Labour Education and Training Research Network

The Political Economy of Training in Canada

by

Stephen McBride
Simon Fraser University

May 24-26, 1998
The Political Economy of Training in Canada

The evolution of training policy in Canada is depicted here as the outcome of the policy paradigm dominating general policy-making in a particular period and the specific paradigm prevalent in the labour market policy field.

Training policy has moved over time from a minor sub-set of the education portfolio under provincial jurisdiction, to an adjunct of economic policy with an associated intrusion of federal interest during the Keynesian period, to being rhetorically portrayed as the solution to a wide array of post-Keynesian policy problems including unemployment, competitiveness and national prosperity, to more recently being viewed as an individual and private matter chiefly connected to individual human capital accumulation and thus, from a federal vantage point increasingly obsessed also with the desire to devolve powers in order to assuage the threat of Québec separatism, an exclusively provincial matter once more. As this account makes clear the role for the state assigned by the dominant paradigm has major implications for the location of labour market policy under Canada's federal division of powers.

The last three decades have witnessed the rise and fall of efforts to construct an active labour market policy which would play a key role in maintaining a full-employment economy. These efforts corresponded to the changing fortunes of the economic paradigms which have influenced public policy.

The paradigm most identified with active labour market policy is often termed post-Keynesian: attempts to implement its prescriptions in this sphere continued from the mid-1960s to the early 1990s. In contrast to mainstream Keynesianism, the post-Keynesian view placed far greater emphasis on the scope of structural unemployment, as opposed to the demand-deficient variety, and on the undesirable inflationary consequences of running the economy at very high levels of demand. Both concerns led post-Keynesians to favour an "active labour market policy". Such a policy would contribute to the containment of inflation by enabling aggregate demand to be held at less than full-employment levels while mopping up the resultant unemployment by job creation or, preferably, training programmes to equip unemployed workers with useful and marketable skills. A rotating portion of the labour force would always be undergoing training. The skilled workers produced would ensure that "bottlenecks" in the supply of certain types of labour did not develop. In itself this would reduce inflationary pressures. The existence of a pool of trainees would similarly reduce pressures on demand. And the increased productivity of a highly trained workforce meant, theoretically, that the context could be one of a high wage but low inflation economy.

Second, active labour market policies were well-suited, at least in theory, to deal with structural and regional unemployment. Post-Keynesians believed that structural unemployment increased rapidly in the 1960s and 1970s and that it was not susceptible to demand-side solutions of the Keynesian variety. Supply-side policies such as training and relocation could, however, contribute to a solution.

Both the Keynesian paradigm which preceded it, and the neo-liberal one which came later, assigned only a limited role to the policy area. Under neo-liberalism, however, there is a
different type of active labour market policy as the supports that protected individuals from
the vagaries of the labour market, or enabled subsistence outside it, are stripped away, and
labour is recommodified.

From a Keynesian perspective macroeconomic policy had carried the overwhelming
responsibility for ensuring full-employment, and labour market policy, including training, was
cast very much in a subsidiary role, useful in addressing structural unemployment.

In principle, neo-liberalism, which grew in significance from 1975, and has dominated policy
discourse since the 1980s, represents a withdrawal of the state from direct intervention in the
operation of labour and other markets. At first, however, this was not apparent in the labour
market area. Neo-liberalism's main stated aim is to control inflation, in part through a
reduction in the scale of state spending and intervention. With inflation under control,
unemployment is expected to gravitate to its "natural" level. Full-employment is not an
objective unless it is defined arbitrarily as being equal to the natural rate of unemployment.\(^3\)
Since the theory considers it possible for actual unemployment to be higher than the natural
rate some role may exist for labour market policy such as measures to assist the labour market
to function efficiently and thus enable the rate to drop to its natural level (Robinson, 1986:
383-398). Examples might include providing information, assisting the geographical mobility
of the workforce, providing assistance to specific groups who find it difficult to participate in
the labour market and, possibly, providing training and retraining for workers affected by
structural economic changes. The last point is debatable because the theory, consistent with
human capital theory, posits that employers and prospective employees should share the costs
of training since it is they who derive the benefits from such investments in human capital.\(^4\)
However, there is a potential rationale for state involvement given the transferability of many
skills between employers. In this situation "free-loading" tendencies may develop amongst
employers with the result that insufficient training may be performed from the perspective of
the economy as a whole.

In common with post-Keynesianism, neo-liberalism emphasizes supply-side labour market
measures. However, each posits a different policy and institutional framework to affect the
supply and quality of labour. In this paper they are described as the (post-Keynesian)
progressive competitiveness strategy and the (neo-liberal) strategy of deregulation of labour
markets.

Initially, neo-liberal labour market measures appeared passive, minimalist measures designed
to promote the adjustment of labour supply to the demand for labour. The context was one in
which the economy was driven by market forces and in which there existed no state
commitment to full-employment. However, the neo-liberal approach to the labour market
also takes a restrictive approach to trade unions and collective bargaining, and to the
provision of unemployment benefits.\(^5\) These are seen as impediments to the proper
functioning of the labour market and as driving the actual unemployment rate above its natural
level. Policies designed to eliminate these, and other, market-challenging institutions, and to
enhance the attachment of individuals to the labour market, and their dependency upon it,
have served to redefine the term "active labour market policy". Nowadays the term describes
the integration of social policy with labour market policy, including various training and workfare programmes to decrease individuals' dependence upon the state and increase their dependence upon the market. As a result neo-liberalism has been far from passive in practice.

**Early Development of Training in Canada**

Prior to the 1960's training received little attention from the federal or provincial states. Until World War II the state at all levels was disinclined to positive labour market intervention. Insofar as training policy could be said to exist it consisted of limited support for apprenticeships and active encouragement of the importation of already trained workers through immigration (Doern and Phidd, 1983: 504). Later, the dominance of Keynesian theory and federal-provincial conflicts over jurisdiction explain state inaction. Although Keynesianism was activist policy paradigm, macroeconomic policy, rather than micro interventions, was the most significant instrument for addressing employment related issues.

Until the mid-1960's the federal role consisted of minor conditional grant programmes. The most significant of these were the Vocational Training Coordination Act (1942) and its successor the Technical and Vocational Training Act of 1960 (Paquet, 1976). However, the Technical and Vocational Training Act did represent the "federal government's first tentative attack on economic problems through manpower policy" (Paquet, 1976: 6). The increased activity reflected concerns with structural unemployment associated with the early influence of the post-Keynesian approach to economic policy. The act resembled its predecessor, being based on federal financial support for teaching institutions and contributions towards the costs of training the unemployed. Given the federal government's constitutional responsibility for unemployment insurance the latter was an obvious area for federal activity. In addition, however, funds could be provided to train those in employment who were in danger of losing it. The sums of money were larger and indicated that a higher federal priority was given to training after 1960. Between 1961 and 1968 almost $1 billion was provided, over 70% of it for capital expenditures towards the construction of training facilities (Goldman, 1976: 84-85). The operational part of federal support consisted of funding for apprenticeships and other training programmes including some aimed at students and others at the already employed. The largest, in financial terms, covered the unemployed.

Under federal-provincial agreements the provinces retained control over the location, structure, and administration of training facilities. During the 1960's the federal government became increasingly dissatisfied with these arrangements because of lack of federal visibility and disparities in provincial participation in the programmes (Dupre, 1974: 37-46). Notwithstanding federal dissatisfaction, the programmes did stimulate the creation of public training facilities, provided training to considerable numbers of Canadians, and marked an important stage in the extension of labour market policy.
The Political Economy of Training: From Keynesianism to Neo-liberalism

The development of a post-Keynesian view of economic management in first two annual reports of the Economic Council of Canada meant theoretical support for enhanced labour market policy (Doern and Phidd, 1983: 506-7). These reports "endorsed the need for a middle-level and medium-term supply-side tool to augment the macro Keynesian 'demand management' approaches which invariably operated only in a short term context. The key phrase was 'manpower policy'." The necessity for such a strategy flowed from imperfections in the operation of the labour market (Dupre et al, 1973: 31-2), and the potential role of the new policy area was outlined by the Economic Council of Canada in its first annual review (1964):

"High employment can be sustained without rising prices and a deterioration of the nation's balance of payments only if there is an efficient manpower service . . . Labour market policy, facilitating fuller and more efficient use of manpower must have the status of an important national economic policy integrated with general fiscal and monetary policy."

