussions between both levels of government have been conducted at the ministerial level; the debate over the introduction of the new plan was eventually resolved at the prime ministerial level. The stakes were too high to allow for the compromise, flexibility, and pragmatism that typified bureaucratic behavior within the framework of co-operative federalism. In the following pages, it will be demonstrated that if Mackasey had modified the plan in light of provincial demands, the plan might have collapsed. The federal presence in the realm of social security would have been drastically

curtailed. If the government as a whole had countenanced provincial demands during the amending process, it would have raised doubts about its ability to undertake a leadership role in exercising restraint. After all unemployment insurance has been a major object of the government's imperative of restraint. Furthermore, by resisting provincial demands, the federal government demonstrated that it had confidence in its own ability to play a central and directing role in determining and managing the country's social and economic needs. Thus, Mackasey and, subsequently, the government as a whole, adopted a mode of interaction with the provinces which would maintain a strong and visible federal presence in the realm of social security.

Careless points out that intergovernmental interaction may be conducted in a variety of forms:

> Relations between administrations may simply consist of *consultation*, whereby one level of government is informed of the intended activities of the other; or, further, of *co-operation*, whereby efforts are made to harmonize programs of both governments to achieve the aims of each; or still, further, of *co-ordination*, whereby both levels of government decide upon a common objective and establish their policies to meet it.[9]

Both co-operation and co-ordination require bargaining and compromise. If the federal government had opted to use either of these modes of interaction with the provinces, it may well have ended up sharing its authority for the unemployment insurance program and, thus, sharing the prestige that it might have expected to derive from the program. Thus, Mackasey and,

subsequently, the government as a whole informed the provinces of its intended activities with regard to unemployment insurance. Consultation was exercised under suitable circumstances: first, unemployment insurance was clearly under federal jurisdiction. The federal government could claim that it was acting with propriety in modifying the plan as it saw fit, despite the effects on provincial social security policy objectives. Secondly, strong and determined political leadership was able to effectively legitimize all the amendments to the provinces. Legitimation involved neutralizing the demands of the provinces that would have fundamentally altered federal policy objectives; it also involved selling the policy to the provinces. Mackasey and the government in turn successfully accomplished both aspects of this difficult task by resisting some demands but by offering concessions on others and by rational persuasion. Mackasey and his successors would announce firm and ostensibly final policy positions to the provinces. The provinces, confronted with resolute policy postions, would grasp at whatever concessions they could get; federal concessions were either minor or symbolic but they would give the impression that the federal government was willing to co-operate. Finally, Van Loon and Whittington remark that if policy priorities are presented in "rational" terms, a government is likely to be effective in the intergovernmental arena.[10] Mackasey and the federal government were able to offer compelling evidence that their

policy intentions would ultimately benefit the provinces and their provincial treasuries. However, the bottom line of these legitimation activities support Cairns' contention that "from the perspective of Ottawa, the provinces constitute concentrations of governmental power whose manipulation is difficult, but nevertheless must be attempted where necessary."[11] However, prior to analyzing Ottawa's successful manipulation of the provinces with respect to the development of unemployment insurance policy in the 1970's, the rather complex issues involved must be delineated.

The Issues Stemming From the White Paper

There were two major issues of federal-provincial contention which stemmed from the white paper. First, the proposal for universal coverage required indirect provincial participation. Secondly, the provinces viewed certain features of the plan as intrusions into their jurisdiction over social security. However, both issues must be understood in a wider context; the new plan interfered with the provinces' ability to generate political allegiance by forming dependency relationships with their citizens *via* spending on social security and spending in general.

All levels of government increased their spending during the decade of the 1960's. Although federal spending had increased by less than 2%, provincial spending had more than doubled.[12] Most of the increased spending, especially during

the latter half of the decade, was directed towards social policy, that is, health, education, and social welfare policy.[13] Between 1965 and 1970 expenditures in these three fields had risen from 44% of total government spending to 51%.[14] In the same period health, education, and social welfare expenditures had escalated by 36%, 34.2%, and by 19.1%, respectively. In short, 83% of the increase in total government spending in this period can be explained by skyrocketing costs in these three fields.

The provinces' legislative power for "...all Matters of a merely local or private Nature" invested them with considerable social welfare responsibilities.[15] Section 93 of the *BNA Act* provided the provinces with exclusive policy-making jurisdiction for education while Section 92(7) granted the provinces legislative responsibility for health policy. However, through shared-cost programs the federal government has subsidized health and educational costs and by constitutional amendment it has assumed the burden of costs for social welfare. Nevertheless, Bird points out that "although it is not possible to separate expenditures on a functional basis neatly by level of government, it is clear that the provincial and local levels account for most education expenditure, the provincial level for most health expenditure and the federal level for most social welfare expenditure."[16] Significantly, the costs of health and education had risen most among these three fields

in the five years preceeding the introduction of the 1971 Act.

Social programs, like most government programs, tend to be labour intensive. Wages and salaries of administrators, educators, social workers, and hospital employees exact a larger part of social disbursements. In the five year period prior to the introduction of the new unemployment insurance scheme, the most dramatic increases in public sector employment had taken place in the health and educational fields.[17] In addition, provincial public employment in general administration had slightly increased as a percentage of the labour force whereas it had slightly decreased at the federal level.

Average annual wage gains acquired by provincial public sector employees from 1966 to 1970 had exceeded those of federal public sector employees.[18] The greatest increases had been in the health, educational, and social welfare fields. The costs of wages and salaries were expected to increase in the provinces and, especially within their social policy areas, given past trends. Indeed, such expectations were borne out. The first ministers could agree on very little at the conference held in Ottawa during February, 1978. They did, however, reach a lasting consensus that high public sector wages were partly responsible for their governments' economic woes and that wages would, henceforth, have to be held in check.[19]

On their own the provinces could ill-afford to increase the cost structure of wages in the public sector and

especially in the parapublic sector. They were already highly dependent on federal transfers to sustain their spending commitments. They could even less afford to channel funds into a social security policy, initiated by the federal government, and, yet, that is exactly what they were expected to do under the proposed scheme of unemployment insurance for the 1970's.

Eighty percent of the labour force was covered under the old plan.[20] The vast majority of those excluded were employed in sectors considered to be safe from unemployment such as the parapublic sector. Therefore, educators, many employees of hospitals, and workers in the social welfare sector were not covered by unemployment insurance. In addition, under Section 3(e) of the old Act, the provinces could choose to opt out from covering public sector employees in general administration. All of the provinces had opted out, at least partly.[21]

Federal and provincial parapublic sector and public sector employees were to be included in the new plan because of the provision for universal coverage. However, the provinces were opposed to contributing to the plan on behalf of their employees, given the growth of provincial public spending in general and the increase in provincial social policy spending in particular. The cost structure of provincial parapublic and public sector wages were sufficiently high already. Moreover, the provinces and, especially the Province of Quebec, argued that the funds could be better spent in enhancing their roles

in the development of health and educational policy.

However, Mackasey and the federal government were unwilling to even consider negotiating this issue with the provinces for the same reason that they were unwilling to consider the demands of private pressure groups in regard to the universal coverage provision. The reason, outlined in Chapter 6, is worth repeating:[22] universal coverage was essential in order to fulfill the institutional welfare as well as the manpower and labour market objectives of the social efficiency scheme. These objectives were to be realized by costly means, a lower qualification period plus longer and more generous benefits. If the financial base of the plan, widened by universal coverage, had been altered, then, the new benefit structure would not have been affordable. Ultimately, the institutional welfare objective and the manpower and labour market objectives, would have had to have been modified. A new and more modest program would have had to have been developed. As a consequence, the federal presence in the realm of income security would have been lessened. Of course, the Province of Quebec in particular would have welcomed a lower federal profile in the realm of social security in general.

Parts of the *Castonguay-Nepveu Report* had been made public starting in 1967.[23] Against the backdrop of a rising tide of Quebec nationalism, the *Castonguay-Nepveu Report* endorsed provincial paramountcy in the field of social security which in

practice had been a concurrent field of policy-making. Furthermore, the report sought to establish greater social equality in Quebec through an integrated approach to social security, that is, integrated at the provincial level. In 1970, Castonguay left his position as Chairman of the Commission of Inquiry to become Minister of Social Affairs for the Government of Quebec. Clearly, Castonguay took the view to cabinet that federal policy initiatives in the field of social security constituted more than a mere overlap with Quebec social policy objectives; they were, in principle, a violation of one of Quebec's jealously guarded legislative prerogatives.

Features of the new unemployment insurance policy proposal substantiated this view. The institutional welfare objectives tampered with social welfare and health policy objectives which came under provincial legislative domain. The institutional welfare principle, promoted by a generous benefit structure, was intended to prevent claimants from eventually falling into the welfare trap. Although the Canada Assistance Plan had been and continues to be jointly financed by both levels of government, Mackasey argued that these provisions would generate provincial savings on social welfare disbursements. Indeed, such was the case. However, by accepting this financial advantage, the provinces were simultaneously accepting the federal government's right to unilaterally manipulate social welfare expenditures in ways that could either mesh or collide with

future provincial objectives in the field. By raising or lowering benefits, the federal government would be able to lower or raise social welfare expenditures in the provinces.

The institutional welfare objective also overlapped with provincial objectives in the health policy field. Sickness and pregnancy benefits were included in the scheme to prevent persons, unemployed for health reasons, from becoming dependent on social welfare. The provinces viewed these provisions as intrusions into their jurisdiction over health policy. In addition, the manpower and labour market policy objectives of the proposed scheme overlapped with provincial labour policy objectives. Talk of a merger between the UIC and CMC was met with mixed responses. While most favoured a merger, Quebec was opposed on the grounds that it would duplicate services offered by Quebec Manpower Centers. Although Mackasey refused to budge on the issue of universal coverage, he could be flexible on these latter points of dispute. They would not make or break the new plan. Thus, consultations with the provinces over the new plan began in early 1970.