At that time, therefore, training policy was conceptually integrated within a full-employment approach to the labour market -- a result of the dominant economic policy paradigm.

In 1966 the Department of Manpower and Immigration was established to act as the organisational vehicle for the new policy area. In 1976, the department was reorganised and the Canada Employment and Immigration Commission was created with administrative responsibility for labour market services, immigration, unemployment insurance as well as job creation and training. More recently, these services have been subsumed under Human Resources Development Canada.

Increased federal interest in the connection between training and economic development found expression in the Adult Occupational Training Act (1967) which created the Canada Manpower Training Programme (CMTP). This remained the federal government's main training vehicle until its replacement by the National Training Programme in 1982. Under the CMTP the federal government purchased institutional training mainly from provincial community colleges. Training included academic upgrading, sometimes known as basic training for skill development; language training for immigrants; specialised training for particular skills; and apprenticeship training for a variety of trades. In addition the Department financed industrial training-on-the-job projects.

The bulk of training activities in this period were concentrated in courses purchased from provincial public institutions. Dupre (1973: 123) cites a number of reasons for the emphasis on institutional training: in federal-provincial negotiations the provinces were successful in obtaining a continued federal commitment to maintain referrals to provincial institutions; there were operational problems with training-in-industry projects given the large numbers of small plants and branch plants in Canada; the bureaucracy was inexperienced in dealing with industry on this type of project; and the new government feared that on-the-job training could
easily become little more than a straight subsidy to industry. During the 1970's there was some expansion in industrial training activities, partly in response to criticisms levelled at institutional training by the Economic Council of Canada in its 8th Annual Review (1971). The government, however, remained sensitive to charges that such expenditures constituted an industrial subsidy (cf. Dupre: 128). To this might be added the point that the state at all levels still remained committed to public provision of important social and economic services.

During the 1970's three potential goals commonly were advanced for a more active labour market policy (Goldman, 1976: 8-10). The promotion of economic growth, through helping the labour market function smoothly and through increasing workers' productivity was coupled with the promotion of economic stability to be achieved by smoothing out cyclical or seasonal fluctuations in unemployment, and providing greater equity for individuals or regions by creating job opportunities.

Critics of Canadian training programmes at this period pointed to considerable confusion in the purposes training was supposed to serve. Referring to the early 1970's, for example, Dupre et al (1973: 126) argued that industrial training reflected equity and stabilization concerns and that it tended to function as a counter cyclical income maintenance programme.

In fact Canadian training programmes were not solely aimed at economic growth nor entirely connected to the state's fostering of capital accumulation though many were beginning to argue that they should be. Efforts to make training programmes more sensitive to these demands, and less sensitive to those of equity and counter-cyclical stabilization were well underway by the mid-1970s. The gist of these arguments were accepted by the government following a 1976 joint evaluation of the Canada Manpower Training Program by the Department of Manpower and Immigration and the Treasury Board. The study argued that the economic objective of training required greater emphasis and that provincial allocations should be more closely related to employment opportunities rather than unemployment rates. A number of operational changes were made to ensure that economic reasons for training acquired a higher profile and to tie activities more closely to employment opportunities (cited in Employment and Immigration Canada, Program Evaluation Branch, 1984). Thus one theme in efforts to reform training was that of making it an adjunct of capital accumulation.

In the 1970s training programmes contained efficiency, counter-cyclical, and equity objectives but how effective they were in contributing to them was a matter of growing debate. Criticisms of training were often contained in evaluation reports prepared by consultants for the Department. To give just one example, an evaluation of the Canada Manpower Industrial Training Programme revealed that only 10 per cent of the trainees were trained in occupations specifically identified as being in shortage in that year. A further 14 per cent were trained in occupations in which both shortages and surpluses existed. Special needs and female participants tended to be disproportionately trained in surplus occupations. Further, when asked what they would have done in the absence of the programme, 53 per cent of employers answered that they would have trained anyway; only 22 per cent indicated that they would not have been able to train and that this would have resulted in reduced operations or postponed expansion (Employment and Immigration Canada, Programme Evaluation Branch, n.d.). If
accurate, the incrementality of the programme was thus quite limited and much of the money spent must have represented a windfall subsidy to employers rather than an essential support to their training efforts.

The entire training area came under rather rigorous scrutiny in a series of reports in the early 1980's. In terms of the discussion in earlier chapters, such reports represented efforts to make the case for changes in policy orientation and can be understood as a form of ideological preparation for departures in policy. The outcome was a number of changes in the policy area, beginning with the 1982 National Training Act, and continuing through to the implementation of the Canadian Jobs Strategy.

Reforms to Training Programmes

In the early 1980's three major assessments of Canadian labour market policy were conducted (Allmand, 1980; Dodge, 1981; Economic Council, 1982). Though differing in a number of respects, the reports shared a critical attitude towards the effectiveness of Department of Employment and Immigration's training programmes.

The Allmand Report concluded that many of the Department's activities "tended to focus on the short-term reduction of unemployment rather than on the long-term creation of productive employment" (p. 52). The committee considered that too many training programmes were directed at occupations for which there was little demand, and that much of the spending was related to provincial unemployment rates rather than to the actual demands for skills. In effect, the use of training as a Keynesian stabilization mechanism was attacked. The report (Ch. 7) called for increased priority to be given to on-the-job training -- a proposal that, if implemented, would enhance provision of training by the private sector.

The Economic Council of Canada charged that training programmes had "tried to serve both efficiency and equity considerations to the detriment of both". In particular the Economic Council (pp. 84-86) argued that programmes under the Adult Occupational Training Act had been highly sensitive to regional unemployment patterns, and that they were especially sensitive to the Maritimes and Quebec. This meant that training was concentrated in regions with relatively low employment growth. In addition the programmes, especially those involving institutional training, tended to concentrate on training the already unemployed. In the Economic Council's view this resulted in a failure to develop those skills which were in greatest demand.

In policy terms, the Dodge report, Labour Market Development in the 1980's, is generally regarded as the most influential of the three (see Blair, 1984: 82-5). Many of its recommendations found a place in the National Training Act and National Training Program (NTP). The report called for increased training, carefully focused on providing higher level skills for which there was demand by employers (pp. 205-6). Consistent with the government's overall restraint policy the report argued that better utilisation of existing expenditure levels would be adequate to meet training needs in the 1980's. The report recommended that job creation projects should contain elements of basic skills training. Thus...
institutional provision of this type of training would be reduced. Federal spokespersons argued that provincial training institutions were slow to respond to new demands and rigid in opposing cancellation of courses for which demand might no longer exist (Interview, Employment and Immigration Canada official).

The implementation of measures reflecting the Dodge report's orientation in the National Training Act led a member of the Ontario Manpower Commission (Wolfson, 1983: 147) to argue that:

"There has been a marked departure in the federal approach to the training system, moving from a focus on the needs of the unemployed for training to the manpower requirements of employers. It is now the key instrument of manpower policy rather than an adjunct of income maintenance policy".

The extent to which previous training had catered to non-economic goals was probably exaggerated. What was unmistakable, however, was the increased emphasis on meeting the needs of employers.

The National Training Act came into effect in August 1982. Under the 1967 Adult Occupational Training Act the objectives of training had been: (i) to provide industrial workers with the skills required to increase their employability and/or earning capacity; and (ii) to help satisfy the needs of industry for suitable skilled workers. An internal evaluation (Employment and Immigration Canada, Programme Evaluation Branch, 1984b: 1) noted that the training objectives of the National Training Act were virtually identical except that "the order of the two objectives has been reversed indicating the change in emphasis brought about by the new national training policy".