Federal-Provincial Consultation on the New Plan

Prior to the release of the white paper, a federal team, composed of Mackasey or his representative and senior officials of the UIC, met with ministers in each province to explain their intentions with regard to the unemployment insurance program and to make the provinces aware of some of the basic

changes that would affect them as co-participants in social welfare programs. The provinces were informed that, henceforth, they would have "the option to protect all of their employees or none at all."[24] However, they were also told that the drain imposed on provincial purses as a result of universal coverage, would be offset by social welfare savings. The reactions of the provinces ranged from favourable to non-committal.

Generally speaking, the Atlantic provinces were pleased with the proposal. They had historically received the highest proportion of unemployment insurance benefits as a percentage of provincial incomes.[25] In addition, they had traditionally absorbed the highest proportion of CAP benefits. A rise in unemployment insurance benefits for the Atlantic provinces accompanied by a reduction in their CAP payments, was perceived as a "gift horse" that would cancel the additional disbursements required by universal coverage.[26] For example, Newfoundland in particular was so enthusiastic about the new proposals that officials expressed concern over the additional costs that the federal government might accrue. In the report of the minutes of the meeting with Newfoundland officials, a UIC official responded to this concern, somewhat sardonically, by pointing out that "while this is nice of them, it is hardly their axe to grind."[27]

Ontario and the western provinces, with the exception of British Columbia, did not express any substantial disagreement

with the proposals. Several of the provinces did express concern about the shorter two week waiting period and the possibility that unemployment insurance benefits would exceed provincial retraining allowances. Concern was also expressed about the possibility that claimants might receive unemployment insurance benefits and other provincial social insurance or social assistance benefits at the same time. The federal team placated the first of these concerns by explaining that the shorter waiting period would prevent claimants from drifting into the welfare realm and, thus, would result in savings for the provinces. They promised that federal retraining allowances to the provinces would be increased so that benefits would not be greater than provincial retraining allowances. Finally, Section 48(2) was added to the draft to reimburse the provinces for any provincial social payments received while on claim. In addition, provincial concern about the separation of the UIC and CMC was assuaged by a reassertion that the merger would take place.[28]

British Columbia was the only province among the eight consulted in May which was unfavourably disposed towards the plan. The Minister of Finance for British Columbia argued that the plan would have an inflationary impact. The British Columbia cabinet also wanted to negotiate universal coverage. It was claimed that British Columbia would only break even if unemployment in that province rose to 4.6%. Finally, Quebec was consulted in June of 1970 and the five provincial cabinet

ministers who were present, announced their opposition to universal coverage. However, the federal government team bluntly informed the ministers of both Quebec and British Columbia that universal coverage was non-negotiable.

Two significant events occured in July, 1970. First, the Standing Committee on Labour and Manpower, charged with reviewing and investigating the white paper, invited briefs from the provinces. None of the provinces accepted the invitation. Parliament was by-passed as a forum for the articulation of provincial interests in favour of executive level interprovincial and federal-provincial consultations. For instance, the Quebec Minister of Labour wrote to his counterpart in each of the provinces in order to indicate his rather negative impression of the first-round of consultations and to seek their reaction to the federal proposals. Secondly, another meeting was scheduled with Quebec, the most intransigent provincial opponent to the scheme. Mr. Sharp as Acting Prime Minister, chaired a meeting with Premier Bourassa, the new Labour Minister, Cournoyer, and Claude Castonguay, the Minister of Social Affairs. Three amendments to the draft legislation were agreed upon but none touched universal coverage.

Two of the amendments dealt with the overlapping of federal unemployment insurance policy objectives with Quebec labour and health policy. It was agreed that unemployment insurance claimants would be referred to Quebec Manpower Centers

as well as to Canada Manpower Centers. In other words, federal referral services would complement rather than duplicate Quebec services. Secondly, Section 29(2) was introduced in the draft legislation; the payment of sickness and maternity benefits would cease if Quebec or any other province were to create its own scheme. Employer and employee benefits would be adjusted accordingly. Quebec never established its own plan. Thirdly, the Quebec cabinet pressured for and received a concession which increased benefit rates to 75% from 66 2/3% of average earnings for claimants with dependents earning less than $50.00 a week.[29]

The first two amendments symbolically endorsed Quebec's paramount right to legislate in the labour and health policy fields at no cost to the federal government. The third modification buttressed Quebec's determination to seek greater socio-economic equality for Quebecers in keeping with the main thrust of the *Castonguay-Nepveu Report* and at a paltry expense for the federal government. The main objectives of the plan had not been altered.

After this meeting, a confidential memo from senior UIC officials to cabinet claimed that it had been "understood that all objections had been resolved," with one minor exception, and that no issue would be made of unemployment insurance at the Federal-Provincial Constitutional Conference to be held at Victoria in June 1971.[30] Thus, as the Standing Committee on Labour and Manpower began to wind up its proceedings, the final

legislation was written and scheduled to be implemented in June, 1971. Thus, it appeared that Mackasey had legitimized the new plan to the provinces by standing firm on the issue of universal coverage, by using rational persuasion, and by offering some minor concessions. However, the Province of Quebec had not had its last word.

A letter from Jean Cournoyer, which was written almost four months after the supposed final meeting, took Mackasey by surprise.[31] The letter indicated that Quebec not only remained opposed to specific items in the proposed plan; Quebec was opposed in principle to the federal government's legislating in the sphere of social security policy, a position that Premier Bourassa was to take half a year later at the Victoria Conference. The letter began and ended by stating that social security policy was of primary importance to Quebec:

> ...Il nous semble malheureusement que le livre blanc sur l'assurance-chômage a été conçu à l'écart des autres préoccupations sociales de l'Etat et particulièrement de celles du Québec. A ce propos, notre gouvernement entend prendre toutes ses responsabilités et les remarques dont je vous ai fait dans la present lettre sont de nature, je crois, à vous donner une idée assez exacte des principes et de l'approche que nous appliquons à l'élaboration de notre politique sociale.[32]

Sickness and pregnancy benefits and the duplication of manpower services, issues ostensibly resolved at the July meeting, were cited as specific instances of federal intrusion into Quebec's legislative domain. In addition, the letter, like the public document prepared by economists from the Castonguay-

Nepveu Commission and later published by the Government of Quebec in January 1971, criticized the federal proposal for not going far enough.[33] The scheme did not provide for those without benefit entitlement, the currently unemployed and the self-employed. Finally, on the issue of universal coverage, Quebec indicated that it was not willing to make additional contributions to the fund on behalf of its public employees.

The items of contention may be grouped into two main issues. First, Quebec objected in principle to the federal government's legislating in an area which it considered to be within its jurisdiction. Secondly, the Quebec government was resolved not to participate financially in the new scheme by covering its public and parapublic sector employees. Cournoyer admitted that he even considered sickness and pregnancy benefits as a double indemnity:

> It is obvious that our main intention is to save money. But another intention we have is not to allow bargaining with public service unions to be paralyzed by a system of sickness and maternity benefits. It took us three years to negotiate our own system with the teachers, and we are being forced to start over again, something the teachers are not willing to do. The banks of sickness leave which have been accumulated by means of collective agreements are all set aside and we have to start over again.[34]

In December, 1970, Mackasey responded to Cournoyer by letter.[35] However, he only addressed the first issue by emphasizing that unemployment insurance was a scheme of social insurance, not a scheme of social assistance, although he favoured co-ordination between the two types of schemes. In

other words, the letter claimed that in principle the federal government was not invading Quebec's jurisdiction over social security, narrowly defined as social assistance.

The letter was followed by a series of meetings in January, 1971, between Mackasey and Cournoyer and Castonguay as well as officials from their respective departments. In a statement to cabinet on the state of the consultations with Quebec, the Chief Commissioner of the UIC implied that Quebec had accepted that its objections to the plan in principle were, perhaps, too strong.[36] Mackasey presented statistical evidence to demonstrate that Quebec would be more than compensated for its indirect contributions to the plan by higher benefits for Quebecers and by savings on CAP expenditures. Although the report contends that Quebec never posed any clear alternatives during the meetings, it was clear that Quebec steadfastly refused to acquiesce to universal coverage. In the middle of the meetings, Castonguay leaked the letter that he had previously sent to Mackasey, to *Le Devoir*.[37] At the same time, he introduced Bill 82 to the National Assembly.[38]

The object of Bill 82 was "to define the expression 'position under the government' and to make holders of such position subject to the *Civil Service Act*."[39] From the federal government's point of view, the intent of the bill was to create a "fiction" that employees of hospitals and school boards are provincial employees.[40] Under Section 3(2)e of the

1971 Act, the Province of Quebec could then not only opt out of covering its employees in general administration; it could also choose not to cover its parapublic employees who were covered by the new plan. According to a confidential UIC memo to cabinet, Bill 82 "was a rather unexpected development in view of the fact in over thirteen months of discussion with the Province of Quebec, the question of employees of school boards and hospital workers was never raised as a major issue by the Province. In addition, the Federal Minister of Labour and his officials were not led to believe at any time during the discussions that the Premier of Quebec was seriously considering the exclusion of its own public servants."[41]

Mackasey and Cournoyer met again in the summer of 1971 but Cournoyer remained unyielding with respect to Bill 82. The minutes of the meeting are worth quoting in this regard:

> Mr. Cournoyer was aware -- if not satisfied -- that Bill 82 was creating embarrassment in the implementation of the unemployment insurance program. He reminded Mr. Mackasey that he did not dispute his right to implement the new unemployment insurance program and he expected Mr. Mackasey to accept Bill 82.
>
> Mr. Mackasey believed that the federal government could define the employer. Mr. Cournoyer reacted sharply and could not believe that the federal government could define who is an employee of the province.[42]

The battle of principles became more concrete by virtue of the battle of balance sheets that ensued. Cournoyer indicated that it would cost Quebec $18 million to cover it employees.