Under the National Training Act support for training was to be given in three ways. First, the federal government would continue to purchase training courses from provincial colleges and training schools. But the government would give higher priority to meeting existing and future skill shortages and it emphasized that apprenticeship and skill training would receive the major portion of the institutional budget. In practice this did produce a somewhat higher proportion of trainees in these categories, as compared to those in language and basic skills training, in 1982-3 and 1983-4. But the impact of this reorientation was neither dramatic nor sustained. In 1984-5 the proportion fell again to its lowest level in a decade (McBride, 1992: 135-7).

Second, industrial training was to be completely restructured. The intention was to reduce low-level skills training and to focus instead upon high level skills and skills in demand. The government was prepared to sign contracts with employers and associations of employers to assist in training their employees. A trend to privatization of training had begun. Financial support of up to 100 per cent of direct training costs plus wage subsidies for trainees would be made available. Third, the federal government would provide financial assistance to training institutions through the Skills Growth Fund. These funds were to facilitate training for
designated national occupations and to overcome employment barriers for disadvantaged
groups. The Department's overall assessment of the National Training Act was that under it:

"training programmes are oriented to meeting economic rather than equity
objectives. The legislation seeks to ensure that industry will have access to the
skills required for expansion and technological change; while allowing
individuals the opportunity to acquire the skills they need to be more
productive and to compete in the labour market. It also seeks to provide
women, natives, and the handicapped with greater access to employment"
(Employment and Immigration Canada, Programme Evaluation Branch, 1984:
12).

The effectiveness of the new training programmes were evaluated in two consultants' reports
presented to the Department in 1985. Industrial training received a generally positive
assessment in terms of its relevance to employers' needs and economic objectives (ABT
Associates, 1985b). On the other hand the evaluation of the institutional training component
was rather negative. In particular the study concluded that the programme's contribution to
eliminating skill shortages was inadequate. For example, in one programme fewer than 11 per
cent of trainee starts were in shortage occupations and about 65 per cent were in occupations
estimated by EIC to be in surplus (ABT Associates, 1985b: 164). Further, the study was
inconclusive about the gains in employability and earnings experienced by programme
participants.

The management response to this report was an enthusiastic endorsement of the criticisms and
a claim that the new Canadian Jobs Strategy was a more appropriate way of meeting training
objectives:

"Through extensive scrutiny of decisions with respect to occupations in
shortage, the systematic involvement of employers, employees and provincial
institutions in the decision-making process, and the greater reliance on market
forces to direct the decisions we will ensure a greater relevance of our training
to the labour market. The evaluation was timely and thorough. It served as a
tool in re-shaping the programme thrust under CJS and in doing so constitutes
a milestone in the search for the most effective approaches to the task of
providing the workforce with needed skills."

In fact there were grounds for believing that the Department focused on those aspects of the
report which justified the Conservative government's new departure in labour market policy.
The report, for example, had noted (pp. 146-7) that over 40 per cent of trainee starts were in
the 30 occupations projected to show the highest rate of employment growth in the 1984-92
period. Further, the finding that the majority of training was done in occupations in which a
surplus existed was heavily qualified. The consultants reported, for example, that use of a
more detailed occupational classification scheme might alter the ratio of training in
surplus/shortage occupations. In addition, their comments were only valid at the national
level - occupations in surplus at the national level might be in shortage at the provincial or regional level. Most importantly, they pointed out that:

"Record post-war unemployment rates meant that most occupations will be classified as surplus. The skill shortage objectives of [institutional training] will be more difficult to achieve in a depressed macroeconomic environment" (p. 184).

Such findings might have justified a rather more supportive assessment of institutional training within the Department. The actual response can be explained largely in terms of the policy paradigm of the new government with the consultants' report being used to ideologically legitimate the new approach. Asked about the perceived failures of previous training programmes, one official replied:

"Personally, I feel it was because of different political philosophies. The reason previous programmes were found not to work was because the philosophy became different - more private sector/less government. It definitely affected the way the CJS developed. (Interview, Department of Employment and Immigration Official, March 1988)


The new government's initial policy statements placed considerable emphasis on a new labour market strategy which was called the Canadian Jobs Strategy (Employment and Immigration Canada, 1985). The Minister of Employment and Immigration, Flora MacDonald, claimed that the strategy was "a complete redesign of the government's labour market programmes and a fundamental change in the way we develop and invest in our most important resource - the people of Canada" (p. 1). Criticisms levelled at previous labour market policy included: its failure to coordinate or support provincial or private sector efforts; lack of regional or community flexibility; complexity; its concerns with short-term counter-cyclical problems rather than fundamental structural issues; and its separation of job creation from job training which resulted in make-work projects that produced neither marketable skills nor real employment opportunities (pp. 3-4).

In reality the main attributes of the Canadian Jobs Strategy were decreased funding for training, dilution of the quality controls upon training, and gradual privatisation of the delivery of training. In these respects the CJS was a precursor of Liberal training strategy after the restructuring of the unemployment insurance system in 1996.

At the time the Canadian Jobs Strategy was announced, institutional training agreements were still in force with the provinces. The government committed itself to integrating institutional training within the Canadian Jobs Strategy as new federal-provincial agreements were negotiated.
Even if the Canadian Jobs Strategy did not represent a "fundamental change" from its predecessor there were some significant changes (cf. Montgomery, 1986: 37-8). The tighter connection between training and job creation was certainly one of these, as was the overwhelming emphasis on training and upon development of human capital as part of job creation. Earlier generations of job creation programmes had emphasised community benefit. The new focus was consistent with the individualism which was an integral part of the government's neo-liberal ideology. Similarly, the new programmes placed a far greater premium on private sector involvement and direct assistance to business. These aspects of the Canadian Jobs Strategy led some to contend that it helped restructure the labour market by encouraging individual employees to "retool" and adjust themselves to the type of economy being generated by increased international competition and technological change.

For some participants in this policy area the new departure in labour market strategy looked much more like "an exercise in expenditure reduction" (interview with Manitoba official, February 1987). This, too, would be quite consistent with the ideology of the new government but in a somewhat different way from that envisaged in the first scenario. There is no doubt that labour market expenditures in absolute and, especially, in relative terms fell following the introduction of the Canadian Jobs Strategy.

There was little doubt in the minds of provincial officials that these results were the object of the exercise. An Ontario official recalled that just after the Conservatives came to office in Ottawa the Neilson Task Force was established to evaluate all government expenditures. Its report as far as the labour market was concerned consisted, in this official's view, of proposals to "plunder" the area in order to effect financial savings. (Interview, April 1987) Neilson (1985) considered that the federal government was over-investing in institutional training and recommended substantial cut-backs (pp.17-18).

Within an overall context of declining expenditures on labour market policy, a trend perfectly consistent with the government's basic economic strategy, a number of subsidiary themes stood out. These included privatization and a concern to more closely integrate unemployment insurance and other forms of income support with training programmes. First, the federal strategy de-emphasized institutional training in provincial community colleges and placed increased emphasis on training in and by the private sector. Second, the form of delivering training and job creation projects under the CJS resulted in greater emphasis on direct payments to the private sector. Many critics of the CJS have argued that rather than being fees for services provided (i.e. training) these sums amount to little more than subsidization of the private sector. Third, the federal government attempted to make greater use of unemployment insurance and Canada Assistance Plan (CAP) funds to serve labour market purposes.

The Federal government's wish to increase the role of private sector training clearly posed a threat to provincial institutions which had formerly exercised almost exclusive "selling rights" of training to the federal authorities. The new federal priorities were reflected in the negotiations for new federal-provincial training agreements.
The Agreements established two main mechanisms through which the federal government purchased training. Under direct purchase arrangements the federal authorities purchased training directly from community colleges. Under the second and new mechanism, indirect purchase, the federal government provided funds to third parties who might purchase training either from the colleges or from private trainers. Two distinct mechanisms existed within the new option: purchases might be arranged by Community Industrial Training Committees on the one hand, or by other third parties such as employers or non-profit organisations on the other. From the federal government's perspective training organised through the indirect purchase option would increase the relevance of training to local labour markets and to the private sector.