However, Mackasey countered with the argument that had been used throughout to encourage the provinces to graciously accept universal coverage: additional costs would be offset by savings in provincial welfare disbursements, $30 million for Quebec. Quebec would also benefit from the generosity of the new scheme, given that that province was a net beneficiary of unemployment insurance benefits. Mackasey also suggested that universal coverage was non-negotiable by asserting that it was "an all-or-nothing" proposition. If Quebec persisted, para-public employees such as Hydro-Quebec workers, who had made 300,000 claims in 1970, would no longer be covered. However, the meeting ended on a conciliatory note with Cournoyer agreeing to look into the facts with the Minister of Social Affairs, Mr. Castonguay. Further meetings were planned and it was agreed that the debate would not be made public.[43]

Part of the problem pertaining to the balance sheets was that the federal figures never meshed with the provincial figures. In retrospect, the federal figures were valid because Quebec's accounting included several errors.[44] According to federal estimates, the increased cost to Quebec was to be $6.8 million in 1972 and $14.3 million in 1975. Projected welfare savings for Quebec were estimated to be $13 million in 1972 and $17 million in 1975.[45] Quebec could expect to get double its money back in welfare savings alone. In addition, as the table below demonstrates, Quebec was and would continue to be a net

beneficiary from unemployment insurance payments. Finally, the Government of Quebec could expect to receive $16.4 million from unemployment benefits by 1975 because benefits are taxable.

Table V

Costs and Benefits of Unemployment Insurance for Quebec, 1970 and 1972-75

	1970	1972-75 (annual average)
Benefits paid	$212 million	$340 million
Less Revenue	$176 million	$295 million
Net Gain For Quebec	$ 36 million	$ 45 million

(Source: Memorandum from Hon. Bryce Mackasey to the Cabinet, July 20, 1971, p. 2.)

Ironically, the federal estimates were somewhat conservative. In 1979, the Quebec Liberal Party leaked the results of a confidential document on the benefits of unemployment insurance to Quebec, prepared by the Quebec Ministry of Labour and Manpower.[46] The document showed that in 1976, Quebec got $512.5 million more than it paid into the plan, including payments through taxes. Quebec savings on welfare due to unemployment insurance were not included. However, at the time, the Province of Quebec was not immediately swayed by the figures. Therefore, following the meeting with Cournoyer, Mackasey wrote a letter to Prime Minister Trudeau in which he urged him to

take a firm stand of opposition to Bill 82, otherwise the ramifications could lead to the collapse of the plan:

> Si d'autres provinces faissent suite au gest du Québec les conséquences pour le régime d'assurance chômage seraient critique, conséquences qui pourrait effectivement détruire les concepts qui supportent ce régime d'assurance sociale.[47]

Throughout this conflict with Quebec, several of the other provinces had begun to waver on the issue of universal coverage. If Quebec had been successful in passing Bill 82 and if the other provinces had followed suit with similar legislation, it was estimated that there would be an annual loss of $100 million in revenue to the Unemployment Insurance Account by 1975.[48] The new plan could not continue to operate.

The federal government could pursue three legal options in order to cancel the effects of Bill 82. First, the federal government could take action against the school boards and hospitals for failure to deduct premiums. This course of action would have involved long and protracted court battles which would have ultimately tested the legality of Bill 82, the second option. By this second option, the federal government could notify Quebec of the legal implications of Bill 82; Quebec would have to be the "real," not the "fictitious" employer of schoolboard and hospital employees. Significantly, neither this option nor the first option addressed the problem of coverage for employees in general administration as did the third option. The third option involved removing Section 3(2)e

from the *Unemployment Insurance Act* which gave the provinces the right to opt out of covering their public employees. The deadline, January 1, 1972, for the full implementation of the program was approaching and so a half measure of the third option was finally adopted in December 1971. Mackasey simply passed a regulation which compelled the provinces to cover their parapublic sector employees. However, the Government of Quebec countered by passing a directive which ordered school boards and hospitals not to deduct premiums for unemployment insurance.[49]

A stalemate on the issue of including parapublic employees in the plan had been reached and the problem of including public employees in general administration had not been settled. However, the federal government was in an advantageous position. First, the legal cards were stacked in favour of the federal government. It could, therefore, alter coverage provisions in any way it chose. Secondly, the new scheme generated obvious financial advantage for Quebec. Thirdly, the support of the Quebec labour movement for Quebec's stance on universal coverage had dissipated. Finally, by December, 1971, seven of the remaining nine provinces had consented to universal coverage. Nevertheless, three cabinet ministers, Castonguay, Cournoyer, and Jean-Paul L'Allier, the Minister of Public Services, reiterated that they were withholding their consent as "a matter of principle."[50] Federal-Quebec interaction on the

issue of universal coverage, therefore, escalated to the prime ministerial level.

Towards the end of January, 1972, and at the beginning of February, Prime Minister Trudeau and Premier Bourassa held delicate and *in camera* discussions on a broad range of social policies which included unemployment insurance, manpower policy, and family allowances.[51] At these meetings, Quebec's sovereign right to legislate in the field of social security was endorsed. Quebec's objection in principle to federal legislation in the social security field was thereby softened. This was followed up with a concrete concession: Quebec was granted jurisdiction over the raising or lowering of its family allowance payments. In return, Bourassa agreed to contribute unemployment insurance premiums on behalf of all public employees without the knowledge or approval of Castonguay, Cournoyer or L'Allier, the ministers most directly and publicly concerned. An Order-in-Council to that effect was passed. The UIC was rather casually informed about Quebec's consent by a routine press release sent by a Quebec information officer. Quebec also saved face, in part, by stating that it would challenge the federal legislation on sickness and maternity benefits before the courts. Quebec never did so.

Although a senior official, who participated with Mackasey in the intergovernmental consultations, pointed out that "Quebec was the only one that gave us any real trouble," other provinces

were not quick to accede to all of the white paper proposals.[52] Other provinces did not object in principle to the federal government legislating in the realm of social security policy. They did, however, object in principle and in practice to the federal government's unilateral decision to compel them to contribute as employers, to a federal program.

Long before the conflict with Quebec surfaced publicly, a second round of consultations had been held with the provinces. These meetings were followed by a letter, dated March 13, 1971, from Mackasey which asked all of the provinces to indicate that they would cover their public employees. The response from A.R. Paulley, Minister of Labour for the Government of Manitoba, reveals that the provinces were not ready to submit:

> I note in your letter to the Premier that you indicate you have "received generally a favourable response from all of the provinces." May I indicate that the information that I have received from the other provinces is not quite in keeping with this quote from your letter in that the indications are to me that the matter is still under consideration in most, if not all, other provinces.[53]

Mr. Paulley may well have had British Columbia in mind when he made his comments. Premier W.A.C. Bennett of British Columbia was among the first to respond to Mackasey's letter with a curt note which suggested that British Columbia would become the second major provincial protagonist in the debate:

> ...Please be advised that the government of the Province of British Columbia wishes its provincial employees to be exempted from the provisions of the new Unemployment Insurance Act. It is the intention

of the provincial government to look after its own employees in this respect.[54]

The federal government perceived British Columbia's stance to be as illogical as Quebec's. After all British Columbia, like the other provinces, could derive substantial financial gains from the scheme. The federal government never really understood that the provinces were objecting in principle to being forced to make contributions to a federal scheme and especially to a federal scheme in the field of social security. Mackasey, for one, continues to claim that groups opposed to universal coverage "were just being very selfish."[55]

In addition to the benefits that the Province of British Columbia would accrue by savings on CAP expenditures, public employees and, eventually, the government stood to gain by universal coverage. Under the old plan 6,600 employees of its total departmental services establishment of 20,000 were covered. However, 10,200 of the 12,000 employees in government enterprises such as B.C. Hydro and the Liquor Board were covered.[56] If British Columbia refused to cover all of its public employees, protection would have been withdrawn from about 53% of its public sector labour force.

Initially, Premier W.A.C. Bennett did not appear to understand the "all-or-nothing" implications of universal coverage. However, organized labour in British Columbia certainly understood. Organized labour helped to break the government's resistance to universal coverage. A senior public servant,

involved in the UIC-provincial liasons, summarized the impact of labour as follows:

> The B.C. Federation of Labour got a hold of that issue and put their own pressure on the provincial cabinet. It was suggested to them that it would be in their interest to do so.
>
> A fellow by the name of Fryer (President of the B.C. Government Employees Union) suddenly realized that if British Columbia decided not to participate, all of his union guys would no longer have the benefit of coverage.
>
> He wrote to us and said "you can't do that" and we said, "it is not up to us; it is up to British Columbia to decide." So presumably, they made their own representations at the political level and British Columbia changed its mind.[57]

The Government Employees Union brought pressure to bear on the government in three ways. First, with some UIC assistance in preparing bulletins, they mounted a widespread publicity campaign to persuade the government to accept universal coverage.[58] Secondly, they demanded that a cabinet committee be struck to consider the issue.[59] Finally, they threatened strike action if their demands for universal coverage were not met.[60] Employers and employees in other parapublic sectors such as schoolboards and hospitals, were divided. For example, trustees of the Greater Victoria School Board were divided into two schools of opinion. One side voiced the opinion that extended coverage was too costly while the other disagreed by arguing that contributions were a "social requirement" for those in jobs traditionally safe from unemployment.[61] Strong opposition to the government's reluctance to approve universal coverage

combined with thin support for its position, helped to pressure British Columbia into accepting the additional costs in November, 1971.

Other provinces, convinced of the financial advantages to be won from the scheme but still opposed in principle to being forced to pay into a federally imposed social security program, finally accepted in the fall of 1971 under protest. At the last moment, even a couple of the Atlantic provinces, which had the most to gain from the new scheme, demurred on the issue of universal coverage. Premier Thatcher of Saskatchewan perhaps best summarized the attitude of the remaining provinces in his letter of acceptance:

> It is our feeling that if governments wish to subsidize the unemployment insurance fund it should be done honestly by appropriating government funds, rather than by including employees in the plan who will never reap the benefits of such inclusion.
>
> After having said all of this, I must reluctantly agree to bring all of our civil servants under the plan. Since your proposition is an all-or-nothing proposition, we are placed in the position of either cancelling the unemployment insurance now handled by hundreds of government employees or opting in totally.
>
> I note in your (Mackasey's) letter that you indicate that our cost as an employer would be more than offset by anticipated savings under the CAP. While I agree with your calculations, I do not feel that this argument overcomes the objection in principle that we have to the scheme.[62]

When Mackasey was asked to account for his success in legitimizing the scheme to the provinces, he pointed to his stiff and uncompromising "all-or-nothing" proposition.[63] In

a later interview, he added that "they (the provinces) knew I was 'Hanging tough'" and, therefore, were grateful for whatever concessions they could get.[64] Yet Mackasey and his officials admitted that a firm and unwavering position was not enough. They actively assisted organized labour in Quebec and in British Columbia to undermine their political adversaries.[65] In this regard, Mackasey "remembers being very accessible" to the unions.[66] However, the carrot was used along with the stick. Rational persuasion was used to convince the provinces to participate as were concessions, albeit minor concessions.

The same formula was used to neutralize provincial opposition and to sell them the amendments in the post-Mackasey period. The federal government would announce a rigid policy position and would then engage in rational persuasion and hand out minor concessions. The formula worked successfully with regard to the major issues of federal-provincial contention during the amending process.

The Issues Stemming From the Amending Process

The issues of federal-provincial disagreement, which resulted from the amending process, may be curtly summarized in one sentence and explained in one paragraph because they were entwined with the issues that had stemmed from the white paper. Quite simply, the federal government reneged on the financial commitment it had made to the provinces in order to convince them to acquiesce to universal coverage.

It will be recalled that a reduction in benefit rates, a lengthening of the qualification period, and a reduction in federal contributions to the program were items common to the three amendments.[67] These new provisions meant that less federal money would flow to the provinces. The changes would also affect provincial treasuries. The provinces would have to pay out more in welfare, and with increased contribution rates, they would have to pay higher premiums for their public sector employees. Finally, the changes indirectly affected provincial policy-making priorities in the field of social security; the provinces would either have to find new funds to absorb increased costs or effect cutbacks to existing schemes. However, despite the dire financial impact of these changes on the provinces, consultations were not as protracted as they had been over the white paper.

Federal-Provincial Consultation on the Amendments

Prior to the enactment of most of the legislative amendments to the 1971 Act, a federal team consisting of the minister and senior UIC officials, would consult their counterparts in each of the provinces just as they had prior to the introduction of the 1971 Act. One of the officials who participated in these meetings points out that "consultation" had come to mean contact.[68] The federal government would simply provide the provinces with information pertaining to proposed changes, but was not willing to consider provincial proposals designed

to modify the amendments. The minister responsible for the last two amendments endorsed his official's view of these meetings:

> Question: Did you consult the provinces about the amendments that you initiated?
>
> Bud Cullen: I guess you have to be careful how you use the word "consult." We indicated our view...
>
> At the federal level, we initiate changes in federal legislation and discuss it with them (the provinces). They thought that before we'd done anything or got cabinet approval, we should talk to them. If I can't get it through my caucus and cabinet, then there is no point in going through the headache of going and having the provinces unload on us. Once your cabinet and caucus are prepared to back you, then you can take it to the provinces and then have a discussion.
>
> Now whether you call that "consultation," I don't know. Certainly there was no shortage of input from them. They were talking constantly because they didn't know what we were going to do.[69]

The provinces certainly had no idea of what the federal government was going to do before Cullen tabled Bill C-27 in the House of Commons. The Opposition critic for unemployment insurance asked Cullen if there had been prior consultations with the provinces. Cullen responded with the terse statement, "consultations, no; but representations, yes."[70] He added, "...this is a federal initiative...(and the)...information has been brought to their attention but not through consultation." Significantly, the Chairman of the Atlantic Liberal caucus entered the debate and indicated that the minister had back-tracked on his original position due to representations from Atlantic MPs.[71] His remarks suggested that regional input did not come from the provincial governments, but from MPs at the

federal level and, especially from MPs within the governing party. His remarks could have been applied to the next amendment as well.

However, public opinion greatly favoured this cutback as well as the preceding one.[72] The provinces, therefore, protested against the 1975 and 1977 amendments but largely in a perfunctory way. Although the climate of public opinion remained much the same in 1978, the provinces reacted sharply to Bill C-14 for two major reasons; first, while it was estimated that the previous amendment, Bill C-27, saved $110 million for the federal government, Bill C-14 was expected to save the federal government $655 million in 1978-79 and $935 million in 1980-81.[73] In other words, federal savings on Bill C-14 were expected to result in far greater costs for the provinces. Secondly, Cullen's remark that the provinces were "talking constantly because they didn't know what we were going to do" certainly held with respect to social security policy in 1978. At that time, it was rumoured that the federal government, in the spirit of restraint, was about to curtail its expenditures, not only on unemployment insurance, but on family allowances, guaranteed income supplements, and on CAP.

The ten provincial ministers of social services responded by holding a two-day, closed-door meeting at Ingonish, Nova Scotia, in September. They assessed federal cutbacks in the

social security sphere. Their joint communiqué denounced the federal government's proposed actions because its "cavalier attitude has denied provincial governments the opportunity to examine the far-reaching implications of these changes on provincial taxpayers."[74] The ministers also called for a federal-provincial conference to discuss any future changes Ottawa might be considering in social security policies. Employment Minister Cullen, in turn, convened a one-day federal-provincial labour ministers' conference in Ottawa. All of the provinces spoke out against the cutbacks. Their spokesman, the British Columbia Minister of Labour, Allan Williams, asked for a delay in implementing the legislation until the federal and provincial governments had analyzed the impact of the changes on provincial spending and, in specific, on provincial welfare spending.[75]

The Atlantic provinces were especially concerned about the anticipated impact of Bill C-14 on their welfare rolls and on their unemployment insurance claimants. In 1978, CAP beneficiaries as a percentage of the population remained about 3% higher in the Atlantic provinces than in the rest of Canada.[76] The following table demonstrates that unemployment insurance claimants in the Maritimes stood to lose more from the cutbacks than claimants residing in other provinces.

Table VI

Estimated Per Capita Savings by Province From Bill C-14 in 1978-79

Newfoundland	$63.7	Ontario	$20.6
Prince Edward Island	$58.3	Manitoba	$15.6
Nova Scotia	$34.9	Saskatchewan	$12.9
New Brunswick	$54.	Alberta	$ 9.9
Quebec	$40.	British Columbia	$31.

(Source: (a) Statistics Canada, Population Data.
(b) Employment and Immigration Commission, Detailed Impact of the 1978 Proposed Changes to the UI Act, November 1978, p. A-2.)

Cullen, therefore, announced that the re-entry qualification period in the proposed legislation would be modified so that it would vary according to regional unemployment rates. This combined with extended benefit phases for regions of high employment was largely a concession to the Atlantic provinces. However, Cullen was quick to point out that the change was not necessarily the outcome of provincial representation *per se*. Pressure exerted by federal cabinet ministers from the Atlantic region, primarily Romeo LeBlanc and Allan MacEachen, resulted in the change.[77] Opposition from members of the Atlantic caucus also encouraged Cullen to vary the entrance requirement:

> We did consult them (the provinces) and as a result of the news that we received from the Atlantic provinces (remember at that time, they were Liberal

governments), we changed the program from 14 weeks across the board to 10-14. It was also a result of the Atlantic caucus but the Atlantic caucus works hand-in-glove with their provincial governments. When we had the federal-provincial meeting, they (the Atlantic caucus) said "we've got to go back to 10 weeks; if you are going to move it at all, move it from 8 to 10 but not to 14. That would be criminal..."

If I had had my way, it would have been 14 across the board. From a bureaucratic standpoint that would have been an easier program to handle...[78]

At the federal-provincial labour ministers' conference held in October 1978, Cullen attempted to convince the provinces that losses resulting from Bill C-14 would be offset by federal funds available under the new Employment Strategy job creation and job retraining programs. The $710 million to be spent under this program exceeded the $655 million to be saved by Bill C-14. This compensatory feature was stressed at the First Ministers Conference held a month later.[79] Finally, Cullen announced the creation of a federal-provincial working group to study the impact of the proposed changes on provincial welfare spending. A month later, in his remarks on the second reading of Bill C-14, Cullen claimed that it was estimated that the changes would amount to $51 million in additional welfare costs, of which 50% is paid by the federal government.[80] In other words, it was expected that the provinces would be required to pay out an additional $25.5 million in 1979-80 and $43.3 million in 1980-81, in welfare. According to Cullen, while all the provinces had not fully accepted these estimates, they

had not refuted them.

The provinces were as belligerent during the latter stage of the amending process as Quebec had been during the consultations with the federal government over the white paper. Furthermore, they were more united in their opposition than they had been. Despite the common front that they presented to the federal government, they were as helpless to inject input into the policy-making process as they had been in 1970. The federal formula for consultation, a firm policy position followed by rational persuasion and minor concessions, proved to be highly effective in legitimizing federal policy intentions to the provinces. Perhaps, Cairns' lexicon should be employed in the summary statement: the federal formula for consultation proved to be highly effective in "manipulating" the provinces.[81]

Conclusion

Although the provinces were unable to affect the development of unemployment insurance in the 1970's, Simeon demonstrates that co-operative intergovernmental relations characterized the development of another social security program, old age pensions in the 1960's.[82] Divergent assessments on the nature of federal-provincial interaction in the development of similar policies have been drawn elsewhere. For instance, Savoie views co-operation as the norm in his policy case study of regional economic development.[83] On the other hand, Careless identifies federal "consultation" as the norm in his study of

the policy field.[84] Savoie accounts for the different conclusions by pointing out that in his case study the "approach" to the policy is structured so that "the federal government is rarely in a position to adopt a 'divide and conquer' posture with the provinces."[85] Thus, in broader terms, Savoie appears to suggest that the authority that each level of government has in relation to a policy, determines the mode of interaction and the extent of federal and provincial input.