The new mechanisms had the potential to undermine the training activities of the provincially funded community colleges. The Department of Employment and Immigration (1987: 17) rejected such an interpretation and denied that the shift to private sector training was particularly radical although it conceded that 30% of the agreements under the strategy were with the "for-profit" sector and that these accounted for 40% of all CJS participants. Clearly this represented a significant shift within a declining expenditure item.

While the rhetoric surrounding the introduction of the Canadian Jobs Strategy certainly encouraged the interpretation that federal training policy was serious about radically increasing the skill of the workforce in the face of increasing international competition three factors tended to undermine this view of the way the CJS functioned. They were the cuts in expenditure which have already been noted, the doubtful quality of much of the training, and the reductions in spending specifically targeted on high level skills training in the private sector (as opposed to payments for training of more dubious quality).

Much of the evidence on the quality-of-training issue is impressionistic or anecdotal but the following points seem to indicate that much of the training was of poor quality. The responsibility for attesting and monitoring the quality of training rested with the provinces. Attesting referred to the process of advance examination of third party training plans in order to ensure they were of adequate quality. Monitoring referred to checking whether training took place in the specified manner. In terms of training performed in provincial institutions regular procedures existed for quality control of the training product. But what of the situation with private sector training which received increased emphasis under the CJS? Under the federal-provincial training agreements provincial responsibility for this function was recognised and some provisions, which varied from programme to programme, were in place for this to occur. But provincial officials reported that they received copies only of some training plans and, given federal reluctance or refusal to pay for more intensive assessment, these received only a very simplified paper review (interview, Manitoba official, February 1987). According to a consultants report commissioned by the Ontario Ministry of Skills Development, the province received only 27.6 per cent of the training plans which the federal authorities were required to file with the province for attestation. This was not sufficient to ensure quality training (Impact Group, 1987: 24-25). Similarly only about 2.5 per cent of training contracts were monitored.
This of course does not prove that the training provided was of poor quality. It simply means, since Federal monitoring was confined to the financial and programme management aspects of projects, that no one knew how good the training was. This ignorance is sufficient to demolish the argument that the CJS aimed to bring about major improvements in the skill level of the Canadian workforce. If this were the serious objective, monitoring and assessment would have played a major part in the strategy.

The Experiment with 'Progressive Competitiveness: A Sub-Theme of the Mulroney and Chrétien governments

The progressive competitiveness strategy (see Albo, 1994 for an analysis and critique) can be viewed as resting on a social version of human capital theory. Its antecedents lie in the early 1980s reports that were critical of existing training. But while those reports called for training to be more finely calibrated with the needs of employers, the progressive competitiveness strategy articulated a broader vision in which the common interests of labour and employers lay in upgrading the skills level of the workforce. For labour the attraction of the argument was the comparative advantage which, it was claimed, a highly skilled workforce would confer. By this means high wages could be maintained because they would be based on a high skill, high value-added, high productivity economy. Neo-corporatist institutional arrangements -- reflecting a "partnership" between business, labour and government -- were viewed as mostly likely to facilitate labour force development.

Neo-corporatism originated as a means of sustaining full-employment while restraining inflation through voluntary wage controls (see Panitch, 1980; McBride, 1983). In the late 1980s it enjoyed a revival as a means of enlisting the support of key economic agents in the drive for competitiveness. Increasingly, training, retraining and labour adjustment were identified as the policy areas crucial to increased competitiveness and where the fruits of partnership may be most productive. The approach presumed a continued involvement on the part of the federal government, unlike the deregulation strategy, which was consistent with federal withdrawal from the area.

In Ontario, the Premier's Council (1990) was the chief advocate of the progressive competitiveness approach and it also had indigenous roots in Québec and British Columbia. In other provinces it tended to be federally induced, if present at all (Haddow and Sharpe, 1997a: 6-9). At the federal level the approach was reflected in the Labour Force Development Strategy. Rhetorically, at least it was alive and well federally as late as the 1993 election, though displaced shortly thereafter by the deregulation strategy, and in Ontario until the defeat of the Rae government in 1995. The change of government in Ontario led to the abolition of the Ontario training and Adjustment Board in 1996, and equivalent boards were by then defunct in most other provinces. Even in Québec where the approach had greater success than elsewhere there were doubts about the government's long-term commitment to the Québec board -- the sociétié québécoise de développement de la main-d'oeuvre or SQDM (Haddow and Sharpe, 1997b).
In April 1989, the Conservative government announced a new Labour Force Development Strategy which would extend developmental uses of the unemployment insurance fund. Approximately $1.3 billion was to be saved by tightening unemployment insurance regulations. Of this, $775 million was to be appropriated for training purposes and was to be administered on the advice of a Canadian Labour Force Development Board dominated by business and labour representatives (Mahon, 1990).

The basic thrust was continued in the Liberals' 1993 election manifesto -- the Red Book. That document maintained that, in the new economy of the 1990s,

"it is the information and knowledge-based industries with their new products, new services, new markets for both old and new products, and new processes for existing businesses that are providing the foundation for jobs and economic growth... comparative advantage now hinges...on our technological prowess - on the sophistication of our infrastructure, our ability to innovate, and, most important, the education and skill levels of our population" (Liberal Party, 1993: 29).

In the area of workplace training, the new strategy reflected the global conventional wisdom that too little training was being performed. It encouraged more private sector training and cooperation between labour, business and the provinces to increase the volume of training performed. To ensure that the expertise of labour market partners was procured, and that the right sort of training was provided, it proposed to transfer greater authority to community training boards which, it was felt, could best advise on appropriate training ventures and promote a training culture.

Some of the impetus to revived federal interest in labour force development partnerships came from the Free Trade Agreement with the U.S. and from analysis of the impact of globalisation on state capacity. According to the influential Robert Reich (1992) one of the few economic functions left to the nation-state in a globalized economy was human capital development. There was a perception in Canada that the Americans did more training. Regardless of the accuracy of this view, the agreement was expected to trigger major restructuring and adjustment problems. And the federal Labour Force Development Strategy was a response (see Mahon, 1990). Within the Department of Employment and Immigration it was felt that spending reductions from the Consolidated Revenue Fund, that had occurred under the Canadian Jobs Strategy, needed to be reversed. Since restoration of such funds was impossible the government turned to the Unemployment Insurance account. Substantial sums were released in this way and, in the words of a former EIC official: "If you are going to free up money on that sort of scale, how are you going to decide how to spend it? The customers should have a say -- business, labour, the education sector, etc." (interview, July 1996).

The Canadian Labour Force Development Board -- made up of twenty-two voting members: eight from and chosen by business, eight from and chosen by labour, two from the education and training community, and one from each of four equity groups -- was established as a result. Though technically advisory, the federal government initially indicated that in spending
developmental UI funds it would treat consensus advice from the CLFDB as virtually binding. The reality was more ambiguous than this and by 1995 this privilege had been revoked by the government. Beyond developing consensus between the labour market partners, reinforced by the accountability of board members to their constituencies through ‘reference groups’, the CLFDB was to act as an advocate for training. It was also involved in establishing provincial and local equivalents in a number of provinces. In some of the larger provinces, Quebec, Ontario and British Columbia, parallel developments resulted in the creation of provincial boards designed to provide advice or to deliver labour market programmes. The key feature from the point of view of the present project, however, was the integration of the labour market partners into decision making about labour market programmes -- still technically advisory at the federal level and in most provinces, but with formal control of the programmes in Ontario and Québec (Haddow, 1995: 208).