In the case of the development of unemployment insurance policy, the federal government was clearly in an authoritative policy-making position *vis-à-vis* the provinces. The program is entirely under federal legislative jurisdiction. However, such authority does not necessarily provide a complete explanation for the prevalance of consultation in this case as opposed to the prevalance of co-operation in Simeon's study. Strong political leadership in the one case and the absence of political leadership in the other, may well account for the difference in the intergovernmental relationships.

Durocher contends that political leadership was responsible for the shift from co-operation to confrontation in intergovernmental relations during the 1960's:

> The various federal governments between 1960 and 1968 were not in a strong position as had been the governments of King and St.Laurent. Under Diefenbaker, the provinces considerably improved their position in the fiscal field and the federal government, through its lack of leadership, left increasing numbers of initiatives up to the provinces. Pearson's

> arrival bore some promise for Quebec at least. Through political temperament, Pearson was ready to negotiate a "new deal"...He was ready to make concessions to Quebec but wanted the federal government to stay in touch with the people.[86]

Pearson's penchant for compromise and his disregard for "national objectives" were reflected in a federal-provincial agreement for an "opting out" formula; the formula was applied to pension schemes. However, according to Durocher, as Marchand, Pelletier, and Trudeau entered the federal arena "opting out was severely criticized and it was time to apply the brakes."[87] Two elements in Trudeau's credo were "Quebec must be a province like the others" and "Canada needs a strong central government that is in direct contact with the people."[88] The new unemployment insurance program held considerable potential to put the federal government in direct contact with the people as has been explained above.

In his biography of Trudeau, Radwanski remarks that "for all his emphasis on social policy in his earlier writings, and his talk of a 'Just Society', the social policy field has never been dominant among Trudeau's preoccupations as prime minister, and welfare matters are seldom mentioned when he enumerates the things he entered politics to accomplish."[89] Although Trudeau may not be personally absorbed in social security matters, he has recognized that federal social security disbursements maintain and enhance the presence of the federal government in relation to provincial governments. Mallory cites

comments that Trudeau made in this respect at the Victoria Conference.[90] On the basis of Trudeau's remarks, Mallory concludes that "the direct expenditure of government funds into the hands of beneficiaries is important, and the federal authorities have no wish to be put in the position of levying heavy taxes, but conferring few benefits to the electorate."[91] Thus, the federal government's adoption of a "take it or leave it" system of interaction with the provinces over unemployment insurance is understandable in the wider context of Trudeau and his government's resolve to assert a strong federal presence. In 1970, the program reached out to well over half a million Canadians per month at a considerable cost to the federal government. Strong and determined political leadership was unwilling to brook what it perceived to be provincial interference in the distribution of its costly largesse. Moreover, when restraint in general and restraint with respect to unemployment insurance in particular, became the federal government's imperative, it was unwilling to allow the provinces to meddle with its central role in managing the Canadian economy.

How does Mackasey fit into all of this? Mackasey claims that he had the strong support of Prime Minister Trudeau.[92] His claim is supported by others involved in the unemployment insurance policy-making process.[93] Mackasey was in the right place at the right time. His leadership style epitomized the

kind of interaction that Trudeau and his government were determined to take with the provinces when the wider interests of the federal government as a government were at stake. Mackasey was able to effectively neutralize provincial opposition and to sell the policy to the provinces with the strong backing of the Prime Minister. Similarly, his successors were able to legitimize amendments to the provinces with broad governmental support. Nevertheless, the federal-provincial debate over unemployment insurance is likely to continue well into the 1980's. For better or for worse, the controversy between the federal government and other forces in the unemployment insurance policy-making process, is likely to continue throughout the decade of the 1980's as well.

Footnotes

1. K.C. Wheare, Federal Government (Oxford: Oxford University Press, 1961), p. 11.

2. W.H. Riker, Federalism: Origin; Operation; Significance (Boston: Little, Brown and Co., 1964), p. 11.

3. J.R. Mallory, The Structure of Canadian Government (Toronto: Macmillan, 1971), p. 371. For a thorough discussion of the overlap in federal-provincial decision-making, see V. Seymour Wilson, "Federal-Provincial Relations and Federal-Policy Processes" in G. Bruce Doern and Peter Aucoin (editors), Public Policy in Canada (Toronto: Macmillan, 1979), pp. 190-210.

4. D.V. Smiley coined the term, "executive federalism." He discusses the concept in Canada in Question: Federalism in the Eighties (3rd edition) (Toronto: McGraw-Hill Ryerson, 1980), pp. 91-116 and in "Federal-Provincial Conflict in Canada" in J. Peter Meekison (editor), Canadian Federalism: Myth or Reality (3rd edition) (Toronto: Methuen, 1977), pp. 2-18.

Garth Stevenson, Unfulfilled Union (Toronto: Macmillan, 1979), pp. 180-203 discusses the concept in relation to current federal-provincial policy-making developments.

5. Garth Stevenson, op. cit., p. 198.

6. Ibid, p. 600.

7. D.V. Smiley, Federalism in the Eighties, op. cit., p. 93.

8. Keith G. Banting, The Welfare State and Canadian Federalism (Montreal: McGill-Queen's Press, 1982), p. 177.

9. Anthony Careless, Initiative and Response: The Adaptation of Canadian Federalism to Regional Economic Development (Montreal: McGill-Queen's Press, 1977), p. 187.

10. Richard J. Van Loon and Michael S. Whittington, The Canadian Political System: Environment, Structure, and Process (3rd edition) (Toronto: McGraw-Hill Ryerson, 1981), p. 548.

11. Alan C. Cairns, "The Governments and Societies of Canadian Federalism," Canadian Journal of Political Science, vol. 10, no. 4, December 1977, p. 706.

12. Computations based on data provided in The National Finances 1981-82 (Toronto: Canadian Tax Foundation, 1982) and

in Provincial and Municipal Finances 1981-82 (Toronto: Canadian Tax Foundation, 1982), support this statement. From 1961 to 1970, the spending of the provinces, excluding intergovernmental transfers, had more than doubled in constant dollars. In other words, the provinces were spending 6.1% of the GNP in 1961 whereas they were spending 10.2% in 1970. The federal government's expenditures, expressed as a percentage of GNP, increased by less than 2% in the same period and most of this was due to increases in transfers to the provinces.

For an analysis of federal-provincial spending and revenue raising patterns in this period, see R.M. Bird, The Growth of Government Spending in Canada (Toronto: Canadian Tax Foundation, 1970), pp. 13-44 and J. Evenson and R. Simeon, "The Roots of Discontent" in Institute of Intergovernmental Relations (Queen's University) and Economic Council of Canada, The Political Economy of Confederation (Ottawa: Minister of Supply and Services, 1979), p. 181.

13. For an analysis of spending trends in the social policy field, see, Marsha A. Chandler and William M. Chandler, Public Policy and Provincial Politics (Toronto: McGraw-Hill Ryerson, 1979), pp. 178-239.

14. The figures are computed from Table 6, "Government Expenditures by Function, 1965-1976" in R.M. Bird, Financing Canadian Government: A Quantitative Overview (Toronto: Canadian Tax Foundation, 1979), p. 17.

15. *The British North America Act*, Section 9(10).

16. R.M. Bird, Financing Canadian Government, op. cit., p. 18.

17. R.M. Bird, M.W. Bucovetsky, and D.K. Foot, The Growth of Public Employment in Canada (Toronto: Institute for Research on Public Policy, 1979), p. 43. Figures computed from Table 3.2 on p. 43, indicate that federal employment as a percentage of total employment had declined by .4% while provincial employment had increased by .4% between 1965 and 1970. Employment in education and health care had climbed by 1% and by 2%, respectively, in the same period.

18. Ibid, p. 80. Figures computed from Table 5.1 on p. 80, indicate that between 1967 and 1970 the average annual base wage increase had been 7.2%, 8%, and 8.6% for federal, provincial, and health, education and welfare workers, respectively.

19. The Montreal Star, February 15, 1978.

20. Hon. Bryce Mackasey, Unemployment Insurance in the 70's (Ottawa: Queen's Printer, 1970), p. 12.

21. Ibid, p. 18, indicates that the provinces covered from 15% to 53% of their public employees.

22. See pp. 240-241.

23. Quebec, Report of the Commission on Health and Social Welfare, 7 volumes (Quebec: Government of Quebec, 1967-1972).

24. Hon. Bryce Mackasey, op. cit., p. 18.

25. Statistics Canada, Social Security: National Programs, 1978 (Ottawa: Supply and Services Canada, 1978), pp. 386-390, indicate that payments to the Atlantic provinces as a percentage of personal income were 3.2% in 1961 and 1.7% in 1966. The Canadian averages in the corresponding years were 1.6% and .6%.

26. Memorandum to Hon. Bryce Mackasey, August 31, 1970. The remarks were made by Hon. W.J. Keough, Newfoundland's Minister of Labour.

27. UIC, Document on Provincial Reactions, May 30, 1970.

28. During the May 14, 1970, meeting with New Brunswick officials and during the May 19, 1970, meeting with Ontario officials, concern was expressed about the separation of the UIC and CMC.

29. Memorandum from Hon. Bryce Mackasey to the Cabinet, July 20, 1971.

30. Regional boundaries had been created to determine the length of regional benefit phases in relation to unemployment. Ottawa and Hull, Quebec, shared a boundary. Quebec wanted to exclude Ottawa from the boundary so that Hull, with its high rate of unemployment, would have a longer benefit phase. It was agreed that there would be further discussions on the issue.