The Ontario Training and Adjustment Board (OTAB) emerged from ideas developed under the Liberal government by the Ontario Premier's Council (see Drache, 1992: Part 1) and adapted by the NDP government elected in 1990. The main institutional manifestation of the new approach was OTAB. It involved various labour market ‘partners’ -- unions, businesses, equity groups -- in a decision making role in the operation and design of labour market programmes. The rationale of its governmental sponsors was that such arrangements were essential to develop the competitiveness necessary to sustain high value-added, high wage employment.

Another development in labour-business-government cooperation, promoted by the federal government, was sectoral councils that sought to build on common interests, particularly regarding training and adjustment issues, that were specific to a particular industrial sector. Examples included the Canadian Steel and Employment Congress (CSTEC) at the national level. Its mandate includes non-collective bargaining issues relevant to the sector, including services to facilitate adjustment, training and trade. In Quebec, a similarly structured body (i.e., equal representation from business and labour and a mixture of federal, provincial and private sector funding) operates in the aerospace sector. In Ontario, though this council was intended eventually to be national in scope, the Automotive Parts Sectoral Training Council (APSTC) had responsibility for training the employed workforce, including the design, development and delivery of curricula.

The neo-corporatist revival, the related concept of labour force development, viewed as a collective or social approach to human capital formation, and the notion that business-government-labour collaboration in training represented the route to a high wage high value added competitive economy have all fallen out of favour in recent years. They have been superceded by an embrace of the deregulation of labour markets approach that many associate with the OECD Jobs Study.

The Canadian Labour Force Development Board has seen its budget and staff cut. Government no longer seeks its advice on how to spend unemployment insurance developmental uses funds. Far from adopting the CFLDB's consensus view that a "seamless and coherent" system of adjustment and labour market programming be adopted, the Chrétien
The government has opted to devolve much of the labour market area to the provinces -- a move that will surely increase policy fragmentation. As with earlier experiments with macroeconomic neo-corporatism in Canada, business disinterest appears to have played a major role. A former senior official attributed the CLFDB's problems to lack of business commitment to multipartite processes (Interview, July 1996).

Business hostility to OTAB was cited by a number of government officials and labour representatives as an explanation of its abrupt cancellation by the Harris government. A provincial official commented that "After Harris, business had the feeling that it didn't need to cooperate and could have what it wanted. They stopped cooperating." Even earlier, while OTAB was still operating, business's participation was marred by the calibre of its representatives. The official, by no means uncritical of labour's participation on OTAB, or of OTAB's structure itself, continued: "The members of the business caucus were essentially third stringers ... they weren't secure in negotiating and had trouble with the strategic view. They were small-minded and got into scraps. They set an organisational culture in place that was very hard to overcome" (Interview, July 1996). Indeed, the failure of both labour and business to appoint first rank representatives to the labour force development boards has been cited as one reason for their subsequent failure (Haddow and Sharpe, 1997a: 11-13).

Federal enthusiasm for provincial labour force development boards may also have waned -- a CFLDB staff member worried that those provincial boards that were heavily dependent on Ottawa's funding would not survive devolution and the decimation of consolidated revenue funds for labour market purposes (Interview, July 1996). Events seem to have borne out this concern.

Even sectoral and local labour force partnerships -- generally regarded as the most promising and successful venue for business-labour cooperation on labour force issues -- have an uncertain future. Despite the abolition of OTAB, Local Boards are being established in Ontario. However, this development, originally intended to be Canada-wide, will be confined to Ontario (Interview CFLDB official). Several respondents speculated that the local boards would wither as federal withdrawal from training proceeded. Similarly, labour representatives noted the withdrawal of the Auto Parts Manufacturers from the APSTC (Interview CAW staff member, July 1996), ambivalent federal evaluations of CSTEC, and the uncertainty of funding for all sectoral councils. The evaluation of CSTEC is particularly troubling for advocates of sectoral councils since it enjoys a positive reputation. The evaluation concluded that purely in terms of 3-4 year direct labour force outcomes, CSTEC was less cost effective than alternative adjustment mechanisms and drew the policy lesson that transferring responsibility for labour market downside adjustment to industrial sectors could lead to activities that were not cost-effective (HRDC 1994). In the worst case scenario -- complete federal withdrawal from this area -- sector councils that are national in scope will be faced with negotiating with ten provincial governments that have varying degrees of commitment to training and adjustment (Interview Sector Council official, July 1996). While the major academic assessment of sector councils concludes that they represent a successful experiment it also demonstrates the fragility of many of the sectoral arrangements (Gunderson and Sharpe, 1998).
Towards deregulation

According to the 1993 election platform of the Liberal Party, the Red Book, government's role in the new global economy would emphasise labour market policy as a tool of economic development and competitiveness. In an early speech to the House of Commons Lloyd Axworthy, the Minister of Human Resources Development, outlined an approach that linked social security, labour market policy and education to the economy (Axworthy, 1994a). Axworthy interpreted the election result as an overwhelming mandate to use the tools of government to put people back to work -- "No more passivity, indifference or avoidance. The message was clear. Jobs was the issue, and they [the electorate] wanted action." In devising his "Action Plan", however, the Minister emphasized the structural nature of some of the high unemployment Canada was experiencing, the need for structural measures, including a refocusing of the income security and labour market policy systems, and greater coordination between orders of government in order to restore employment as the central goal of economic policy. In criticizing the failures of existing social programmes -- continued unemployment, poverty and illiteracy, duplication among government programmes -- Axworthy sought to distance his proposals from the "slash and trash" variety. However, this can best be construed as an attempt to put a 'left' Liberal spin on a neo-liberal agenda, for the purpose of social policy reform would be to remove perceived disincentives to individuals to seek or firms to create employment, promote the employability of those receiving various forms of social assistance and of those who were in transition from school to the labour market, and to maintain an essential social safety net, while searching for more efficient means of delivering programmes. These themes, all hallmarks of neo-liberalism, were developed further in Agenda: Jobs and Growth (Canada 1994), the "Green Book" which began to reformulate the argument of how comparative human capital development might confer a comparative advantage on Canada. According to this theory countries would be successful in creating jobs to the extent that they were able to attract investment, international as well as domestic. To create jobs in sufficient quantities, the Green Book argued, Canada must become an "investment magnet. Key to this is to overcome Canada's 'skills deficit' -- to offer the best-educated, best-trained workforce in the world" (Canada, 1994: 10). Rather than suggesting an expansion of the education and training systems, however, the focus was on reforms to the social security system. The document stressed repeatedly that the best form of social security came from having a job and that in the context of structural unemployment caused by technological innovation and global pressures, existing social programmes were ill-suited to deliver this result. Indeed they served as an obstacle to labour market adjustment. Thus the way was set for a coercive integration of social and labour market programming.

The Green Book argued that the existing system of passive income support was geared to an environment where rapid change was the exception rather than the rule. From this perspective long-term unemployment and the phenomenon of "repeat claimants" of unemployment insurance benefits were indications that the system was failing to enhance the employability of those concerned. Other failings included inadequate attention to the needs of children, creation of dependency among those receiving social benefits, lack of coordination and too much duplication, and an approach that leads to social services being considered as a cost
rather than an investment (Canada, 1994a: 21-2). To remedy this situation reforms were outlined in the labour market and social policy spheres.

A central aspect of labour market policy reform, according to the government, should be an improved system of employment development services designed to help individuals adapt to labour market conditions and hence enhance their employability. Various measures -- more labour market information, better provision of basic skills such as literacy, and more training, especially workplace training, and innovative job creation mechanisms -- could contribute to these ends. Thus the original emphasis on a high skills environment to serve as an investment magnet drifted into a redesign of social programmes to limit social assistance and expose its recipient to the rigour of labour market imperatives.

The Green Book proposals were referred to the House of Commons Standing Committee on Human Resources Development. The Committee held meetings across Canada and presented its final report in January 1995. The Report (House of Commons, 1995: 79-80, 91-2) recommended a greater role for the private sector and provinces in the design and delivery of training programmes. The main federal role envisaged by the committee was in ensuring portability through national standards, and, in cooperation with the provinces and labour market partners, to improve information flow within the labour market. The report argued that the unemployment insurance system should be tightened further through reductions in benefits and/or increased eligibility requirements. Within this context there were recommendations to extend coverage to the contingent workforce. For the longer-term, the committee suggested that the linkage between the UI system and lifetime attachment to the labour force be tightened -- a proposal that found expression in the 1996 reforms to the unemployment insurance system.

Finance Minister Paul Martin's 1995 Budget speech ratified the government's reversal of priorities from those that had been presented in the Red Book: "This government came into office because it believes that the nation's priority must be jobs and growth. And it is because of that, not in spite of that, that we must act now to restore the nation's finances to health" (Martin, 1995a: 2). In short, deficit reduction would outweigh all other priorities. Labour market policy themes surfaced several times in the budget speech. Greater emphasis was to be placed on ensuring that the unemployment insurance system, which was to be reduced by a minimum of 10 per cent within a year, actively helped the unemployed get back to work: "a key job for unemployment insurance in the future must be to help Canadians stay off unemployment insurance" (Martin, 1995a: 16).

The focus of labour market policy was to be on increasing the employability of individuals. However, this was to occur in a context of less spending. Over a two year period spending at Human Resources Development was projected to decline by some $900 million -- a reduction of well over 30 per cent and the highest reduction of any social policy department (Martin 1995a: 30). Restructured programmes would focus on four areas (Martin, 1995b: 110-111):
(i) employment development services such as needs assessment, counselling, literacy and basic skills training, workplace training and experience, child care support, and earnings supplementation;
(ii) improved labour market information to match skills to jobs;
(iii) a national adjustment strategy making greater use of sectoral councils to facilitate change; and
(iv) assistance to the disabled to help them participate more in the labour force.

Given the spending cutbacks, some of the funding shortfall would be made up from unemployment insurance funds: "Funds will be channelled from those aspects of the (unemployment insurance) benefit structure that create dependence and stifle the economic energy of the country to investments in people to make them more employable" (Martin, 1995b: 55-6).

**Labour Market Policy in the Neo-liberal Era: Labour Force Deregulation as an alternative to Progressive Competitiveness**

Reviewing the evolution of Canadian labour market policy we can see that it falls into four broad periods: a period of rather limited activity which lasted until the mid 1960s; a period of increased state intervention, in which programmes multiplied, that lasted through the late 1980's; from the late 1980s to the mid-1990s, an attempt at creating neo-corporatist training in the name of achieving a high value-added competitive economy -- this was a major goal of the Labour Force Development Strategy and institutions like the Canadian Labour Force Development Board and its provincial equivalents; and labour market deregulation which is the current approach and which is the focus of this section of the paper.

Throughout the earlier periods the active components of labour market policy were underpinned by a relatively generous system of unemployment insurance -- one that was often criticised for its generosity and passivity. The most recent period involves federal withdrawal from the training sphere, radical restructuring of the (now renamed) employment insurance system which, in terms of cushioning individuals from the effects of unemployment, is a pale image of its predecessor, and the transfer of responsibility for active employment measures to the provinces. It thus appears that the short-lived period of neo-corporatist labour force development is over and has been replaced by labour force deregulation.

This conclusion is confirmed by the contents of the Employment Insurance Act 1996. Its hallmarks are devolution of responsibility to the provinces, privatization of training, use of exclusively employment insurance funds for federal contributions to training expenditures, expenditure reduction, and dilution of training quality. Several of these attributes had been features of the Canadian Jobs Strategy. In the present case, however, these are accompanied by a radical pruning of the income security provisions of the (un)employment insurance system.

In May 1996 the federal government proposed to transfer to the provinces the responsibility for active employment measures funded through the Employment Insurance account.
Moreover, the clientele who might access such programmes was for the first time extended to include people not currently drawing benefits from the unemployment insurance account. Such measures would include wage subsidies, temporary income supplements, support for self-employment initiatives, partnerships for job creation and, where provinces request, skills loans and grants. Provinces that assumed responsibility for delivery of active measures could also opt to provide labour market services -- screening, counselling, placement -- currently delivered by the federal government. The proposal also involved federal withdrawal from labour market training over a three year period, or sooner if provinces wished. The federal government would no longer be involved in purchase of training, funding apprenticeships, co-op education, workplace-based training, or project-based training (HRDC, 1996a, 1996b).

Under Part II of the Employment Insurance Act, some $2 billion would be available for active measures directed to claimants and some former claimants of unemployment insurance. The pool of clients to be served by the devolved programmes would expand if EI coverage rates remained constant. Given an actual decline in coverage, however, it is likely the pool will shrink, though there will no fiscal advantages to the provinces, since those individuals not covered by EI will require provincial social assistance, and a declining pool might stimulate future reductions in federal funding. Provincial officials pointed out that the federal motive in devolution clearly is cost-saving and this is a major concern for the provinces (Interview, BC official, March 1998).

Three types of active measure were to be transferred to the provinces immediately. These were targeted wage subsidies, to aid employers in hiring and thus providing on-the-job experience; self-employment assistance to help individuals start their own businesses; and job creation partnerships with provinces, the private sector, and communities. Two other programmes were to be pre-tested: targeted earnings -- wage top-ups to encourage the unemployed to accept low paid jobs; and skills loans and grants, which would be implemented only with the consent a province. Under this programme funds would be made available so that individuals could choose the form of training best suited to them. It rests on the observation -- disputed by some provincial officials (Interview, BC official, March 1998) -- that better results, defined as end-of-programme employment, are obtained when people share in the costs of the training they receive (HRDC, 1996c: 17-18).

Federal officials anticipated that asymmetry would result from the Labour Market Development Agreements (Interview, HRDC official, July 1996), and in fact several types of arrangements have emerged. The effect will be to further fragment Canadian labour market programming. Nonetheless some common neo-liberal principles, such as transferring responsibility to the individual victim of unemployment, run through the agreements.

For example, a key feature of the federal-provincial labour market development agreements is language committing the governments to reduce dependency on public assistance and elicit a commitment, on the part of those who do receive assistance under employment benefits and support measures, to take primary responsibility for identifying their own employment needs and locating services necessary to meet those needs, including, if appropriate, sharing the cost of such assistance (see, for example, the Canada British Columbia Agreement on Labour
Market Development, 3.1.h). In this case privatization is equivalent to individualization. Similarly, privatization of functions continues apace. A British Columbia PSAC official (Interview, April 1998) considered that there had been a huge increase in contracting out since the Canada - BC Labour Market Development Agreement had been signed. This included work that was formerly central to the employment service such as counselling and assessment of clients. Much of this work was now being done by contractors. In one case the official was aware of a contractor sharing premises with the HRDC office. In the official's opinion there was no monitoring or quality control over the work performed by the contractors. The next stage of contracting out seemed likely to be that of "non-decision functions of Employment Insurance" benefits. This would include receipt and review of applications, handling routine enquiries, verification of records of employment, and issuing cheques. The same official opined that in the space of a decade the ethos of the department had altered from one of helping people find work and improving economic conditions through developing the expertise of working Canadians, to a simple routine of cost-saving and processing individuals such that they remained on the books for as short a period as possible.

Indeed, the "results" based orientation of the Employment Insurance Act consists precisely of these targets and, measured by these standards, has already achieved success. Reporting to the minister on the first year of experience with the new act, the Canada Employment Insurance Commission showed: that income benefits had declined by 8.4 per cent; the number if initial claimants had dropped by 14.5 per cent; there had been an increase in the number of clients receiving short-term interventions such as information and counselling; and a decrease in those receiving longer-term interventions such as training. As a result, "average costs per participant in Employment Benefits and Support measures declined from $7300 to $3900", or by 46.6 per cent (HRDC, 1998: ii-iii).