31. Letter from Hon. Jean Cournoyer, Minister of Labour and Manpower (Quebec) to Hon. Bryce Mackasey, November 13, 1970.

32. Ibid.

33. Quebec, Analyse de livre blanc fédéral sur l'assurance chômage (Quebec: Government of Quebec, January, 1971).

34. The Montreal Star, December 16, 1971.

35. Letter from Hon. Bryce Mackasey to Hon. Jean Cournoyer, Minister of Labour and Manpower, Government of Quebec, December 18, 1970.

36. UIC Commissioner DesRoches, Statement on the Meetings with the Province of Quebec Regarding the Proposal of the White Paper on UI, January 27, 1971.

37. Le Devoir, January 27, 1971, p. 1.

38. Bill 82 was entitled *An Act to amend the Civil Service Act.*

39. Statutes of Quebec (Quebec: Quebec Official Publisher, 1971), Chapter 11, p. 63.

40. J.W. Douglas (UIC), Legal Implications of Bill 82, no date.

41. Memorandum from Hon. Bryce Mackasey to the Cabinet, July 20, 1971.

42. Minutes of Meeting Between Hon. Bryce Mackasey and Hon. Jean Cournoyer et al, August 13, 1971.

43. Ibid.

44. According to a Memorandum from Commissioner DesRoches to Hon. Bryce Mackasey, December 3, 1971, the differences in the calculations were due to three factors. First, Quebec used an experience-rating figure of 1.2 whereas it should have been using a more favourable rating of 1.0. Secondly, the Quebec figures included funds provided to Quebec hospital workers by the federal government under a cost sharing agreement. Thirdly, Quebec was using a higher insurable earnings level than it should have. Thus, the Quebec estimate of costs for 1975 was $21.1 million, $6.5 million higher than the federal estimate.

45. Memorandum from Hon. Bryce Mackasey to the Cabinet, July 20, 1971.

46. Canadian News Facts, November 6, 1979, p. 2223. Intergovernmental Affairs Minister Morin did not refute the figures.

47. Letter from Hon. Bryce Mackasey to the Rt. Hon. Pierre Trudeau, September 10, 1971.

48. Memorandum from Hon. Bryce Mackasey to the Cabinet, July 20, 1971.

49. The school boards and hospital boards reacted cautiously by holding the deductions in trust until the matter was resolved.

50. Le Devoir, December 15, 1971, and December 16, 1971.

51. Canadian News Facts, February 17, 1972, p. 787.

52. Interview PS-10, September 1980.

53. Letter from Hon. A.R. Paulley, Minister of Labour (Manitoba), to Hon. Bryce Mackasey, March 15, 1971.

54. Letter from Prime Minister W.A.C. Bennett (British Columbia) to Hon. Bryce Mackasey, March 15, 1971.

55. Interview with Hon. Bryce Mackasey, March 1982.

56. UIC, Notes for the Hon. Bryce Mackasey concerning the Province of British Columbia, no date.

57. Interview PS-10, September 1980.

58. UIC, Memorandum on Meeting with B.C. Government Employees Union, April 21, 1971.

59. Ibid.

60. New Westminister Times, June 10, 1971, p. 1.

61. Victoria Times, August 16, 1971, p. 1.

62. Letter from Premier Thatcher (Saskatchewan) to Hon. Bryce Mackasey, April 7, 1971.

63. Interview with Hon. Bryce Mackasey, January 1978.

64. Interview with Hon. Bryce Mackasey, March 1982.

65. Interview with Hon. Bryce Mackasey, March 1982, and Interview PS-10, September 1978.

66. Interview with Hon. Bryce Mackasey, March 1982.

67. See pp. 73-74.

68. Interview PS-7, November 1980.

69. Interview with Hon. Bud Cullen, November 1980.

70. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, April 26, 1977, p. 36.

71. Ibid, pp. 45-46.

72. See pp. 113-114.

73. Employment and Immigration Commission, Detailed Impact of the 1978 Changes to the UI Act, November 1978, p. A-2.

74. Canadian News Facts, September 10, 1978, p. 2010.

75. The Montreal Gazette, October 12, 1978, p. 7.

76. Statistics Canada, Social Security National Programs, 1980 (Ottawa: Supply and Services Canada, 1980), pp. 576-577.

77. Interview with Hon. Bud Cullen, November 1980.

78. Ibid.

79. Employment and Immigration Commission, Labour Market Policies, Discussion Paper (First Ministers' Conference on the Economy, November 27-29, 1978), pp. 2-3 and p. 15.

80. Notes for a Statement by Hon. Bud Cullen on the Second Reading of Bill C-14, November 9, 1978, p. 8.

81. Alan C. Cairns, op. cit., p. 706.

82. Richard Simeon, Federal-Provincial Diplomacy: The Making of Recent Policy in Canada (Toronto: University of Toronto Press, 1972), pp. 256-259.

83. Donald J. Savoie, Federal-Provincial Collaboration: The Canada-New Brunswick General Development Agreement (Montreal: McGill-Queen's Press, 1981).

84. Anthony Careless, op. cit.

85. Donald J. Savoie, op. cit., p. 152.

86. R. Durocher, "The Evolution of Canadian Federalism, 1867-1976" in Institute of Intergovernmental Relations (Queen's University) and Economic Council of Canada, op. cit., pp. 384-385.

87. Ibid, p. 385.

88. Ibid, p. 386.

89. George Radwanski, Trudeau (Toronto: Macmillan, 1978), pp. 164-165.

90. J.R. Mallory, op. cit., p. 405, indicates that Trudeau stated that he did not wish to allow provincial governments to "nullify federal income security laws in a province, and divert federal revenues through the provincial treasury to be spent as the provincial government decided."

91. Ibid, p. 405.

92. Interview with Hon. Bryce Mackasey, January 1978.

93. Interview PS-10, September 1980 and Interview PS-16, June 1982.

Chapter 8

Conclusion: The Challenges of the 1980's

The current Minister of Employment and Immigration would likely be among the first to concede that unemployment insurance policy will remain a subject of continuing scholarly and political debate throughout the 1980's. In an opening statement to a House of Commons Standing Committee, which was considering the first amendment to the program of the 1980's, Lloyd Axworthy teasingly predicted that he and his fellow MPs would subsequently "spend many fruitful hours together over the next months and years discussing a topic (unemployment insurance) of some importance."[1] However, the first installment of the anticipated lengthy discussions was exceedingly brief by comparison to the time-consuming deliberations of the 1970's. The Committee's hearings were completed within a few hours. Debate in the House of Commons was rather short. Yet, aside from the brevity of the proceedings on Bill C-3, the process of its development typified the nature of unemployment insurance policy-making activity in the previous decade. The bill was drawn up primarily to satisfy a major imperative of the government and, secondarily, to placate the demands of the electorate as expressed by the best represented political parties.

The conclusion that Banting draws from his analysis of the development of Canadian social security policy is applicable in its entirety to the case study of unemployment insurance policy since 1970:

> Canadian institutions have created a closed,

> secretive policy process in which power is highly concentrated in the hands of policy elites, and this system has had some influence on the development of income security in Canada. In particular, the concentration of power has allowed cabinets and senior civil servants to introduce new programs, often in the absence of compelling public pressure to do so. Indeed, the entire postwar history of income security can be read as a testament to the influence of reformist elites, especially at the federal level. But the importance of concentrated power is easily, and often, overstated. Another reading of that same historical record emphasizes the sensitivity of policy elites to public reactions to policy innovations, especially in areas of exclusive federal jurisdiction. With the partial exception of programs under joint federal-provincial control, our institutions have not frustrated public desires in income security.[2]

"Policy elites" or political leadership assumed the main burden of responsibility in developing unemployment insurance policy in the 1970's. A single cabinet minister, Bryce Mackasey, emerged as an agent of social reform by initiating a revamped social efficiency scheme. Moreover, while Mackasey relied on senior public servants for technical assistance, he tended to dominate the policy-making process. He was required to legitimize the new program to cabinet colleagues, to the House of Commons, and to the electorate at large. This, in turn, required the Minister of Labour to become thoroughly acquainted with all aspects of the plan and to closely scrutinize the social engineering of his public servant experts, that is, to perform the function of what has been identified as surveillance. While the government as a whole was not required to exercise stringent surveillance, it was required to legitimize its amendments to other forces in the policy-making

process. Indeed, surveillance and legitimation, in particular, emerged as the main functions of political leadership in the development of unemployment insurance policy in the 1970's.

Banting also points out that social reform has not necessarily been sparked by public demand. His suggestion holds with respect to the 1971 Act. There was no evidence of public demand for change and there was no apparent public sentiment opposed to change. Nevertheless, Mackasey anticipated an adverse public reaction, rooted in a market ethos. It did erupt in the form of an economic strategy, promoted by members of his own party and by the Progressive Conservatives. However, he managed to deflect opposition by virtue of his personal political prestige and by successful argumentation and persuasion.

Banting's contention that policy elites have also demonstrated sensitivity towards public reaction to policy innovation, holds in this case. Once widespread reaction to the excesses of the new plan did emerge, the government and, especially a guardian of the public purse, the Department of Finance, began a long-term process to modify the 1971 Act. In the process, the initial social security-oriented scheme was diluted and elements of the market ethos-oriented counter-proposal were integrated. The outcome was and remains an employment strategy of unemployment insurance. However, throughout the amending process, the government as a whole never lost sight of its own imperative which was to exercise

spending restraint. This takes us back to Bill C-3 which highlighted the nature of the government's imperative and virtually completed the goal that the government had been pursuing since 1973.