The new Employment Insurance legislation, and the associated devolution of functions to the provinces, will leave the federal authorities with a limited range of labour market policy responsibilities -- employment insurance benefits, provision of a national system of labour market information and exchange, support for inter-provincial sectoral development and developing responses to national economic crises, and jurisdiction over a one-time Transitional Jobs Fund of $300 million from the consolidated revenue fund to be spent over the next three years (HRDC, 1996b: 1). The latest reforms complete a long-term trend to ending federal Consolidated Revenue funding for employment measures. In the future any federal money for these purposes will come from the employment insurance account -- formerly known as Unemployment Insurance Developmental Uses. On current evidence, many of the services that remain will be contracted-out.

Since, at the time of the Charlottetown Accord, the federal authorities contemplated transferring unemployment insurance to the provinces (Interview, former HRDC official, July 1996), it is possible that further devolution will occur eventually. Indeed, the current posture of HRDC with respect to contracting-out of functions would seem well-suited to prepare the ground for this eventuality. Such a trajectory has been made more likely by the major shift toward radical decentralization of federalism favoured by Ontario, traditionally an upholder of a strong role for Ottawa. An Ontario position paper on the constitution called for
unemployment insurance to be run jointly by the federal and provincial governments or by the provinces alone (*Globe and Mail*, 16 August, 1996). Should that materialize, the process of harmonizing Canada's unemployment insurance system with that of the United States, predicted by opponents of the Free Trade Agreement, will be largely complete.

At the same time as it is getting out of the business of job training and active employment measures the federal government has restructured the unemployment insurance system (HRDC, 1995a). The federal rationale for the restructuring was that:

Unemployment Insurance was created when Canada's economy was very different. People expected to have the same jobs for life, often with the same employer. When someone lost their job, they could expect to find another similar job fairly quickly -- and UI provided temporary income support during the job search.

In today's world, where sweeping technological change has buffeted the workplace -- destroying old jobs while it creates new ones -- thousands of Canadians have been displaced from their careers and jobs; unemployment has become more frequent, pronounced and entrenched than at any time since World War II.

Canada is now beginning to experience the kind of structural, long-term unemployment that other OECD countries have already had to deal with. Unfortunately, the UI program has not kept up with these sweeping changes. Today, many unemployed Canadians need more direct employment assistance to find their way back into the workplace. Making sure that unemployed Canadians can cope with adjustment and change and return to work as quickly as possible is not only important for the health of the economy, it is important for the good management of the insurance fund, to keep costs low.

A second problem with the UI system is that over time many employers have come to plan their hiring practices around the UI system, and many workers use UI as a regular source of income. As a result, the program itself has become an integral part of the labour market rather than a system of temporary income support, as it was originally intended to be (HRDC, 1995b).

By the early 1990s the programme had ceased to be particularly generous by international standards. The important changes to the system (see HRDC, 1996c) included calculating qualification periods in terms of hours worked rather than weeks worked. The department claimed that this would be more equitable for part-time workers and women workers in particular, and that it reflected the labour market reality of increasing part-time work. Other changes reduced the benefit replacement rate for repeat claimants and introduced a supplement for low income family claimants, increased the clawback of benefits from high income earners, and reduced premiums and maximum insurable earnings.

The changes continue a process of dismantling the 1971 employment insurance system. The results include a decline in coverage. As recently as 1987 some 87 per cent of the unemployed
received benefits. Today, only 36 per cent do so.\textsuperscript{13} In 1996 a department official estimated that about half the reduction was due to policy changes with the remainder attributed to labour market factors such as the prolonged recession, increased long-term unemployment which increased the number of "exhaustees", and the increased number of people who were "self-employed" (Interview, HRDC official, July 1996) Benefits are of shorter duration and the benefit rate has fallen steadily from 66.6 per cent to 55 per cent (under the new system repeat claimants can receive as little as 52 per cent).

The impact is to reduce the individual security the system formerly provided. Moreover, the broader economic function of economic stabilization -- admittedly not a priority in the neo-liberal universe that welcomes market "corrections" -- will be weakened. HRDC commissioned studies showed that despite the system's gradual erosion since the mid-1970s it had functioned as "a powerful and important stabilizer for the Canadian economy" -- a role that has been somewhat undercut by government decisions to raise premium rates too early in the recovery (Dungan and Murphy, 1995). Another study reached similar conclusions -- UI had important stabilizing effects on income and employment in the last two recessions but changes to the programme, especially government's withdrawal from financial contributions and premature premium increases, had reduced its impact (Stokes, 1995). An official stated that the department had not projected the impact of the current changes on its stabilization impact but felt that it would be reduced (Interview, HRDC official, July 1996).

The net effect of deregulating the labour market in a context of neo-liberal framework policies is that an increasingly insecure labour force must deal with an increasingly truncated and fragmented adjustment and training system while relying for job creation on a private sector that is manifestly incapable of providing an adequate supply of adequately paid jobs. This poses major challenges for organized labour.

\textbf{Implications for Trade Unions}

"The state, or some other form of public authority representing the public interest, was more indispensable than ever if the social and environmental iniquities of the market economy were to be countered, or even -- as the reform of capitalism in the 1940s has shown -- if the economic system was to operate satisfactorily." Eric Hobsbawm, \textit{Age of Extremes}

As Canadian labour contemplates its environment twenty years into the neo-liberal economic revolution, it is not without assets. Union density has dropped since the 1980s, but not to catastrophic levels in the United States. During the 1980s, especially in the fight against free trade, labour forged alliances with a range of popular sector groups. In some provinces -- notably British Columbia -- its political ally, the New Democratic Party, remains in power, and within the limits of its fiscal situation, the province's political culture, and the constitutional authority available to a provincial government, remains wedded to the alliance with organised labour. Public opinion remains supportive of many of the ingredients of the Keynesian post-war settlement -- though this is offset by the lack of any political vehicle capable of mobilizing such sentiments and by the public's own doubts about the attainability of its preferences.
The negatives outweigh the positives by a considerable margin. Labour force conditions, notably high unemployment, weaken labour's bargaining power in industrial relations settings. Downsizing of the heavily unionized public sector will, other things being equal, have an adverse effect on union density. Business' structural power has been enhanced by neo-liberal deregulation of the economy. Politically, the federal NDP lost its status as an official party in the 1993 election, though recovering in 1997. However, the composition of Parliament continues to reflect a strengthened right which means that little can be expected of "left" Liberals, if such remain in the government. In such circumstances the Liberals historic tendency is to move to the right -- a manoeuvre they have carried out with vigour and apparent enthusiasm.

In Ontario, where the NDP held office from 1990 to 1995 the experience was deeply disappointing on two counts. First, the government adopted fiscal conservatism and sought to implement it by means of a "social contract" with an unwilling labour movement (for an account of this fiasco, see McBride, 1996). Second, the government's efforts to provide a neo-corporatist basis for a progressive competitiveness strategy of labour force development were swept away by its Conservative successor. Most accounts of the demise of OTAB emphasize business hostility to it. Hence the prospects for a socially bargained response to restructuring seem remote -- business is simply unwilling to share power and clearly prefers the neo-liberal strategy of labour market deregulation.

Probably as important as labour's structural weakness, relative to business, is the ideological hegemony of neo-liberalism. While alternative analyses and strategies continue to be developed and outlined they make little impact on political discourse which continues to be dominated by assumptions of market superiority -- notwithstanding the patent failure of the market to provide economic security. No political force exists which effectively asserts an alternative paradigm. Many would argue that no alternative paradigm exists. As a result, opposition to neo-liberal policies, which occurs on a significant scale, lacks an essential ingredient of counter-hegemonic struggle -- an alternative. Notwithstanding structural factors such as the power of capital, reconstruction of an ideological alternative to neo-liberalism for the left arguably is the most important challenge facing labour and its allies.