Bill C-3 contained two major provisions: first, the threshold of unemployment at which the government shouldered the costs of benefit payments, was removed. In 1971, the threshold had been set at 4% but in 1976, an eight year moving average, which then amounted to about 5.8%, was substituted. The government decided that it would continue to finance regionally extended benefits but that, henceforth, the costs of initial benefits would be shifted to the private sector through premium contributions. The government's share of unemployment insurance disbursements was to be reduced to 20%. Axworthy did not deny charges that the main purpose of Bill C-3 was to generate savings for the government.[3] Instead, he clearly stated that that was the *raison d'être* of the bill. He indicated that in the forthcoming fiscal year, Bill C-3 would mean that "the Government of Canada will save some $378 million in direct government expenditures, a saving I think members of this House will recognize as very important in this time of very severe restraints on government funds available for other government programs."[4] In short, Bill C-3 was similar to the other three major amendments of the previous decade; its main purpose was not only to curtail program expenditures but to

transfer costs so that more would be borne by the private sector and less by government.

Secondly, Bill C-3 contained an additional provision which allowed for an extension of the compromise reached by all parties in 1978 with regard to variable entrance requirements; claimants would continue to be required to work from 10-14 weeks in order to qualify for benefits, depending on the regional rate of unemployment. This provision demonstrated that Bill C-3 was similar to previous amendments insofar as "policy elites" or the government as a whole, recognized that the bill had to contain a feature which would prevent the total alienation of interventionist-oriented MPs and, at the same time, maintain the support of market ethos-oriented MPs. Again the NDP repudiated, in principle, any tampering with the Act. The PCs welcomed the bill and took full credit for both measures, having long since advocated these specific modifications. Outright opposition from Liberal MPs was not evident. The government had learned a hard lesson from its experience with the 1978 amendment. It had gone as far as it could possibly go in revising the Act. The tenuous balance reached between Liberal social security strategists and economic strategists *via* an employment strategy of unemployment insurance, could not withstand any fundamental changes. At best, the minister sensed that the government could only enact "very necessary and expedient alterations in order *to maintain the continuity of the*

present act."[5] Banting might have added that potential public reaction as well as public reaction articulated by major Canadian political parties, limits the imperatives of political leadership. Thus, one hypothesis that may be drawn from the case study of the development of unemployment insurance policy runs as follows: *the goals and imperatives of political leadership are linked to and constrained by the need to maintain party support.*

Nevertheless, political leadership has been the primary factor in the unemployment insurance policy-making process in over twelve years. While Banting conceptualizes political leadership under the all-encompassing rubric of "policy elites," two types of leadership have been distinguished here: individual leadership with access to powerful political institutions, a cabinet minister, and the leadership of government as a whole. Several tentative generalizations which account for the emergence of either type of leadership, are suggested by this case study. Several hypotheses about the relationship of political leadership to other forces in the policy-making process are also suggested. First, *economic prosperity is likely to facilitate the emergence of individual political leadership while economic recession is likely to require collective leadership.* During the late 1960's the Canadian economy was growing, if not by leaps and bounds, at least gradually. The prosperity of the majority brought the poverty of the few into sharp

relief. A groundswell of interventionism surfaced concomitantly with this relative prosperity and was buttressed by public and parapublic figures who called for state assistance to alleviate unemployment, the main source of poverty. A mood of prosperity combined with a determination to forge a Just Society pervaded government, especially since government revenues were increasing with economic expansion. Respondents repeatedly pointed out that public monies were thought to be available to finance sound policy initiatives. The social efficiency scheme was not expected to draw more funds from the public purse but if it did, the risks were considered to be slight, given the revenues available. Under these auspicious conditions of economic and attitudinal prosperity, individual leadership initiative was encouraged.

Recession and inflation plagued Canada in the 1970's. Slumpflation was widely attributed to the spendthrift policies of government during the previous decade. Thus, a retrenchment of interventionism accompanied by a return to a market ethos, an attitude of restraint towards public activity, was widely held to be the solution to Canada's economic malaise. However, a general policy of restraint was far too broad and all-pervasive for any single minister to undertake. A general policy required the general co-operation of collective leadership. More to the point, reputations for political leadership can hardly be acquired by taking away public goods. Despite

the public's receptivity towards restraint, those who dispense beneficence are more likely to be esteemed than those who must administer distasteful, although perhaps necessary, pecuniary measures.

An innovative policy-making environment is more likely to encourage the emergence of individual political leadership than a routinized environment geared towards policy management. The top down, innovative style of departmental policy-making that Langford claims was characteristic of the early Trudeau years, gave individual ministers ample opportunity to realize their full leadership potential.[6] Ministers were expected to be knowledgeable about the dynamics of their policy responsibilities, to inspire the imaginations of their public servants, and, most importantly, to define new policy goals in light of changing societal needs. In other words, ministers were expected to determine what needed to be done and to get others to do it. The successful minister had no choice other than to be a leader. However, as the effects of innovative policy-making began to exert a strain on the public purse by the mid-1970's, the government as a whole set the parameters of policy-making activity *via* restraint and charged central agencies with greater responsibilities to monitor ongoing program expenditures. Individual ministerial initiative was, henceforth, limited especially since by definition, restraint involves a containment of action. Action, henceforth, involved policy

management.

Individual political leadership manifests certain qualities, determination, an ability to persuade, and self-assuredness, however short-sighted, that are spread more evenly in instances of collective leadership. Respondents repeatedly identified these qualities as the trademarks of Mackasey's leadership. In a speech, delivered in 1980, Mackasey stressed the quality of self-assuredness by asserting that the Employment and Immigration portfolio "requires a minister whose basic philosophy is such that he can stand up to the pressures, not only from outside the government but from within."[7] Respondents also pointed out that none of Mackasey's successor's possessed these attributes to the same degree as did Mackasey. Many respondents, especially public servants employed by the Employment and Immigration Commission, indicated without any prompting, that the government as a whole possessed these same qualities when it came to amending the Act.

Mackasey was not faced with major pressures from within government to scale down the scope of the 1971 Act. There was opposition from one major source but it was easily withstood; Mackasey simply bypassed the stalwarts of the old regime during the policy-making process. However, Mackasey was unable to neutralize intragovernmental pressure especially when the main source, the Department of Finance, began to take firmer control in implementing the government's overall imperative of restraint.

It is significant that the Department of Finance's assault on the plan did not begin until after the white paper had become law. Subsequently, there was not a trace of evidence to suggest that the government was faced with pressure from within during the amending process. Mackasey and the government as a whole successfully attempted to fulfill definite and comprehensive policy goals. Thus, the following hypothesis was presented in Chapter 5: *the fewer the number of alternatives available within government, the greater the power of political leadership.*[8] However, the reverse may hold with respect to private pressure groups.

Mackasey and the government in turn were faced with considerable private pressure group activity. While their support was regarded as a convenience, political leadership rarely acceded to group demands, especially if these demands conflicted with leadership imperatives. The disinclination of political leadership to make concessions to private pressure group demands stemmed from a variety of factors, including the intrinsic nature of the policy itself. First, despite its complexity, unemployment insurance policy remained a symmetrical policy package throughout the 1970's. Its four main objectives have been inextricably entwined. As has been explained at length in previous chapters, any modification of one objective would have simultaneously triggered a host of changes to other objectives.[9] In short, any single change would have opened a

Pandora's box of alterations which might have resulted in a very different policy package. Moreover, a consideration of piecemeal changes on the basis of pressure group demands, would have entailed a consideration of innumerable permutations and combinations of features and objectives; a whole variety of unemployment insurance policy options could have then been assessed. Options may well be invaluable during the early gestation period of a policy at the intradepartmental level. However, when a policy comes up for discussion before cabinet and before Parliament, experience shows that the contemplation of policy alternatives prolongs deliberations and may eventually involve an emasculation of the original policy. Examples abound in the early 1970's; Benson's tax proposals, Basford's competition policy, and Munro's social security proposals are among the best illustrations. Mackasey foresaw the hazards involved in presenting alternatives as did the government when its turn came to introduce legislation pertaining to unemployment insurance policy.

Secondly, unemployment insurance policy has had different impacts on various business groups as well as on various labour groups. For instance, the universal coverage provision proposed in the 1971 legislation, was favoured by groups representing the manufacturing sector but opposed by retail and resource-based industries just as industrial workers were well-disposed towards the measure while parapublic sector workers

were vociferously opposed. In other words, the 1971 Act and the subsequent amendments contained assets for some groups representing organized business, and for some groups representing organized labour, as well as liabilities for others. The policy was never sufficiently narrow so that one sector of business or labour could mount a focused lobbying campaign against the scheme. At best, opposition from organized business as a whole and, subsequently, from organized labour as a whole, was general and their respective inputs, indirect. Business' general opposition was expressed in the rather broad terms of the economic strategists while labour's opposition to the amending process was expressed in the equally broad terms of the social security strategists. Thus, it may be hypothesized that *political leadership possesses a greater amount of power when private pressure groups present a greater number of alternatives*. However, this case study also suggests that the validity of this hypothesis may be linked to the validity of another: *the demands of private pressure groups are less likely to be fulfilled when they conflict with the interests of political leadership*.

The basis of the latter hypothesis is best illustrated by a brief analysis of the amending process. During the amending process the government's financial imperative of restraint became paramount. Schultz remarks that pressure group input in the policy-making process is the norm rather than the

exception.[10] However, the rare exceptions, according to Schultz, typically involve issues such as constitutional and financial matters, in which governments, federal and provincial, are the principal participants. Schultz concludes, "what better way to accomplish such an end than to so structure the process and define the issues as to limit the participation of non-governmental interest groups."[11] His conclusion is intriguing for it suggests that governments can and do establish the key points of dispute in a policy and subsequently devote their energies to solving the problems that they themselves have identified. From the outset, the cost of the plan was the main issue of contention but the government defined costs as its costs, although costs had far wider implications, especially for business. As long as the government took action to reduce costs, although the action was largely directed towards reducing its costs, it could claim to be taking measures to satisfy the concerns of organized business. It could then ignore the demands of organized labour with the general support of organized business. Mackasey similarly ignored the demands of organized business while generating the general support of labour for his imperative of reform. However, in both instances, the demands of their supporters did not take precedence over their own interests, not to mention the demands of their detractors.