Faced with this situation labour must take initiatives on many fronts. Here we merely sketch some of the implications of the preceding analysis. In a number of areas Canadian labour has made progress in devising strategies to respond to neo-liberal restructuring. Jenson and Mahon (1993a) identify the following: devising a labour agenda on training to guide participation in neo-corporatist 'social bargaining' structures; taking on a greater range of issues and partial democratization in response to the demands of women and racial minorities; attempts to broaden the focus of collective bargaining to include environmental and social justice issues as well challenges to management rights in areas like outsourcing and production processes; and its alliance with the popular sector. Continued efforts at building a political party sympathetic to labour are also necessary. The experiences of social democracy in British Columbia and Ontario contrast to a significant extent and labour should not hesitate to
use whatever influence it possesses within the NDP to ensure that the Ontario example is never repeated.

A potentially important area of political action (by labour) might contribute to the goal of ensuring some loyalty to basic principles on the part of elected NDP governments. More importantly this measure would contribute to altering the terms of public discourse. This is the development and support of research institutes and think tanks to develop and popularize an alternative paradigm to neo-liberalism. Here the intention would be to emulate the political right who have derived great political strength from the analyses of corporate funded organizations such as the Fraser and C.D. Howe Institutes. Research and public exposition of ideas about policy is no longer a political luxury; nor can it be left up to a political party. Rather labour's political party should be an "ideas taker". Indeed the record of recent NDP governments indicates that it is already an ideas taker. In future, however, it should not "take" the ideas of the dominant paradigm that the Ontario NDP so quickly absorbed, but the ideas of a counter hegemonic labour and popular movement. In the past, social democratic parties and other left organisations took ideas seriously. They did not regard the ideas of mainstream economics, for example, as neutral or impartial or technocratically expert. The experience of the past 20 years shows they need to develop alternatives to bodies of knowledge whose central propositions are patently biased in their effects on different social classes. And such alternatives need to be attractively presented, at various levels of sophistication for different audiences, and speak to people's real needs.

But what ideas are to be counterpoised to those that have dominated political discourse in recent decades? Neo-liberal rhetoric stresses efficiency, flexibility and freedom. The reality for all too many people has been insecurity and stress. The logical antidote to insecurity is security, stability and predictability. The appeal to such fundamental human desires must be the starting block of any alternative paradigm. None of this implies a rejection of change. Indeed, negotiated change and adaptability may be the price of achieving security -- whether in a general social sense or in more specific areas like employment.

The promise of security was at the core of the full-employment and welfare state policies of the post-war era just as the desire to liberate humanity from exploitation and insecurity was fundamental to earlier socialist projects. No evidence exists that significant numbers of people reject the goal of security. Rather it became unclear how it could continue to be met in the conditions of the 1970s. In these circumstances a concerted ideological offensive against the Keynesian old order gradually succeeded in convincing people that Keynesianism was unsustainable. It is not at all clear that the ideological offensive was successful in convincing Canadians that the goals were invalid. In the current context, therefore, an important part of a counter hegemonic project must be the demonstration -- according to the criterion of plausibility rather than absolute proof, since the adoption of all paradigms requires some kind of "leap of faith" -- that security is still attainable.

Security will not be met through the free market. Indeed, social cohesion is being destroyed by the liberation of market forces and the substitution of the crude "cash nexus" for various socially negotiated practices. Markets, therefore, must be regulated and controlled to produce
security outcomes rather than efficiency/flexibility outcomes. The only agency that can do this is government at the nation-state level. Some argue that the task is beyond governments' capacity. No conclusive proof can exist since governments' capacity to control markets has not been tested in recent years. However, for what it is worth, some free marketeers, like the *Economist*, fear that it is within the capacity of governments: "those who demand that the trend of global integration be halted and reversed are frightening precisely because, given the will, governments could do it" (*Economist*, 7 October, 1995: 16). This probably does not apply to a single government acting alone: some combination of governments acting in concert would be required to re-assert the primacy of the state over the market. In any event, it is difficult to envisage any other agency having the potential capacity to moderate market forces. A significant part of any hegemonic project, therefore, must be to recapture the language and rebuild the public domain -- the domain of collective social decision making that can also be described as democracy. One of the astonishing rhetorical successes of the New Right has been the claim that markets maximize freedom and are therefore inherently democratic -- more so than a political process captured by "special interests". In fact, the vast inequalities that unregulated markets produce are deeply undemocratic in their implications, and the case must be made that the greatest threat to freedom in the current era comes from markets, and the increasingly monopolistic forces that control and benefit from them, rather than from the state.

Among the means of accomplishing this reversal of power relationships the following merit close examination. They are presented as indicative of approaches that might be taken; their likely efficacy, and that of other possibilities not mentioned here, would be subjects for investigation by the research institutes and think tanks referred to earlier. A top priority would be the institution of controls on capital movements either through something like the Tobin tax (see Michalos, 1997), or through a more comprehensive package of controls on capital (Crotty and Epstein, 1996). Attention might also be given to implementing new forms of protectionism designed to ensure that inferior social and environmental standards do not lead to employment insecurity in countries with higher standards (see Lang and Hines, 1993). The possibilities inherent in Keynesian notion of the "socialization of investment" (Seccareccia, 1995), never implemented in the Keynesian era, point to another avenue of ensuring that adequate social benefits flow from investment. And, addressing the debt "albatross" through reduced real interest rates, toleration of higher inflation, or partial "monetization" of the debt, should be carefully canvassed. Within this context and a drive for full-employment, "active" labour market policies in the traditional sense and labour force development would play a major role -- one that is significantly different from the only they currently play or can play within a neo-liberal framework (see Albo, 1996).
Notes

1 See McBride and Shields, 1997.
2 For a discussion of the Keynesian, post-Keynesian, and monetarist (a key ingredient of what is here referred to as neo-liberalism) views of the economy and the labour market, see McBride, 1992: Ch. 3.
3 For a discussion and critique of the NAIRU concept, see Setterfield, 1996.
4 There is a huge literature on human capital theory. The classic statement is Becker, 1975.
5 Neo-liberal hostility to the existence of unemployment benefits and minimum wages legislation is based on the ability it gives workers to refuse jobs at wage rates the market might determine. The effect, from a neo-liberal perspective, is to keep unemployment levels higher than they might be otherwise since they provide individuals with the option of turning down employment that, from their point of view, is unsatisfactory. In addition, unemployment benefits are regarded as a contributing factor to higher labour force participation rates than would otherwise occur. This is because some individuals allegedly enter the labour force in the expectation that they will soon become eligible for unemployment benefits.
6 For a good descriptive account of early training programmes, see Hunter n.d., Ch. 1-5.
7 The Ontario experiment did not long survive the replacement of the social democratic Rae government by the neo-liberal Harris Conservatives in 1995.
8 However, regional boards exist in Québec.
9 For a review and rebuttal of literature suggesting that the unemployment insurance system acted as a disincentive to work and hence raised the unemployment rate, see Jackson, 1995:3-9; see also, McBride, 1992, Ch. 6.
10 An interesting change from the previously favoured labour force development terminology.
11 Spending from that source for training and other employment measures first exceeded CRF funding in 1992-3 (Canada, 1994: 35).
12 See McBride, 1992, Ch. 6, for details of earlier rounds of restrictions.
13 According to Statscan figures (see *Vancouver Sun*, 23 April, 1998). According to Statscan, this was an average monthly figure. In several months it was less than 30 per cent, with the low being 27 per cent. These calculations are significantly lower than HRDC estimates of 43 per cent (see Human Resources Development Canada, 1998).
References


Dungan, Peter and Steve Murphy (1995) "The UI System as an Automatic Stabilizer in Canada" (Ottawa: HRDC).


Jenson, Jane and Rianne Mahon (1993a) "Legacies for Canadian Labour of Two Decades of Economic Crisis", in Jenson and Mahon, eds. 1993b.


Setterfield, Mark (1996) "Using the NAIRU as a basis for macroeconomic policy: An Evaluation", in MacLean and Osberg, eds.


Wolfson, Alan (1983) "Discussion", in Queen's University, 1983, pp.145-147.