Ironically, respondents from the public service and from

pressure groups fully expect that the government's reduced financial commitment will lead to a more direct involvement of pressure groups in the unemployment insurance policy-making process during the 1980's. Respondents argue that as business and labour assume greater direct financial responsibility for the plan, they will secure greater decision-making responsibility for its design and operation. For students of policy science in the 1980's, the argument provides the theoretical challenge of explaining why or why not increased financial participation in a policy provides private pressure groups with greater input.

The provinces, however, would be unwise to harbour any expectations for increased input. Since the introduction of the new plan in 1970, the unemployment insurance policy-making process has been riddled with federal-provincial conflict and yet co-operation is said to be the norm in other policy areas. For example, a recent study conducted by the Economic Council of Canada points out that fiscal arrangements in Canada display a "pattern of overlapping, ambiguity, and interdependence regarding the respective responsibilities of the two levels of government."[12] Despite the legal prerogatives possessed by the federal government to unilaterally alter existing arrangements, the Council concludes that, in practice, "no one level of government has yet dominated the other because each comes to the table armed with *real* bargaining power."[13] In the area of

social security policy the provinces do not always possess real bargaining power because of federal spending power.

In the case of unemployment insurance policy the federal government is armed with the legal right to act unilaterally by viture of a 1940 constitutional amendment. Secondly, since the late 1960's, the federal government has held the conviction that it must provide leadership in maintaining uniform social security standards through its spending power. The recent Parliamentary Task Force on Federal-Provincial Fiscal Arrangements echoed the 1940 *Report of the Royal Commission on Dominion-Provincial Relations* by stating that a majority of its members agreed that the federal government must retain its capacity to exercise leadership in specific policy areas such as social security, which are of national concern.[14] The agreement is reflected in a specific recommendation that "fiscal arrangements allow the federal government to assist new provincial initiatives in social assistance and social services, or permit the federal government itself to provide leadership in new initiatives, as these may be desired from time to time."[15] If the recommendation is adopted another theoretical challenge will be to explain the impact of the new fiscal arrangements on federal-provincial policy-making relations in the field of social security. The case study of unemployment insurance suggests that the federal government accords considerable importance to providing itself with a central role in the field

of social security. It, therefore, might be expected that federal political leadership will continue to adopt a confrontational style with the provinces over such matters. However, it is far too risky to present any hypothesis related to federal-provincial interaction on social security policy given the problems currently encountered by both levels of government in that field.

The major problem faced by both levels of government during the early 1980's has not been related to providing new social security legislation. Both levels of governments have had to cope with greatly increased demands for social services, given the highest rates of unemployment in the postwar era, while simultaneously attempting to reduce social security expenditure in light of mounting deficits. The unemployment insurance program is a case in point: during the first six months of 1982, disbursements skyrocketed to $4.1 billion, the highest half year total ever and 43% higher than the same period in 1981.[16] As a result, the Minister of Employment and Immigration has remarked that in his judgement "the existing system is under such pressure, it is not the time to start making changes to it."[17] The provinces have apparently taken the minister at his word and have, thus, begun to consider means to maintain their own fiscal solvency in the social security realm. The provinces have begun to squeeze funds from the program by the back door in order to restrain expenditures.

Following the federal government's lead, Quebec, for instance, has created temporary jobs with public funds so that unemployment insurance claimants, who have exhausted their benefit entitlements, can work just long enough to re-qualify. Unfortunately, such measures of temporary expedience will do little to help unemployment insurance meet the practical challenges of the 1980's.[18]

Since the 1971 Act was implemented, its labour market and welfare objectives have been a source of considerable controversy.[19] Through the amending process of the late 1970's, the government, subject to its own paramount imperative of cost cutting, has used unemployment insurance funds to strengthen the labour market. The recent intradepartmental task forces on the labour market and on unemployment insurance recognize this contribution but conclude that the program is not an entirely appropriate device to redress structural unemployment.[20] The latter report suggests that "governments carefully consider giving greater emphasis to economic development measures rather than continuing the heavy reliance on income transfers such as UI."[21] In other words, one practical challenge is to develop programs and policies, better suited than unemployment insurance, to stimulate economic development and to reduce unemployment. However, there is another practical challenge: to make the program a more effective income protection scheme in the 1980's. Several administrative changes have been

proposed to realize this goal. These include increasing program equity, reducing complexity, enhancing public understanding of the program and, finally, increasing cost effectiveness.[22] More than mere administrative adjustments may be required in order to make unemployment insurance a more effective income protection scheme and a more effective component of Canada's social security system. A complete review and assessment of the plan in the context of federal and provincial social security programs may well be required.

Prior to 1970, unemployment insurance expenditures constituted less than 1% of the GNP and about 5% of federal government expenditures. Throughout the 1970's, these figures doubled. The program now pays out more in benefits than any other program except old age security.[23] These figures alone suggest that unemployment insurance policy must be better co-ordinated with other social security programs. Although he does not speak on behalf of the department, a senior policy and program development officier in Employment and Immigration argues the case for a review quite succinctly:

> There was some importance placed on the need for harmonizing and rationalizing certain UI amendments in the context of enriching other elements of social security, particularly from 1970 onward. But other than being one of the programs within the system, UI has had only a tangential relationship to it. This is not to say, however, that changes in the design of UI and other income security programs had no impact on each other. To the contrary, the curtailments of the post-1975 period, for example, were seen to have important implications for provincial social assistance.

> Yet despite its magnitude, the UI program has never been fully reviewed in a fundamental way as part of the entire income security system.[24]

However, in the current economic climate of high unemployment, political leadership is unlikely to embark on any fundamental review of the unemployment insurance program. Aside from the basic satisfaction that Canadians have expressed towards the program, any proposed alteration to the scheme might have an unsettling effect.[25] After all, the program does provide a basic test of the effectiveness of the Canadian political and economic system. It seems more than appropriate that Mackasey should be given the last word on this:

> The reason that this country is manageable with high unemployment is that people are *not* without income. The test of any system, whether it is private enterprise or social democracy, is whether or not it can afford to provide its citizens with the basic necessities. Whether we like it or not, basic necessities is a job and in the absence of a job, an income. That is the test.[26]

Footnotes

1. Canada, House of Commons Standing Committee on Labour, Manpower and Immigration: Proceedings, July 8, 1980, p. 2:6.

2. Keith G. Banting, The Welfare State and Canadian Federalism (Montreal: McGill-Queen's Press, 1982), p. 122.

3. Canada, House of Commons Debates, July 18, 1980, pp. 2231-2250. The record shows that Axworthy did not refute these charges during the debate on second reading.

4. Ibid, p. 2232.

5. Ibid, p. 2231. The emphasis is made by the author.

6. John W. Langford, Transport in Transition: The Reorganization of the Federal Transport Portfolio (Montreal: McGill-Queen's Press, 1976, pp. 6-15. See also Robert F. Adie and Paul G. Thomas, Canadian Public Administration: Problematical Perspectives (Scarborough: Prentice-Hall Canada Inc., 1982), pp. 105-106, for a good summary on the Trudeau philosophy of departmental policy-making.

7. Canada, House of Commons Debates, June 19, 1980.

8. See p. 228.

9. See especially pp. 240-241.

10. Richard Schultz, Federalism, Bureaucracy and Public Policy: The Politics of Highway Transport (Montreal: McGill-Queen's Press, 1982), p. 171.

11. Ibid, p. 171.

12. Economic Council of Canada, Financing Confederation: Today and Tomorrow (Ottawa: Minister of Supply and Services, 1982), p. 131.

13. Ibid, p. 131.

14. Donald V. Smiley (editor), The Rowell-Sirois Report, Book I (Toronto: McClelland and Stewart Ltd., 1963), p. 195 and Parliamentary Task Force on Federal-Provincial Relations, Fiscal Federalism in Canada (Ottawa: Minister of Supply and Services, 1981), pp. 37-38 and p. 153.

15. Parliamentary Task Force, op. cit., p. 154.

16. Montreal Gazette, September 1, 1982.

The federal government paid out $6.8 billion in unemployment insurance benefits in the first ten months of 1982. The figure represents an increase of 72% over the same period in 1981. The unemployment insurance deficit is expected to amount to $4.5 billion for 1982. See Montreal Gazette, January 3, 1983.

17. Montreal Gazette, September 2, 1982.

18. In an interview conducted with Yvon Charlebois, Executive Director of Benefits, Employment and Immigration Canada, on CBC's "Daybreak," August 16, 1982, it was noted that the Government of Quebec had announced such a program in July 1982. Charlebois commented that the federal government had set the example by initiating similar programs of short-term job creation for the same purpose, at an earlier date.

19. For a discussion of the issues related to these two objectives, see Derek P.J. Hum, Unemployment Insurance and Work Effort: Issues, Evidence and Policy Directions (Toronto: Ontario Economic Council Discussion Paper Series, 1981).

20. Employment and Immigration Canada, Report of the Task Force on Labour Market Developments in the 1980's (Ottawa: Minister of Supply and Services, 1981); and Employment and Immigration Canada, Report of the Task Force on Unemployment Insurance in the 1980's (Ottawa: Minister of Supply and Services, 1981).

21. Hon. Lloyd Axworthy, Are We Ready to Change? (Ottawa: Minister of Supply and Services, 1981), p. 38.

22. Ibid, p. 43.

23. Gary Dingledine, A Chronology of Response: The Evolution of Unemployment Insurance from 1940 to 1980 (Ottawa: Minister of Supply and Services, 1981), pp. 118-119.

24. Ibid, p. 119.

25. See, Goldfarb Consultants, An Evaluation of Canadians' Attitudes Towards Unemployment Insurance, Canada Employment Centres and Immigration, Research Report for Employment and Immigration Canada, November 1980. The report indicates that Canadians in a ratio of almost two to one approve of the program.

26. Interview with Hon. Bryce Mackasey, January 1978.

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